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At its meeting on July 9–10, 1985, the Committee reaffirmed ranges for the year of 6 to 9 percent for M2 and 6 to 9½ percent for M3. The associated range for total domestic nonfinancial debt was reaffirmed at 9 to 12 percent. With respect to M1, the base was moved forward to the second quarter of 1985 and a range was established at an annual growth rate of 3 to 8 percent.

For 1986 the Committee agreed on tentative ranges of monetary growth, measured from the fourth quarter of 1985 to the fourth quarter of 1986, of 4 to 7 percent for M1, 6 to 9 percent for M2, and 6 to 9 percent for M3. The associated range for growth in total domestic nonfinancial debt was provisionally set at 8 to 11 percent for 1986.

With respect to the implementation of policy for the immediate future, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions. That action was expected to be consistent with growth in M2 and M3 at an annual rate of around 7½ percent during the period from June to September, and with a substantial slowing of M1 growth to an annual rate of 5 to 6 percent. It was agreed that somewhat lesser reserve restraint might be acceptable in the event of substantially slower growth of the monetary aggregates while somewhat greater restraint would be acceptable in the event of substantially higher growth. In either case such a change would be considered in the context of appraisals of the strength of the business expansion, progress against inflation, and conditions in domestic credit and foreign exchange markets. The intermeeting range for the federal funds rate was retained at 6 to 10 percent.

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Financial Innovation and Deregulation in Foreign Industrial Countries

J. David Germany and John E. Morton of the Board's Division of International Finance prepared this article.

The process of financial innovation that has taken place in the United States over the past decade has also been evident in other industrial economies. Although the forms the innovations have taken have differed among countries, there have been some prominent common elements, among them the introduction of new financial assets and markets, a greater reliance upon market-determined interest rates, and increased competition among financial institutions. Changes in the regulatory environment have influenced the extent and form of financial change in individual countries as has the increased internationalization of financial markets. Financial innovation has, in turn, had an impact on the conduct of monetary policy and the supervision and regulation of financial markets.

SOURCES OF INNOVATION

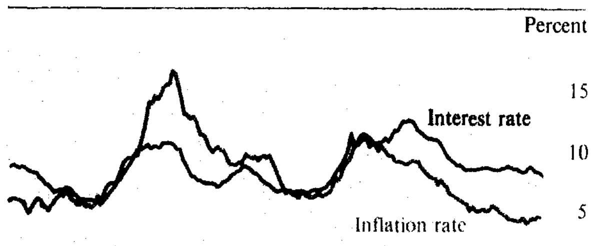
It is difficult to determine the exact source of a particular innovation in financial markets. Usually factors have interacted with each other and with the unique regulatory and financial structure in each country. Nevertheless, several broad categories of factors are discernible. The most important are technological change, high and variable interest rates, bigger government deficits, and the growing internationalization of financial markets.

Technological change, particularly the advance in computer technology, has altered the environment of financial markets in several ways. It has made possible new types of financial assets and transactions, such as cash management or sweep accounts. More important, nearly all financial transactions have become significantly faster and cheaper, so that financial institutions have incentives to furnish a wider and more competitive range of services. Finally, the increased speed and lower cost of communication have been important to the development and expansion of international markets.

Technological developments alone could account for some recent financial innovations, but changes in the economic environment over the past decade have probably been of greater importance. Although the form and degree have differed in individual cases, the patterns of economic change in most of the major industrial countries have been parallel, largely because their policy responses have followed a broadly similar sequence in the wake of global economic disturbances, in particular the two periods of sharply rising oil prices in the 1970s.

The movement of average short-term interest rates and inflation rates in the major foreign industrial countries since 1970 is shown in chart 1. Both interest and inflation rates started to move sharply higher in 1973, receded temporarily later in the decade, then surged to new peaks about 1980 before falling back again in recent years. While magnitude and timing have varied, these upsurges in interest and inflation rates have been widespread. Higher nominal and real inter-

1. Average inflation and short-term interest rates in major foreign industrial countries



Geometric weighted averages of three-month interbank interest rates or closest equivalent and of change in consumer prices.

est rates have stimulated financial innovation by widening the gap between regulated and freely determined market interest rates. Asset holders have been motivated to economize on non-interest-bearing transactions balances and, in general, to shift out of deposits yielding below-market interest rates. Financial institutions have been forced by competitive pressures to offer market rates on deposits where regulations allowed and to push for an easing of such restrictions where they did not.

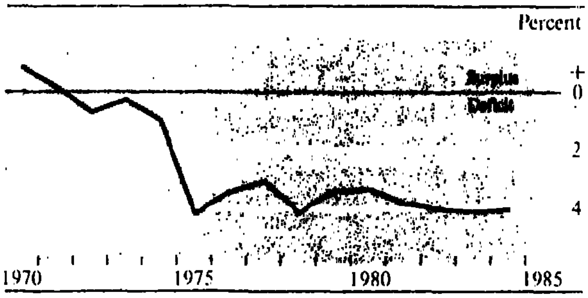
Along with a generally higher level of nominal interest rates have come periods of heightened variability of interest rates and other financial variables such as exchange rates. These increases in variability and the resulting rise in uncertainty and risk have generated a demand for new types of financial instruments, such as loans and securities with variable rates and shorter maturities, and they have stimulated the development of financial futures and options markets as a means of managing risk.

A less direct but often important stimulus to financial innovation has been the growth of government budget deficits, depicted in chart 2. Rising government deficits have tended to stimulate the development of bond and other money markets. The greater volume of government bonds issued has deepened existing markets. Moreover, authorities have altered regulations in order to encourage the development of securities markets in which government debt instruments could be sold more easily.

The role of financial regulations in financial innovation has been complex. In the face of extensive regulation, the innovative process has often been delayed or distorted. On the other hand, avoiding regulatory restraints has been a powerful motive for financial innovation. At times, authorities have used deregulation in a deliberate attempt to liberalize financial market structures and have thus stimulated innovation. At other times, innovations have forced authorities to alter restrictions in an effort to regain regulatory control.

Finally, the growing international openness of the industrial economies has stimulated financial innovation. This process has been operating for several decades, but its pace has quickened in recent years. As barriers to the movement of

2. Ratio of government fiscal balance to gross national product, average for major foreign industrial countries



Weighted average of surpluses and deficits as a fraction of gross national product.

capital between countries have been lowered in the postwar period, financial flows have grown. With this growth has come increasing competition between financial institutions in different countries and the consequent development of international markets, particularly the Eurocurrency and Eurobond markets. Financial institutions within individual countries have faced increased competitive pressures from these markets. The tendency toward greater integration of, and competition among, national markets in a global system has provided opportunities for increasing efficiency and widening the scope for financial innovation.

In response to these forces for change in the economic environment over the past decade, broadly similar financial innovations have occurred in a number of countries. One important innovation, a response mainly to higher and more variable interest rates, has been the new, more flexible financial instruments bearing market rates of interest. Recent years have seen the introduction or intensified use of negotiable certificates of deposits, money market mutual funds, money market certificates, and various interest-bearing checking accounts. Existing securities markets have grown, and new markets have come into existence. A wide variety of new types of bonds have been developed, with features including variable interest rates and inflation guarantees. Secondary bond markets have also become more numerous. New financial instruments have continued to emerge as the economic environment has evolved.

Increasing competition among financial institutions has been another important common feature of innovation. Banks have faced strong competition for deposits from near-banks and money markets and have responded both by offering improved returns on their deposits (where regulations permitted) and by pressing for financial liberalization and an easing of restrictions. On the asset as well as the liability side, competition has strengthened. Financial institutions traditionally confined to mortgage financing have moved into business lending normally dominated by commercial banks, while banks have expanded their role in the mortgage market. In consequence, as both their asset and their liability structures have grown increasingly similar, the traditional distinction between commercial banks and savings institutions has tended to break down.

EXPANDED USE OF MARKET INTEREST RATES

An important aspect of the general process of financial innovation has been the movement toward greater use of market-determined interest rates in the banking sectors of the major industrial economies. Two factors have determined the nature and extent of change in different countries. One key variable has been the degree to which banks have faced competitive pressures from other banks, nonbank financial institutions, or money markets. The second factor has been the regulatory environment.

Competitive Pressures

Table 1 provides summary information on the current banking structures in six major foreign industrial countries. Four of these countries—Canada, Germany, Italy, and the United Kingdom—currently have no limits on the payment of market rates of interest on bank deposits. Despite the absence of direct controls on interest rates, other restrictions on banks, in particular balance sheet contraints, can sometimes reduce the incentives for banks to compete actively for deposits, thus effectively holding down deposit interest rates. Both the controls of bank credit growth in Italy and the "corset" limiting the growth of banks' interest-bearing liabilities in the United Kingdom have had this effect at times over the past decade.

In the absence of regulatory restrictions on bank deposit rates, pressures for the payment of market rates have been generated by high nominal interest rates and technological change. The Canadian experience offers an example. Over the past decade, inflation and interest rates reached

1. Current regulatory and competitive conditions for banks, selected foreign industrial countries

Country	Regulation		Competition	
	Interest rate controls	Balance sheet constraints	Other financial institutions	Nonbank financial assets
Canada	No (ceilings on certain certificate of deposit rates, 1972–75)	No	Trust and mortgage loan companies, credit unions, insurance companies	Government bonds
France	Yes (ceilings except for long-term, large-denomination time deposits)	Credit expansion ceilings (officially lifted 1985)	Savings banks	Government bonds, bond funds
Germany	No	No	Life insurance companies	Small-denomination government bonds
Italy	No	Credit expansion ceilings (officially lifted 1983)	Savings banks, special credit institutions	Treasury bills
Japan	Yes (regulated except for foreign currency deposits and certificates of deposit)	Window guidance (limits on bank lending)	Postal savings	Bond funds
United Kingdom	No (not since 1975)	No (limits on growth of interest-bearing liabilities, intermittently 1973–80)	Building societies	Government-issued national savings certificates, money market funds

double-digit levels in Canada. At the same time, the spread of computer technology lowered banks' marginal costs and encouraged the expansion of certain kinds of deposits. Starting in the early 1970s, Canadian corporations employed cash management techniques to minimize their use of zero-interest forms of demand deposits, "sweeping" all other funds into a variety of short-maturity interest-bearing deposit accounts offered by banks to meet the new needs of their corporate customers. For banks, the use of such sweep accounts had an advantage over paying interest directly on demand deposits because the short-maturity deposit accounts faced lower reserve requirements. In 1979 innovation spread to the personal sector with the switch from monthly balances to daily balances as the basis for paying interest on savings accounts. Daily interest checking accounts became widespread in 1981.

The speed with which banks in countries such as Canada have moved to increase the use of market interest rates has depended on the degree of outside competition they face from other financial institutions, money markets, or some combination of the two. In Canada and the United Kingdom, outside competitive pressure has come mainly from other financial institutions. As described in more detail later, certain regulatory advantages have permitted both Canadian trust companies and U.K. building societies to compete strongly with banks in the struggle for deposits. This competition has often taken the form of offering new types of deposits or improved rates on existing deposits. For example, when the U.K. building societies introduced an interest-bearing checking account for small depositors, the banks were forced to respond by offering a similar account.

In other countries, money markets have competed with banks for deposits. In Italy, for example, the growth of public sector deficits in the 1970s prompted the government to offer securities with shorter maturities, variable rates, and inflation-indexed returns. Of particular importance was the growth of a broad market in small-denomination, tax-free Treasury bills, which attracted funds from bank deposits. Similarly, the sale of U.K. government national savings certificates, bearing an atttractive interest rate and aimed at the small saver, offered strong competition for deposits at U.K. financial institutions.

Germany provides a good example of the way a lack of strong outside competitive pressure has allowed banks to avoid paying market rates of interest on deposits. While large depositors at German banks have been able to receive market rates of interest because of the existence of alternatives such as the Euromark market, small depositors in general have received below-market interest rates. One reason is the relatively uncompetitive environment in which German banks operate. No variations in regulations offer competitive opportunities to near-banks in Germany because all financial institutions performing banking functions are subject to the same reserve requirements and are generally regulated like banks. In addition, rules prohibit money market funds with checking features and certificates of deposit. Although bank deposits have competed with small-denomination, nonnegotiable, one-year government bonds sold directly to the public, in general there are relatively few alternatives to small-denomination bank deposits in Germany.

Shifting Regulatory Environment

In both France and Japan, strides have been made toward greater use of market-determined interest rates in the banking sector despite extensive regulatory controls. The process of financial innovation in both countries has been complex, as regulatory changes have mobilized new competitive pressures that in turn have spurred further changes in regulations. A feature common to the two countries has been the key role of securities markets.

Banking activity in France has been, and remains, tightly regulated. Bank deposit and lending rates are administered by the authorities. Checking accounts pay no interest, and there are severe limitations on the payment of market-determined interest rates on time and savings accounts. A system of credit ceilings was formally removed in 1985, but the growth of bank credit remains under tight administrative control. These restrictions have been reinforced by exchange controls.

In recent years, change has been introduced into the tightly controlled French system through the rapid development of the bond market. In part, this development has represented a market response to a changing economic environment, but a shift in government regulations has also played a role. The government's desire to develop the French bond market in the late 1970s arose partially from a need to finance large budget deficits. In addition, it was hoped that businesses would reduce their nearly total reliance on short-term bank loans as a source of external financing and that savers could be induced to move away from traditional outlets such as gold and real estate. To this end, changes in laws in 1978 and 1983 greatly improved the tax incentives for both issuers and holders of bonds. Banks were encouraged to issue bonds by exempting loans financed by bond sales from credit ceilings. Most important from the standpoint of the banks, the conditions under which market-related interest rates could be paid on time deposits were severely tightened in 1981. This last change was motivated partly by a desire to stimulate the bond market, but it was aimed mainly at moderating the increase in banks' loan rates at a time when the general level of interest rates was rising.

These regulatory changes, in conjunction with high nominal interest rates, led to a four-fold increase in the size of gross and net bond issues between 1979 and 1984. Banks faced a runoff of their deposits as investors shifted into bonds, especially following the 1981 tightening of restrictions on the payment of market interest rates on time deposits. In an effort to compensate for this shift, banks started offering mutual funds invested in variable-rate and short-maturity bonds. These bond funds grew spectacularly. By the end of 1984, their portfolios accounted for nearly one-fifth of the total capitalization of French bond markets. Thus, while the ability of French banks to pay market-determined interest rates on deposits has remained severely restricted, an increasing portion of their funds has been raised at market rates because of their involvement in the bond market. This general movement will be reinforced now that banks are allowed to issue negotiable certificates of deposit.

Parallels to developments in France can be seen in Sweden, where financial innovation in a traditionally tightly regulated banking sector has also been stimulated by competition from money markets. The key event in this process was the introduction of Treasury bills in 1982. Previously, the imposition of "liquidity ratios," which required banks to hold a certain fraction of their assets in the form of government securities, had forced banks to accept new government debt issues bearing below-market interest rates. With the sharp rise in government deficits in the late 1970s, this process proved increasingly burdensome. By selling Treasury bills in the open market, the government was given direct access to the funds of nonbank investors. This relieved the pressure on banks to absorb government debt but increased competition for bank deposits.

The rapid and extensive development of the Swedish Treasury bill market has encouraged the introduction and widespread use of other short-term financial assets. The market for certificates of deposit has expanded, and a substantial commercial paper market has recently developed. Throughout this process Swedish banks have faced competition for funds from finance companies, generally unregulated financial institutions that, unable to accept deposits, have obtained funds by offering the public a variety of financial instruments at attractive interest rates. Banks themselves have started offering depositors substantially improved terms in recent years, especially the "combination account," which pays an interest rate that varies with the size and duration of balances.

One of the most extensive changes in banking structure in recent years has taken place in Japan. Like those in France and Sweden, changes in the heavily regulated Japanese banking system have been stimulated by the development of the bond market under the pressure of rising government budget deficits. Before this process got under way in the early 1970s, Japanese financial markets were tightly controlled and segmented. Major bank deposit rates were regulated, while lending rates were tied to the Bank of Japan's discount rate. Bond markets were underdeveloped because government deficits were small and because corporations relied almost exclusively on bank loans for external financing. International transactions were tightly controlled.

About the time of the first oil shock in 1973, several changes in the economic environment began to generate pressure for financial innovation in Japan. One factor was the rise in inflation and in nominal interest rates. Another was the slowing in economic growth. As real investment fell, businesses and households started to accumulate financial assets and, in the new inflationary environment, became more interest-rate conscious and dissatisfied with regulated deposit rates. As in other industrial economies, large government budget deficits strained the traditional system of government debt finance. In Japan, a syndicate of banks and securities firms has been required to take newly issued government debt at below-market rates and hold it for a specified period before resale in the secondary market. Resistance by syndicate members to this procedure grew in the mid-1970s as net issues expanded with the government's deficits. Partly as a result of this conflict, the authorities shortened the minimum period that syndicate members were forced to hold bonds and introduced several new medium-term instruments that were sold directly at public auction at essentially market terms.

The secondary market for long-term bonds was fostered by the growth in the 1970s of the unregulated "gensaki" market, a short-term repurchase market based on long-term government bonds. In 1980, securities companies began to offer medium-term government bond funds, or "chugoku" funds, which offered rates of interest well above those on fixed-rate bank deposits. In addition to facing stiffer competition from securities companies, banks saw some of their deposits shifted to postal savings accounts, which carried higher interest rates.

In response to this competitive pressure, banks asked for, and in 1979 received, permission to issue negotiable certificates of deposit. The CD market has rapidly taken a place beside the gensaki market as a major money market in Japan. For large depositors, banks in 1985 introduced money market certificates bearing interest rates linked to CD rates. Although restrictions remain, including limits on the rates paid on savings deposits, significant deregulation in coming years is either scheduled or promised. For example, interest rate ceilings on large-denomination time deposits are scheduled to be removed in late 1985, and liberalization for smaller deposits is to follow by 1987.

Changes in Financial Structure

Although the evolution of financial structures has differed markedly across countries, a trend toward a breakdown in the segmentation of financial markets is evident. Distinctions among services offered by different financial institutions are blurring in many countries, and national markets are becoming increasingly integrated internationally. The nature and extent of these changes differ across countries, but almost everywhere competition in financial markets has intensified.

Domestic Developments

One aspect of the change in domestic financial structures has been the increasing overlap in services offered by financial institutions. For example, in Japan the introduction of bond funds by securities companies in 1980 and the granting of permission in 1984 for banks to engage in government securities trading have blurred the sharp distinctions made there between the securities business and banking. In addition, different types of Japanese banks have begun to abandon their practice of limiting their lending to particular customers at particular maturities. Specialized financial institutions in Canada and the United Kingdom have also broadened their activities, and authorities in these two countries have shown some inclination to allow the merger of specialized institutions into ones that offer a wide range of financial services. Such institutions have long existed in Germany and Switzerland, where banks may offer all banking and securities services.

An important development in Canadian financial markets has been the overlap in activities by chartered banks and near-banks, the largest of which are the trust companies. In the 1970s the depository and lending activities of Canadian trust companies consisted primarily of offering various types of savings deposits and making mortgages. The development of interest-bearing demand deposits has, however, blurred the distinction between savings and transactions balances, inducing banks and near-banks to offer such accounts as a means of preserving their competitiveness. At first the chartered banks enjoyed a considerable advantage in offering demand deposits because they were the sole members of the national payments system. This imbalance was addressed by the Bank Act of 1980, which permitted near-banks to join the Canadian Payments Association. In addition, near-banks remained exempt from the Bank of Canada's reserve requirements, an advantage that has made trust companies formidable competitors in the retail deposit market. Trust companies and banks have also penetrated one another's traditional lending markets: chartered banks have become a significant force in the residential mortgage market, and trust companies have moved increasingly into consumer and business loans.

The integration of Canadian financial markets has also been marked by the provision of interest-bearing accounts with check-writing privileges by securities dealers and the undertaking of discount brokerage business by some banks. Of even more importance has been the growth of financial conglomerates. This activity has typically involved trust companies and life insurance companies, some of which are provincially chartered and thus outside federal control. In response to this development, the federal government proposed in April 1985 a new form of institution, a federally incorporated holding company, that could own trust banks, insurance companies, securities companies, and other financial institutions, including a new class of wholly owned chartered banks. If adopted, the proposal would require any financial holding company owning two or more types of institutions to become federally incorporated, bringing these conglomerates under a consistent set of regulations and prudential standards. Because the current proposal would not allow existing chartered banks to form holding companies, at least until the matter is taken up in the 1990 Bank Act, the measure also would encourage the development of large, broad-based competitors with the chartered banks.

Financial markets in the United Kingdom are also becoming more integrated. For the most part, the markets serviced by banks and building societies (the country's principal savings and mortgage credit institutions) during the 1970s were segmented. Because the rate of withholding tax on building society deposits was lower than the marginal tax rates on personal incomes, building societies had a substantial advantage in competing for most retail savings deposits. Moreover, building societies were effectively insulated from bank competition in mortgage lending because the Supplementary Special Deposits scheme, or "corset," limited the growth of interest-bearing bank deposits so that banks tended to restrict their lending to their prime customers. The lifting of exchange controls in October 1979, however, allowed for the potential evasion of these constraints through the use of offshore centers. The corset was abolished in June 1980, and shortly thereafter banks entered the relatively profitable mortgage market. Building societies have subsequently pressed for a broadening of their lending powers.

In addition, as discussed in an earlier section, building societies (in cooperation with banks) have introduced interest-bearing accounts with check-writing privileges to meet the growing competition for funds. In response to these pressures and in an effort to expand competition in the U.K. financial markets, the government is preparing legislation that will allow building societies to offer checking accounts directly and, subject to portfolio limitations, to hold a wider variety of assets including real estate and unsecured personal loans. In April 1985 the government harmonized the tax treatment of interest paid on deposits in banks and building societies, and it has indicated its intention to align more closely the regulatory treatment of the two systems as building societies develop.

The most dramatic change now taking place in the U.K. financial markets is the restructuring of the principal market for equities and long-term government securities, the London Stock Exchange. In accordance with the 1983 settlement of a government-led Restrictive Practices suit, the exchange will abolish fixed commissions by the end of 1986. In addition, over the coming year it will permit the integration of brokerage and dealing functions into one securities house as well as full ownership of exchange members by outside institutions, including commercial banks. These developments have produced a rash of merger announcements involving most of the prominent members of the exchange and several outside institutions. Many of these mergers will result in broad-based financial conglomerates that can offer a full range of securities and banking services. The interest in merging has been directed largely toward participating in the restructured market for long-term government securities, or "gilt-edged" market, in which the Bank of England plans to deal directly with a set of recognized market makers. On June 17, 1985, the Bank of England announced that it had accepted twenty-nine firms as market makers; in the present system, only six firms make a market in gilts, and two of them handle about three-fourths of the business.

International Linkages

Although all market makers in the new system in the United Kingdom will be U.K. subsidiaries, a striking feature of this group is that about one-half have some form of foreign affiliation. This aspect of the changes now in train at the London Stock Exchange is part of a more general trend in world markets—the growing integration of markets internationally. The trend encompasses several related developments: moves by some countries to allow foreign institutions a bigger role in domestic financial markets; the growth of international markets, such as the Eurocurrency markets; and increases in the integration of domestic markets with international markets. The trend toward the interpenetration and integration of national markets may have accelerated in recent times. Over the past year Australia, Norway, Portugal, and Sweden have moved to ease restrictions on entry by foreign-owned banks. France has loosened its exchange controls somewhat and in April 1985 permitted a limited reopening of the international bond market in French francs, which was closed to new issues in France four years ago. In May the Bundesbank announced permission for foreign bank subsidiaries that are incorporated in Germany to lead manage foreign bond issues denominated in deutsche marks and authorized the issuance of variable-rate and zero-coupon bonds. The ongoing liberalization of Japanese financial markets has involved several measures to integrate them with world financial markets, including a phased reduction of restrictions on Euroyen activity.

Some of these measures represent part of a more general effort to deregulate a country's financial markets. The easing of entry by foreign banks in Australia is only one part of a broad-based series of reforms, among them the lifting of exchange controls and most interest rate ceilings as well as the floating of the Australian dollar. The acceptance by the Bank of England of a large number of foreign-owned subsidiaries as recognized market makers in the restructured government securities market can be thought of as a policy to increase the capitalization, liquidity, and competition in that market. The Canadian Bank Act of 1980, which allowed entry by foreign banks as full-service banks, had the deliberate intent of increasing competition among banks. Although the act limited the market share of foreign banks to 8 percent of total bank assets, this ceiling was raised to 16 percent in June 1984.

An important aspect of the growing international integration of financial markets is the strengthening of incentives for regulators to liberalize their financial systems. For example, an increase in the desirability of maintaining a presence in foreign financial markets may reinforce pressures to grant foreign financial institutions reciprocal access. Sweden's decision in June 1985 to allow entry by foreign banks in 1986 was motivated in part by a desire to participate in Norwegian financial markets, which had recently allowed entry by foreign banks on a selected basis. Reciprocity issues lay behind the exclusion of Japanese institutions from those foreign entities being allowed greater participation in the German and U.K. bond markets. A potential complication of reciprocity arises when foreign financial institutions that can engage in a wide range of activities at home are allowed access to a country whose own institutions are more restricted. The question is whether the foreign institutions should be subject to the same regulatory and supervisory requirements faced by their domestic counterparts or whether the powers of their domestic counterparts should be liberalized. Such questions arose in Japan when foreign banks sought permission to enter the trust business. (Nine foreign banks were granted this permission in 1985.)

Another manifestation of the international integration of financial markets has been the expansion in the listing and trading of shares of domestic companies in foreign markets. For example, between 1982 and 1984, trading in selected U.K. equities in U.S. markets grew from generally low volumes to a sizable, and in at least one case a majority, share of the total volume of transactions in these individual securities. This growth is generally ascribed to U.S. interest in U.K. equities rather than a loss of traditional markets in London. However, the competitive threat posed by U.S. markets, combined with the possibility that a more competitive London Stock Exchange may capture a larger share of an increasingly international market for equities, almost surely made the largest members of the London exchange more favorably disposed toward reform. In turn, the prospective increase in the international competitiveness of the London exchange appears to have reinforced pressures on other exchanges to deregulate. While retaining fixed commissions, the Amsterdam Stock Exchange last year allowed members to rebate up to 75 percent of commissions charged on large bond or stock trades and will shortly eliminate the "double commission" system, in which foreign purchasers of securities have to deal with both a foreign and a Dutch broker. Recently, the Paris Bourse has agreed to eliminate fixed commissions on securities transactions.

The recent changes in German regulations governing bonds denominated in deutsche marks were also partly a response to the growth of international capital markets. Under the new procedures, the committee of leading German banks that controlled the calendar for foreign bond issues has been disbanded, and German-based subsidiaries of foreign banks have been allowed to act as lead managers for DM-denominated foreign bonds. In addition, the permitted types of DM bonds have been expanded to include floating-rate, zero-coupon, and double-currency bonds as well as bonds linked to interest rate swaps and currency swaps. The lengthened menu of DM-denominated assets will afford residents and nonresidents greater flexibility in meeting their financial and investment needs. To the extent that this flexibility enhances the attractiveness of DM-denominated instruments to nonresidents, these measures may indicate a shift in the attitude of German authorities toward the use of the deutsche mark as an international investment currency. This shift is partly a result of the recent strength of the dollar, which has alleviated concerns that wider international use of DM-denominated instruments would cause the deutsche mark to appreciate to an undesired level. The rise in demand for these instruments should also help to stimulate the growth of Frankfurt as an international financial center, especially as the Bundesbank has requested that the issue of foreign bonds be lead managed by German-based institutions. The secondary market in floating-rate notes, however, has tended to move outside the country because of a 0.25 percent stamp tax on certain sales of such notes in Germany. The Bundesbank has recently called for the elimination of this competitive disadvantage vis-à-vis other international financial centers.

The process of integrating Japanese financial markets with world markets has been closely connected with the liberalization of Japan's domestic financial markets. A landmark in this process was the passage in 1980 of a revised foreign exchange law, which in principle freed all international transactions from official control except in extraordinary circumstances. In practice, markets have been liberalized at varying paces, with the speed and extent of liberalization depending in part on the authorities' view of the likely impact on domestic markets. For example, following the passage of the new law, restrictions on the holding of foreign-currency deposits in Japanese banks by Japanese residents and on foreign-currency loans by Japanese banks to domestic residents were lifted promptly; however, the government continued to discourage the development of Euroyen markets and to limit access to forward markets. Lifting restrictions on these markets would in effect have given Japanese residents access to an unregulated yen market, weakening the government's control over interest rates and credit creation.

Since 1983 the Japanese Ministry of Finance and the U.S. Treasury have discussed a wide range of issues related to financial liberalization, including measures to lift the remaining capital controls on Japanese residents, to allow greater access by foreign financial institutions to Japanese financial markets, and to increase the international use of the yen. During the past one and one-half years a broad series of measures have been introduced to offer residents and nonresidents a wider selection of yen-denominated assets for conducting international transactions, including the creation of a yen bankers acceptance market in June 1985. Measures have also been taken to broaden somewhat the access of foreign institutions to Japan's domestic markets. The relaxation of limits on forward and swap transactions by residents in April and June 1984, in conjunction with previously granted powers to hold assets denominated in foreign currencies, effectively gave Japanese financial institutions the ability to arbitrage between domestic and international yen markets. There has also been a phased reduction of restrictions on Euroyen use.

While international political pressures have played a role in stimulating liberalization, economic forces in Japan have also encouraged deregulation. The prospect of increasing amounts of seasoned long-term government debt becoming available in secondary markets, for example, was an important element in recent decisions to decontrol some short-term markets. The liberalization of access to international markets for yen was used as part of this process, sometimes as a preliminary step to the decontrol of domestic markets. The competition between Japanese banks and securities companies both in Japan and in overseas markets created pressures for the deregulation of the Euroyen bond market, especially as the development of a thriving Euroyen market would represent an important source of business for both sets of institutions. These and similar pressures can be expected to operate in the future.

Implications for Economic Policy

Recent financial innovation and deregulation in the major industrial countries have served an important function in facilitating adjustment to changes in the economic environment. Financial systems have in general become more diverse and more flexible. The greater reliance upon market-determined rates of interest has tended to improve the efficiency of capital allocation, both within and between countries, as has the increase in competition among financial institutions. However, these benefits have not been costless. Changes in financial structure brought about by financial innovation have at times heightened uncertainty and risk. Financial innovation and deregulation have also tended to complicate the tasks authorities face in conducting monetary policy and in supervising financial markets.

Monetary authorities attempt to help achieve important economic goals with respect to output and inflation through control of such variables as money supplies and interest rates. Financial innovation may complicate this process in several ways: the underlying relationship between ultimate goals and policy instruments may shift; the intermediate targets of monetary policy may become more difficult to control; the measurement and interpretation of certain monetary variables may become more difficult. These problems have been evident especially in the countries that in recent years have chosen to conduct monetary policy mainly through the control of the growth of a targeted monetary aggregate.

In defining money, distinctions have traditionally been made between liquid, low-yielding transaction balances and less-liquid, higher-yielding investment assets. However, financial innovation tends to blur this distinction, as new assets appear having both payments and investment characteristics. In Canada, for example, when a policy of money-supply targeting was adopted in 1975, the aggregate chosen was M1. But innovation in bank deposit accounts eventually required a redefinition of the Canadian aggregates, including the introduction of a new aggregate, M1A, which added to M1 all daily-interest checking deposits. This new aggregate grew rapidly as M1 grew slowly or even declined. Such instability in the measures of monetary aggregates was an important element in Canada's 1982 decision to discontinue monetary targeting. Similar difficulties have arisen in France, where the rapid growth of money market funds has distorted the relationship between economic activity and the targeted M2 aggregate. It is possible in principle to redefine monetary aggregates or adjust monetary targets as financial innovation takes place; however, it takes time to establish with any confidence new relationships between the altered monetary variables and ultimate policy objectives. In any event, such redefinition may damage public perceptions of monetary policy as stable and predictable, thus impairing one of the main advantages of adopting monetary targets.

In countries that have relied on direct controls of credit or interest rates, financial innovation and the often related process of deregulation have complicated the implementation of monetary policy. Fewer key monetary variables can be controlled directly by the monetary authorities as unregulated markets and financial institutions emerge. In consequence, authorities in these countries have tended to adopt monetary policy techniques that are more market-oriented, such as open market operations, and to foresake direct quantitative controls, such as credit ceilings. In recent years the United Kingdom, France, and Italy have officially lifted the quantitative credit ceilings that had been central to monetary control.

Recent changes in the financial environment have increased the risk faced by banks and other financial institutions in several ways. The heightened variability of interest rates and other financial variables has exposed banks to greater risk, although new financial instruments and techniques have enabled banks at least partially to hedge against this exposure. In addition, the erosion of stable deposit bases paying below-market interest rates and stiffer competition from other financial institutions have created pressures on their profit margins. As the scope of activities engaged in by all financial institutions has broadened, the possibility of financial loss has increased as well. These changes have made governmental supervision and regulation of financial markets more difficult. Along with an increase in the general level of risk has come a shift in the structure of financial markets as a growing fraction of financial transactions has moved into unregulated activities or sectors of the market. In several countries, the authorities have responded by modifying the oversight and supervision of financial markets.

Important new regulatory issues have also been raised by the increasing internationalization of financial markets. As domestic financial markets have become even more integrated into global markets, activities important to the domestic economy have passed beyond the control of domestic regulatory authorities. This problem is complicated because attempts to tighten domestic regulations strengthen incentives for activities to move abroad, beyond the direct control of domestic authorities. The development of the Euromarkets is the most prominent example of this process. Thus the now-global nature of issues of financial supervision and regulation has forced national authorities increasingly to consult and cooperate on such matters in a wide range of forums. □

Revised Federal Reserve Rates of Capacity Utilization

Richard D. Raddock of the Board's Division of Research and Statistics prepared this article.

The Federal Reserve has revised its estimates of industrial capacity and capacity utilization for the period since the end of 1966. The new estimates, made in conjunction with the Federal Reserve's recent revision of the index of industrial production, continue to cover manufacturing, mining, and utilities. Two sets of estimates are published, one for major industries and another for industrial materials. Like the earlier estimates, the revised ones show that, so far in the 1980s, growth of capacity has been relatively slow, and capacity utilization has been relatively low.

Each utilization rate is the ratio of a seasonally adjusted industrial production index to a related capacity index (chart 1). The capacity indexes are developed from a variety of data and, in regard to coverage, weights, and procedures for aggregation, are designed to be used with the industrial production indexes (see the appendix for a more detailed description of the methodology).

The indexes for production and capacity have been revised in several ways. Both are now expressed as percentages of output in 1977 and thus usually have lower numerical values than the earlier indexes, which were based on 1967 output. This rebasing, in itself, does not affect the derived utilization rates. Changes in these rates reflect the incorporation of more data, the introduction of new series, changes in the Standard Industrial Classification (SIC) system, and the updating of the value-added weights that are used to combine the various output and capacity series into output and capacity aggregates.[1]

THE NEW ESTIMATES

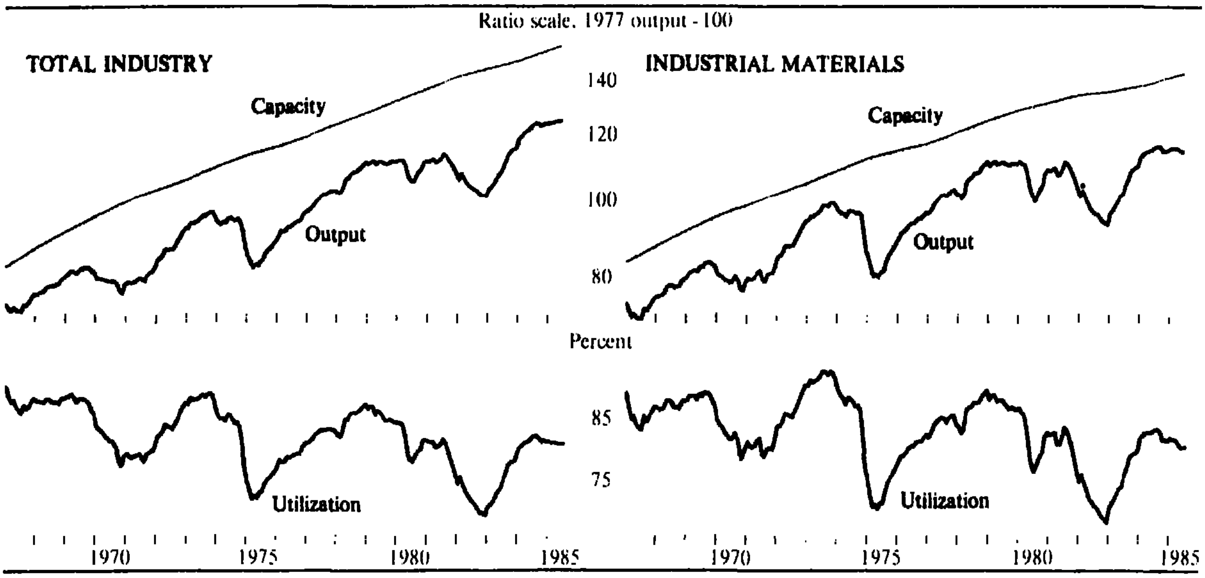
In general the revision has changed capacity utilization rates only slightly. Until early 1985 the revisions were downward on balance, but in the spring of 1985 new data on output raised utilization a little above the rate shown earlier. The new estimates, like the earlier set, show that utilization of industrial capacity in the early 1980s was below, or at best equal to, the 1967–84 average. In December 1984 overall capacity utilization in manufacturing, mining, and utilities was 81.1 percent, just 0.1 percentage point lower than the earlier estimate; over the entire 1967–84 period, the rate averaged 81.7 percent compared with 82.0 percent in the earlier measure (table 1).

Underlying the new utilization figures are revised average annual rates of growth of industrial capacity. The revised rate was 4.2 percent from the end of 1966 to the end of 1973; it declined to 3.2 percent between late 1973 (when a cyclical peak and the oil embargo occurred) and late 1979 and declined further to 2.9 percent from late 1979 to late 1984. The revised rates for 1967–73 and 1973–79 are nearly the same as the earlier estimates for those periods, but the growth rate of 2.9 percent for 1979–84 is about 0.5 percentage point higher than the earlier estimate. The estimate for capacity utilization for 1979–84 was

NOTE. Others who contributed to the revision of the capacity utilization estimates include Charles Gilbert and Sheldon Cheng, assisted by Rita Grays, Laurence Greenberg, and James Moyers.

1. These aspects of the major revision of the production index are discussed in Joan D. Hosley and James E. Kennedy, "A Revision of the Index of Industrial Production," FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501.

1. Output, capacity, and utilization



little changed, however, because of upward revisions in the growth of industrial production.

Revisions to some of the individual utilization series were much larger than the changes in the total. Lowered estimates of utilization were centered in durable manufacturing, in which the 1967–84 average is 1.3 percentage points below the earlier rate and the December 1984 rate is down 2.7 percentage points. Within durable manufacturing, utilization rates were found to be substantially lower in December 1984 for producers of motor vehicles and parts and producers of machinery—especially electrical machinery, whose rate was revised downward nearly 11 percentage points for that month. Capacity growth in electrical machinery, which includes the fast-growing semiconductor and communications equipment industries, had been substantially underestimated for the 1981–84 period because of incomplete data.

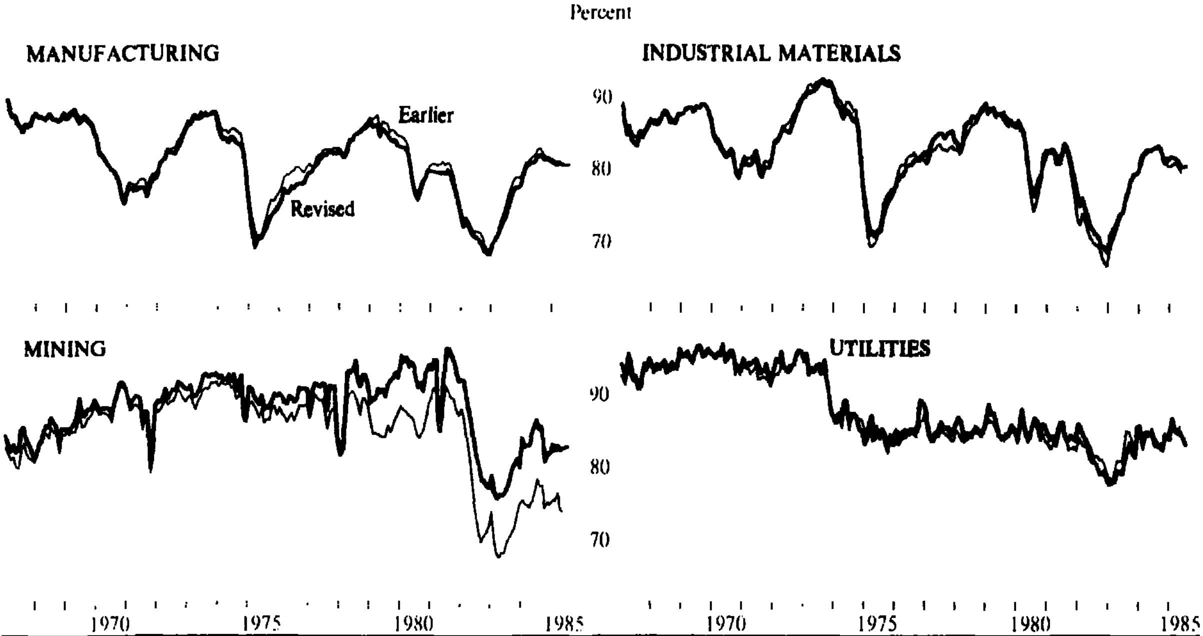
Downward revisions of utilization rates in other categories of manufacturing—such as rubber and plastics products, paper and products, and textile mill products—were smaller than the reduction for machinery. Because the utilization rates for other manufacturing industries, such as producers of chemicals and of petroleum products, were revised upward, the net revision in manufacturing was moderate.

Within manufacturing, three additional series of utilization rates are now published: (1) primary metals, a combination of the published series for iron and steel with that for nonferrous metals; (2) other durables, which covers unpublished estimates for lumber and products, furniture, miscellaneous manufacturing, and ordnance facilities owned and operated by the government; and (3) other nondurables, which covers unpublished estimates for tobacco products, apparel, printing and publishing, and leather and products.

In the other categories of industry, the utilization rate for mining was revised upward substantially, and the rate for utilities was increased slightly. The increase for mining was derived in part from the introduction of 1977 weights; this gave a larger weight to crude oil extraction (primarily pumping, rather than drilling), an industry that typically operates near capacity. Moreover, several mining series were revised extensively.

The utilization rate for industrial materials was revised upward 0.9 percentage point in December 1984 to 81.3 percent, in large part because of the upward revisions in mining and chemical materials. The rate for materials recently was quite close to the total industry rate, and remained below its 1967–84 average (chart 2).

2. Capacity utilization rates, revised and earlier



Low Utilization Rates and Slow Growth

Compared with earlier periods, utilization rates have been low for much of the time since 1973 and especially so in the 1980s; such chronically low utilization has contributed to the slowdown in capacity growth. The utilization rate for manufacturing averaged 83.4 percent from 1948 (when the series starts) to 1973. The average since then has declined, falling to 76.5 percent for the years from 1980 to 1984, during which two recessions occurred; the December 1982 rate of 68.0 percent established a record low for the series. With a substantial recovery through mid-1984, the rate rose to 81.8 but thereafter eased to about 80 percent in the summer of 1985 (table 2). The highs since 1980 did not approach the levels of earlier major peaks.

These low utilization rates are a symptom of several problems faced by domestic industries. A complex of factors has slowed the growth of demand for the output of U.S. industry since 1973, when the onset of soaring energy prices and major recessions led to dislocations. Output has trended downward in some basic industries, and manufacturers have reduced the rate of capacity expansion partly by closing plants permanently. The growth of overall manufacturing capacity slowed from a rate of more than 4 percent per year in the quarter-century before 1973 to 3.2 percent since 1973 (chart 3). Most major industry groups have slowed their growth of capacity. Among the exceptions to this trend was the food industry. In electrical machinery, capacity growth has been well maintained, with rapid expansion in communications equipment and electronic components such as semiconductors. Capacity growth slowed substantially for manufacturers of rubber and plastics products and instruments, which were the fastest growers before 1973. Nevertheless, these manufacturers continued to expand faster than average, at an annual rate greater than 5 percent.

The slowest growth in manufacturing capacity has been among the primary processing industries. Many of these industries produce basic, internationally traded commodities, and demand for them has been reduced by technological progress, conservation of fuel and materials, slower overall growth, ample foreign capacity, and the high foreign exchange value of the dollar. All of these factors apply in the case of domestically produced steel, whose utilization rate averaged only 58 percent over the 1982–84 period and was only about 65 percent in mid-1985. Faced with continuing losses, firms have closed many older steel mills; by mid-1985, capacity was about one-sixth below its high, reached in the 1970s. Similarly, hundreds of smaller, older petroleum refineries have closed. Many became unprofitable because they faced reduced demand

1. Capacity utilization, 1967–84, and share of industrial production, 1977, published series

Percent, except revised less earlier rate, which is percentage points

Series	1977 share of total industrial production[1]	Capacity utilization							
		1967–84 average		1978–80 monthly high		1982 monthly low		December 1984	
		Revised	Revised less earlier	Revised	Revised less earlier	Revised	Revised less earlier	Revised	Revised less earlier
Total industry	100.000	81.7	−.3	86.9	−.4	69.5	−.1	81.1	−.1
Manufacturing	84.215	80.7	−.7	86.5	−1.0	68.0	−0.8	80.9	−.5
Primary processing[2]	31.657	81.7	−1.7	89.1	−2.3	65.1	−1.1	80.9	1.4
Advanced processing[3]	52.557	80.2	−.2	85.1	−.8	69.5	−.5	80.8	−1.4
Durable manufacturing	49.102	78.8	−1.3	86.3	−3.1	63.7	−1.1	79.3	−2.7
Stone, clay, and glass products	2.715	77.6	−.3	86.6	−3.8	62.9	−.1	79.4	2.9
Primary metals	5.332	80.5	...	97.1	...	45.8	...	70.3	...
Iron and steel, subtotal	3.485	80.1	−0.2	100.3	2.8	37.6	−1.2	65.4	.9
Nonferrous metals, subtotal	1.847	81.3	−1.9	91.1	−7.1	60.8	−1.3	78.3	.3
Fabricated metal products	6.460	77.7	−1.0	87.4	−2.6	61.3	.6	79.6	2.8
Nonelectrical machinery	9.541	78.7	−.3	86.0	2.9	62.9	1.3	76.1	−4.3
Electrical machinery	7.149	78.5	−2.3	89.9	−.7	66.9	−7.8	80.7	−10.8
Motor vehicles and parts	5.255	77.6	−1.0	93.3	−1.2	47.0	.9	83.5	−4.3
Automobiles	1.820	...	...	93.3	1.7	36.6	.8	80.2	−1.4
Aerospace and miscellaneous transportation equipment	3.871	76.2	−1.2	87.1	−6.8	70.7	1.6	79.4	1.9
Instruments	2.663	83.4	.7	88.9	−3.4	77.8	4.7	84.3	2.3
Other durables[4]	6.116	81.7	...	81.0	...	69.1	...	83.1	...
Nondurable manufacturing	35.112	83.5	−.1	87.0	−.2	74.4	.6	83.1	2.3
Food and kindred products	7.957	82.5	−.3	85.1	−.1	76.5	.0	79.8	1.0
Textile mill products	2.286	84.5	−1.6	88.3	−3.0	70.6	−2.4	77.5	−.8
Paper and products	3.147	88.2	−1.9	92.7	−2.4	80.8	−3.4	93.4	−1.1
Chemicals and products	8.051	78.7	.9	82.9	−.7	67.6	3.6	77.1	5.4
Petroleum products	2.395	87.9	−.2	91.7	−1.3	69.7	−1.8	81.8	5.3
Rubber and plastics products	2.802	84.5	−4.0	89.4	−2.1	71.2	−2.8	89.1	−1.7
Other nondurables[5]	8.474	86.0	...	92.4	...	78.9	...	88.4	...
Mining	9.829	88.0	3.0	95.2	4.8	76.9	7.3	81.7	6.9
Utilities	5.956	88.1	.1	88.5	1.7	78.0	−1.0	83.8	−.1
Electric utilities	4.175	89.0	.1	87.6	.6	78.2	.3	82.8	1.9
Industrial materials[6]	42.283	82.7	−.1	89.1	.2	68.4	1.8	81.3	.9
Durable goods materials	20.501	79.5	.2	89.8	1.4	60.9	1.1	79.7	−.3
Metal materials[7]	5.381	78.9	−1.5	93.6	−1.8	45.7	−.5	68.0	3.5
Raw steel	.514	81.9	−.6	98.9	−4.0	36.1	−4.1	56.7	−4.9
Aluminum	.281	88.9	.1	97.4	−.5	58.8	.9	80.2	2.8
Nondurable goods materials	10.095	83.3	−2.6	88.1	−3.6	70.6	−.1	80.8	1.4
Textile, paper and chemical	7.528	83.7	−2.1	89.4	−2.9	68.6	.0	80.7	2.7
Pulp and paper materials	1.547	91.3	−2.5	97.3	−.6	79.9	−6.4	93.7	−4.8
Chemical materials	4.461	80.9	−3.2	87.9	−3.4	63.3	−.7	78.3	4.4
Energy materials	11.687	89.9	2.0	94.0	5.1	82.2	3.7	85.5	2.3

1. The proportions are based on value added and are used to combine the output indexes and capacity indexes into groupings. The utilization rates for the individual series and groupings are calculated by dividing output by capacity. Total industrial production covers mining, gas and electric utilities, and manufacturing.

2. Incorporates many of the same manufacturing industries that are represented in materials. Includes textile mill products, industrial chemicals, petroleum products, rubber and plastics products, lumber and products, primary metals, fabricated metal products, and stone, clay, and glass products.

3. Includes foods, tobacco products, apparel products, printing and publishing, chemical products such as drugs and toiletries, leather and products, furniture and fixtures, machinery, transportation equipment, instruments, miscellaneous manufactures, and government-owned-and-operated ordnance facilities.

4. Includes lumber and products, furniture and fixtures, miscellaneous manufactures, and government-owned-and-operated ordnance facilities.

5. Includes tobacco products, apparel products, printing and publishing, and leather and products.

6. Composed of more than 100 materials series found in the index of industrial production.

7. Includes basic metal materials, consumer-durable steel, and equipment steel.

2. Capacity utilization, July 1985 and selected highs and lows

Percent

Industry	1973 high	1975 low	1978–80 high	1982 low	1984 high	July 1985[1]
Total industry	88.6	72.1	86.9	69.5	82.0	80.8
Manufacturing	87.7	69.9	86.5	68.0	81.8	80.4
Mining	92.8	87.8	95.2	76.9	86.4	82.6
Utilities	95.6	82.9	88.5	78.0	85.6	83.0
Industrial materials[2]	92.0	70.5	89.1	68.4	83.1	80.3

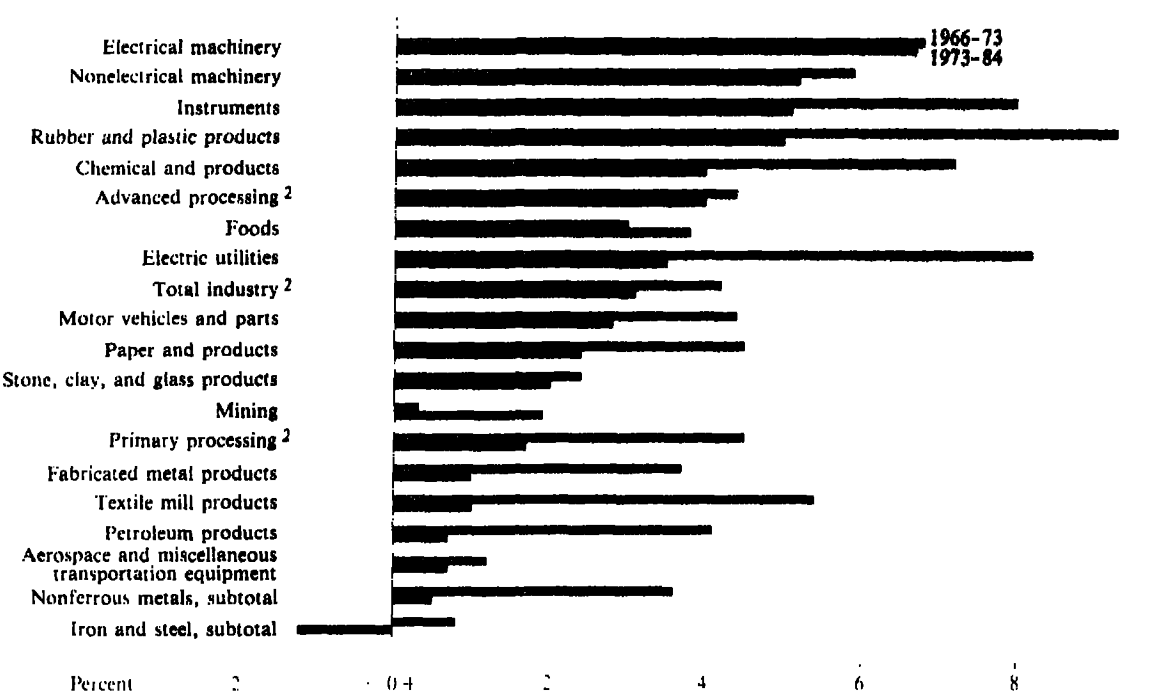
1. Capacity utilization for total industry is obtained by aggregating the output and capacity indexes for manufacturing, mining, and utilities, weighted by value added.

2. Industrial materials are produced, and used as inputs, by manufacturing plants, mines, and utilities. Industrial materials include many of the items included in the primary processing grouping of manufacturing, as well as some of the output of mines, utilities, and advanced processing industries such as iron ore, crude oil, semiconductors, and electricity sold to industry.

for fuels, particularly leaded gasoline, and they lacked the special refining equipment required for high-sulfur crude oil that became more readily available. For textiles, nonferrous metals, and fabricated metal products, capacity has declined a little or shown no growth in recent years. Capacity to produce industrial chemicals, lumber products, and stone, clay, and glass products has grown slowly.

Developments in the utilities and mining industries have been especially strongly influenced by energy prices. Following the 1973 jump in the price of oil, demand for electricity and natural gas slowed markedly. The output of utilities, which had grown 6.4 percent per year from 1967 to 1973, grew at a rate of only 1.1 percent in the subsequent decade. However, the growth of capacity did not slow nearly so fast because utilities built many plants based on projections of demand that reflected the rapid growth of the

3. Capacity growth rates, selected industries



1. Compound annual rates, December 1966 to December 1973 and December 1973 to December 1984.

2. Advanced and primary processing equal total manufacturing. Total industry equals mining, manufacturing, and utilities.

past. Capacity growth averaged more than 3 percent for 1974–78 and then fell to 1.4 in the 1979–84 period. The capacity utilization of utilities thus fell from an average of more than 93 percent in the 1967–73 period to about 85 percent in the 1974–80 period and then eased further in 1981–82. Even after more than two years of recovery, the rate of utilization remains well below its former levels.

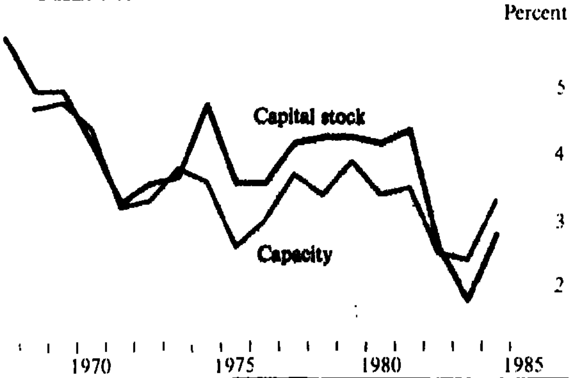
In contrast to manufacturing and utilities, the large oil and gas components of the mining industry benefited from the sharp increases in the price of fuels. Capacity growth in the mining industry quickened during 1977–81 primarily because of the new potentials opened up by the Alaska pipeline and because of substantial investment in rigs for drilling oil and gas wells. Ample supplies of crude oil and continued weakness in metal mining, however, have slowed capacity expansion in mining since 1982.

Capital Stock and Capacity

The slowdown in the growth of industrial output and capacity since 1973 is shown by most of the indicators used to estimate the Federal Reserve capacity measures. But one indicator of capacity runs counter to the trend—the growth of manufacturing capital stock, which substantially exceeded capacity growth after 1973 until the recession of 1981–82 (chart 4).

Several factors help explain the rise in the measured growth of capital stock relative to capacity since 1973. Many plants have closed—particularly among steel and textile mills, refineries, and foundries—because of reduced consumption of petroleum products, intense foreign competition, and structural changes in the economy. This bunching of "discards," especially the net loss of capacity of petroleum refineries and steel mills, apparently has been missed by the estimates of capital stock because they assume an even distribution of discards over time.

4. Change in capital stock and capacity in manufacturing



Annual data. Change measured from end of year to end of year.
SOURCES. Capital stock, Bureau of Economic Analysis; capacity, Federal Reserve.

Besides the problem of using capital stock to measure capacity when capital is being retired, there has been a weakening of the link between capital spending and capacity growth. During the 1970s, a significant portion of capital expenditure was needed to meet tighter requirements for pollution abatement, safety, and health; such spending is fully included in the capital stock estimates even though it may not fully contribute to the expansion of production capacity. Moreover, a larger portion of investment spending in recent years has gone to modernization rather than expansion, according to the McGraw-Hill survey of capital spending. The necessity of cutting costs to meet foreign competition is a factor underlying this shift in investment direction.

Outside of manufacturing, similar influences boosted capital spending. In mining and utilities, such spending was high, but much of it was for drilling deeper wells, repressurizing old oil fields, and building safer nuclear generating plants. As explained in the appendix, the Federal Reserve's use of capital stock data in the estimation of capacity indexes is limited because of such discrepancies in concepts and measurement.

APPENDIX: METHODOLOGY

Summary

The Federal Reserve seeks to obtain monthly rates of industrial utilization that are consistent both with current data on production and periodic survey data on utilization.[2] Because there is no direct monthly information on overall industrial utilization rates, various sources are used to calculate monthly capacity indexes that, together with the production indexes, yield the utilization rates. In this scheme of measurement the short-term movements in utilization typically approximate the difference between the change in the production index and the growth trend of capacity because the estimated monthly capacity indexes change slowly (chart 1).

Six basic steps are involved in calculating the utilization rates published by the Federal Reserve:

Step 1. Calculate the preliminary implied end-of-year indexes of industrial capacity by dividing a production index by a utilization rate obtained from a survey for that end-of-year period. These ratios are expressed, like industrial production, as percentages of production in 1977 and give the general level and trend of the capacity estimates.

Step 2. Refine the annual movements of the preliminary capacity indexes to give consideration to alternative indicators of annual capacity change; these alternatives include capacity data in physical units, estimates of capital stock, and the direct estimates by businesses of their annual percentage changes in capacity.

Step 3: Interpolate by month between the final end-of-year capacity indexes to obtain a continuous time series.

Step 4. Apply an adjustment—called an annual capability adjustment—to estimates of capacity that appear to reflect short-term peak capacity rather than a sustainable level of maximum output.

Step 5. Apply value-added weights to the monthly capacity indexes and sum them to appropriate groups.

Step 6. Calculate utilization rates for the individual series and groups by dividing the pertinent production index by the related capacity index. Thus, utilization rates for published groups are not aggregated directly but are derived from aggregate production and capacity indexes.

In the recent revision, capacity indexes for more than 125 industries were reconstructed back to 1967. In conformity with the general revision of industrial production, the Federal Reserve rebased the existing series, added some new ones, and applied new weights. Thus in a technical sense the revision was extensive. But in terms of economic analysis, the overall revision was minor largely because the old utilization rates for most series were already in line with survey results; and in many cases where utilization rates were revised, increases in one series were offset by decreases in another.[3]

Estimating Capacity

The first five of the six steps above serve to calculate capacity. These five steps are described here in more detail.

Step 1: Preliminary Implied Capacity Indexes. The Federal Reserve capacity indexes are specifically designed to be used with its production indexes. In fact, the production indexes, especially at major cyclical peaks, provide floors and suggest ceilings in calculating the capacity indexes;[4] data on utilization rates, culled from various independent sources, are the other main ingredient in estimating capacity. A preliminary implied end-of-year capacity index for an industry, *IC*, is calculated typically by dividing the production index for the industry, *IP*, by an appropriate

2. A more complete but somewhat dated description of the methodology is contained in Board of Governors of the Federal Reserve System, *Federal Reserve Measures of Capacity and Capacity Utilization* (Board of Governors, 1978).

3. Data for output, capacity, and capacity utilization for the years 1967–84 are included in the July 1985 supplement to Federal Reserve Statistical Release G.3(402), "Capacity Utilization." Also, rebased manufacturing data for the 1948–66 period are included even though utilization rates have not been revised for the period before 1967. Copies of the monthly statistical release and supplement are available from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

4. The University of Pennsylvania has published estimates of capacity utilization (Wharton indexes) derived solely by dividing production indexes by trend lines drawn through peaks in those indexes. This approach is also used at the Federal Reserve when no other relevant data are available.

utilization rate obtained from a survey, U_s, for a particular time period, t. Thus $IC_t = IP_t/U_{s,t}$.

The Federal Reserve conducts no surveys of utilization rates but uses surveys conducted by others. McGraw-Hill, Inc., has collected annual data on utilization rates and capacity growth in manufacturing for the longest period of time. Utilization rates from McGraw-Hill's relatively small sample of large companies are available for each December back to 1955 and have been incorporated into the Federal Reserve estimates of manufacturing capacity since these estimates began to be published in the 1960s.[5] The 1985 revision of manufacturing capacity utilization also includes the results of other surveys. For the years 1965–83 the Bureau of Economic Analysis (BEA) of the Department of Commerce included a question on capacity utilization in its company survey on plant and equipment expenditures. The BEA, however, ceased publishing these data after 1983 in part because of the existence of the survey of plant capacity that has been provided by the Bureau of the Census for the fourth quarter of each year since 1974.[6] With its larger sample of manufacturing establishments, the Census Bureau publishes utilization rates not only for more major industry groups (two-digit SIC categories) than are provided by the McGraw-Hill and BEA surveys but also for many subgroups (three- and four-digit SIC categories).

In addition to these three general surveys of manufacturers' utilization rates, there are several industries that provide estimates of output, capacity, and utilization based on measurement in physical units—tons of aluminum, steel, pulp, and paper, barrels of crude oil, kilowatt-hours of electricity, number of automobiles, and so on. These data are given particular attention in calculating the Federal Reserve capacity indexes.

As many as four sources of utilization rates are available for some major manufacturing industries for the end of each year between 1974 and 1983. In the case of the steel industry, for example, the McGraw-Hill, BEA, and Census surveys are available as well as a utilization rate for raw steel published by the American Iron and Steel Institute. In addition, the three general surveys typically provide preferred as well as practical operating rates.[7] By dividing the production index by each of the available utilization rates for the same period, one obtains a set of values for the capacity index for that period. Each implied capacity index number is an estimate of potential output expressed as a percent of output in 1977. Thus, if in December 1977 the production index is 100 and a related utilization rate is 80 percent, then the implied capacity index is 100/0.8 = 125.

Chart A.1 shows the capacity indexes implied by production indexes and surveys of utilization for the paper and products industry. The curves labeled "Census preferred" (left panel) and "McGraw-Hill" and "BEA" (right panel) denote implied capacity based on utilization rates from those surveys. The "tonnage-based" curve (left panel) is derived by dividing the production index for paper and products by the utilization series for paper (excluding converted paper products and pulp) based on tonnage data provided by the American Paper Institute. The capacity indexes derived from the various sources often differ noticeably, and a source or combination of sources must be chosen. The capacity line calculated by the Federal Reserve (both panels) is within the range of the various estimates and especially close to the level of the BEA and McGraw-Hill surveys. In this case, maintaining consistency with pre-1967 data was a major element in determining the Federal Reserve line. Other factors are discussed below.

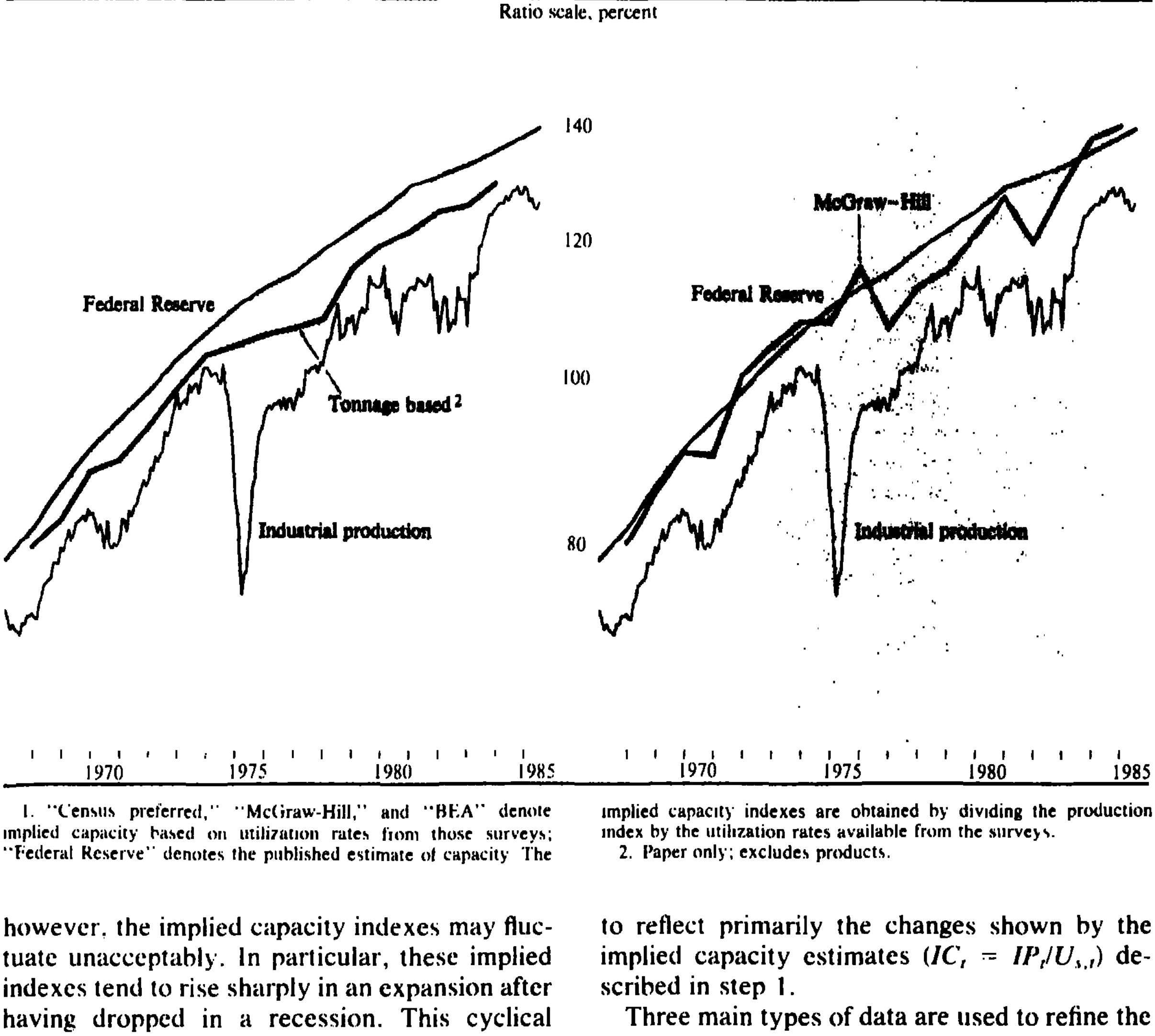
Step 2: Refining the Implied Capacity Estimates. The preliminary implied capacity indexes derived in step 1 provide initial estimates for the overall levels and long-term movements of the Federal Reserve capacity series. Because of inconsistencies between the production indexes and the data from surveys on utilization rates,

5. Frank de Leeuw, Frank E. Hopkins, and Michael D. Sherman, "A Revised Index of Manufacturing Capacity," FEDERAL RESERVE BULLETIN, vol. 52 (November 1966), pp. 1605–15.

6. The survey actually began in 1972, but the samples for 1972–73 were much smaller than those used later, and the results are not consistent with the later results.

7. Preferred capacity is a production level, normally at or below the practical maximum, at which a manufacturer desires to operate. Utilization rates can be expressed as a ratio of actual output to the preferred level as well as to the practical level. In general, the practical rates from the BEA and McGraw-Hill surveys are used for the major manufacturing groups. Adjustments to the rates from the Census survey are discussed below.

A.1. Production, estimates of implied capacity, and the Federal Reserve's estimate of capacity for the paper and products industry[1]



1. "Census preferred," "McGraw-Hill," and "BEA" denote implied capacity based on utilization rates from those surveys; "Federal Reserve" denotes the published estimate of capacity. The implied capacity indexes are obtained by dividing the production index by the utilization rates available from the surveys.

2. Paper only; excludes products.

however, the implied capacity indexes may fluctuate unacceptably. In particular, these implied indexes tend to rise sharply in an expansion after having dropped in a recession. This cyclical tendency for implied capacity to be "found" after having been "lost" is inconsistent with most other indicators of annual capacity change—capacity in physical units, capital stock data, and surveys in which businesses report directly on expansions and contractions in capacity rather than utilization rates.

The Federal Reserve has adopted statistical procedures that aim to correct excessive annual variations in the capacity indexes. The procedures force the year-to-year changes in final capacity to correlate more closely with capital stock or the other indicators of annual change in capacity, while the average levels and longer-term trends of the final capacity indexes continue to reflect primarily the changes shown by the implied capacity estimates ($IC_t = IP_t/U_{s,t}$) described in step 1.

Three main types of data are used to refine the year-to-year changes in preliminary capacity indexes: (1) industry capacity estimates in tons, barrels, or other physical units when available; (2) capital stock estimates; and (3) direct estimates of capacity growth provided by surveys, such as those of McGraw-Hill. For industries where none of the first three kinds of data is available, time trends are fitted directly to the preliminary implied capacity indexes of step 1 in order to smooth erratic movements.

The latest revision employs two sources of data on capital stock. Each source follows the perpetual inventory method, in which capital stock in a period equals the stock in the preceding period plus deflated investment expenditures between the periods, less assumed allowances for the discarding of capital. Data Resources, Inc. (DRI), provided estimates and projections of capital stock for major manufacturing industries based on the quarterly plant and equipment survey conducted by the BEA, while the International Trade Administration of the Department of Commerce provided industry estimates that were more detailed, based on data from the Census and Annual Survey of Manufactures through 1981. These more detailed stock estimates were used in estimating capacity indexes for most of those materials series for which data on physical capacity were lacking. The DRI estimates were used for several of the major industry groups in manufacturing.[8] For periods that are more current and for which data were lacking, extrapolations were made based on past trends and recent investment spending patterns.

In general, the refined estimates of capacity are the fitted values from regressions that retrend the capital stock (or another indicator of annual capacity change) to the trend growth path of the preliminary implied capacities ($IC_t = IP_t/U_{s,t}$).[9] The resulting capacity indexes are generally procyclical, that is, they tend to rise faster in good times than in bad, following investment cycles, but they typically do not fluctuate as much as the preliminary implied capacity series. They will, of course, tend broadly to follow the levels and trends of the preliminary implied capacity indexes.

In the 1985 revision the regressions were typically estimated for the 1967–83 period (year-end 1966 to year-end 1983).[10] Survey data for major manufacturing industries for 1984 became available after the regressions were run. These data were used to further modify the capacity estimates in some cases. Judgment was applied in determining the refined capacity lines. For instance, for those industries for which there were multiple sources of data, several regressions were run and some averaging was done. Moreover there were different specifications of the functions of time used in the equations. Usually there were trend breaks involved, often at 1973 and 1979.

Step 3: Interpolation. The refined end-of-year capacity estimates for more than 130 component series are interpolated into monthly series using a straightline interpolation between the levels of capacity at the end of the preceding year and the given year. However, during an ongoing year, adjustments to the rate of growth of capacity may be required on the basis of new information.

Step 4: Annual Capability Adjustment. For the estimates of manufacturing capacity derived from the McGraw-Hill and BEA large-company surveys, the monthly capacity indexes derived in step 3 are final and are incorporated directly into the published aggregates (step 5). But for utilization data based on other surveys, a further step called the annual capability adjustment is applied to obtain more appropriate average levels of utilization. The motivation for this technique is as follows.

The various sources from which capacity data are derived do not use a uniform definition of capacity. The McGraw-Hill and BEA surveys do not attempt to define capacity for the respondents; the Census Bureau defines capacity—the practical maximum level of output using machinery in place and assuming normal product mixes and work schedules—but the definition still leaves a great deal for the respondents to assume.

8. After the completion of this capacity revision, the BEA began to publish annual estimates of capital stock for two-digit industry groups. See John A. Gorman and others, "Fixed Private Capital in the United States," *Survey of Current Business*, vol. 65 (July 1985), pp. 36–59.

9. The fitted values from a regression of the equation below give an estimate of the difference in the trends of the implied capacity and the annual capacity indicator.

$$\log \frac{IC_t}{K_t} = a + \Sigma b_i f_i(t) + e_t,$$

where

IC_t = implied capacity index
K_t = annual capacity indicator
$f_i(t)$ = specified functions of time
a, b_i = parameters to be estimated
e_t = error term.

The refined capacity estimates are taken to be the annual capacity indicators multiplied by the antilogarithms of the fitted values from the equation.

10. In the case of the manufacturing regressions, the level of capacity at the end of 1966 was constrained by the fact that the utilization rates up to that time were not covered in this revision.

In practice, there appears to be a difference between the utilization rates reported by large companies and those reported by establishments. The large-company surveys—BEA and McGraw-Hill—have a noticeably higher mean utilization for manufacturing than does the Census establishment survey. The difference may be caused by respondents from large companies taking account of bottlenecks within the broader context of company operations, while the respondents from establishments focus, as they are instructed, on the maximum output that the equipment in their plant can produce.

The Federal Reserve uses the annual capability adjustment to minimize the effect of such inconsistencies. The technique is applied to those capacity indexes that appear to be based on short-term peaks and lowers the capacity measure to sustainable levels; hence the adjustment raises the derived utilization rates. It has been applied to the series based on sources other than BEA or McGraw-Hill, which are the materials, mining, and utilities series and certain manufacturing series.

Comparisons of the preliminary implied capacity indexes based on production indexes with the Census practical utilization rates show that the implied capacity indexes (IP_{nsa}/U_{census}) will reach levels typically equal to, or exceeding, seasonal peaks in production. In terms of engineering capacity, this finding is perfectly sensible; establishments clearly are able to produce at the peak levels of output that occur at times of seasonal highs. The lower levels of output encountered during other periods of the year, however, leave considerable slack physical capacity. In an economic sense, some of this margin of capacity is not redundant; it gives the establishment the needed flexibility to operate at times of seasonal stress. The Federal Reserve aims to treat this cushion of flexibility as serving an economic function, and thereby it also makes the data more comparable with those reported in the large-company surveys.

To lower peak-capacity measurements to sustainable levels, an estimate is made of the portion of capacity used to meet seasonal fluctuations in production. This "seasonal capacity" is removed from the capacity index (derived in steps 1–3) to arrive at an estimate of feasible annual capability. For most industries, an estimate of

A.1 Seasonal adjustment factors used in the production index for sugar refining, 1980–82

Percent

Month	1980	1981	1982
January	108.6	108.4	108.4
February	90.8	91.1	91.1
March	84.9	85.1	85.1
April	88.5	88.4	88.4
May	91.1	91.5	91.5
June	93.6	94.4	94.4
July	78.4	78.5	78.5
August	83.7	83.7	83.7
September	90.2	90.1	90.1
October	124.3	123.9	123.9
November	134.4	133.6	133.6
December	130.9	130.8	130.8

the difference between the seasonal peak rate and the rate of production that is sustained on average through the year is available from the seasonal adjustment of the production indexes. The largest seasonal factors range from 134 percent for sugar refining (table A.1, November) to only 101 to 102 percent for equipment steel, but for most materials they typically range from about 104 percent to 107 percent. Once the largest seasonal factors typical of each index of production are isolated, annual capability is initially estimated as capacity divided by the maximum seasonal adjustment factor (see chart A.2 for an example from the sugar refining industry).[11]

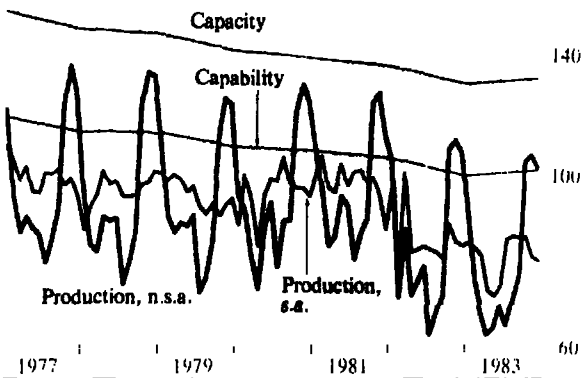
These adjustments move the capacity estimate from a peak engineering concept toward an economic concept. The adjustments also make utilization rates for series based on the Census survey and on the generating capacity of electric utilities more consistent with rates from the company surveys published by McGraw-Hill and BEA.

The adjustment is particularly large in the case of the electric utilities (for which the concept of annual load factors rather than seasonal adjustment factors is used to calculate the annual capability adjustment). About one-third of generating capacity is needed to meet peak summer loads, and considerable capacity is also needed as a safety margin to protect against outages.

11. Further tests are made to ensure that the maximum factors reflect unavoidable seasonality. In some cases the size of the adjustment is reduced if seasonal swings are reduced at times of strong demand. In other cases "preferred capacity" implied on the basis of the Census surveys is used to estimate annual capability.

A.2. *Estimating annual capability in the sugar refining industry*

Ratio scale, 1977 output = 100



Capacity is usually estimated at its short-term peak. Annual capability is an estimate of the level of capacity that can be sustained over a year.

Such capacity is not used most of the time, but it is not excess in an economic sense.

Step 5: Aggregation. After the monthly capacity indexes for the individual series are adjusted to appropriate annual levels, they are combined into market and industry groups such as materials or durable manufacturing. The same value-added weights and aggregation programs that are used to combine the Federal Reserve's indexes of industrial production are applied to the capacity indexes. As in the case of the industrial production index, the value-added weights are changed periodically so that the price relationships implicit in calculating the contribution of each series to the total are reasonably descriptive of contemporary developments. In this revision, the value-added weights that are used are as follows: 1967 weights for 1967–72; 1972 weights for 1972–77; and 1977 weights for the period from 1977 on. The unrevised manufacturing data for the 1948–66 period are combined with value-added weights for 1947, 1954, 1958, and 1963. The aggregate indexes for the subperiods are linked together to form continuous time series.[12]

12. In this revision it was found that, in a few cases, use of the linked production and capacity indexes to calculate utilization distorted utilization rates for the period before 1977. This was a problem only in the energy area, and the capacity indexes were edited to eliminate the distortion.

Aggregate output is then divided by aggregate capacity to get aggregate utilization.

Sectoral Details

Manufacturing capacity and capacity utilization rates have been reestimated for about 25 component series for the years 1967–85, covering mainly major industry groups. Rates calculated for years as far back as 1948 exist for most series; for the unrevised 1948–66 period they are based, for the most part, on utilization rates from the McGraw-Hill survey. The estimates for the period since 1966 have drawn from a wider base of data including all three surveys on manufacturing utilization rates. Care has been taken to maintain consistency with the earlier data.

The estimates since 1966 are based on more industry detail than before. The new estimates for "other durable" and "other nondurable" manufacturing are built from eight new capacity series based on preferred operating rates shown in the Census survey of plant capacity; formerly, only a single, combined estimate was made for these industries. The capacity estimates for the chemical industry have also been broken into two components, one containing chemical materials (a component of primary processing) and the other containing chemical products (a component of advanced processing).

Utilities. The utilities group consists of electric utilities, the predominant component, and gas utilities. The estimates for electric utilities have changed little in this revision.

Data for gas utilities are less satisfactory than those for electric utilities. Trends through peaks in the production index for gas utilities and reports of shortages and surpluses of natural gas have been used, along with the McGraw-Hill survey, to estimate the capacity index.

Materials and Mining. Utilization rates for industrial materials have special analytical importance for assessing potential production bottlenecks and related pressures on prices. For many years the Federal Reserve has assembled industry data expressed in physical units for selected materials industries. In the 1970s the

Federal Reserve published utilization rates for 15 "major materials" for which such physical-unit data were available.[13] The cyclical fluctuations of total output of these "major materials," however, were not identical with the movement of total materials in the production index. In 1976, after results from the more detailed Census survey of plant capacity were made available, it became feasible to estimate capacity indexes for many more manufactured materials. The Federal Reserve then expanded its coverage to include all the materials series in the industrial production index.[14] In the 1985 revision there are 105 materials series in the index, each with a separate capacity index.

13. Nathan Edmonson, "Capacity Utilization for Major Materials: Revised Measures," FEDERAL RESERVE BULLETIN, vol. 60 (April 1974), pp. 246–51.

14. Richard D. Raddock and Lawrence R. Forest, "New Estimates of Capacity Utilization: Manufacturing and Materials," FEDERAL RESERVE BULLETIN, vol. 62 (November 1976), pp. 892–905.

Among the materials series are 13 series that together constitute most of mining. Because there are no broad surveys that currently report utilization rates in mining, estimates are based on physical capacity and output and on calculations by professionals at the Bureau of Mines, the Department of Energy, and trade associations such as the American Petroleum Institute.[15] In cases where such data are lacking, peaks in the production indexes provide guidance. The overall utilization rate for mining is thus built up from components that are quite varied. Recent rates for metal mining have been very low as has the rate for the drilling of oil and gas wells. In contrast, existing oil wells are pumping oil nearly at capacity levels; crude oil production (excluding drilling) accounted for more than one-third of the total value added in mining in 1977.

15. Some estimates of mining capacity in different segments of the industry appear in Bureau of Mines, *Mineral Facts and Problems* (Government Printing Office, various editions).

Survey of Home-Seller Finance, 1983

This article was prepared by Frank E. Nothaft of the Board's Office of Board Members and is based on work done while he was in the Division of Research and Statistics. Janice S. Westfall and other members of the Division of Research and Statistics helped in the survey design and in the preparation of the report.

Until the 1980s, households played a minor role in the modern housing finance system in providing mortgage credit. During the high-interest-rate period from 1980 to 1982, however, households supplied a substantial portion of newly originated home mortgage credit, typically in the form of loans with below-market interest rates provided by home sellers to facilitate the sale of their properties. Recognizing a need for better information about this type of noninstitutional financing, the Federal Reserve Board sponsored a study of mortgages held by individuals, the least well documented of all major groups of mortgage holders.

This article highlights the main findings of a special survey of home-seller finance taken in late 1983. The results are based on questionnaires received from more than 1,600 households known to have engaged in seller finance between January 1978 and June 1983. The survey collected information about the characteristics of seller financing as well as about the history of seller-financed loans after origination. It explored several aspects of seller financing about which little was known, such as the use of wraparound credit and the incidence of prepayments, mortgage foreclosures, and note sales.[1]

In the broadest terms, the survey findings indicated the following:

- Home-seller financing blossomed in the early 1980s and then waned after the summer of 1982, as market interest rates fell appreciably and institutions regained a large share of the market for mortgage credit. During the period spanned by the survey (1978 to mid-1983), nearly one-half of all reported cases of seller financing occurred in 1980 and 1981.
- Seller financing typically was supplied at costs to borrowers well below the going rates on conventional mortgage funds from thrift institutions, commercial banks, and mortgage companies. During 1981 and 1982, a period when market rates were historically high, contract interest rates on seller financing were more than 3 percentage points below average rates on conventional mortgage loans closed at financial institutions. Home-seller credit was even less costly for borrowers if measured in terms of effective interest rates because home sellers rarely impose the fees and charges required by institutional lenders.[2]
- Seller financing often was used to provide credit until the home buyer could obtain long-term funding from financial institutions at a lower market interest rate than had prevailed at the time of the home sale. Both a short term to maturity—relative to institutional loans—and an absence of any prepayment penalty encouraged a rapid payback of seller-financed mortgage credit. During 1983 when interest rates on new mortgage commitments from institutional lenders were about 3 percentage points lower on average than in the previous two years, as much as 15 percent of mortgage loan principal lent by sellers during 1981 and 1982 was retired.

The Incidence of Seller Financing

As market interest rates rose in the late 1970s and early 1980s, the incidence of seller financing

1. Other surveys of housing finance have contained no information about loan retirements or wraparound financing and typically have covered too few seller-financed transactions to permit sophisticated analysis.

2. One recent survey found no sales in which a home seller charged an origination fee for a mortgage loan. See "1983 Housing Finance Survey" (California Association of Realtors; Planning, Research and Economics Division; January 1984), pp. V-7, V-13.

1. Credit instruments used in seller financing

Survey used to collect data and sample period covered[1]	Credit instrument			Memo: Sample size
	First mortgages	Second mortgages	Land contracts	
	Percent of seller-financed sales in survey sample			
Residential Finance Survey, 1978–April 1981[2]	40	27	33	304
Survey of Consumer Finances, 1978–Spring 1983	63	16	21	70
Survey of Home-Seller Finance				
1978–79	31	23	46	392
1980–81	31	28	41	825
1982–June 1983	30	29	41	472

1. The Residential Finance Survey and the Survey of Consumer Finances report mortgages outstanding only as of the survey date, and they code wraparound mortgages as first mortgages. The Survey of Home-Seller Finance records wraparound mortgages as second mortgages.

2. Seller-financed home sales are not identifiable; the sample consists of sales—multiplied by their respective property weight—in which an individual or an individual's estate was the mortgage holder. The weighted data indicate that approximately 760,000 debt instruments (mortgages or land contracts) made since 1978 were held by individuals at the time of the survey.

SOURCES. Residential Finance Survey, 1981, U.S. Census Bureau; Survey of Consumer Finances, 1983, Board of Governors of the Federal Reserve System.

increased. Of the five and one-half years of transactions covered by the Survey of Home-Seller Finance, nearly half of all home sales occurred in 1980 and 1981. As mortgage rates declined after the summer of 1982, so did the role of seller financing.[3]

During the 1978–83 period, home sellers provided mortgage credit to buyers in several forms. In the typical home sale financed by a seller, either a first mortgage (or deed of trust) or an installment land contract was used as the credit instrument.[4] Another frequent practice was the home seller's takeback of a second mortgage to supplement an outstanding first mortgage assumed by the buyer; second-mortgage takebacks, for instance, occurred in about one-quarter of all seller-financed transactions during the 1978–83 period.[5]

The distribution of financing instruments reported by home sellers covered in the Survey of Home-Seller Finance and by other housing finance studies is shown in table 1. The mix of financing instruments involved in home-seller financing during the 1978–83 period appears to have remained quite consistent. Note that the coverage of the Survey of Home-Seller Finance was considerably broader than that reported in other surveys and was not restricted to loans outstanding as of the survey date. Relative to the Survey of Home-Seller Finance, the other two surveys listed in table 1 underreported the incidence of second-mortgage takebacks by previous homeowners for two reasons. First, they enumerated wraparound mortgages as first mortgages.[6] Also, these two studies recorded only mortgage debt outstanding at the time the survey was conducted; because second mortgages are

3. Estimates of the volume of creative finance show a similar pattern over this time period. Dwight M. Jaffee, "Creative Finance: Measures, Sources, and Tests," *Housing Finance Review* (January 1984), pp. 1–18. Membership surveys conducted by the National Association of Realtors also indicate that the incidence of seller financing peaked in 1981 and early 1982. See "Update on Mortgage Instruments and Sources," *Real Estate Quarterly*, vol. 3 (Summer 1984), pp. 6–7, and *Attitudes of Real Estate Industry* (National Association of Realtors, Economics and Research Division, various issues).

4. Land contracts provide that the home seller convey title when a specified number of installment payments have been made. The seller retains the deed as security, and the buyer has possession of the home, for the duration of the contract. A home seller may have taken back this instrument—when permitted by law—to avoid triggering a "due-on-sale" clause on a mortgage outstanding on the property. A land contract is also known as a contract for deed.

5. The Survey of Home-Seller Finance did not ask for information on third mortgage loans, although several respondents offered data about such instruments. Third mortgages are excluded from the analysis in this article.

6. In wraparound financing, a first mortgage loan outstanding is neither retired nor assumed when the home is sold; instead, a new loan—the wraparound, which includes the balance due on the existing first mortgage (usually held by a financial institution) as well as an additional amount advanced by the home seller—is made to the buyer. The home buyer typically makes payments to the seller on the total mortgage indebtedness, and the seller then forwards the payments on the first mortgage loan to the holder of that instrument.

known to have a shorter term than other financing instruments, second mortgages written in the late 1970s were more likely to have been extinguished before the date of the survey than were other debt instruments.

In the Board's seller-finance survey, land contracts were reported more often than either first or second mortgages. This unusual feature reflected a disproportionate concentration of survey respondents in the north central region of the nation, an area in which land contracts are a popular financing instrument used by home sellers.[7] According to the Survey of Home-Seller Finance, land contracts accounted for roughly 70 percent of all mortgage instruments held by individuals living in the north central region—nearly triple the frequency with which individuals residing in the rest of the country held this type of instrument. Despite this regional bias, aggregate means and medians tabulated from the Survey of Home-Seller Finance were consistent with fragmentary information available from other sources.

CHARACTERISTICS OF SELLER FINANCING

A salient feature of seller financing has been the provision of mortgage credit at interest rates far below market levels. During the high-interest-rate period covered by the Board's seller-finance survey, home sellers offered financing at below-market rates to enhance their prospects of selling a home quickly and without a deep discount in the price. The interest rate differential associated with the concessionary financing provided by sellers widened as market interest rates rose between 1978 and 1981.

In 1978, the average spread between interest rates on first mortgage loans made by financial institutions and on loans made by home sellers was about three-fourths of a percentage point. The difference steadily increased in the following four years. During 1981 and 1982, the interest rate on seller-made first mortgages was more than 3½ percentage points below market rates (table 2).[8]

2. Contract interest rates for seller-financed mortgage loans

Average, in percent

Year in which loan originated	First mortgages	Second mortgages	Land contracts	Memo: Difference between interest rate on first mortgage loans closed by major lenders[1] and those by home sellers
1978	8.9	9.8	8.8	.7
1979	9.4	10.3	9.5	1.5
1980	10.8	11.2	10.4	2.1
1981	11.5	11.5	11.0	3.5
1982	11.2	11.5	10.8	4.1
1983[2]	10.8	10.6	10.2	2.3

1. Average effective interest rate on fully amortized conventional first mortgage loans originated by major types of institutional lenders for the purchase of previously occupied, single-family homes; series compiled by the Federal Home Loan Bank Board.

2. Homes sold during the first six months of 1983.

For credit extended by home sellers, the interest rate on second mortgages averaged only 50 basis points more than that on first mortgages, a narrower spread than the one between rates on first and second mortgage loans made by financial institutions.[9] Therefore interest rates on second mortgages taken back by sellers may have

7. For loans made during the 1978–81 period, 38 percent of the respondents to the Survey of Home-Seller Finance and 27 percent of the individuals who held a mortgage or land contract at the time of the U.S. Census Bureau's Residential Finance Survey resided in the north central region.

8. Federal regulations may have served to create a minimum interest rate for most seller-financed mortgage credit. Under federal law, if the contract interest rate is below a threshold level, the Internal Revenue Service (IRS) is permitted to impute a higher interest rate for the purpose of determining the home seller's federal tax liability. For home sales entered into between July 24, 1975, and June 30, 1981, inclusively, the IRS may impute a rate of 7 percent on most mortgage loans with a contract interest rate of less than 6 percent. For homes sold after June 30, 1981, the applicable test rate on most seller-financed loans is 9 percent, and the imputed interest rate is 10 percent. In the Survey of Home-Seller Finance, roughly 3 percent of all seller-financed loans had a contract interest rate below the federal test rate.

9. In the late 1970s, a spread of 4 percentage points was typical between interest rates on first and second mortgage loans, but the development of private mortgage insurance and a secondary market for second mortgage loans has since reduced the spread. David A. Olson, "Enjoying Equity with Second Mortgage Loans," *Mortgage Banking* (February 1984), pp. 25–34. A survey of loans made in California in mid-1981 found a spread of 2 percentage points between interest rates on new first and new second trust deed loans funded by private financial institutions—double the spread between rates on first and second trust deed loans made by home sellers. Ira S. Lowry, *Creative Financing in California: The Morning After* (The Rand Corporation, December 1983), table B.11, p. 82.

3. Loan-to-price ratio on first mortgage loans

Average, in percent

Year in which first mortgage originated	Source of loan		Memo: Size of home-seller sample[2]
	Home sellers	Major lenders[1]	
1978	78.8	75.0	52
1979	80.5	74.0	58
1980	75.9	73.5	98
1981	73.9	72.9	130
1982	76.8	71.9	104
1983[3]	75.4	73.1	24
1978–83[3]	76.4	73.7[4]	466

1. Average loan-to-price ratio on fully amortized conventional first mortgage loans originated by major types of institutional lenders for the purchase of previously occupied, single-family homes; series compiled by the Federal Home Loan Bank Board.

2. Number of first mortgage loans in the Survey of Home-Seller Finance with valid loan-to-price data.

3. Loans originated in the first six months of 1983.

4. Weighted average for the period; loan-to-price ratio for each year (1978–82) and for the first six months of 1983 was weighted by the dollar amount of conventional mortgage originations by savings and loans, savings banks, commercial banks, and mortgage companies on existing one- to four-family homes; series compiled by the U.S. Department of Housing and Urban Development.

been at least 5 percentage points below market rates during 1981 and 1982.[10]

The average loan-to-price ratio on seller-financed first mortgages covered by the survey was 76 percent, larger than the ratio for conventional loans made by institutional lenders between 1978 and 1983 (table 3).[11] The financial exposure of a home seller was sometimes larger than indicated by the loan-to-price ratio because the value of the below-market interest rate offered by the home seller was sometimes capitalized in a higher sales price. In such instances, the purchase price may have exceeded the appraised market value of the property.

Although the estimated value of the home was not reported in the Survey of Home-Seller Finance, anecdotal evidence provided by real estate agents and appraisers suggests that the sales price was sometimes inflated to account for the value of the low-rate financing supplied by the home seller. Thus, a comparison of the first mortgage loan with the appraised value of the home could have indicated a loan-to-value ratio for seller financing substantially higher than the loan-to-price ratio calculated in the Board's survey. The impact on home sales prices could have been greater in 1981 and 1982 because interest rates on seller-made loans were lower with respect to market levels than in other years. This effect may partly explain why the loan-to-price ratio declined from an average of 80 percent during the late 1970s to a low of 74 percent in 1981 (table 3).[12]

In many sales, the home seller made a second mortgage loan to augment the financing provided by the buyer's assumption of a first mortgage. The balance of the assumed loan often was insufficient to meet the home buyer's financing needs, especially if the older loan had been paid down through amortization and the value of the property had appreciated in the meantime. Under the circumstances, the seller was willing to provide some supplementary credit in order to close the sale. In the Survey of Home-Seller Finance, second mortgage loans made by sellers covered 28 percent of the sales price on average.[13]

Balloon mortgages have been a much more common element of seller financing than of institutional funding.[14] Within each of the three major

10. Surveys of real estate brokers conducted during the summer of 1981 and in early 1982 indicate that sellers were carrying back second mortgages at roughly 5¼ percentage points below rates at financial institutions. See Donald L. Koch and Delores W. Steinhauser, "Will Second-Mortgage Financing be the REITs of Today?", *Economic Review* (Federal Reserve Bank of Atlanta, October 1981), p. 9; *Attitudes of Real Estate Industry* (National Association of Realtors, February 1982), table 19, p. 11; and "1982 Housing Finance Study" (California Association of Realtors, September 1982), table 20, p. 36.

11. The average loan-to-price ratio on seller-financed first mortgages was also statistically different, using a 95 percent probability level, from that on land contracts taken back by sellers. Land contracts (excluding wraparound contracts) had a loan-to-price ratio of 80 percent on average.

12. A study of existing-home sales in California found a median loan-to-price ratio of 74 percent on seller-financed first mortgage loans in early 1982 and a median of 72 percent in early 1983. See "1982 Housing Finance Study," p. 24; "1983 Housing Finance Survey," table 14, p. V-5. In comparison, the Board's survey gives median loan-to-price ratios of 80 percent and 78 percent for homes sold during the first six months of 1982 and 1983 respectively.

13. A survey conducted by the National Association of Realtors found an average loan-to-price ratio of 21 percent on seller-financed second mortgage loans. *Attitudes of Real Estate Industry* (February 1982), table 22, p. 12.

14. At maturity, a balloon mortgage has a final payment, the "balloon payment," which is much larger than the earlier payments scheduled over the life of the loan. Interest-only notes and contracts that allow only partial amortization of the principal are examples of financing instruments with a balloon payment.

4. Characteristics of seller financing of homes sold from January 1978 through June 1983

Average, in percent, except as noted

Characteristic	First mortgages		Second mortgages			Land contracts		
	Fully amortizing	With balloon	Fully amortizing	With balloon	Wraparound mortgages	Fully amortizing	With balloon	Wraparound contracts
Downpayment-to-price ratio	23	24	21	21	18	17	22	16
Loan-to-price ratio	77	76	28	29	81	83	78	84
Interest rate	10.4	11.1	10.9	11.4	11.0	10.0	10.5	10.5
Term (average number of years to maturity)	16	6	9	5	13	14	5	10
Remaining principal balance of underlying first as a share of total credit advanced[1]	...	...	...	...	39	...	...	51
MEMO: Sample size (number)	317	194	171	190	89	250	230	232

1. Balance of first mortgage loan at time of home sale.

classes of debt instruments—first mortgages, second mortgages, and land contracts—balloon loans differed significantly from fully amortizing notes mainly with regard to the term, which was about half as long (table 4).

WRAPAROUND FINANCING

Compared with institutional mortgage lenders, home sellers may seem unsophisticated in today's housing finance system. However, some seller-financed home sales are far from simple. The complexity of home-seller financing is illustrated by the use of wraparound mortgage credit—a financing technique under which the actual amount of mortgage credit supplied by a home seller is less than the face value of the loan.

Wraparound financing was sometimes used to avoid a "due-on-sale" clause that would have prevented the home buyer from assuming an underlying first mortgage note. In this situation, wraparounds provided home buyers with the advantage of below-market-rate financing, while home sellers benefited because they advanced less credit and typically received a higher yield than if they took back a first mortgage with the same loan-to-price ratio.

Wraparounds were occasionally used even though the home buyer could have legally assumed an outstanding first mortgage loan. In this instance, the home seller provided credit by taking back a wraparound mortgage rather than by making a traditional second mortgage loan to supplement the buyer's assumption of the first mortgage loan. In general, home sellers who received wraparound mortgages exposed themselves to more financial risk than sellers who took back regular second mortgages, but they were compensated by earning a higher effective yield on the funds directly lent. The home buyer who used a wraparound financing arrangement obtained overall financing below market rates and for a longer term than that of a typical second mortgage.

Some characteristics of wraparound financing were similar to those of other second mortgages. For example, survey respondents indicated that the fraction of the purchase price that the buyer chose to finance was comparable—about 80 percent; so was the interest rate—roughly 11 percent (table 4).

Even so, home sellers provided more credit, at a higher yield, on wraparounds than on other second mortgages. According to the survey, the home seller directly supplied credit amounting to about half the purchase price under a wraparound loan—much more than the average loan-to-price ratio of about one-fourth on other second mortgages. Furthermore, the effective yield to the home seller was higher on a wraparound loan than the contract interest rate specified in the mortgage. The home seller received an average return of 11 percent on the funding directly provided, plus the difference between the contract interest rate on the wraparound and the contract rate on the underlying first mortgage.[15]

The Survey of Home-Seller Finance found that wraparound notes accounted for 9 percent of all seller-financed mortgages (firsts and seconds) and constituted one-third of all installment land contracts (table 4).[16] The remaining principal balance of the first mortgage outstanding at the time of the sales transaction represented two-fifths of the face amount of the wraparound mortgage loan made to the borrower, and half of total credit advanced in a wraparound land contract.

Retirement of Seller-Extended Credit

The Survey of Home-Seller Finance asked home sellers questions about the status of the credit that they had provided including loans that were no longer outstanding or had been sold and thereby acquired information that is not usually available. The incidence of prepayments, foreclosures, and note sales, and the extent of amortization are examples of the novel information obtained from the survey. With this information, an estimate of the repayment rate on seller-financed home mortgage loans could be calculated.

Loans made by sellers tended to be paid back quickly because of their short term and the absence of any prepayment penalty. In a sample of transactions completed during the 1978–82 period, buyers were no longer in debt to sellers in roughly one-fifth of the first mortgages and land contracts and nearly one-third of the second mortgages. The main reason cited for the extinguishment of the debt was that the buyer had prepaid in full before maturity (table 5). As market interest rates declined appreciably after the summer of 1982, buyers who had purchased homes within the preceding several years were better able to refinance seller-made loans by obtaining longer-term funding from institutional sources. The loans received from financial institutions were used either to prepay loans coming due soon or to meet balloon payments on short-term credit extended by sellers.

Based on data supplied by the respondents, a repayment table was prepared, which shows the percentage of the dollar amount of seller-made loans due individuals at certain points in time during the 1978–83 period (table 6). For instance, about two-thirds of the debt acquired by borrowers through seller financing during 1980 was still outstanding and owed to the household sector toward the end of 1983.[17] Furthermore, for loans made in each of the years examined, the rate of paydown of principal accelerated during 1983. This payback activity may have increased because market interest rates had declined by the summer of 1983 to their lowest level in three years, quickening the pace at which buyers refinanced seller-made balloon loans through institu-

5. Status of seller-financed debt as of survey date

Status of debt[1]	Percent of total loans in each category		
	First mortgage	Second mortgage	Land contract
Debt still owed to home seller	82	68	78
Buyer no longer indebted to home seller			
Loan paid off on schedule	5	10	7
Loan prepaid in full	9	14	8
Property foreclosed	2	2	4
Note sold to an investor	1	5	2
No answer[2]	1	1	1
MEMO: Sample size	462	402	618

1. Sample restricted to homes sold between January 1978 and December 1982 with seller financing. Status of debt was reported as of December 1983.
2. Respondent did not explain why the buyer was no longer indebted to the seller.

15. A survey of sales closed by realtors in California reported a spread of 3¼ percentage points between the contract interest rate on an all-inclusive trust deed and on the underlying first trust deed. "1982 Housing Finance Study," table 18, p. 32.

16. A study of sales closed by real estate brokers in eight southeastern cities found that wraparound mortgage loans amounted to 14 percent of all mortgage loans made by home sellers. Donald L. Koch, Delores W. Steinhauser, and Keith R. Ihlanfeldt, "The Risks of Creative Financing," *Economic Review* (Federal Reserve Bank of Atlanta, December 1982), table 4, p. 11. An analysis of home sales in seven California counties revealed that all-inclusive trust deeds were 7 percent of all seller-provided first and second trust deeds; furthermore, two-fifths of all installment land contracts were wraparound contracts. Lowry, *Creative Financing in California*.

17. In table 6, loans sold by home sellers to other individuals are treated as still outstanding if the scheduled maturity had not yet been reached. See note accompanying table 6.

6. Seller-financed mortgage debt outstanding, by year in which loan originated

Year in which loan originated	Percent of original principal owed to individuals at year-end[1]					
	1978	1979	1980	1981	1982	1983
1978	97	91	87	73	64	53
1979	....	98	88	77	71	58
1980	....	....	98	92	80	65
1981	....	....	....	98	90	75
1982	....	....	....	....	97	83
1983[2]	....	....	....	....	....	94

1. Ratio of the estimated aggregate principal balance at December 31 to the aggregate face amount of loans originated by home sellers for each year listed. Debt retirement schedules were calculated separately for first mortgage loans, second mortgage loans, and land contracts. These schedules were then weighted by the share of the dollar volume of credit accounted for by each instrument using data on loans made by individuals between 1978 and April 1981, inclusively, reported in the U.S. Census Bureau's Residential Finance Survey; these percentage shares are 50 for first mortgages, 15 for second mortgages, and 35 for land contracts.

2. Homes sold during the first six months of 1983.

NOTE. For loans sold in the secondary market, the repayment history after the date of the note sale is unknown. After a note was sold to an investor outside the household sector, the mortgage indebtedness to the household sector was tabulated as zero; however, if a note was sold to another individual, the table assumes the principal balance declined according to scheduled principal repayments, based on information supplied by the home seller. This assumption had little effect on the estimated repayment schedules because only a small number of notes were sold to other individuals.

tional lenders. For example, 15 percent of the principal lent by sellers during 1981 and 1982 was retired in 1983, an unusually large proportion for such unseasoned loans.

The total amount of seller-financed credit outstanding as a percentage of the aggregate original face amount of all loans, by type of mortgage instrument and by the age of the loan, is presented in table 7. Note that the schedules illustrating the paydown of principal for first mortgages and for land contracts are nearly equal, suggesting that these debt instruments are quite similar. Second mortgages have a more rapid rate of payback because of their shorter average term and more frequent prepayment.

LOANS FORECLOSED OR SOLD BY HOME SELLERS

For seller-financed loans originated before 1983, as shown in the accompanying table, 2.7 percent had been foreclosed by the survey date—close to the foreclosure incidence on recently originated single-family mortgages insured by the Federal Housing Administration (FHA).[18] The foreclosure rate on seller financing was somewhat lower on mortgage loans than on land contracts (table 5). A land contract typically allows the home seller to keep title to the home, thus speeding the process of foreclosing the financing arrangement.[19]

A small downpayment—a significant determinant of foreclosure on mortgage loans made by financial institutions—appears to be an important feature of seller-financed loans that are foreclosed. In transactions that ended with the seller's foreclosing on the property, the downpayment averaged 13 percent of the purchase

18. For 30-year, FHA-insured, fixed-rate loans made during the 1978–82 period and secured by single-family homes, 3.5 percent had claim terminations (foreclosures or assignments to the U.S. Department of Housing and Urban Development) by the end of 1983. This figure is not statistically different, using a 95 percent probability level, from the foreclosure rate on seller-provided financing.

19. Technically, land contracts are not ordinarily "foreclosed" like mortgages. For the sake of convenience, however, the term is applied here to both instruments.

7. Principal balance of seller-financed home loans, by type of mortgage instrument

Type of mortgage instrument	Percent of original principal owed to individuals at year-end[1]			
	First December after origination, loans made 1978–June 1983	Second December after origination, loans made 1978–82	Third December after origination, loans made 1978–81	Fourth December after origination, loans made 1978–80
First mortgages	98	89	80	72
Second mortgages	97	87	76	52
Land contracts	98	90	79	72

1. Ratio of the estimated aggregate principal balance at December 31 to the aggregate face amount of loans originated by home sellers during the period listed in each column head. See note accompanying table 6 for the treatment of loans sold in the secondary market.

NOTE. The annual rate of debt retirement can be approximated by subtracting the percentage in one column from that in the adjacent column. Thus during the twelve-month span between the first and the second December after origination, first mortgage debt was retired at an average rate of 98 − 89 = 9 percent.

Mortgages foreclosed by home sellers[1]

Item	Amount
Mortgages foreclosed by December 1983 as a percent of the number of mortgages made between 1978 and 1982	2.7
Cash downpayment as a percent of purchase price (average)	13
Number of months between origination and foreclosure dates (average)	28

1. Including foreclosures on land contracts, which represent terminations of contractual arrangements because of default by home buyers. Sample restricted to homes sold with seller financing between January 1978 and December 1982 and foreclosed by December 1983.

price, which is statistically different from the 21 percent downpayment found in successful sales.

A by-product of the growth in seller financing in the early 1980s was the development of a secondary market for mortgages held by home sellers—especially second mortgages. In a sample of second mortgages taken back from 1978 through 1982, 5 percent had been sold to a third-party investor by the end of 1983 (table 5).

A striking finding of the Survey of Home-Seller Finance was that three-fifths of the notes reported sold by home sellers were purchased by other individuals, as shown in the accompanying table. From a home seller's viewpoint, of course, the mortgage debt is extinguished in such cases, although on an aggregate level there is no change in the amount of mortgage credit supplied by the household sector. Most note sales occurred within a year and a half after the date that the funding was provided, and home sellers discounted the notes 19 percent on average in order to sell them. The size of the discount partly reflected the below-market-rate financing typically offered to home buyers.

Mortgages sold by home sellers[1]

Item	Amount
Mortgages purchased by another individual (percent[2])	59
Mortgages purchased by a commercial bank, mortgage company, or finance company (percent[2])	41
Discount as a percent of the principal balance when note was sold (average)	19
Number of months between origination date and date note was sold (average)	16

1. Data include sales of land contracts.
2. Percent of mortgages sold between January 1978 and December 1982.

SUMMARY

The Board-sponsored Survey of Home-Seller Finance—the only study of its kind to document both new lending by home sellers and subsequent experience with the loans—yielded information of significance to understanding mortgage market developments in the past decade and to measuring aggregate mortgage debt outstanding. The study revealed that most seller financing occurs in the form of first mortgages and land contracts, thus reinforcing the conclusions of other household surveys based on much smaller samples of seller-financed sales but countering the findings of several surveys that examined sales closed by real estate brokers.

The study documented various characteristics that set seller financing apart from more institutionalized types of home mortgage lending. Seller financing has several distinguishing features, including the following:

- Countercyclical incidence.
- Interest rates that are below market levels.
- Relatively short terms to maturity.
- Disproportionately heavy use of balloon payments and installment land contracts.

The average loan-to-price ratio on first mortgages was higher on loans originated by sellers than on funding from institutional sources. Furthermore, when account is taken of the value of the concessionary financing arrangements offered by sellers, the ratio of loan amount to appraised property value may well have been significantly higher than the loan-to-price ratio on loans made by sellers.

Some of the most novel information from the survey concerns the repayment history of seller-made loans. A majority of seller-financed loans were either partially or fully amortizing, permitting some principal to be retired with each payment. Home buyers were generally successful in meeting their scheduled payments to sellers and paying off maturing loans on time. Prepayments in full before maturity were common, especially in an environment of declining and low market interest rates. Sales of notes to investors were concentrated within the household sector, indicating that this sector continued to be a supplier as well as a borrower of mortgage credit.

TECHNICAL APPENDIX

In the spring of 1983, a private market research firm identified a sample of households that had engaged in home-seller financing at least once since 1978. During the final week of November 1983, the Survey of Home-Seller Finance questionnaire was mailed to these households. Each respondent was asked to provide detailed information about the financial characteristics of the earliest (or only) house or condominium sales transaction for which financing had been provided, even if the borrower was no longer indebted to the home seller. A cover letter asked that the questionnaire be given to the household member most familiar with the home sale and noted that the respondent might need to check financial records. Responses were received throughout December, and by the end of that month about three-fourths of the questionnaires had been returned.

During the editing process, some observations were deleted because of inadequate information—respondents either refused to answer questions of a sensitive financial nature or were unwilling to check old records. At the other extreme, many households supplemented their answers with detailed written comments, which assisted analysis. More than 1,600 responses remained after editing.

Several features of the dataset could have biased the tabulated results in an unknown fashion. First, the group of households that had engaged in seller financing was not gleaned from a random sample of U.S. households. Instead, the underlying sample is believed to have had above-average income and to have been more concentrated in the north central census region than it was in the population as a whole.

Second, the effect of sample selection bias is uncertain. This bias may occur if the characteristics of households who "elect" to be included in the sample differ from the attributes of individuals who did not return their questionnaires. For example, it is possible that home sellers who provided mortgage credit and had negative feelings about their experience—maybe because of ensuing legal trouble—were less likely to have responded to the survey, and the transactions that they financed may have differed significantly from other home sales. If so, the tables presented in this report may not give a representative picture of the overall experience of seller financing.

A third source of potential error is related to the retrospective nature of the survey questions. Many loans were already a few years old at the time of the survey or were no longer outstanding, and memory recall could have been weak. For this reason, short-term loans made in 1978 and 1979 may be underrepresented in this survey.

Fourth, although financial jargon was kept to a minimum during the preparation of the questionnaire, and definitions of some technical words were supplied, some respondents misinterpreted questions. An inspection of the questionnaires, however, suggested that there was little systematic bias attributable to this problem.

The net result of these biases is unknown. However, tables prepared from the dataset appeared to be consistent with fragmentary data available from other sources, which suggests that the aggregate bias was limited. □

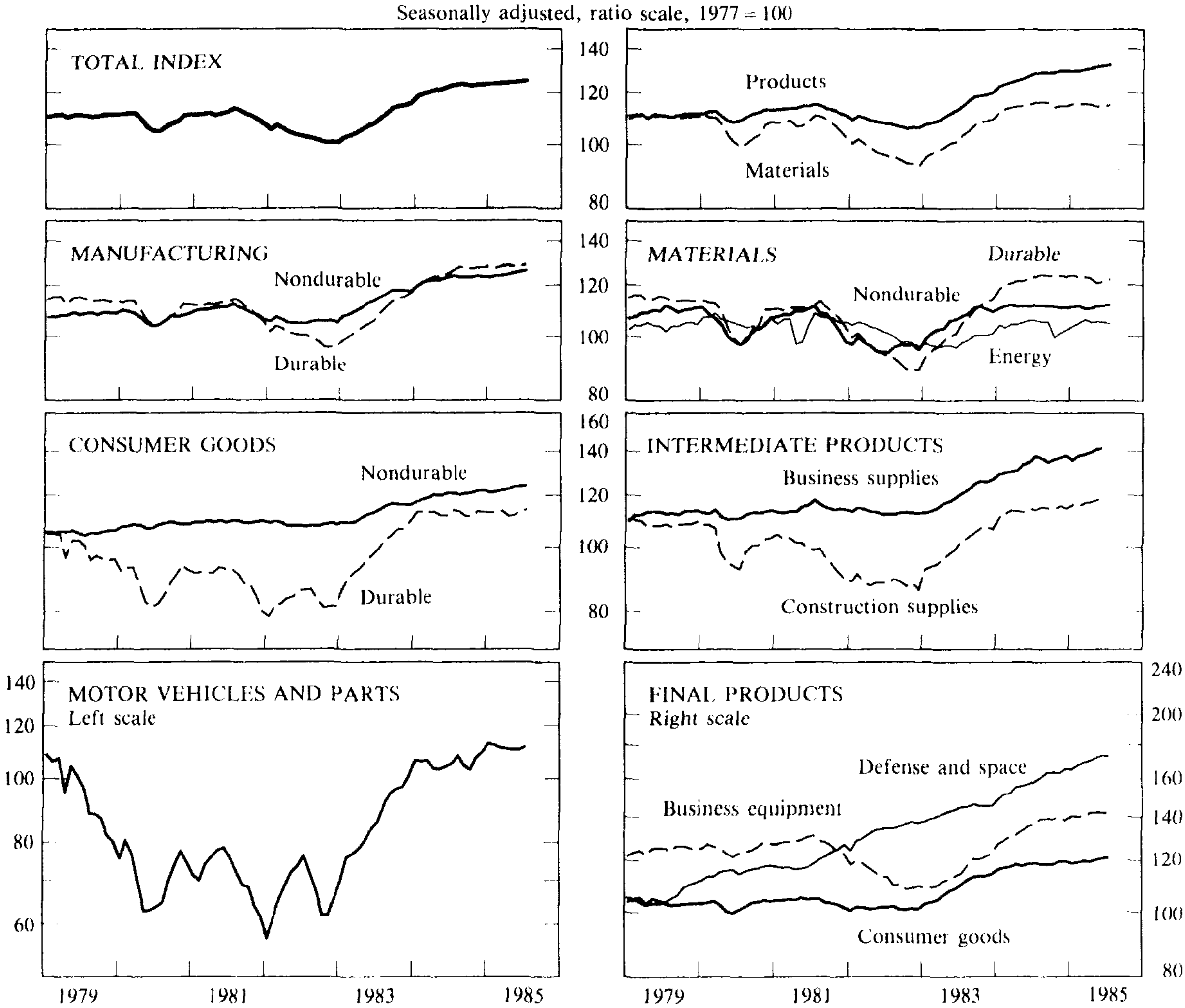
Industrial Production

Released for publication August 15

Industrial production increased an estimated 0.2 percent in July, following similar rises in the two previous months. Production of consumer goods and materials increased in July, while output of equipment declined. The index of industrial production in July, at 124.9 percent of the 1977 average, was 1.4 percent above a year earlier.

In market groups, output of consumer goods rose 0.3 percent in July as durable goods increased 0.6 percent and nondurable goods increased 0.2 percent. Autos were assembled at an annual rate of 8.3 million units, up from a rate of 8.0 million units in June. Production of home goods rose for the third consecutive month but remained below its level of a year earlier. Output of equipment decreased 0.3 percent in July, with

Seasonally adjusted, ratio scale, 1977 = 100



All series are seasonally adjusted and are plotted on a ratio scale. Auto sales and stocks include imports. Latest figures: July.

Group	1977 = 100		Percentage change from preceding month					Percentage change, July 1984 to July 1985
	1985		1985					
	June	July	Mar.	Apr.	May	June	July	
	Major market groups							
Total industrial production	**124.7**	**124.9**	**.3**	**.1**	**.2**	**.3**	**.2**	**1.4**
Products, total	132.0	132.3	.4	.4	.6	.3	.2	2.9
Final products	132.4	132.5	.3	.4	.6	.3	.1	2.6
Consumer goods	120.9	121.3	.6	−.2	.8	.4	.3	1.9
Durable	113.4	114.1	.5	−1.8	.4	1.4	.6	.2
Nondurable	123.7	124.0	.6	.3	.9	.1	.2	2.5
Business equipment	142.0	141.6	.1	1.3	.1	−.2	−.3	3.3
Defense and space	173.4	172.9	1.1	.6	1.0	.9	−.3	9.1
Intermediate products	130.9	131.5	.7	.5	.9	.4	.5	3.6
Construction supplies	118.5	118.9	1.0	.4	.6	.4	.3	4.0
Materials	114.6	114.9	.1	−.4	−.6	.3	.2	−.8
	Major industry groups							
Manufacturing	127.1	127.5	.4	.2	.2	.2	.3	1.7
Durable	128.2	128.5	.6	.2	−.2	.1	.3	1.7
Nondurable	125.6	126.0	.1	.3	.6	.4	.3	1.7
Mining	110.4	110.5	.9	−.8	.4	.3	.1	−3.7
Utilities	113.2	112.2	−1.7	−.2	.3	−.7	−.9	2.1

NOTE. Indexes are seasonally adjusted.

widespread declines throughout the group. However, the output of construction and business supplies continued to rise. Production of materials increased moderately in June and July but remained below levels of a year earlier. Gains in July were due largely to increases in metals and in parts for consumer goods and equipment.

In industry groups, manufacturing output increased 0.3 percent in July, while mining increased 0.1 percent and utilities fell 0.9 percent.

Announcements

MEETING OF CONSUMER ADVISORY COUNCIL

The Federal Reserve Board announced that its Consumer Advisory Council will meet on October 24 and 25, in sessions open to the public.

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

POLICY STATEMENT ON LARGE-DOLLAR WIRE TRANSFER SYSTEMS: INTERPRETATION

The Federal Reserve has issued an interpretation of its May 17, 1985, policy statement regarding risks on large-dollar wire transfer systems. The interpretation clarifies the policy as it applies to U.S. branches and agencies of foreign branches.

The Board's policy, designed to reduce risks, strongly urges all financial institutions to adopt a sender net debit cap. The policy calls for the cap to be based on a self-evaluation by each institution of its creditworthiness, credit policies, and operational controls and procedures. The institution's board of directors would be responsible for the review of the self-evaluation and maintenance of the cap level.

The Board's interpretation makes it clear that a foreign bank should undergo the same self-evaluation process as domestic institutions with review by its board of directors or other appropriate senior management at the bank's home office.

INFORMATION REQUIRED FROM ACHS TO RECEIVE NET SETTLEMENT SERVICES

The Federal Reserve Board has announced that automated clearinghouses (ACHs), in order to receive Reserve Bank net settlement services, must provide the Federal Reserve, beginning December 5, 1985, with specific information regarding transactions.

Each ACH will provide the Federal Reserve with the following data, regardless of the dollar amount, for each settling participant:

1. Gross credits from the origination of debit transactions.
2. Gross debits from the receipt of debit transactions.
3. Gross debits from the origination of credit transactions.
4. Gross credits from the receipt of credit transactions.

ACHs will have the option of reporting this information once each week or with daily settlement entries submitted to the Federal Reserve.

Also, the Board has modified the way it will monitor ACH transactions to determine an institution's intra-day position. Specifically, rather than posting ACH credit transactions at the opening of business and ACH debit transactions at the close of business, the Board determined that all ACH transactions will be posted to the Board's daylight overdraft monitoring position at the opening of business on the settlement date.

The Board took this action to avoid short-term disruptions in the payments mechanism. It should be noted that this posting procedure is for monitoring purposes only.

RESULTS OF PRICED SERVICES OPERATIONS AVAILABLE

The Federal Reserve Board has reported financial results of Federal Reserve priced services operations for the quarter ending June 30, 1985.

The Board issues a report on priced services annually and a priced services balance sheet and income statement quarterly. The financial statements are designed to reflect standard accounting practices, taking into account the nature of the Federal Reserve's activities and its unique position in this field.

PROPOSED ACTIONS

The Federal Reserve Board has issued for public comment a proposed change in Regulation K (International Banking Operations) that would prohibit all lending to affiliates by Edge corporations that are not subsidiaries of U.S. insured banks. Comment is requested by October 28.

The Federal Reserve Board also extended to September 30, 1985, the comment period on a proposed revision of its bank holding company reporting requirements.

CHANGES IN BOARD STAFF

The Board of Governors has announced the following changes in the official staff:

Allen E. Beutel has been appointed Executive Director for Computing and Information Services. Mr. Beutel had been Corporate Vice President/Executive Officer for SMA Corporation. He has a Ph.D. in public administration from the University of Southern California at Los Angeles.

Bob Stally Moore has been appointed Special Assistant to the Board for Public Affairs. Mr. Moore was Director of Communications for the Federal Home Loan Bank Board before joining the Board's staff.

The Board has also announced the following staff changes in the Division of International Finance:

David H. Howard has been promoted from Assistant Director to Deputy Associate Director.

Karen H. Johnson has been appointed Assistant Director. Mrs. Johnson has been a member of the Board's staff since September 1979 and Chief of the World Payments and Activity Section since June 1984. She has a Ph.D. in economics from the Massachusetts Institute of Technology.

SYSTEM MEMBERSHIP: ADMISSION OF STATE BANKS

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

Ohio

Columbus.... Fifth Third Bank of Columbus

Pennsylvania

Philadelphia .. Philadelphia Depository Trust Company

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON JULY 9–10, 1985

Domestic Policy Directive

The information reviewed at this meeting indicated that expansion of economic activity had picked up in recent months, following virtually no growth in the first quarter of the year. Rates of increase in prices and wages had slowed a bit recently after indications of some acceleration early in the year, and for the year to date inflation appeared to be running at about the same pace as in 1984.

The nominal value of retail sales fell in May after an extraordinary rise in April, but the average level of sales for the April–May period was about 2¼ percent above the average for the first quarter. Over the two-month period, sales of durable goods were especially strong, fostered by a surge in sales at automotive outlets in April and a sharp rebound in sales at furniture and appliance stores in May. In the automotive sector, financing incentives on many domestic models and increased availability of imported cars boosted total automobile sales to an annual rate of 11.3 million units in May, the highest monthly pace in six years. Many of the special financing programs were phased out by the end of May, however, and sales of domestic cars slowed substantially in June.

Activity in the housing sector appeared to be holding earlier gains. Total private housing starts averaged 1.8 million units at an annual rate in the April–May period, the same as the advanced first-quarter pace, and newly issued permits for residential building rose in May to their highest level in nearly a year. Combined sales of new and existing homes remained strong, as the general decline in mortgage credit costs apparently continued to bolster demand.

Information on business capital spending suggested further growth in that sector, though at a much less rapid pace than earlier in the economic expansion. Most of the recent strength in business fixed investment has been concentrated in expenditures for nonresidential construction. Imports apparently have continued to account for a sizable share of outlays for equipment; new orders for nondefense capital goods and shipments by domestic producers have changed little on balance since last fall. The Commerce Department's survey of business spending plans, conducted in late April and May, suggested that nominal outlays for plant and equipment would be roughly 9 percent above their 1984 average.

The index of industrial production edged down in April and May, after rising little over the first quarter. Production of defense and space equipment continued to advance and output of construction supplies also increased. Production of other products and materials generally remained sluggish: output of consumer goods had changed little from the level prevailing a year earlier, and production of business equipment—a source of strength throughout 1984—had declined thus far in 1985. The rate of capacity utilization for total industry fell 0.4 percentage point further in May to 80.3 percent, a cumulative drop of nearly 2½ percentage points since July 1984.

Nonfarm payroll employment rose 80,000 in June, after an advance in May that equaled the average monthly increase of 260,000 recorded in the first four months of the year. Manufacturing employment continued to fall in both May and June, however, bringing the cumulative loss in factory jobs to 220,000 so far this year. The civilian unemployment rate remained at 7.3 percent in June, unchanged since February.

The producer price index for finished goods and the consumer price index rose 0.2 percent in May. Over the first five months of the year, producer and consumer prices have risen at annual rates of about 1¾ percent and 4 percent respectively, the same as in 1984. The index of average hourly earnings also has continued to increase at its 1984 pace, rising at an annual rate of about 3 percent for the year through May.

Over the period since the Committee's meeting in May, the trade-weighted value of the dollar had generally moved within a relatively narrow range. But in the days immediately preceding this meeting the value of the dollar declined about 2 percent, to a level below its recent low in April, bringing its decline over the intermeeting interval to around 3½ percent. The U.S. merchandise trade deficit widened in the April–May period from the rate in the first quarter, as both agricultural and nonagricultural exports fell while imports remained close to their high first-quarter rate.

At its meeting on May 21, 1985, the Committee had adopted a directive that, against the background of the reduction in the discount rate announced a few days before the meeting, called for maintaining the existing degree of pressure on reserve positions. The members expected that action to be consistent with growth in M1 at an annual rate of around 6 percent or a little higher during the period from March to June. Given the weakness in M2 and M3 in April, growth in these broader aggregates over the three-month period was expected to be slower than the respective annual rates of 7 and 8 percent anticipated at the time of the previous meeting in late March. The members agreed that somewhat lesser restraint would be acceptable in the event of substantially slower growth in the monetary aggregates while somewhat greater restraint might be acceptable in the event of substantially faster growth. It was understood that the need for lesser or greater restraint would be considered in the context of appraisals of the strength of the business expansion, progress against inflation, and conditions in domestic credit and foreign exchange markets. The intermeeting range for the federal funds rate was retained at 6 to 10 percent.

In May and June, M1 expanded very rapidly, and its growth over the March-to-June interval was at an annual rate of about 13¼ percent, well above the rate expected at the time of the May meeting. The strength in M1 was evident in all its major components, particularly in demand deposits. That strength, coupled with an acceleration in the nontransaction component of M2 in June, brought growth in the broader aggregates to rates somewhat higher than expected in May for the three-month period. Nevertheless, for the period from the fourth quarter of 1984 through the second quarter of 1985, M2 and M3 expanded at rates within their long-term ranges, while M1 grew at a rate well above its range. Expansion in total domestic nonfinancial debt slowed a little in the second quarter, but remained high relative to the Committee's monitoring range for the year.

Total reserves grew rapidly in May and June, reflecting increases in required reserves associated with the growth in transaction accounts. The level of adjustment plus seasonal borrowing averaged around $550 million in the three complete maintenance periods between meetings and was running over $1.2 billion in the week before this meeting, as seasonal strains associated with the midyear statement date and the holiday period, together with massive swings in Treasury balances, complicated reserve management at depository institutions and the Federal Reserve. Throughout the intermeeting interval, borrowing was boosted by occasional surges for a day or two near the end of a reserve maintenance period, apparently reflecting higher-than-expected demands for excess reserves, particularly around the midyear statement date.

The federal funds rate centered on a trading range of 7½ to 7¾ percent during much of the intermeeting interval. The rate fell below 7 percent briefly in mid-June and rose above 8 percent for a time around the quarter-end statement date and July 4 holiday, when seasonal influences and sharply rising Treasury balances temporarily increased pressures on reserves. Other market rates fluctuated over relatively wide ranges in response to incoming economic data, changing expectations about the likelihood of a further cut in the discount rate, and at times, unanticipated money supply developments. On balance, rates on most Treasury securities fell about 35 to 60 basis points, while rates on commercial paper and certificates of deposit declined about 15 to 25 basis points, apparently reflecting emergence of slightly higher risk premiums in response to some concerns about the health of some financial institutions. Most commercial banks reduced their "prime" rate ½ percentage point to 9½ percent. Corporate bond yields fell about 60 to 70 basis points and most broad stock price indexes reached record levels. The average rate on new commitments for fixed-rate conventional home mortgage loans declined about 80 basis points over the intermeeting period.

The staff projections presented at this meeting suggested that growth in real GNP would pick up somewhat in the second half of the year from the sluggish pace in the first half, and would continue at a modest pace through 1986. The unemployment rate was expected to fall only slightly over the projection period and the rate of increase in prices was projected to remain close to that experienced in recent years.

In the Committee's discussion of current and prospective economic developments, the members agreed that some pickup in the rate of economic expansion from the slow growth of the first half of the year was a reasonable expectation for the second half. The outlook for 1986 was more uncertain, but the members generally saw continuing expansion, though possibly at a moderating pace, as the most likely prospect for the year. As they had at previous meetings, the members expressed concern about the uneven participation of various industries in the economic expansion, including the continuing and serious problems in the agricultural sector. They also remained concerned about the underlying imbalances in the economy, notably the massive deficits in the federal budget and in the balance of trade, that along with persisting strains in domestic and international financial markets threatened the sustainability of the expansion. In these circumstances the members recognized that their forecasts were subject to a great deal of uncertainty and several commented that the risks of any deviation appeared to be on the downside. Other members were more optimistic, at least with respect to the next few quarters, and in one view the rapid growth of M1 since the latter part of 1984 could presage significantly faster expansion than generally was anticipated currently.

In keeping with the usual practice for meetings when the Committee considers its longer-run objectives for monetary growth, the members of the Committee and the Federal Reserve Bank presidents not currently serving as members had prepared specific projections of economic activity, the rate of unemployment, and average prices. With regard to growth in real GNP, the projections had a central tendency of 2¾ to 3 percent for 1985 as a whole and 2½ to 3¼ percent for 1986. The central tendency for the rate of unemployment was an average rate of 7 to 7¼ percent for the fourth quarter of 1985 and about the same or a bit lower for the fourth quarter of 1986. The projections for the implicit GNP deflator centered on a rise of 3¾ to 4 percent for the year 1985 and 3¾ to 4¾ for the year 1986. These projections were considered to be consistent with the Committee's objectives for growth in money and credit established at this meeting. The projections also assumed that the Congress and the administration would achieve deficit reductions in the range of those contained in recent House and Senate budget actions. The projections were based on an assumption that the exchange value of the dollar would not deviate substantially from its recent trading range.

In support of their expectation that the rate of economic expansion would improve from the very sluggish pace experienced in the first half of the year, members referred to the favorable impact of reduced interest rates on interest-sensitive sectors of the economy, such as the construction and automobile industries, and they also noted the buildup of liquidity in the economy. Some members commented that consumer spending was likely to remain relatively robust, at least over the quarters immediately ahead, given generally favorable consumer attitudes and the sizable gains expected in employment and earnings. A number of members also referred to favorable prospects for continuing growth in business capital spending against the background of reduced borrowing costs and strong competitive pressures—both domestic and foreign—on business firms to enhance their productivity. In the latter connection one member reported on the expectation of some businessmen that the lull in demands for high-technology equipment might prove to be temporary.

On the negative side, apart from the underlying imbalances that constituted an ongoing threat to the economy, the members cited a number of factors that would tend to limit, if not arrest, the expansion. The growth of private debt and rising delinquency rates could have an increasingly negative effect on consumer spending and perhaps on housing demand. In the investment area, the demand for high-technology equipment might not revive as some businessmen expected, and the high vacancy rates in many parts of the country for multi-family housing and office space suggested a marked slowdown in that type of construction. More generally, relatively low rates of capacity utilization would limit the need for investments in many industries. Several members referred to the continuing drag on domestic production stemming from the high value of the dollar and the associated intense foreign competition in both domestic and export markets.

With regard to the outlook for inflation, the members noted that wage and price pressures were relatively subdued in domestic labor and product markets. Inflationary pressures were greater in some of the service industries, but against the background of generally low capacity utilization rates and relatively high unemployment the members did not expect much change in the overall rate of inflation during the year ahead, at least in the absence of any sizable decline in the foreign exchange value of the dollar. Indeed, one member observed that the performance of prices might well prove to be better than was generally expected unless the exchange value of the dollar were to fall substantially. A number of members commented that a limited decline in the dollar might have little, if any, effect on domestic prices or in the extent of import penetration. Many foreign suppliers who enjoyed sizable profit margins would probably tend to absorb such a decline by maintaining current dollar prices in order to preserve their market shares. On the other hand, a substantial decline in the value of the dollar, if it were to occur, would pose a considerable risk of being reflected in higher domestic prices.

At this meeting the Committee reviewed its ranges for growth of the monetary and credit aggregates in 1985 and established tentative ranges for 1986 within the framework of the Full Employment and Balanced Growth Act of 1978 (the Humphrey–Hawkins Act).[1] At its meeting on February 12–13, 1985, the Committee had adopted monetary growth ranges of 4 to 7 percent for M1, 6 to 9 percent for M2, and 6 to 9½ percent for M3 for the period from the fourth quarter of 1984 to the fourth quarter of 1985. The associated range for total domestic nonfinancial debt was set at 9 to 12 percent. The Committee had agreed that growth in the monetary aggregates in the upper part of their ranges might be appropriate for the year, depending on developments with respect to velocity and provided that inflationary pressures remained subdued.

The Committee's review of its ranges for 1985 focused on the rapid growth of M1 during the first half of the year, the factors that may have influenced the demand for money, and the implications of M1 growth for the future course of economic activity and the rate of inflation. In their discussion the members took account of an analysis that suggested that the strength of M1 relative to the Committee's target range appeared to reflect in part a one-time response on a lagged basis to the sizable declines in interest rates that had occurred over the past year. The available evidence suggested, not only on the basis of the recent experience but also that of earlier periods such as in 1982–83, that in periods characterized by large interest rate declines individuals and businesses tended to shift into transaction-type balances from other assets because they sacrificed less interest income in doing so. Moreover, it was possible that the availability of interest on certain types of checking accounts in recent years, together with the fact that the rates of interest on such accounts have tended to change more sluggishly than competing market-oriented rates, has increased the interest sensitivity of M1, particularly in the short run. It was also noted, however, that a part of the rapid growth of M1, notably in the past two months, did not appear to be related to interest rate adjustments or to ongoing transaction demands, raising questions about whether there were special factors, such as changes in corporate cash management practices or transitory responses to sharp declines in Treasury balances, that also may have been influencing the demand for money.

While acknowledging that both the explanation and the implications of the bulge in M1 growth were subject to a great deal of uncertainty, the members generally concluded that faster-than-targeted expansion in M1 could be accepted for the first half of the year in light of the sluggish growth in economic activity, relatively well contained price pressures, and a high value of the

1. The Midyear Monetary Policy Report pursuant to this legislation was transmitted to the Congress on July 16, 1985.

dollar on foreign exchange markets. Moreover, growth in the broader aggregates for the year to date had been consistent with the Committee's earlier expectations.

Looking ahead to the balance of the year, the members differed to some extent on an appropriate M1 target, but they generally concluded that it would not be desirable in the current economic and financial environment to offset the recent spurt in M1 by a slowing in the second half sufficient to bring M1 into the existing 4 to 7 percent long-run range. That would imply almost no growth month by month on average over the balance of the year. While the prospective behavior of M1 would remain subject to continuing uncertainties, the members believed that M1 velocity would probably move gradually toward a more usual or predictable pattern and that maintenance of the current degree of reserve pressure would be associated with a reduction in M1 growth during the second half of the year to a moderate pace. Such growth was likely to be consistent with a pickup in the rate of economic expansion and continued containment of inflationary pressures. Accordingly, most of the members favored either raising the M1 range that had been established in February for the year or rebasing the range from the fourth quarter of 1984 to the second quarter of 1985, with a smaller increase or no change in the actual numerical range.

Members who expressed a preference for a higher range over rebasing emphasized that the degree of uncertainty surrounding the future behavior of M1 remained considerable, and a higher range would not carry an implication that the velocity adjustment in M1 was concluded. Moreover, to the extent that changes in the composition of M1 toward interest-bearing accounts, shifts in cash management practices, and generally lower interest rates implied a more slowly rising trend in M1 velocity, M1 growth relative to GNP would be higher over time than the Committee had anticipated earlier and, in one view, should begin to be reflected in the Committee's M1 ranges. However, a majority of the members preferred to rebase M1 on the second quarter. While they did not disagree that there were considerable uncertainties about the prospective relationship between M1 and economic performance, these members felt that a rebased range would better reflect the current thrust of the Committee's policy and would be more consistent with a movement toward lower growth ranges over time, as needed to attain the long-run objective of sustained, noninflationary economic growth.

Because of the uncertainties surrounding the behavior of M1, one member proposed placing much less weight than usual on movements in that aggregate, possibly by relegating it to a monitoring status for some period of time. Other members opposed such a course because they felt that M1, together with the other monetary aggregates, would continue to provide a useful focus for the conduct of monetary policy even as their behavior had to be evaluated in the context of ongoing economic, financial, and exchange market developments.

With regard to the members' preferences for a specific M1 range, a majority supported a proposal to establish a range of 3 to 8 percent, rebased on the second quarter. Such a range implied a substantial slowing in growth from the pace in the first half. Other members indicated a preference for a rebased range of 4 to 7 percent, which they believed was likely to prove more consistent with the Committee's longer-run objectives. Given the uncertainties surrounding the behavior of M1, most of the members supported a relatively wide range for the second half, even though the prospects for expansion at the low end of the range were viewed as somewhat remote. It was recognized that because M1 growth had been strong during the latter part of the second quarter, its level was currently high in relation to the rebased range, and it was not likely to fall within that range until some time had elapsed. Relatively low growth within the range, should it occur, would be acceptable if the recent decline in M1 velocity were substantially reversed and economic performance proved to be satisfactory. In summary, the rebased range was based on expectations of a return of velocity growth over time toward more usual patterns, but because of the many uncertainties that were involved the members agreed on the desirability of continuing to judge M1 developments against the background of the other aggregates and evidence on the behavior of the economy, prices, and financial markets, both domestic and international.

With regard to M2, M3, and debt all of the members supported a proposal to reaffirm the current ranges for 1985, subject to the understanding that actual growth, as had been contemplated previously at the February meeting, might appropriately be high within the ranges depending on developments with respect to velocity and provided that inflationary pressures remained subdued.

At the conclusion of its review of the ranges for 1985, the Committee voted as follows to establish a rebased range for M1 and to reaffirm the ranges that were set at the February meeting for the broader aggregates and for total domestic nonfinancial debt:

The Committee at this meeting reaffirmed ranges for the year of 6 to 9 percent for M2 and 6 to 9½ percent for M3. The associated range for total domestic nonfinancial debt was reaffirmed at 9 to 12 percent. With respect to M1, the base was moved forward to the second quarter of 1985 and a range was established at an annual growth rate of 3 to 8 percent. The range takes account of expectations of a return of velocity growth toward more usual patterns, following the sharp decline in velocity during the first half of the year, while also recognizing a higher degree of uncertainty regarding that behavior. The appropriateness of the new range will continue to be reexamined in the light of evidence with respect to economic and financial developments including developments in foreign exchange markets. More generally, the Committee agreed that growth in the aggregates may be in the upper parts of their ranges, depending on continuing developments with respect to velocity and provided that inflationary pressures remain subdued.

Votes for this action: Messrs. Volcker, Corrigan, Balles, Forrestal, Keehn, Partee, Martin, Rice, Ms. Seger, and Mr. Wallich. Vote against this action: Mr. Black. (Absent and not voting: Mr. Gramley.)

Mr. Black dissented because he preferred a rebased range of 4 to 7 percent for M1, which he thought was more likely to be consistent with both sustained economic expansion and progress toward price stability. In particular, he was concerned that the higher 8 percent top of the rebased range adopted by the Committee might tend to prolong the process of reducing M1 growth to a noninflationary rate.

Turning to the establishment of tentative ranges for 1986, several members emphasized the desirability of taking further action, in line with previously stated Committee intentions, to reduce growth in money and credit over time to rates that would be consistent with sustainable economic expansion and reasonable price stability. In that context, a majority of the members favored an MI range of 4 to 7 percent for 1986. However, with varying degrees of emphasis, a number of members questioned whether such a range would prove adequate to sustain the economic expansion, particularly in light of the possibility that the trend in M1 velocity might be shifting lower. Reference was also made to the uncertainties associated with the lifting of remaining Regulation Q interest rate ceilings early in 1986, as provided for in current legislation. One member commented that the elimination of rate ceilings on savings accounts could result in rate adjustments that favored such accounts over M1-type deposits, thereby tending to restrain M1 growth in relation to that of M2. However, the removal of ceilings on regular NOW accounts would work in the other direction.

With regard to the broader aggregates, the members favored no change in the tentative range for M2 and a ½ percentage point reduction in the upper limit of the M3 range compared with the 1985 ranges for those aggregates. There was general agreement on the desirability of reducing the monitoring range for total domestic nonfinancial debt by 1 percentage point, partly reflecting an expectation that its expansion would be tempered by a drop-off in the net redemption of equity shares that had boosted corporate debt substantially over the past several quarters. Moreover, credit needs to finance the expansion would tend to grow less than in 1985 if, as a number of members anticipated, the current account deficit did not worsen further and the gap between the growth in domestic spending and domestic production narrowed or disappeared. All of these ranges were believed to be consistent with sustained growth in the economy so long as inflationary pressures remained subdued. However, the Committee recognized that uncertainties about interest rates and other factors that could affect the velocity of the various aggregates would require careful reappraisal of the ranges at the beginning of 1986. In addition, actual experience with institutional and depositor behavior after the completion of deposit rate deregulation would need to be taken into account in judging the ongoing appropriateness of the ranges.

At the conclusion of its discussion, the Committee took the following action to establish the tentative ranges for 1986:

For 1986 the Committee agreed on tentative ranges of monetary growth, measured from the fourth quarter of 1985 to the fourth quarter of 1986, of 4 to 7 percent for M1, 6 to 9 percent for M2, and 6 to 9 percent for M3. The associated range for growth in total domestic nonfinancial debt was provisionally set at 8 to 11 percent for 1986. With respect to M1 particularly, the Committee recognized that uncertainties surrounding recent behavior of velocity would require careful reappraisal of the target range at the beginning of 1986. Moreover, in establishing ranges for next year, the Committee also recognized that account would need to be taken of experience with institutional and depositor behavior in response to the completion of deposit rate deregulation early in the year.

Votes for this action: Messrs. Volcker, Corrigan, Balles, Black, Forrestal, Keehn, Partee, Rice, and Wallich. Votes against this action: Mr. Martin and Ms. Seger. (Absent and not voting: Mr. Gramley.)

Mr. Martin dissented because he preferred a somewhat higher growth range for M1 to provide for greater flexibility if needed to accommodate sustained economic expansion, should velocity continue to decline or increase very sluggishly. Ms. Seger dissented because she believed that higher growth ranges were desirable to foster an acceptable rate of economic expansion and help reduce financial strains in the economy. Both Mr. Martin and Ms. Seger saw little risk under current conditions that inflation would intensify.

In the Committee's discussion of policy implementation, some divergence of views was expressed with regard to the appropriate operational approach for the weeks immediately ahead. A majority of the members were in favor of directing operations, at least initially, toward maintaining the existing degree of pressure on reserve positions, but others indicated preferences for somewhat firmer or somewhat easier reserve conditions. The members agreed that current reserve conditions were likely to be associated with a marked slowing in the growth of M1 during the third quarter, partly because the recent unusual surge in demand deposits would appear to have satisfied transaction needs for some period ahead. Growth in the broader aggregates would also be expected to slow from the pace in May and June, partly because of the prospect of some moderation in the inflow of funds to money market mutual funds and to money market deposit accounts as the interest paid on such accounts was brought into better alignment with short-term market rates.

Despite the outlook for more moderate growth in the monetary aggregates, notably M1, compared with the second quarter, some members were concerned that such growth might not slow sufficiently, and they proposed some modest firming of reserve conditions to help assure that the expansion of M1 would moderate to within the Committee's range for the second half of the year. A differing view, which placed less emphasis on the behavior of M1 because of the uncertainties that were involved, stressed the desirability of some easing of reserve conditions against the background of ongoing financial strains in some sectors and the sluggish performance of the economy.

In keeping with the Committee's usual practice, the members considered the question of possible intermeeting adjustments in the degree of reserve restraint. They agreed as they had previously that such adjustments should not be made automatically in response to the behavior of the monetary aggregates alone, but should take account of the strength of economic activity and inflationary pressures, domestic credit conditions, and the foreign exchange value of the dollar. In particular, the members agreed that some shortfall in the growth of M1 from expectations, should it occur for a month or two, should not be resisted and might indeed be desirable in the context of acceptable economic performance. Conversely, a tendency for M1 growth to exceed expectations should be countered more promptly, at least in the view of some members, in light of the rapid earlier growth in transaction balances. The members also felt that the behavior of the dollar in foreign exchange markets might well impose a significant constraint—potentially in either direction—with regard to possible adjustments in the degree of reserve restraint over the weeks ahead.

With regard to the intermeeting range for the federal funds rate, which calls for Committee consultation when its boundaries are exceeded for a period, it was suggested in the course of discussion that a rise in the average rate to around the upper end of the existing 6 to 10 percent monitoring range would imply reserve conditions that were inconsistent with the Committee's objectives for monetary growth, and that accordingly the upper end might be lowered to 9 percent. On the other hand, some members were concerned that a further decline in the average level of the federal funds rate to near the lower end of the present range might also prove inconsistent with monetary growth objectives and would therefore provide a misleading signal of policy easing. On balance, most of the members preferred to retain the current range, which bracketed fairly evenly the existing federal funds rate.

At the conclusion of the Committee's discussion, a majority of the members indicated that they favored or could accept a directive that called for maintaining the current degree of pressure on reserve positions, keeping in mind the possibility of some increases in those pressures if growth of the monetary aggregates exceeded intentions. The members expected such an approach to policy implementation to be consistent with growth of both M2 and M3 at an annual rate of around 7½ percent for the period from June to September. Over the same period they expected the expansion of M1 to slow substantially to an annual rate of 5 to 6 percent. The members agreed that somewhat lesser restraint on reserve positions might be acceptable in the event of substantially slower-than-expected growth in the monetary aggregates, while somewhat greater restraint would be acceptable if monetary growth were substantially faster. It was understood that the need for lesser or greater restraint would be considered against the background of developments relating to the strength of the business expansion, inflationary pressures, and conditions in domestic credit and foreign exchange markets. The members agreed that the intermeeting range for the federal funds rate should be left at 6 to 10 percent.

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

The information reviewed at this meeting suggests some pickup in the expansion of economic activity in recent months following virtually no growth in the first quarter. Total retail sales rose on balance in April and May to a level appreciably above the average for the first quarter, and housing starts held earlier gains after rising substantially in the first quarter. Information on business capital spending suggests further growth, though at a much less rapid pace than earlier in the economic expansion. Industrial production declined slightly in April and May after rising little over the first quarter. Total nonfarm payroll employment increased at a somewhat reduced pace in May and June with employment in manufacturing registering further declines. The civilian unemployment rate remained at 7.3 percent in June, unchanged since February. Broad measures of prices and wages appear to be rising at rates close to those recorded in 1984.

Since the Committee's meeting in May, the trade-weighted value of the dollar against major foreign currencies has generally moved within a relatively narrow range but recently has declined to a level below its April low. The merchandise trade deficit in April–May widened from the first-quarter rate as both agricultural and nonagricultural exports fell, while imports remained close to their high first-quarter level.

M1 expanded very rapidly in May and June after growing at a moderate pace in the preceding two months. The broader aggregates also grew more rapidly in May and June after slowing appreciably earlier. From the fourth quarter of 1984 through June, M1 grew at a rate well above the Committee's range for 1985; M2 increased at a rate around the upper end of its longer-run range; while M3 expanded at a rate in the upper half of its range. Expansion in total domestic nonfinancial debt slowed a little in the second quarter but remained high relative to the Committee's monitoring range for the year. Interest rates have declined somewhat further since the May meeting of the Committee.

The Federal Open Market Committee seeks to foster monetary and financial conditions that will help to reduce inflation further, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives the Committee at this meeting reaffirmed ranges for the year of 6 to 9 percent for M2 and 6 to 9½ percent for M3. The associated range for total domestic nonfinancial debt was reaffirmed at 9 to 12 percent. With respect to M1, the base was moved forward to the second quarter of 1985 and a range was established at an annual growth rate of 3 to 8 percent. The range takes account of expectations of a return of velocity growth toward more usual patterns, following the sharp decline in velocity during the first half of the year, while also recognizing a higher degree of uncertainty regarding that behavior. The appropriateness of the new range will continue to be reexamined in the light of evidence with respect to economic and financial developments including developments in foreign exchange markets. More generally, the Committee agreed that growth in the aggregates may be in the upper parts of their ranges, depending on continuing developments with respect to velocity and provided that inflationary pressures remain subdued.

For 1986 the Committee agreed on tentative ranges of monetary growth, measured from the fourth quarter of 1985 to the fourth quarter of 1986, of 4 to 7 percent for M1, 6 to 9 percent for M2, and 6 to 9 percent for M3. The associated range for growth in total domestic nonfinancial debt was provisionally set at 8 to 11 percent for 1986. With respect to M1 particularly, the Committee recognized that uncertainties surrounding recent behavior of velocity would require careful reappraisal of the target range at the beginning of 1986. Moreover, in establishing ranges for next year, the Committee also recognized that account would need to be taken of experience with institutional and depositor behavior in response to the completion of deposit rate deregulation early in the year.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. This action is expected to be consistent with growth in M2 and M3 at an annual rate of around 7½ percent during the period from June to September, and with a substantial slowing of M1 growth to an annual rate of 5 to 6 percent. Somewhat lesser reserve restraint might be acceptable in the event of substantially slower growth of the monetary aggregates while somewhat greater restraint would be acceptable in the event of substantially higher growth. In either case such a change would be considered in the context of appraisals of the strength of the business expansion, progress against inflation, and conditions in domestic credit and foreign exchange markets. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that pursuit of the monetary objectives and related reserve paths during the period before the next meeting is likely to be associated with a federal funds rate persistently outside a range of 6 to 10 percent.

Votes for the short-run operational paragraph: Messrs. Volcker, Corrigan, Balles, Forrestal, Keehn, Partee, Martin, Rice, and Wallich. Votes against this action: Mr. Black and Ms. Seger. (Absent and not voting: Mr. Gramley.)

Mr. Black dissented because he believed some increase in the degree of reserve pressure was needed to help assure an adequate slowing of M1 growth over the months ahead. Ms. Seger dissented because she favored some easing of reserve conditions to help reduce current financial strains, moderate the strength of the dollar in foreign exchange markets, and promote faster economic expansion.

Legal Developments

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

Orders Issued Under Section 3 of Bank Holding Company Act

Citicorp
New York, New York

Order Denying the Acquisition of a Bank

Citicorp, New York, New York, a registered bank holding company within the meaning of the Bank Holding Company Act (the "BHC Act") (12 U.S.C. § 1841 *et seq.*), has applied for Board approval under section 3 of the Act to acquire all of the shares of American State Bank of Rapid City ("Bank"), Rapid City, South Dakota. In connection with this application, Citicorp has specifically requested the Board's approval to engage through Bank in underwriting life insurance, accident and health insurance and annuities, and to act as agent or broker for the sale of all lines of insurance on a nationwide basis.

Notice of the application, affording an opportunity for interested persons to submit comments, has been given in accordance with the provisions of the Act. The time for filing comments has expired and the Board has considered the application and all comments received, including the comments submitted by Protestants,[1] in light of the factors specified in the Act.

South Dakota law specifically provides that an out-of-state bank holding company may acquire a single existing state chartered bank in South Dakota. S.D. Codified Laws Ann. § 51-16-40(b) (1984). South Dakota law also permits all banks chartered under the laws of South Dakota to engage, either directly or through subsidiaries, in all facets of the insurance business. S.D. Codified Laws Ann. § 51-18-30 (1984). Under South Dakota law, however, a South Dakota bank acquired by an out-of-state bank holding company is prohibited from expanding or acquiring new banking offices or remote service units by merger, acquisition or *de novo* and is required to conduct its insurance activities in South Dakota in a manner and at a location that is not likely to attract customers from the general public in South Dakota to the substantial detriment of existing insurance companies, brokers and agents in the state. S.D. Codified Laws Ann. § 51-16-41 (1984). In addition, a *de novo* South Dakota bank acquired by an out-of-state bank holding company is limited to operating a single banking office in South Dakota and is required to conduct its banking business in South Dakota at a location and in a manner so that it is not likely to attract customers from the general public in South Dakota to the substantial detriment of existing banks in the state. *Id.* South Dakota banks owned by South Dakota bank holding companies are not subject to the same limitations or restrictions as apply to state banks owned by out-of-state bank holding companies, and may, for example, establish branches statewide.

This application was originally submitted to the Board in June 1983, and included a proposal by Citicorp that contemplated engaging in insurance activities without limitation. On January 6, 1984, the Board suspended processing of the application at the request of Citicorp, noting that the application raised significant legal questions concerning the applicability of the Bank Holding Company Act to state chartered holding company banks and their nonbank subsidiaries, as well as concerning the compatibility of the proposed insurance activities with the provisions of the Act prohibiting bank holding companies from engaging in certain insurance activities. The Board expressed its "tentative judgment that it could not approve the proposed bank acquisitions in view of present law and expressions of Congressional intent, subject to any further consideration by the Congress."

Citicorp requested that the Board reactivate processing of its application on February 20, 1985. Citicorp proposes to conduct a wide variety of insurance

1. Comments in opposition to the proposed transaction and a request for a formal hearing were made on behalf of the American Council of Life Insurance, the American Insurance Association, the National Association of Independent Insurers, and the Alliance of American Insurers. The Board also received comments urging denial of this application from the National Association of Insurance Commissioners; from the Mortgage Insurance Companies of America; and from the Independent Insurance Agents of America, the National Association of Casualty and Surety Agents, the National Association of Surety Bond Producers, the National Association of Professional Insurance Agents, and the National Association of Life Underwriters.

activities through Bank, including underwriting general life and other types of insurance and acting as agent or broker for all types of insurance unrelated to extensions of credit. While Citicorp states that it has not yet determined the full range of insurance activities that it will conduct through Bank and has further stated that it will not underwrite property and casualty insurance without prior Board approval, Citicorp has stated that it expects to conduct insurance activities through Bank "to the fullest extent possible."[2] Citicorp expects to conduct these general insurance activities throughout the United States.

While this application has been filed under section 3 of the Act (governing the acquisition of banks), the Board does not believe that approval of such an application would be warranted where the proposal would result in a violation or evasion of the nonbanking provisions of section 4 of the Act.[3] Section 4 of the Act prohibits a bank holding company from engaging in any activity other than banking or managing or controlling banks and activities determined by the Board to be closely related to banking and a proper incident thereto under section 4(c)(8) of the Act. In addition, section 4 of the Act prohibits a bank holding company from acquiring or retaining direct or indirect ownership or control of voting shares of any company that is not a bank, unless the company engages in an activity closely related to banking (or is otherwise exempt under the Act). In 1982, Congress, in Title VI of the Garn–St Germain Depository Institutions Act of 1982, amended section 4(c)(8) of the Act to provide specifically that insurance activities, with certain exceptions not relevant here, are not closely related to banking, thereby precluding the Board from authorizing bank holding companies to conduct these activities.

The Board believes that the record in this case demonstrates that the primary, if not sole, purpose of the proposed acquisition is to permit Citicorp to engage through Bank in various insurance activities that are impermissible for bank holding companies under section 4 of the Act. The Board has considered that the South Dakota statute itself has the effect of enabling out-of-state bank holding companies to evade the nonbanking insurance provisions of the Act. The South Dakota statute allows out-of-state bank holding companies to acquire South Dakota banks, but simultaneously sharply limits the ability of any state bank acquired by an out-of-state bank holding company to conduct a banking business in South Dakota by prohibiting these out-of-state owned banks from expanding their banking offices in any way.

In furtherance of the state's objective of permitting out-of-state holding companies to engage in the insurance business outside South Dakota while restricting banking activities within that state, the South Dakota statute places an even more stringent restriction on *de novo* banks acquired by out-of-state bank holding companies. The statute limits their banking business to a single office and requires that banking activities be conducted at a location and in a manner that is "not likely to attract customers from the general public in the state to the substantial detriment of existing banks in the state." S.D. Codified Laws Ann. § 51–16–41.

While an out-of-state bank holding company is significantly limited in its ability to conduct a banking business in South Dakota once it acquires a South Dakota bank, the out-of-state bank holding company is permitted to use the South Dakota bank franchise to conduct insurance activities nationwide without any limitation (other than that it restrict its insurance activities within South Dakota itself to avoid competing with South Dakota firms). It is this grant of broad insurance powers, which are otherwise prohibited to bank holding companies, that replaces the opportunity to conduct a banking business in South Dakota as the incentive to attract out-of-state bank holding companies to acquire South Dakota banks. This incentive—crucial to the success of the South Dakota statute's aim of attracting out-of-state bank holding companies as a means of increasing tax revenues and jobs in South Dakota—exists only because insurance activities are expressly prohibited for bank holding companies under the BHC Act.

The Preamble to the South Dakota statute explicitly recognizes that the statute is intended to secure employment and revenue for the state by enabling out-of-state bank holding companies to take advantage of "a unique opportunity" afforded by national laws. As demonstrated, this opportunity is the ability to use a South Dakota bank franchise to conduct insurance activities prohibited to bank holding companies. Thus, the effectiveness of the South Dakota statute to achieve its purpose is premised upon its ability to

2. Citicorp has indicated that it wishes to conduct insurance activities through separately incorporated nonbank subsidiaries of Bank. If the Board concludes that the Act prohibits the conduct of the activity through nonbank subsidiaries of Bank, however, Citicorp has stated it will conduct the insurance activities through separate divisions of Bank.

3. The Board is authorized under section 5(b) of the Act, indeed in certain circumstances required, to deny proposals that represent a clear evasion of the purposes of the Act, even if the proposal technically conforms to the terms of the Act. *See Florida Department of Banking v. Board of Governors*, 760 F.2d 1135 (11th Cir. 1985); *Wilshire Oil Co. v. Board of Governors*, 668 F.2d 732 (3rd Cir. 1981), *cert. denied* 457 U.S. 1132 (1982). The U.S. Supreme Court has recognized the authority of the Board to impose restrictions on holding company banks to prevent evasion of the nonbanking provisions of the Act. *See Board of Governors v. Investment Company Institute*, 450 U.S. 46, 60 n.25 (1981).

enable bank holding companies to evade the provisions of the BHC Act.

In these circumstances, it is important to note that Bank will serve primarily as an insurance subsidiary of Citicorp and will conduct relatively insignificant banking activities.[4] While Citicorp has not provided any financial projections regarding the insurance or banking activities it will conduct through Bank, Citicorp has stated that it will conduct insurance activities "to the fullest extent possible" and on a nationwide basis. In this regard, Citicorp has committed to the South Dakota Banking Commissioner to devote approximately $2.5 million to a facility in Rapid City and to employ a minimum of 100–125 additional persons for the purpose of conducting insurance or other nonbanking activities. These plans illustrate that Citicorp contemplates devoting significant resources to conducting a broad range of insurance activities through Bank.

The Board believes, based upon the foregoing commitments and Citicorp's stated intention of conducting insurance activities "to the fullest extent possible," that the resources required to conduct an insurance business as proposed by Citicorp are beyond the capacity of the Bank itself (with $17.5 million in total assets and about 28 full time employees as of March 31, 1985) and that in this situation the bank is acting as a proxy for Citicorp. Moreover, it appears that the activities Citicorp will conduct through Bank will be preponderantly insurance activities prohibited under the Act and not banking activities.[5]

While the potential scope and volume of Bank's insurance activities are not limited, the prohibition imposed on Bank's ability to expand into new banking markets or to open new locations to accommodate growth in the Rapid City market clearly indicates that the banking activities of Bank will be insignificant relative to its contemplated nationwide insurance activities. Under the South Dakota statute, Bank would be limited to its two existing offices and one additional approved but not yet open office in the Rapid City market and—unlike other banks in the state—could not open additional branches either *de novo* or through acquisition or merger.

The Board also notes that the great preponderance of insurance activities proposed for Bank raises a substantial question whether Citicorp's activities, after consummation of the proposal, will be limited to those permitted to bank holding companies under the terms of section 4 of the Act. Under that section, the activities of bank holding companies are limited to "banking" or "managing and controlling banks" and activities that the Board determines are closely related to banking. The broad range of insurance activities involved in this case are regulated as insurance and have been expressly determined by Congress to be not closely related to banking. On this basis, these activities do not appear to fall within the scope of either "banking" or "closely related to banking" activities permissible for bank holding companies under section 4 of the Act. In this regard, the Board notes that the South Dakota statute itself makes a sharp distinction between "banking" and the "insurance" activities authorized.

In this situation, the Board concludes that the acquisition of Bank is in reality an acquisition for the purposes of permitting Citicorp to engage in insurance activities prohibited for bank holding companies under section 4 of the BHC Act and that Bank is simply a device to accomplish this objective. Accordingly, the Board has determined that the proposal constitutes an evasion of section 4 of the Act and section 225.22(d)(2) of Regulation Y and that Board approval is therefore precluded.[6]

For the foregoing reasons, the Board hereby denies the application.[7]

By order of the Board of Governors, effective August 1, 1985.

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

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

4. Under the South Dakota statute, Bank and its insurance subsidiaries must be licensed and supervised by the South Dakota Department of Insurance as well as the state insurance departments in each state in which Bank conducts its insurance activities.

5. The Board would be prepared to entertain an application by Citicorp to acquire Bank that was limited to engaging in banking activities in South Dakota.

6. In light of this conclusion, the Board finds it unnecessary to make a determination regarding Protestants' contention that the nonbanking and insurance provisions of the Act apply to holding company banks.

The Board has, however, previously determined that the nonbanking provisions of the Act apply to acquisitions by holding company banks of voting shares of a company. 12 C.F.R. 225.101. The Board has adopted a regulatory exemption from this prohibition, found in section 225.22(d)(2) of Regulation Y, for acquisitions by holding company state banks of all of the voting shares of a nonbanking company engaged only in activities that the bank may conduct directly. This exemption was adopted in order to promote competitive equity between holding company banks and independent banks in the absence of evidence of use by bank holding companies of holding company banks to evade the nonbanking provisions of the Act. Because Citicorp proposes to utilize Bank to evade the nonbanking provisions of the Act, the Board concludes that the proposal is not consistent with the regulation.

7. In view of the Board's determination to deny the application, the Board has not considered Protestants' request for a formal hearing on the application.

Concurring Statement of Governor Rice

I concur in the Board's decision that this application represents an attempt to evade the provisions of the Bank Holding Company Act that prohibit bank holding companies from engaging in most insurance activities. In addition, I wish to emphasize that the nonbanking prohibitions of the Act apply to investments made by bank holding companies, even when those investments are made through a subsidiary bank. Moreover, I believe that the terms, structure, legislative history and purpose of the Act make clear that a bank holding company may not avoid the nonbanking restrictions of the Act by conducting these activities through a subsidiary bank.

Section 4 of the Act provides that, with certain exceptions not relevant here, a bank holding company may not acquire or retain direct or indirect ownership or control of any voting shares of any company that is not a bank. Section 4 also prohibits a bank holding company from engaging in any activities other than banking or managing and controlling banks and activities determined by the Board to be closely related to banking. In this regard, in Title VI of the Garn–St Germain Depository Institutions Act of 1982, Congress amended section 4(c)(8) of the Act to specifically provide that most insurance activities are not closely related to banking and therefore are impermissible activities for bank holding companies. In my judgment, these provisions prohibit the type of activities proposed by Citicorp in this application.

As the majority notes, the Board recognized, shortly after enactment of the Act in 1956, that the prohibition against directly or indirectly acquiring shares of a company applied to acquisitions by all subsidiaries of the holding company, including acquisitions by bank subsidiaries of holding companies. The Act itself deems that voting shares of a company that are held by "*any* subsidiary of a bank holding company" are deemed to be indirectly owned by the holding company. 12 U.S.C. § 1841(g)(1). The term "subsidiary" in the Act does not exclude bank subsidiaries.

In 1971, the Board reaffirmed its view that the Act applied to nonbank subsidiaries of holding company banks, but adopted a limited regulatory exemption for operating subsidiaries of holding company banks. 12 C.F.R. 225.22(d). In enacting this regulatory exemption, the Board expressly noted that it would review the merits of the regulation in light of evidence that the regulation was being used to evade the nonbanking provisions of the Act.

I have also considered the legislative history of the Act, which clearly indicates that Congress intended the Act to establish a comprehensive framework for the regulation and supervision of bank holding companies and their nonbanking activities. I find nothing in the Act or its legislative history indicating that Congress intended that this framework could be avoided by a bank holding company simply using the device of conducting an activity in a direct or indirect subsidiary. The entire structure of the Act, which grants the Board extensive examination and reporting authority over holding company banks, supports this opinion.

Accordingly, for the foregoing reasons, I believe the proposal should be denied.

August 1, 1985

Concurring Statement of Governor Seger

This application raises the important question of the extent to which a state bank within a bank holding company system may conduct activities authorized for the bank under state law. While I agree with the Board that denial of this case is appropriate because of the nature of the Citicorp proposal and certain provisions of the South Dakota statute, I wish to emphasize that I do not object to proposals under which a state bank engages in activities authorized by the state for its banks provided those activities may be conducted within the state without restriction. I believe that states should be authorized to delineate the types of activities that banks may engage in within their borders. Indeed, one of the virtues of the dual banking system is that it allows the states to serve as laboratories for the development and expansion of banking services and activities within their boundaries.

In my view, however, the current proposal is not consistent with the dual banking system or with the Bank Holding Company Act because it represents an attempt by a state to use its state banking franchise to facilitate the conduct by out-of-state bank holding companies of nonbanking activities on a nationwide basis, while severely limiting their ability to conduct these same activities, as well as traditional banking activities, within the state. On this basis, I find the Citicorp proposal to be beyond the latitude permitted under the Bank Holding Company Act.

August 1, 1985

Crockett County Bancshares, Inc.
Bells, Tennessee

Order Approving Formation of a Bank Holding Company

Crockett County Bancshares, Inc., Bells, Tennessee, 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 all of the voting shares of Bells Banking Company, Bells, Tennessee ("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 Tennessee for the purpose of becoming a bank holding company by acquiring Bank, which holds aggregate deposits of $13.2 million.[1] Upon acquisition of Bank, Applicant would control one of the smaller commercial banking organizations in Tennessee and less than 0.1 percent of the total deposits in commercial banks in the state.

Bank is the third largest of six commercial banking organizations in the Crockett County banking market[2] and holds approximately 14.5 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.

With regard to financial factors, although Bank has experienced operating problems, its management has been strengthened, and this proposal would facilitate the injection of additional capital into Bank. Applicant would incur debt to fund a significant portion of the capital injection. While Bank's earnings history raises some concerns about Bank's ability to service this debt, the presence of stronger managerial resources and certain pledges by Applicant's principals that will assist with debt servicing as necessary, mitigate the Board's concerns in this matter. On balance, therefore, the financial and managerial resources and future prospects of Applicant and Bank are consistent with approval of the application. Although Applicant does not anticipate any immediate changes in the services offered by Bank, considerations relating to the convenience and needs of the community to be served are consistent with approval of the application.

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 St. Louis, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 14, 1985.

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

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

1. All banking data are as of September 30, 1984.
2. The Crockett County banking market is approximated by Crockett County, Tennessee.

First National Bancshares Corporation II Lexington, Tennessee

Order Denying Formation of a Bank Holding Company

First National Bancshares Corporation II, Lexington, Tennessee, 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 all of the voting shares of First National Bancshares Corporation, Lexington, Tennessee ("Company"), and, indirectly, its subsidiary, First National Bank of Lexington, Lexington, Tennessee ("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 Tennessee for the purpose of becoming a bank holding company by acquiring Company, thereby indirectly acquiring Bank. Upon acquisition of Bank, which holds aggregate deposits of $40.8 million,[1] Applicant would control one of the smaller commercial banking organizations in Tennessee and less than 0.2 percent of the total deposits in commercial banks in the state.

Bank operates in the Lexington banking market,[2] where it is the second largest of nine commercial

1. All banking data are as of September 30, 1984.
2. The Lexington banking market is approximated by Henderson, Decatur, and Perry Counties, Tennessee.

banks, controlling 17.3 percent of total deposits in commercial banks. No principal of Applicant, Company or Bank is affiliated with any other depository institution 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 market.

The Board has indicated on previous occasions that a bank holding company should be a source of financial and managerial strength to its subsidiaries, and that the Board will closely examine the condition of an applicant in each case with these considerations in mind.[3] The Board has also indicated and continues to believe that capital adequacy is an especially important factor in the analysis of bank holding company proposals, and it has denied several applications[4] where it appeared that a bank holding company's *pro forma* capital ratio either would not meet the Board's Capital Adequacy Guidelines ("Guidelines")[5] or would be significantly reduced from previously satisfactory levels.

A one-bank holding company with less than $150 million in consolidated assets, such as Applicant, may satisfy the minimum capital requirements specified in the Guidelines on a bank-only basis. This exception to the consolidated bank holding company analysis is intended to apply only to small one-bank holding companies that do not engage in nonbank activities involving significant leverage or that do not have outstanding significant debt held by the general public. In this case, a substantial portion of Company's liabilities is derived from the sale to Tennessee residents of "investment certificates"—short-term, small-denomination debt obligations. Since the Board views these investment certificates as debt held by the general public, Applicant's capital ratios must be considered on a consolidated basis under the Guidelines. Considered on that basis, Applicant's capital would not meet the minimum levels specified in the Guidelines. Such capital considerations reflect adversely on this proposal.

Applicant's proposed formation involves indebtedness, and Applicant proposes to reduce this indebtedness in accordance with the timetable set forth in the Board's Policy Statement on Assessment of Financial Factors of One-Bank Holding Companies ("Policy Statement").[6] Under its Policy Statement, the Board has been willing to approve the formation of one-bank holding companies with substantial debt in order to facilitate the transfer of local ownership of small community banks and thereby to serve the convenience and needs of the community, provided that an applicant demonstrates its ability to become a source of strength to its subsidiary bank within a relatively short period of time, such as by reducing its debt-to-equity ratio to a reasonable level (generally 30 percent) within 12 years of consummation. In this case, however, Company's principal would remain the largest single shareholder of Applicant and would serve in management positions with Applicant and Company, and Applicant's proposal would not result in the change in the ownership and control of Bank that is contemplated in order to qualify for consideration under the Policy Statement. Company was originally granted the benefits conferred by the Policy Statement at the time of Company's formation, and since this application is a restructuring of existing ownership, Applicant may not also take advantage of the small bank holding company debt levels and debt reduction schedule in servicing the proposed additional debt of this banking organization. The Board notes that its concerns about the debt structure of this banking organization appear justified, since Company has not met its debt reduction projections made in connection with its formation in 1979.[7]

The Board concludes that the banking organization does not have sufficient flexibility to be able to reduce its indebtedness in a satisfactory manner while maintaining adequate capital at Bank. After considering these and other facts of record, including the comments of the Comptroller of the Currency, Bank's primary supervisor, the Board concludes that this proposal presents adverse factors bearing upon the financial resources and future prospects of Applicant and Bank. The managerial resources of Applicant, Company, and Bank, although generally satisfactory, lend no weight toward approval of the application. On balance, the banking considerations involved in this application are adverse.

Applicant has proposed no new services for Bank upon consummation of this proposal. Considerations

3. *See Cambridge Financial Corporation*, 69 FEDERAL RESERVE BULLETIN 796 (1983); *Central Minnesota Bancshares, Inc.*, 70 FEDERAL RESERVE BULLETIN 877 (1984); *Singer & Associates*, 70 FEDERAL RESERVE BULLETIN 883 (1984).

4. *E.g.*, *Eagle Bancorporation, Inc.*, 70 FEDERAL RESERVE BULLETIN 728 (1984); *Security Banks of Montana*, 71 FEDERAL RESERVE BULLETIN 246 (1985); *State Bond and Mortgage Company*, 71 FEDERAL RESERVE BULLETIN 722 (1985).

5. Capital Adequacy Guidelines, 50 *Federal Register* 16,057 (April 24, 1985); 71 FEDERAL RESERVE BULLETIN 445 (1985).

6. Regulation Y Appendix B; 66 FEDERAL RESERVE BULLETIN 320 (1980), as amended by the Board's Capital Adequacy Guidelines, *supra* n. 5.

7. The Board previously has denied proposals involving similar amounts of leverage by small one-bank holding companies where the applicant did not propose an actual transfer of ownership, or where it appeared that the applicant would not be able to meet the debt reduction timetable set forth in the Policy Statement. *See Spur Bancshares, Inc.*, 69 FEDERAL RESERVE BULLETIN 807 (1983); *P.H. Bancorporation, Inc.*, 71 FEDERAL RESERVE BULLETIN 166 (1985).

relating to the convenience and needs of the community to be served are consistent with but lend no weight toward approval of this application.

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

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

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

Barbara R. Lowrey
[SEAL] *Associate Secretary of the Board*

The Marine Corporation
Milwaukee, Wisconsin

Marisub of Wisconsin, Inc.
Milwaukee, Wisconsin

Order Approving Acquisition of Bank Holding Companies

The Marine Corporation, Milwaukee, Wisconsin ("Marine"), 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 Firstar Corporation, Appleton, Wisconsin ("Firstar"), a bank holding company within the meaning of the Act, and thereby indirectly to acquire control of Firstar Bank, N.A., Appleton, Wisconsin; Firstar Bank Seymour, N.A., Seymour, Wisconsin; Firstar Bank Clintonville, N.A., Clintonville, Wisconsin; Firstar Bank Freedom, Kaukauna, Wisconsin; Firstar Bank DePere, DePere, Wisconsin; Firstar Bank Larsen, Larsen, Wisconsin; Firstar Bank Campbellsport, Campbellsport, Wisconsin; and Firstar Bank Oshkosh, N.A., Oshkosh, Wisconsin.[1]

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, Marisub of Wisconsin, Inc., Milwaukee, Wisconsin ("Marisub"), with Firstar, thereby causing Marisub to become a bank holding company. Marisub is of no significance except as a means to facilitate the acquisition of voting shares of Firstar by Marine.

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

Marine, the third largest banking organization in Wisconsin, controls deposits of $2.7 billion,[2] representing 9.4 percent of the total deposits in commercial banks in the state.[3] Firstar, the ninth largest banking organization in Wisconsin, controls deposits of $444.9 million, representing 1.5 percent of the total deposits in commercial banks in the state. Upon consummation of the transaction, Marine would control total deposits of $3.2 billion, representing 10.9 percent of the total deposits in commercial banks in the state, and would remain the third largest banking organization in Wisconsin. The Board concludes that the proposed transaction would have no significant effect on the concentration of banking resources in Wisconsin.

The banking subsidiaries of Marine compete directly with those of Firstar in the Appleton and Green Bay banking markets.[4] Marine is currently the sixth largest banking organization in the Appleton market, with deposits of $50.5 million representing 4.7 percent of the total deposits in commercial banks in the market.[5] Firstar is the largest commercial banking organization in the market, with deposits of $272.4 million, representing 25.3 percent of the total deposits in the Appleton market. Upon consummation of the proposed transaction, Marine would become the largest banking organization in the Appleton market, with 30 percent of the total deposits in commercial banks in the market. The share of deposits held by the four largest commercial banking organizations in the Appleton banking market is 73.3 percent and would increase to 78 percent upon consummation of this proposal. The market's Herfindahl-Hirschman Index ("HHI") is 1641 and the proposed acquisition would increase the HHI by 238 points to 1879. Thus, the proposed trans-

2. Marine recently received Board approval to acquire Citizens National Bank of Stevens Point, Stevens Point, Wisconsin. When the additional bank is acquired Marine will control total deposits of $2.8 billion.

3. Banking data are as of December 31, 1984, unless otherwise indicated.

4. The Appleton banking market comprises Outgamie County, the northeastern portion of Winnebago County (Clayton, Winchester, Neenah and Menasha townships), and the northwestern portion of Calumet County (Harrison, Woodville, Brillion and Rantoul townships). The Green Bay market is defined as Brown County, Wisconsin.

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

action would be subject to challenge under the Department of Justice Merger Guidelines.[6]

Although the proposed merger would eliminate existing competition between Marine and Firstar in the Appleton market, the Board notes that 13 competitors would remain in the market. In addition, the Board has concluded that the effect of this proposal on existing competition is mitigated by the extent of competition offered by thrift institutions in the Appleton market.[7] Eleven thrift institutions in the market hold deposits of $463.9 million, representing 28.9 percent of the total deposits in the market.[8] All of the thrift institutions make commercial real estate loans, while ten thrift institutions offer commercial checking accounts. Moreover, some of the thrifts offer short-term construction loans, commercial mortgages, equipment financing, and accounts receivable financing. All of the thrift institutions offer transaction accounts and money market accounts in addition to their traditional time and savings deposit services. In view of these facts, the Board considers the presence of thrift institutions as a significant factor in assessing the competitive effects of this proposal and has determined that consummation of the proposal is not likely to have a significant adverse effect on existing competition in the Appleton banking market.[9]

In the Green Bay market, Marine is the third largest competitor, with deposits of $184.2 million, representing 16.5 percent of the total deposits in commercial banks in the market. Firstar is the eleventh largest commercial banking organization in the market, with deposits of $24.8 million, representing 2.2 percent of the market's commercial bank deposits. Upon acquiring Firstar, Marine would control 18.7 percent of the total deposits in commercial banks in the Green Bay market.

The share of deposits held by the four largest commercial banking organizations in the Green Bay banking market is 70.7 percent and would increase to 72.9 percent upon consummation of this proposal. The market's HHI is 1536 and would increase 73 points to 1609 upon consummation of the proposal. Thus, the proposed transaction would not be subject to challenge under the Department of Justice Merger Guidelines.[10] Furthermore, ten banking organizations would remain as competitors, including the six largest banking organizations in the state. Accordingly, the Board has determined that consummation of the proposed transaction is not likely to have a significant adverse effect on existing competition in the Green Bay market.

The Board has considered the effects of this proposal on probable future competition and has examined the proposal in light of its proposed guidelines for assessing the competitive effects of market extension mergers and acquisitions[11] in the remaining four markets in which Firstar competes.[12] Only one of these markets, Mayville, is considered to be highly concentrated under the Board's proposed guidelines. However, there are numerous potential entrants into the Mayville market. Accordingly, the Board has concluded that consummation of the proposed transaction would not have any significant adverse effects on probable future competition in any relevant market.

The financial and managerial resources of Marine are generally satisfactory. Marine has indicated that it will provide needed financial and managerial support

6. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (1984)), a market in which the post-merger HHI is above 1800 is considered highly concentrated, and the Department is likely to challenge a merger that increases the HHI by 50 points or more unless other factors of record indicate that the merger is not likely substantially to lessen competition. Other factors include the increase in the HHI, changing market conditions, the financial condition of the firm to be acquired, ease of entry, nature of the product, substitute products, similarities in firms that are subject to the transaction, and increased efficiencies that may result from the transaction. 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 advised the Board of any objection to Marine's proposed acquisition of Firstar.

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

8. Thrift institution deposit data are as of June 30, 1984.

9. 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 61.3 percent and the HHI would be 1203. Upon consummation of this proposal, the four-firm concentration ratio would increase to 65.2 percent and the HHI would increase to 1367. The resulting market share of Applicant would be 24.9 percent.

10. 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.

11. "Policy Statement of the Board of Governors of the Federal Reserve System for Assessing Competitive Factors Under the Bank Merger Act and the Bank Holding Company Act," 47 *Federal Register* 9017 (March 3, 1982). While the proposed policy statement has not been approved by the Board, the Board is using the policy guidelines as part of its analysis of the effect of a proposal on probable future competition.

12. These banking markets are the Fond du Lac, Mayville, Oshkosh, and Waupaca markets.

to Firstar and its banking subsidiaries and appears to have the resources to do so. Accordingly, the financial and managerial resources of Firstar and its subsidiary banks are likely to improve upon consummation of the proposed transaction and their prospects are favorable.

On the basis of the facts of record, including the fact that the financial and managerial resources of Firstar and its subsidiary banks would be improved by this proposal, the Board concludes that banking factors are consistent with approval. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the applications under sections 3(a)(3) and 3(a)(1) should be, and hereby are, 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 August 19, 1985.

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

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

MCorp
Dallas, Texas

MCorp Financial, Inc.
Wilmington, Delaware

The Equitable Company of Texas
Dallas, Texas

Order Approving the Acquisition of Shares of a Bank

MCorp, Dallas, Texas, and its wholly-owned subsidiary, MCorp Financial, Inc., Wilmington, Delaware, both registered bank holding companies, and their wholly owned subsidiary, The Equitable Company of Texas, Dallas, Texas, have applied for the Board's approval under section 3 of the Bank Holding Company Act (the "Act") (12 U.S.C. § 1841 *et seq.*) to acquire voting and nonvoting shares of United Bank, N.A. ("Bank"), Midland, Texas.

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

Applicants propose to acquire approximately 4.9 percent of the outstanding voting shares of Bank and up to 304,642 shares of nonvoting preferred stock of Bank with warrants attached that are convertible after one year into approximately 18.8 percent of the total outstanding voting shares of Bank. The total investment by Applicants will represent in excess of 28 percent of the total equity of Bank, and, upon exercise of the warrants, could represent approximately 40 percent of Bank's total capital. Applicants state that, upon consummation of the proposed investment, they will not, without prior Board approval, exercise control over the management or operations of Bank or exercise the warrants for common stock of Bank.

Section 3(c) of the Act requires the Board in every case under section 3 of the Act to analyze the competitive, financial, managerial, future prospects and convenience and needs considerations of the proposal. In accordance with the terms of this section of the Act, the Board has considered all of these factors in its analysis of this application, even though Applicants' proposal involves the acquisition of less than a controlling interest in Bank.[1]

MCorp, with sixty-seven subsidiary banks and total consolidated assets of approximately $20.5 billion, is the second largest commercial banking organization in Texas and controls approximately 9.26 percent of total deposits in commercial banks in the state.[2] Bank, with total assets of $83.5 million, was established in 1983 and is among the smaller commercial banks in Texas, controlling approximately 0.02 percent of total deposits in commercial banks in the state. Upon consummation of this proposal, MCorp would remain the second largest commercial banking organization in Texas and would control approximately 9.28 percent of the total deposits in commercial banks in the state. Consummation of this proposal would not have a significant effect on the concentration of banking resources in Texas.

Bank is the sixth largest of nine commercial banks in the Midland, Texas banking market and controls approximately 3.5 percent of total deposits in commer-

1. *See, e.g., Midlantic Banks, Inc.*, 70 FEDERAL RESERVE BULLETIN 776 (1984).
2. All banking data are as of March 31, 1985, except market deposit data, which are as of June 30, 1984.

cial banks in the market.[3] Applicants do not currently operate a bank in the Midland banking market. Based on the facts of record in this case, the Board concludes that the proposal would have no significant adverse effects on existing competition in the Midland banking market. In view of the size of Bank and the number of potential entrants into the Midland banking market, the Board also concludes that consummation of the proposal is not likely to have any significant adverse effects on probable future competition in any relevant market.

The financial and managerial resources and future prospects of Applicants, their subsidiaries, and Bank are consistent with approval of this application. Considerations related to the convenience and needs of the communities to be served are also consistent with approval of this application.

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

By order of the Board of Governors, effective August 13, 1985.

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

[SEAL]

WILLIAM W. WILES
Secretary of the Board

3. The Midland, Texas banking market is approximated by the Midland, Texas SMSA, which is comprised of Midland County, Texas.

Mercantile Bancorporation, Inc.
St. Louis, Missouri

Order Approving Acquisition of a Bank Holding Company

Mercantile Bancorporation, Inc., St. Louis, Missouri, 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 100 percent of the voting shares of Gravois Bancorp., Inc., St. Louis, Missouri ("Company"), and thereby indirectly to acquire Gravois Bank, St. Louis, Missouri ("Bank").[1]

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

Applicant, the second largest commercial banking organization in Missouri, has 43 banking subsidiaries that control aggregate deposits of $3.8 billion, representing 11.1 percent of the total deposits in commercial banks in the state.[2] Company, the fifteenth largest commercial banking organization in the state, controls one banking subsidiary with $219.0 million in deposits, representing 0.6 percent of the total deposits in commercial banks in the state. Upon consummation of the proposed transaction, Applicant would remain the second largest commercial banking organization in Missouri, with total deposits of approximately $4.05 billion, representing 11.7 percent of the total deposits in commercial banks in the state. The Board concludes that the proposed transaction would have no significant effect on the concentration of banking resources in Missouri.

Nine of Applicant's subsidiary banks compete directly with Bank in the St. Louis banking market.[3] Applicant is the largest of 61 commercial banking organizations in the market, with deposits of $2.19 billion, representing 14.3 percent of the total deposits in commercial banks in the market.[4] Bank is the eleventh largest commercial bank in the market, with total deposits of $219.0 million, representing 1.4 percent of the total deposits in commercial banks in the market. Upon consummation of the proposed transaction, Applicant would control 15.8 percent of the total deposits in commercial banks in the market.

The share of deposits held by the four largest commercial banking organizations in the St. Louis banking market is 52.0 percent and would increase to

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, Mercantile Acquisition Company, St. Louis, Missouri with Company thereby causing Mercantile Acquisition Company to become a bank holding company. Mercantile Acquisition Company is of no significance except as a means to facilitate the acquisition of voting shares of Company by Applicant.

2. Banking data are as of September 30, 1985, adjusted to reflect approved acquisitions and mergers consummated through June 20, 1985.

3. The St. Louis banking market is approximated by the St. Louis-Ranally Metro Area, adjusted to include all of St. Charles and Jefferson Counties, Missouri, and all of Lebanon and Mascoutah townships in St. Clair County, Illinois.

4. Market data are as of September 30, 1984, adjusted to reflect approved acquisitions and mergers consummated through June 20, 1985.

53.4 percent upon consummation of this proposal. The market's Herfindahl–Hirschman Index ("HHI") is 790 and the proposed transaction would increase the HHI by 41 points to 831. Thus, the proposed transaction would not be subject to challenge under the Department of Justice Merger Guidelines.[5]

Furthermore, numerous other commercial banking organizations would remain as competitors in the market. Accordingly, the Board has determined that consummation of the proposed transaction is not likely to have a significant adverse effect on existing competition in the St. Louis market.

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

Based on the foregoing and other facts of record, the Board has determined that the applications under sections 3(a)(3) and 3(a)(1) should be, and hereby are, 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 St. Louis, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 22, 1985.

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

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

Salt Lake Holding Corp.
Salt Lake City, Utah

Order Approving Formation of a Bank Holding Company

Salt Lake Holding Corp., Salt Lake City, Utah, has applied for the Board's approval pursuant to section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) ("Act") to become a bank holding company by acquiring 80 percent of the voting shares of Sandy State Bank ("Bank"), Sandy, Utah.

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, with assets of $373,000 as of May 31, 1985, was organized in December 1982, under the name of Techni-Ventures, Inc., as an investment vehicle for its principals. Applicant currently owns approximately 20 percent of Bank's outstanding common shares.[1] Applicant now proposes to acquire additional voting shares of Bank, which holds aggregate deposits of $11.1 million as of March 13, 1985. Upon acquisition of Bank, Applicant would control one of the smaller commercial banking organizations in Utah and less than 0.2 percent of the total deposits in commercial banks in the state.

Bank is the 21st largest of 28 commercial banking organizations in the Salt Lake City banking market, and holds approximately 0.4 percent of the total deposits in commercial banks therein.[2] 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 Board has indicated on previous occasions that a bank holding company should serve as a source of financial and managerial strength to its subsidiary banks and that the Board will examine closely the condition of an applicant with these considerations in mind.[3] In this regard, the Board notes that no debt will be incurred by Applicant as a result of this transaction.

The financial and managerial resources of Bank have been the subject of concern in the recent past. Applicant has indicated that, upon consummation of this transaction, certain management changes will be effected at Bank in order to address these concerns. Applicant has recently provided capital to Bank and has committed that, if necessary, it will provide additional capital to Bank. In light of the injection of additional capital into Bank, and Applicant's commitments to maintain adequate capital levels and to

5. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (1984)), a market in which the post-merger HHI is less than 1000 is considered unconcentrated, and the Department will not challenge mergers in these markets except under extraordinary circumstances.

1. Voting rights to these shares, however, reside with Bank's former parent, Sandy Holding Company, Sandy, Utah, until this proposal is approved.

2. The Salt Lake City banking market is approximated by the Salt Lake City RMA. Market data are as of June 30, 1983.

3. *See State Bond and Mortgage Company*, 71 FEDERAL RESERVE BULLETIN 722 (1985); *Singer & Associates*, 70 FEDERAL RESERVE BULLETIN 883 (1984); *Central Minnesota Bancshares, Inc.*, 70 FEDERAL RESERVE BULLETIN 877 (1984); *Cambridge Financial Corporation*, 69 FEDERAL RESERVE BULLETIN 796 (1983).

introduce stronger managerial resources into Bank, the Board finds that Bank's future prospects are favorable and that the financial and managerial factors associated with this proposal are consistent with approval of the proposal.

Considerations relating to the convenience and needs of the community to be served also are consistent with approval of the application. Accordingly, the Board concludes that the proposed acquisition would be in the public interest.

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

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

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

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

Story County Bancorporation
Jewell, Iowa

Hill Investment Company
Jewell, Iowa

Order Approving the Formation of a Bank Holding Company and Approving Acquisition of Nonvoting Common Stock of a Bank Holding Company

Story County Bancorporation, Jewell, Iowa ("Story"), has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842, *et seq.*) ("Act") to become a bank holding company by acquiring 80 percent or more of the voting shares of Roland State Bank, Roland, Iowa ("Bank"). In a related transaction, Hill Investment Company, Jewell, Iowa ("Hill"), a bank holding company within the meaning of the 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 200,000 shares of Story's nonvoting common stock, 51 percent of the total equity of Story.

Notice of the applications, affording 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)).

Hill, the 287th largest commercial banking organization in Iowa, controls deposits of $25.1 million representing 0.1 percent of the total deposits in commercial banks in the state.[1] Story, a nonoperating Iowa corporation with no subsidiaries, was organized for the purpose of becoming a bank holding company by acquiring nonvoting common stock of Bank, which holds deposits of $11.1 million representing less than 0.1 percent of the total deposits in commercial banks in the state. Thus, the proposed transaction would have no significant effect on the concentration of banking resources in Iowa.

Hill does not operate any banking subsidiaries in the same market as Bank.[2] Therefore, consummation of the proposed transaction would not eliminate existing competition in any relevant market. Based on all facts of record, the Board concludes that consummation of the proposed transaction would have no significant effect on future competition in any relevant market.

The Board has indicated on previous occasions that a bank holding company should serve as a source of financial and managerial strength to its subsidiary bank and that the Board will closely examine the condition of an applicant in each case with this consideration in mind.[3] The principal of Hill and Story has been instrumental in bringing in new management to Bank, and the proposed transaction will further strengthen the condition of Bank through an injection of capital. In connection with this proposal, Story would incur debt which it proposes to service from Bank's earnings. Although Bank's earnings history raises some concerns regarding Bank's ability to service this debt, the injection of additional capital, the presence of stronger financial and managerial resources and certain commitments to assist with debt servicing as necessary, lend weight for approval. On balance, financial and managerial factors are consistent with approval.

Considerations relating to the convenience and needs of the community to be served are also consistent with approval of these applications. Accordingly,

1. Banking data are as of December 31, 1984.
2. The relevant banking market is comprised of Boone and Story Counties and the townships of Ellsworth and Scott in Hamilton County, Iowa.
3. *See State Bond and Mortgage Company*, 71 FEDERAL RESERVE BULLETIN 722 (1985); *Singer & Associates*, 70 FEDERAL RESERVE BULLETIN 883 (1984); *Central Minnesota Bancshares, Inc.*, 70 FEDERAL RESERVE BULLETIN 877 (1984); *Cambridge Financial Corporation*, 69 FEDERAL RESERVE BULLETIN 796 (1983).

the Board finds the proposed acquisitions would be in the public interest.

On the basis of the record, 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 the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 7, 1985.

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

BARBARA R. LOWREY
[SEAL] *Associate Secretary of the Board*

Town and Country Bancorp
Springfield, Illinois

Order Approving Acquisition of a Bank

Town and Country Bancorp, Springfield, Illinois, a bank holding company within the meaning of the Bank Holding Company Act ("Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 80 percent or more of the voting shares of Logan County Bank, Lincoln, Illinois ("Bank").

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

Both Applicant and Bank are among the smaller banking organizations in Illinois. Applicant controls three banks with total deposits of $66.8 million, while Bank has total deposits of $22.5 million.[1] Upon consummation of the proposed transaction, Applicant would control deposits of $92.3 million, representing less than 0.1 percent of the total deposits in commercial banks in Illinois.

Bank operates in the Lincoln banking market,[2] where it is the third largest of thirteen commercial banks, controlling 10.1 percent of the total deposits in commercial banks in the market. Applicant does not operate in the Lincoln market and its principals are not affiliated with any other banking organization in the market. Consummation of the proposed 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, its subsidiary banks, and Bank are consistent with approval of this application. Considerations relating to the convenience and needs of the community to be served also are consistent with approval of the application.

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

By order of the Board of Governors, effective August 7, 1985.

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

BARBARA R. LOWREY
[SEAL] *Associate Secretary of the Board*

Orders Issued Under Section 4 of Bank Holding Company Act

Bankers Trust New York Corporation
New York, New York

Order Approving Application to Execute and Clear Futures Contracts on Stock Indexes

Bankers Trust New York Corporation, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act, 12 U.S.C. § 1841 *et seq.* ("BHC Act"), has applied pursuant to section 4(c)(8) of the 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 engage *de novo* through its wholly-owned subsidiary, BT Futures Corp., New York, New York ("BT Futures"), in the execution and clearance, on major commodity exchanges, of

1. Banking data are as of December 31, 1984.
2. The Lincoln banking market consists of Logan County, Illinois, excluding Corwyn Township.

futures contracts on stock indexes and options on such futures contracts.

BT Futures proposes to execute and clear:

(1) The Standard & Poor's 100 Stock Price Index futures contract;

(2) The Standard & Poor's 500 Stock Price Index futures contract ("S&P 500"); and

(3) Options on the S&P 500, all of which are currently traded on the Index and Option Division of the Chicago Mercantile Exchange;

(4) The New York Stock Exchange ("NYSE") Composite Index futures contract; and

(5) Options on the NYSE Composite Index futures, both of which are currently traded on the New York Futures Exchange, a subsidiary of the New York Stock Exchange:

(6) The Major Market Index futures contract, currently traded on the Chicago Board of Trade; and

(7) The FT-SE 100 Equity Index futures contract, currently traded on the London International Financial Futures Exchange.

Applicant proposes to offer these services to financial institutions, pension and endowment funds, mutual funds, insurance companies, and other sophisticated customers in the United States and abroad through its offices in New York, Atlanta, Dallas, Chicago, Los Angeles, London, and Singapore.

Notice of the application, affording interested persons an opportunity to submit comments on the relation of the proposed activities to banking and on the balance of public interest factors, has been duly published (50 *Federal Register* 30,235 (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, with consolidated assets of $43.2 billion,[1] is the sixth largest banking organization in New York. Applicant operates two subsidiary banks and engages, directly and through certain of its subsidiaries, in a broad range of permissible nonbanking activities throughout the United States. BT Futures is a futures commission merchant ("FCM"), registered with the Commodity Futures Trading Commission ("CFTC"), that engages in futures activities permissible for bank holding companies under section 225.25(b)(18) of the Board's Regulation Y, 12 C.F.R. § 225.25(b)(18).

The Board has previously determined that the execution and clearance of futures contracts and options on futures contracts based on stock indexes is closely related to banking. *J.P. Morgan & Co. Incorporated,* 71 FEDERAL RESERVE BULLETIN 251 (1985). The proposed activities of BT Futures are essentially identical to those activities previously approved by the Board. Thus, the Board concludes that Applicant's proposal to execute and clear futures contracts on stock indexes is closely related to banking.

In order to approve this application, the Board is also required to determine that the performance of the proposed activities by Applicant "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." (12 U.S.C. § 1843(c)(8)).

Consummation of Applicant's proposal would provide added convenience to those clients of Applicant and its subsidiaries that trade in the cash, forward and futures markets for these instruments. The Board expects that the *de novo* entry of Applicant into the market for these services would increase the level of competition among providers of these services already in operation. Accordingly, the Board concludes that the performance of the proposed activities by Applicant can reasonably be expected to provide benefits to the public.

The Board also has considered the potential for adverse effects that may be associated with this proposal. There is no evidence in the record that consummation of the proposed FCM activities would result in any adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. In addition, the Board has taken into account and has relied on the regulatory framework established pursuant to law by the CFTC for the trading of futures, as well as the conditions set forth in section 225.25(b)(18) of Regulation Y with respect to executing and clearing futures contracts.

Based upon a consideration of all the relevant facts, the Board concludes that the balance of the public interest factors that it is required to consider under section 4(c)(8) is favorable.

This determination is also subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b)(3) (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

The transaction shall be made not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or

1. As of June 30, 1984.

by the Federal Reserve Bank of New York, pursuant to delegated authority.

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

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

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

Citicorp
New York, New York

Order Approving Application to Execute and Clear Futures Contracts on a Municipal Bond Index and to Provide Certain Futures Advisory Services

Citicorp, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act, has applied pursuant to section 4(c)(8) of the 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 engage *de novo* through its wholly-owned subsidiary, Citicorp Futures Corporation ("CFC"), in the execution and clearance of futures contracts on a municipal bond index, and in the provision of futures advisory services with respect to such futures contracts. Notice of the application, affording interested persons an opportunity to submit comments on the relation of the proposed activities to banking and on the balance of the public interest factors, has been duly published (50 *Federal Register* 13,658 (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.

Citicorp, with total consolidated assets of $159.5 billion, is the largest banking organization in the nation.[1] It presently operates six banking subsidiaries. Its lead bank, Citibank, N.A., New York, New York, accounts for approximately 79 percent of its consolidated assets and is a full-service commercial bank. Citibank (New York State), N.A., Buffalo, New York, is engaged principally in retail banking through branches north of the New York City metropolitan area, in New York State. Citibank (South Dakota), N.A., Sioux Falls, South Dakota, was established in 1981 principally to conduct nationwide consumer credit card activities transferred from Citibank (New York), N.A., Citibank (Maryland), N.A., Towson, Maryland, offers various consumer credit products, commercial loans consisting primarily of factoring, and a variety of deposit products. Citibank (Delaware), Wilmington, Delaware, engages in wholesale banking nationally and internationally. Citibank (Maine), N.A., Portland, Maine, opened as a retail commercial bank on September 10, 1984. Citicorp also engages, directly and through subsidiaries, in a variety of nonbanking activities. CFC is a futures commission merchant ("FCM") registered with the Commodity Futures Trading Commission ("CFTC") that engages in the execution and clearance of options contracts on bullion, foreign exchange, government securities and money market instruments, and options on futures contracts based on these commodities and instruments, contracts on major commodities exchanges for nonaffiliated persons.

Applicant proposes to execute and clear, on major commodity exchanges, the Bond Buyer Municipal Bond Index futures contract, recently approved for trading by the CFTC. In addition, Applicant proposes to provide advisory services with respect to municipal bond index futures contracts through CFC, both on a separate-fee basis and as an integrated package of FCM and advisory services. Such advisory services would include general research and advice on futures market conditions and trading strategies, client account information and reconciliation of trades, and communication linkage between clients and commodity exchange floors with respect to FCM activities.

The Board has previously determined that the execution and clearance of futures contracts on a municipal bond index is closely related to banking. *Bankers Trust New York Corporation*, 71 Federal Reserve Bulletin 111 (1985) (*"Bankers Trust"*); *Chase Manhattan Corporation*, 71 Federal Reserve Bulletin 650 (1985). The factors upon which the Board based its approval decisions in *Bankers Trust* and *Chase Manhattan Corporation* are present in this application. The proposed futures contract is a financial future that is based on an index of general obligation bonds and revenue bonds selected by *The Bond Buyer*. Applicant's subsidiary, Citibank, is a major participant and dealer in general obligation bonds and other bank-eligible municipal securities.[2]

The Board has determined that Applicant's proposal to execute and clear such futures contracts is substan-

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

2. Banks are prohibited by the Glass–Steagall Act from dealing in revenue bonds, although they may hold certain municipal revenue bonds, 12 U.S.C. § 24(7). However, as in *Bankers Trust* and *Chase Manhattan Corporation*, Applicant would not be dealing in or underwriting revenue bonds, but would be executing and clearing a futures contract on an index that includes such bonds.

tially similar to the proposals it approved in *Bankers Trust* and *Chase Manhattan Corporation*, and Applicant's prior experience in the municipal securities markets indicates that CFC would have the expertise to provide the proposed services. Accordingly, the Board concludes that, in the manner proposed, and subject to the conditions set forth in section 225.25(b)(18) of Regulation Y, Applicant's proposal to execute and clear futures contracts on a municipal bond index is closely related to banking.

In addition, the Board determined in *Bankers Trust* and *Chase Manhattan Corporation* that approval of advisory services with respect to futures contracts on a municipal bond index would be consistent with the Board's authorization of advisory services with respect to other approved financial options and futures traded through FCMs. The proposed advisory services by CFC are substantially similar to those activities previously approved by the Board. Thus, the Board concludes that Applicant's proposal to provide advisory services with respect to futures contracts on a municipal bond index would be consistent with prior approvals by the Board.

In order to approve this application, the Board is also required to determine that the performance of the proposed activities by Applicant "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects . . . ." (12 U.S.C. § 1843(c)(8)).

Consummation of Applicant's proposal would provide added convenience to those clients of Applicant and its subsidiaries who trade in the cash, forward and futures markets for these instruments. As a result, the Board expects that the *de novo* entry of Applicant into the market for these services would increase the number of participants in the municipal bond index futures market, and should increase the level of competition among providers of these services already in operation. Accordingly, the Board concludes that the performance of the proposed activities by Applicant can reasonably be expected to provide benefits to the public.

The Board has also considered the potential for adverse effects that may be associated with this proposal. There is no evidence in the record that consummation of the proposed transactions would result in any adverse effects such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. In addition, the Board has taken into account and has relied on the regulatory framework established pursuant to law by the CFTC for the trading of futures, as well as the conditions set forth in section 225.25(b)(18) of Regulation Y with respect to executing and clearing futures contracts.

Based upon a consideration of all the relevant facts, the Board concludes that the balance of the public interest factors that it is required to consider under section 4(c)(8) is favorable. However, the Board reserves authority to reconsider its actions in approving the proposal as a record of FCM experience with respect to trading of this contract develops.

This determination is also subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b)(3) (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

By order of the Board of Governors, effective August 19, 1985.

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

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

First National Bank of Blue Island Employee Stock Ownership Plan Blue Island, Illinois

Order Denying Formation of a Bank Holding Company

First National Bank of Blue Island Employee Stock Ownership Plan, Blue Island, Illinois, 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 54.1 percent of the voting shares of Great Lakes Financial Resources, Inc., Blue Island, Illinois ("GLFR"), a bank holding company by virtue of its ownership of two banks, First National Bank of Blue Island, Blue Island, Illinois ("Blue Island Bank"), and Community Bank of Homewood-Flossmoor, Homewood, Illinois ("Homewood 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.

Comments were received from certain minority shareholders of GLFR urging the Board to deny the application on the ground that the highly leveraged nature of this proposal would change GLFR from a strong, well-capitalized financial institution into an undercapitalized institution of questionable financial stability.

Applicant, a leveraged employee stock ownership plan ("ESOP"),[1] was organized under section 4975(e)(7) of the Internal Revenue Code for the purpose of acquiring 54.1 percent of the voting shares of GLFR, which has consolidated assets of $229 million and holds aggregate deposits of approximately $198.5 million.[2] Upon acquisition of GLFR, Applicant would control 0.2 percent of the total deposits in commercial banks in the state.

Both Blue Island Bank and Homewood Bank compete in the Chicago banking market.[3] Blue Island Bank is the 68th largest commercial banking organization in the Chicago banking market and holds approximately 0.2 percent of the total deposits in commercial banks therein. Homewood Bank is the 246th largest commercial banking organization in the relevant banking market and controls 0.1 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 relevant 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.

Although Applicant has filed this application for the Board's approval to become a bank holding company, Applicant concurrently asserts that it should not be required to file an application because it is not a "company" within the meaning of the Act.[4] Under the Act's definition of "company," corporations, partnerships, associations, business trusts, or similar organizations are included in the definition of "company," regardless of their termination dates. Nonbusiness trusts, on the other hand, are excluded from the definition of "company," provided they terminate within the statutorily mandated time periods. Applicant asserts that it is not a "company" in that it is analogous to a personal or family trust and not to a traditional business trust.[5] Applicant argues that the ESOP's function is not to operate a business, but to function primarily as a benefit plan for the welfare of retiring or terminating employees of Applicant's bank subsidiaries.

In the Board's view, a "business trust" or "similar organization" for purposes of the Act includes a trust that is established for a business purpose. The Board believes this conclusion is consistent with the terms of the Act and its legislative history.[6] The record in this case demonstrates that Applicant is to be established for a business purpose and, therefore, qualifies as a "business trust" or "similar organization" for purposes of the Act.[7] Applicant will be established by a business organization, GLFR, for a business purpose, to administer a benefit plan for the employees of GLFR's bank subsidiaries.[8]

In addition, the facts in this case show that Applicant will be used as a vehicle to consolidate control of the GLFR banking organization in the management of Applicant and to prevent others from acquiring control

1. An ESOP is an employee compensation and benefit program established and maintained by an employer corporation, that distributes benefits to the company's employees primarily in the form of stock of the employee corporation (or the cash value of the stock). An ESOP includes an underlying trust designed to invest primarily in the shares of the employer corporation. A trustee is designated by the employer to administer the plan according to the trust agreement. A leveraged ESOP is one in which debt is incurred to acquire the employer's shares for the ESOP; the trust's debt is to be repaid from subsequent employer contributions to the ESOP.

2. Banking data are as of March 31, 1985.

3. The Chicago banking market is approximated by Cook, DuPage, and Lake Counties, all in Illinois.

4. Section 2(b) of the Act defines a "company" as, "any corporation, partnership, *business trust*, association, *or similar organization*, or any other trust unless by its terms it must terminate within twenty-five years or not later than twenty-one years and ten months after the death of individuals living on the effective date of the trust" (emphasis added) 12 U.S.C. § 1841(b).

5. The Applicant/ESOP terminates within 21 years and 10 months after the death of individuals living on the effective date of the trust. Accordingly, if Applicant were not deemed to be a "business trust" or "similar organization," it would be exempt from the Act's definition of "company."

6. The Act does not define the term "business trust." The legislative history of the Act indicates, however, that what Congress intended to be exempt from the definition of "company" were short-term, nonbusiness, personal trusts. *See*, S. Rep. No. 1179, 89th Cong., 2d Sess. 3–4 (1966). *See also*, H.R. Rep. No. 534, 89th Cong., 1st Sess. 3–4 (1965).

7. The Board notes that subsection 2(g)(2)(C) of the Act provides that shares held or controlled directly or indirectly by trustees for the benefit of the employees of a company shall be deemed to be controlled by such company. Thus, the shares of GLFR held by the ESOP/Applicant would be attributed to GLFR, Blue Island, and Homewood Banks. The legislative history of subsection 2(g)(2)(C) indicates, however, that the subsection was intended to assist the Board in determining whether a company indirectly controls another company. There is no indication that the provision was intended to preclude a separate determination as to whether an entity is a "company" under section 2(b) of the Act. *See*, S. Rep. No. 1179, 89th Cong., 2d Sess. 6, 8 (1966).

8. The Board has considered two earlier bank holding company applications in which ESOPs involved in the transactions were not treated as "companies" under the Act. In both of these previous cases, however, the ESOPs owned less than 25 percent of the bank holding company's voting shares, and any debt involved in the transactions could be serviced by the underlying bank holding companies without adversely affecting their financial condition. *See*, *Flag, Inc.* (Board Order dated March 4, 1982); *Hawkeye Bancorporation*, 62 FEDERAL RESERVE BULLETIN 1044 (1976).

of GLFR. Applicant proposes to acquire 54.1 percent of GLFR's outstanding shares: about 30.8 percent from three persons (and their families) who currently have management positions with GLFR or its subsidiary banks, and 23.3 percent from a group of others who are represented by these three shareholders. Upon consummation of this proposal, the three individuals would resign their management positions with the GLFR organization,[9] and Applicant's four administrators would act as GLFR's only directors and executive officers. Applicant would not act merely as a passive holder of GLFR's stock for subsequent distribution to plan participants, but would control the management and operations of GLFR through its right to control the vote of more than a majority of GLFR's voting shares.[10]

The Board also notes that the ESOP/Applicant satisfies the other characteristics of a business trust, as enumerated by the Supreme Court in an interpretation of the term under the Internal Revenue Code.[11] Specifically, Applicant has centralized management in the form of a plan administrator and trustee; it is not terminated by the death of a beneficiary/employee; the stock may be transferred without affecting the continuity of the ESOP; there are a large number of participants; and, plan participants would likely have limited liability for actions taken by the plan administrator or trustee.

The financial and managerial resources and the existing capital position of GLFR and its subsidiary banks are satisfactory. The issue presented in this case is the seriously adverse effect that consummation of this proposal will have on the capital position and other financial resources of the consolidated banking organization. Applicant's acquisition of GLFR's shares is almost entirely debt financed and would result in a substantial reduction in the banking organization's overall capital position. On a tangible basis, the organization's primary capital to total assets ratio would drop almost three hundred basis points from 7.4 percent to 4.5 percent, a level substantially below the minimum levels specified in the Board's Capital Adequacy Guidelines.[12] Even including all intangible assets, which does not appear warranted in this case under the Guidelines, the GLFR organization's consolidated primary capital to total assets ratio would fall upon consummation from 7.8 percent to 5.1 percent, a level also substantially below the minimum levels specified in the Guidelines. In addition, the resulting debt-to-equity ratio of the organization would be over 400 percent, a level that is far in excess of the organization's peer group, and is of a proportion that would significantly limit the GLFR organization's ability to respond to unanticipated future problems in its subsidiary banks.[13] The magnitude of the decline in, and the resulting low level of, the organization's primary capital ratios, coupled with the excessive level of debt which would be incurred as a result of this proposal, are, in the Board's view, so adverse as to warrant denial of the application.

The Board has considered Applicant's contention that Congress has expressed a legislative intent favoring ESOPs, and that the Board should recognize this legislative policy when considering ESOP applications. While the Board notes that Congress may in fact favor the formation of ESOPs, Congress has also passed legislation, including the Bank Holding Company Act, designed to promote a safe and sound banking system by, among other things, requiring adequate financial and managerial resources for bank holding companies. The Board notes that its decision to cover ESOPs as companies under the Act does not preclude the formation of ESOPs for employees of banking organizations, but merely requires that the ESOP must maintain an adequate capital position and otherwise adhere to safe and sound banking and financial practices. The Board does not believe that Congress intended to allow ESOPs to acquire control of banks without regard to the basic prudential safeguards of the Act and under circumstances that would result in a banking organization with a seriously weakened financial condition, such as would occur upon consummation of this proposal.

Although considerations relating to the convenience and needs of the community to be served are consistent with approval of the application, this factor is not sufficient to outweigh the adverse financial factors in this case. Accordingly, it is the Board's judgment that approval of the application would not be in the public interest and that the application should be denied. On the basis of the facts of record, this application is denied for the reasons summarized above.

9. One of the selling shareholders is a director of GLFR, and another is its Chairman of the Board. Two of the shareholder representatives are directors of Blue Island Bank, another is Chairman of the Board of Blue Island Bank, and one is a director of Homewood Bank. A fourth selling shareholder, who is currently on the board of Blue Island Bank, would also resign his position upon consummation of the proposal.

10. The Board notes that under Applicant's plan, full voting rights are not transferred from Applicant's trustee to the banks' employees until the ESOP shares are actually distributed to the employees upon their retirement or termination, and then only if the employee elects to take his benefit in the form of a stock distribution, as opposed to the cash value of his stock.

11. *See*, *Morrissey v. Commissioner*, 296 U.S. 344, at 359. *See also*, *Outlaw v. U.S.*, 494 F.2d 1376 (1974).

12. *Capital Adequacy Guidelines*, 50 *Federal Register* 16,057 (1985), 71 FEDERAL RESERVE BULLETIN 445 (1985).

13. The only source for servicing the debt would be GLFR's subsidiary banks, and GLFR will pledge all of the shares of Blue Island and Homewood Banks to secure repayment of the debt.

By order of the Board of Governors, effective August 22, 1985.

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

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

Dissenting Statement of Vice Chairman Martin and Governor Seger

We dissent from the majority's opinion in this case because we are not convinced that employee stock ownership plans ("ESOPs") are "business trusts" and, therefore, intended by Congress to be regulated as "companies" under the Bank Holding Company Act. In our view, the Applicant/ESOP in this case is not organized primarily to operate a business, but to hold shares of the underlying bank holding company ("GLFR") for subsequent distribution to the subsidiary banks' employees. Accordingly, its function is more analogous to that of the usual personal trust, where property is held and conserved by a trustee for subsequent transfer to the trust's beneficiaries.

In taking this position, we do not condone the highly leveraged nature of the instant proposal. We agree with the majority that the debt level proposed by Applicant in this case is excessive and that its effect on the overall capital position of the GLFR banking organization is inconsistent with sound financial practices. The formation of Applicant would have a seriously adverse effect on GLFR's financial condition and would result in an undercapitalized and weakened banking organization.

It is our view, however, that if there is a widespread problem with leveraged ESOPs holding stock in banking organizations, we would consider it the prerogative of Congress to legislate specific regulatory responsibility over this area to the Board, rather than to have the Board interpret the term "business trust" to include ESOPs. Indeed, Congress has enacted numerous pieces of legislation designed to encourage the formation of ESOPs by granting tax benefits to employers, their ESOPs, and to financial institutions who lend to ESOPs. In light of this legislative intent favoring ESOPs, it is our view that the Board should not include ESOPs within the definition of "company" absent a clear indication on the part of Congress that such employee benefit plans were in fact intended to be included within the definition.

August 22, 1985

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

Deposit Guaranty Corp.
Jackson, Mississippi

Order Approving Acquisition of a Bank and Application to Engage in Lending Activities

Deposit Guaranty Corp., Jackson, Mississippi, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares of Deposit Guaranty Omaha, N.A. ("Omaha Bank"). Omaha Bank is a newly established national bank formed to provide bank credit card services to individuals and businesses and to accept demand and time deposits from affiliated banks.[1]

Applicant has also applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. § 225.23(a)) to expand the activities of its wholly-owned subsidiary, DGC Services, Inc., Jackson, Mississippi ("DGC Services"), to include making, acquiring, and servicing loans or other extensions of credit for its own account or for the account of others. The Board has previously determined that these activities are closely related to banking and permissible for bank holding companies. 12 C.F.R. § 225.25(b)(1).

Notice of the applications, affording interested persons an opportunity to submit comments, has been given in accordance with sections 3 and 4 of the Act. 50 *Federal Register* 23,828 (1985). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)) and the considerations specified in section 4(c)(8) of the Act.

Applicant, the largest commercial banking organization in Mississippi,[2] controls Deposit Guaranty Bank, Jackson, Mississippi ("Jackson Bank"), and four nonbank subsidiaries. Jackson Bank has total deposits of $1.9 billion. After acquiring Omaha Bank, Applicant would transfer most of the existing credit card accounts receivable of Jackson Bank to Omaha Bank; the remainder of those accounts receivable would be transferred to Applicant. Omaha Bank and DGC Services would take over Jackson Bank's credit card operations.

1. Under Nebraska law, Omaha Bank can accept deposits only from "affiliated banks not domiciled in the State of Nebraska." Neb. Rev. Stat. § 8-1512(2) (Supp. 1984).

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

Under section 3(d) of the Act (12 U.S.C. § 1842(d)), the Board may not allow a bank holding company to acquire a bank located outside of the holding company's home state 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." A Nebraska statute, however, specifically authorizes an out-of-state bank holding company, such as Applicant, to acquire a limited-purpose credit card bank, such as Omaha Bank.[3] Moreover, the state's Director of Banking and Finance has approved the proposed acquisition. The Board has accordingly concluded that the acquisition is consistent with the terms and policies of section 3(d).

As Omaha Bank is a *de novo* bank and its operations are limited by Nebraska law,[4] the proposed acquisition would have no significant adverse effect on competition in the Omaha banking market[5] or on the concentration of banking resources in Nebraska. The financial and managerial resources and future prospects of Applicant and Omaha Bank are satisfactory and consistent with approval of the applications. The convenience and needs of the communities to be served are also consistent with approval.

There is no evidence in the record to indicate that the proposed lending activities of DGC Services would result in decreased or unfair competition, undue concentration of resources, conflicts of interest, unsound banking practices, or other adverse effects. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval.

Although these applications are being approved, the Board remains concerned about the proliferation of statutes like Nebraska's, which seek to shift jobs and revenue away from other states by allowing out-of-state bank holding companies to enter the state for limited purposes, while preventing those companies from competing with in-state banking organizations.[6] These statutes do not appear to be based on appropriate public policy considerations for assuring a stable and sound banking system locally and nationwide, and the end result of their proliferation can only be a serious impairment of banking standards with no net gains in jobs or revenues.

Based on the foregoing and other facts of record, the Board has determined that approval of the applications would be consistent with the public interest and that the applications should be and hereby are approved. The acquisition of Omaha Bank shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, and Omaha Bank shall be opened for business not later than six months after the effective date of this Order. The latter two periods may be extended for good cause by the Federal Reserve Bank of Atlanta, pursuant to delegated authority, or by the Board. The determination regarding the proposed lending activities of DGC Services is subject to the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b) (12 C.F.R. §§ 225.4(d) & 225.23(b)), 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, and prevent evasions of, the provisions and purposes of the Act and the Board's regulations issued thereunder.

By order of the Board of Governors, effective August 6, 1985.

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

BARBARA R. LOWREY
[SEAL] *Associate Secretary of the Board*

Orders Issued Under Section 25 of Federal Reserve Act

Citibank Overseas Investment Corporation

Order Denying Additional Activity Under Section 25(a) of the Federal Reserve Act

Citibank, N.A., New York, New York, on behalf of Citibank Overseas Investment Corporation ("COIC"), Wilmington, Delaware, has applied for the Board's consent under section 25(a) of the Federal Reserve Act (12 U.S.C. § 615(c)) and section 211.5(d) of the Board's Regulation K (12 C.F.R. § 211.5(d)) to engage through its indirect subsidiary, Citicorp Gener-

3. Neb. Rev. Stat. §§ 8-1511 to 8-1513 (Supp. 1984).

4. Nebraska law permits an out-of-state bank holding company to acquire a bank in Nebraska only if the bank: has only one banking office; engages only in activities related to soliciting, making, and processing loans initiated by credit card or other transaction card; accepts deposits only from affiliated out-of-state banks; and operates "in a manner and at a location not likely to attract customers from the general public in this state to the substantial detriment of existing banking institutions located in this state." Neb. Rev. Stat. § 8-1512 (Supp. 1984).

5. The Omaha banking market consists of the Omaha, Nebraska, RMA.

6. *See, e.g., First City Bancorporation of Texas, Inc.*, 71 FEDERAL RESERVE BULLETIN ___ (1985); *Citicorp*, 71 FEDERAL RESERVE BULLETIN 101 (1985).

al Insurance Limited ("Citigeneral"), in underwriting certain property and casualty insurance in Australia.

COIC, with consolidated assets of approximately $13.0 billion as of year end 1984, is a corporation organized under section 25(a) of the Federal Reserve Act (an "Edge Corporation") and is a wholly-owned subsidiary of Citibank, N.A., New York, New York. Citibank is a subsidiary of Citicorp, New York, New York, the largest commercial banking organization in the United States, with consolidated assets of $159.6 billion as of March 31, 1985.

COIC's indirect subsidiary, Citicorp Australia Holdings Limited ("Holdings"), which is primarily a consumer finance company, has two Australian insurance subsidiaries, Citigeneral and Citilife Insurance Australia Limited ("Citilife"). Pursuant to Board approval, Citilife and Citigeneral underwrite credit-related insurance in Australia,[1] and Citilife underwrites life insurance, subject to certain conditions.[2]

In addition to underwriting credit-related insurance, Citigeneral currently underwrites motor vehicle comprehensive insurance, subject to the condition that the clear majority (at least 51 percent) of the personal lines of insurance are directly related to extensions of credit or to dealer financing arrangements made by Holdings. COIC now seeks relief from that condition by requesting Board approval to engage through Citigeneral in underwriting motor vehicle insurance where the insurance is not linked to extensions of credit by the Citicorp organization. COIC also seeks authority to expand the property and casualty insurance underwriting activities of Citigeneral to include personal lines of householder's and houseowner's insurance that are not related to extensions of credit by the Citicorp organization.

The Board previously denied a similar request by COIC to engage in Australia through Citigeneral in property and casualty insurance underwriting generally, with emphasis initially on certain lines of property and casualty insurance.[3] In that decision, the Board noted the fact that there are affiliations in Australia between banking and financial institutions and property and casualty insurance underwriters. The Board also noted COIC's assertions that the activity is financial and usual in connection with the transaction of banking or financial operations in Australia. As was stated in that Order, the Board, in addition to considering whether the activity can be considered usual in connection with banking in a foreign country, also considers the risks inherent in the activity, especially whether those risks are of a type and nature not normally associated with banking or finance; whether any adverse effects could result from performance of the activity; and the effects of the proposal on the capital and managerial resources of the U.S. banking organization.

In that case, the Board concluded that the risks inherent in underwriting property and casualty insurance are not of the type traditionally associated with banking. The Board noted that the authority sought by COIC with respect to property and casualty insurance was unrestricted as to the type of personal risk Citigeneral could insure and the proposed lines of insurance would necessarily increase the risk to which the company would be exposed. The Board determined that engaging in a generalized property and casualty underwriting business, even initially on a modest scale, would constitute entry into an inherently risky business.

COIC continues to assert that, to remain fully competitive with local Australian organizations, it must be able to sell additional lines of insurance to customers. It has made some modifications to its earlier proposal by limiting the lines of insurance that Citigeneral would underwrite to motor vehicle comprehensive insurance and householder's and homeowner's insurance. It no longer seeks to underwrite domestic hull insurance and travel insurance. It has also slightly modified the limits on individual risks and on the reinsurance coverage designed to limit the potential exposure of Citigeneral.

Despite the proposed modifications and limits, the Board remains concerned about the risks associated with underwriting property and casualty insurance in general. Although risk can be managed through the purchase of skills and experience, this capacity to obtain management skills does not preclude unfavorable financial results, as is evidenced by the experience of property and casualty insurance underwriters in the United States in recent years. Therefore, the risks posed by this activity to the safe and sound operations of the consolidated organization remain a concern of the Board.

These factors are of even greater concern in this case because, if the Board were to permit the activity, the property and casualty insurance underwriter would be required to operate as a subsidiary of Citibank. The Reserve Bank of Australia ("RBA") has

1. *Citibank Overseas Investment Corporation/Surrey Insurance Company*, 67 Federal Reserve Bulletin 366 (1981). The ownership structure of, and prior regulatory approvals with respect to, these companies are described in that Order.

2. *Citibank Overseas Investment Corporation/Citilife*, 71 Federal Reserve Bulletin 269 (1985).

3. *Citibank Overseas Investment Corporation/Citigeneral Insurance Australia Limited*, 71 Federal Reserve Bulletin 267 (1985). In addition to underwriting motor vehicle and householder's and houseowner's insurance, COIC proposed that Citigeneral underwrite domestic hull and travel insurance.

recently allowed foreign banks to establish commercial banking subsidiaries in Australia; and Citicorp, among other international banking organizations, has been invited to establish such a subsidiary. The RBA requires, however, that a foreign bank hold all of its material financial interests in Australia through its Australian commercial bank subsidiary, which in turn must be a subsidiary of the foreign bank.

The Board has previously approved expanded nonbanking activities abroad for U.S. banking organizations subject to the express condition that the activities be conducted through a subsidiary of the parent holding company and not the holding company's banking subsidiary.[4] In requiring the transfer of companies engaged in such activities from ownership by an insured bank to ownership by the holding company, the Board stated that holding company ownership, rather than indirect bank ownership, is appropriate where the subsidiary is engaging extensively in activities that are not traditional banking activities.[5] In addition, holding company ownership would have the effect of automatically applying section 23A of the Federal Reserve Act ("FRA") (12 U.S.C. § 371c) to covered transactions between the holding companies' subsidiary banks and the organizations engaged in expanded nonbanking activities.

The Board's objective is to insulate a bank to the extent possible from any problems the nonbank company could experience, and to avoid any inference that the bank would serve as a source of financial strength to the nonbank company. The Board recognizes that holding company ownership does not provide total insulation for the bank from the potential risk of nonbanking activities because problems in any part of the institution will necessarily have some impact on other parts of the consolidated organization. The Board, nevertheless, continues to believe that ownership of nonbanking activities through a holding company provides greater protection for the institution than does conducting such activities through subsidiaries of the bank. Accordingly, the Board has concluded that expansion of Citigeneral's property and casualty insurance underwriting activities in Australia is inappropriate under the ownership structure required by local law and regulation.

4. *Citibank Overseas Investment Corporation/Citilife*, 71 FEDERAL RESERVE BULLETIN 269 (1985). *See also* 70 FEDERAL RESERVE BULLETIN 168 (1984); and Board Order dated December 4, 1984, approving certain insurance activities for COIC in Belgium.

5. For an exception to this rule, *see* Board letter, dated August 22, 1985, to Citicorp approving COIC's retention of Citilife, in which the Board granted an exception based on the fact that it had approved the activity before the Reserve Bank of Australia required that foreign banks conduct nonbanking activities through bank subsidiaries.

In its previous Order denying Citigeneral additional authority to underwrite property and casualty insurance, the Board stated that under Regulation K, COIC may act as a general insurance broker and therefore may sell property and casualty insurance coverage written by other companies as part of the services it offers to customers. In view of this fact, the Board concluded that COIC's financial services business in Australia would not appear to be significantly disadvantaged by its inability to underwrite property and casualty insurance. The Board continues to be of this view and has concluded that safety and soundness considerations that favor denial of this proposal outweigh the competitive benefits that may be derived from approval of the application.

Based on the foregoing and other considerations reflected in the record, the Board has determined that approval of the application by COIC would not be consistent with the purposes of the Federal Reserve Act and would not be in the public interest. Therefore, the application is denied.

By order of the Board of Governors, effective August 22, 1985.

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

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

Concurring Statement of Chairman Volcker

In my previous statement on the insurance underwriting activities of Citigeneral, I indicated that the denial of all property and casualty proposals would not necessarily be required. Approval might be warranted where the lines of insurance to be written are restricted, the individual risks covered are small, and the size of the investment would not expose the organization to significant risk, provided that a reasonable case is made that competing banking institutions are directly or indirectly engaged in offering the same services in a significant way.

This modified proposal from Citicorp would appear to be sufficiently limited to meet my concerns. The risks, while not actuarially predictable to the same degree as the risks associated with life insurance, nonetheless seem manageable, and the reinsurance agreements proposed by Citicorp would limit liability. Moreover, the size of the investment would not expose the Citicorp organization to substantial risk. In my judgment, Citicorp has taken steps sufficient to ensure that risks associated with Citigeneral's activities are limited. In these respects I agree with the dissenting statement of Governor Gramley.

I cannot vote to approve the proposal, however, because I agree with the majority of the Board that such activities should not be conducted through a subsidiary of the bank, as would be necessary under Australian policy. Any expansion of the nonbanking activities of U.S. banks abroad should occur in accordance with the Board's policy that activities not traditional to banking should be conducted through a subsidiary of a holding company and not through a bank. While I recognize that holding company ownership does not provide complete insulation for a banking subsidiary from problems in any other part of a consolidated organization, I agree with the Board that the safety and soundness of the banking institution requires that nontraditional activities be conducted through the holding company. Although the Board has made a limited exception to this policy with respect to an Australian life insurance subsidiary of Citibank, this exception amounts to a grandfathering of activities already conducted in Australia and involves activities that are less risky than the underwriting of property and casualty insurance, even under the limited scope of this proposal. Therefore, in my view, this application should be denied and I concur with the majority in that result.

August 22, 1985

Dissenting Statement of Governor Gramley

The Board's decision in this case is based principally on the risks associated with underwriting general property and casualty insurance, particularly the potential exposure of Citibank, N.A., which holds Citigeneral indirectly through COIC. Consistent with my earlier decision to approve expanded insurance underwriting activities for Citigeneral, and based on the facts presented, I again find that the risk exposure for the Citicorp organization would be manageable. Moreover, Citicorp has endeavored to limit the risks to Citigeneral and the Citicorp organization as was suggested in the Board's previous Order denying a broader request by Citicorp to underwrite through Citigeneral various lines of property and casualty insurance. Citigeneral's proposed property and casualty insurance underwriting operations would be modest in size, Citigeneral would underwrite personal lines only and would have reinsurance coverage for its individual risks. Moreover, Citigeneral would not undertake to reinsure others.

Citicorp has also committed to apply the collateral requirements and quantitative restrictions of section 23A of the Federal Reserve Act to transactions between Citilife and banking subsidiaries of Citicorp as if Citilife were a subsidiary of the holding company. In my opinion, this commitment is sufficient to help insulate Citibank, N.A. from undue risk from these nontraditional activities, and the application should be approved conditioned on limiting the size and scope of the activities as described above. For these reasons, I dissent from the Board's action in this case.

August 22, 1985

Legal Developments continued on next page.

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

By the Board of Governors

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

Section 3

Applicant	Banks(s)	Board action (effective date)
Butler County Financial Corp., Inc., Douglass, Kansas	Exchange State Bank, Douglass, Kansas	August 23, 1985
Hunt & Howell Bancshares, Inc., Fayetteville, Arkansas	First National Bank of Fayetteville, Fayetteville, Arkansas	August 29, 1985
One Valley Bancorp of West Virginia, Inc., Charleston, West Virginia	Seneca Bancshares, Inc., Fairlea, West Virginia Seneca National Bank, Fairlea, West Virginia	August 14, 1985
Seacoast Banking Corporation of Florida, Stuart, Florida	First National Bank and Trust Company/St. Lucie County, Port St. Lucie, Florida	July 24, 1985
Sun Banks, Inc., Orlando, Florida SunTrust Banks, Inc., Atlanta, Georgia	Pan American Bank of Sarasota, Sarasota, Florida	July 30, 1985
Sun Banks, Inc., Orlando, Florida SunTrust Banks, Inc., Atlanta, Georgia	Sun Bank/Flagler County, N.A., Palm Coast, Florida	August 8, 1985

By Federal Reserve Banks

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

Section 3

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
American Bancorp, Inc., Hamden, Connecticut	American National Bank, Hamden, Connecticut	Boston	July 23, 1985
Ameritrust, Inc., Dubuque, Iowa	American Trust & Savings Bank, Dubuque, Iowa	Chicago	August 9, 1985

Section 3—Continued

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Bay Bancshares, Inc., La Porte, Texas	Peoples Bank, N.A., Houston, Texas; Riverside National Bank of Houston, Houston, Texas	Dallas	August 1, 1985
Big Coal River Bancorp, Inc., Whitesville, West Virginia	Whitesville State Bank, Whitesville, West Virginia	Richmond	August 27, 1985
Bosque Bancshares, Inc., Cranfills Gap, Texas	Centex Bancshares, Inc., Cranfills Gap, Texas	Dallas	July 31, 1985
CapitalBank Corporation, San Antonio, Texas	Union Bank, San Antonio, Texas	Dallas	August 23, 1985
Carlsbad Bancorporation, Inc., Carlsbad, New Mexico	The Carlsbad National Bank, Carlsbad, New Mexico	Dallas	August 15, 1985
Central Arkansas Bancshares, Inc., Malvern, Arkansas	Merchants & Planters Bank & Trust Co., Arkadelphia, Arkansas; First Financial Bancshares, Inc., Arkadelphia, Arkansas	St. Louis	August 15, 1985
Central Corporation, Monroe, Louisiana	Lincoln Bancshares, Inc., Ruston, Louisiana	Dallas	August 1, 1985
Citizens Bancorp of Lawrence, Moulton, Alabama	The Citizens Bank, Moulton, Alabama	Atlanta	August 21, 1985
Citizens State Bank at Mohall Employee Stock Ownership Plan, Mohall, North Dakota	CSB Bancshares, Inc., Mohall, North Dakota	Minneapolis	July 30, 1985
CNB Corporation, Cheboygan, Michigan	Citizens National Bank of Cheboygan, Cheboygan, Michigan	Chicago	August 9, 1985
Coble Bankshares, Inc., Waco, Texas	First Consolidated Bank-Hewitt, Hewitt, Texas	Dallas	August 14, 1985
Colt Investments, Inc., Leawood, Kansas	Flint Hills Bank of Eskridge, Eskridge, Kansas	Kansas City	July 30, 1985
Comban Shares, Inc., Oklahoma City, Oklahoma	Security Bank of Midwest City, Midwest City, Oklahoma	Kansas City	August 15, 1985
Commerce Bancshares, Inc., Kansas City, Missouri	Commerce Bank of Omaha, N.A., Omaha, Nebraska	Kansas City	August 12, 1985
Crown Bancshares, Inc., San Antonio, Texas	Crown Bank, N.A., San Antonio, Texas	Dallas	August 23, 1985
Diboll State Bancshares, Inc., Diboll, Texas	Peoples National Bank, Lufkin, Texas	Dallas	August 9, 1985
DMB Corporation, Inc., De Forest, Wisconsin	De Forest-Morrisonville Bank, De Forest, Wisconsin	Chicago	August 22, 1985
The Farmers & Merchants Bancorp, Boswell, Indiana	The Farmers and Merchants Bank, Boswell, Indiana	Chicago	August 2, 1985
First Alabama Bancshares, Inc., Montgomery, Alabama	The Commercial Bank, Andalusia, Alabama	Atlanta	July 17, 1985

Section 3—Continued

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
First Bancorp of Kansas, Wichita, Kansas	El Dorado National Bank, El Dorado, Kansas	Kansas City	August 2, 1985
First Commercial Bancshares, Inc., Jasper, Alabama	First Commercial Bank, Birmingham, Alabama	Atlanta	August 16, 1985
First Detroit Corporation, Detroit, Michigan	First Independence National Bank of Detroit, Detroit, Michigan	Chicago	August 22, 1985
The First and Farmers Bank Holding Company, Portland, North Dakota	The First and Farmers Bank, Portland, North Dakota	Minneapolis	August 26, 1985
First Interstate Corporation of Wisconsin, Sheboygan, Wisconsin	The American National Bank and Trust Company of Eau Claire, Eau Claire, Wisconsin	Chicago	August 15, 1985
First Kentucky National Corporation, Louisville, Kentucky	Bank of Commerce and Trust Company, Lexington, Kentucky	St. Louis	April 24, 1985
First National Corporation, Covington, Louisiana	CNB Bancshares Corporation, New Orleans, Louisiana	Atlanta	August 2, 1985
First National Corporation, Covington, Louisiana	Riverlands National Bank in LaPlace, LaPlace, Louisiana	Atlanta	August 2, 1985
First National Corporation of Jacksonville, Jacksonville, Alabama	Bank of Anniston, Anniston, Alabama	Atlanta	April 24, 1985
First Waterloo Bancshares, Inc., Waterloo, Illinois	First National Bank of Waterloo, Waterloo, Illinois	St. Louis	July 22, 1985
First Winthrop BanCorporation, Inc., Winthrop, Iowa	Peoples State Bank, Winthrop, Iowa	Chicago	August 8, 1985
FirstBanc Holding Company, Inc., Robertsdale, Alabama	First Bank of Baldwin County, Robertsdale, Alabama	Atlanta	July 29, 1985
Gainer Corporation, Merrillville, Indiana	The Commercial Bank, Crown Point, Indiana	Chicago	August 7, 1985
Glenrock Bancorporation, Inc., Glenrock, Wyoming	National Bank of Glenrock, Glenrock, Wyoming	Kansas City	July 23, 1985
Grand Bancorp, Grand Bay, Alabama	Mobile County Bank, Grand Bay, Alabama	Atlanta	July 25, 1985
Gulf First Holding Corporation, Panama City, Florida	Gulf Coast Holding Corporation, Panama City, Florida	Atlanta	July 25, 1985
Hartford National Corporation, Hartford, Connecticut	The Seymour Trust Company, Seymour, Connecticut	Boston	August 19, 1985
Horizon Bancorp Employee Stock Ownership Plan, Michigan City, Indiana	Horizon Bancorp, Michigan City, Indiana	Chicago	August 14, 1985
Hunter Holding Company, Hunter, North Dakota	First State Bank of Hope, Hope, North Dakota	Minneapolis	August 14, 1985

Section 3—Continued

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Independent Banks of Virginia, Inc., Norfolk, Virginia	Princess Anne Commercial Bank, Virginia Beach, Virginia	Richmond	July 24, 1985
International Bancorp., Denver, Colorado	International Bank of Wheat Ridge, Wheat Ridge, Colorado	Kansas City	August 19, 1985
Jans Bancshares, Inc., Kulm, North Dakota	Kulm State Bank, Kulm, North Dakota	Minneapolis	July 26, 1985
Kingsville State Bancshares, Inc., Kingsville, Texas	State Bank of Kingsville, Kingsville, Texas	Dallas	August 27, 1985
Laredo Bankcorp, Inc., Zapata, Texas	Falcon National Bank, Laredo, Texas	Dallas	August 15, 1985
Linden State Bancorp, Linden, Indiana	Linden State Bank, Linden, Indiana	Chicago	August 20, 1985
M. S. Investment Co., Milwaukee, Wisconsin	Mitchell Bank Holding Corporation, Milwaukee, Wisconsin	Chicago	August 5, 1985
MidAmerican Corporation, Shawnee Mission, Kansas	MidAmerican Bank and Trust Company of Overland Park, Overland Park, Kansas	Kansas City	August 1, 1985
Magnolia Banking Corporation, Magnolia, Arkansas	Farmers Bank and Trust Company, Magnolia, Arkansas	St. Louis	July 22, 1985
Millstadt Bancshares, Inc., Millstadt, Illinois	The First National Bank of Millstadt, Millstadt, Illinois	St. Louis	July 22, 1985
Mississippi River Bancshares, Ltd., Belle Chasse, Louisiana	Mississippi River Bank, Belle Chasse, Louisiana	Atlanta	July 31, 1985
Mitchell Bank Holding Corporation, Milwaukee, Wisconsin	Mitchell Street State Bank, Milwaukee, Wisconsin	Chicago	August 5, 1985
Mt. Vernon Bancorp, Inc., Mt. Vernon, Illinois	Bank of Johnston City, Johnston City, Illinois	St. Louis	August 8, 1985
National Banking Corp., North Little Rock, Arkansas	National Bank of Arkansas in North Little Rock, North Little Rock, Arkansas	St. Louis	August 6, 1985
National Commerce Bancorporation, Memphis, Tennessee	Nashville Bank of Commerce, Nashville, Tennessee Knoxville Bank & Trust Memphis, Tennessee	St. Louis	August 14, 1985
Oak Lawn Financial Ltd., Oak Lawn, Illinois	Oak Lawn Trust & Savings Bank, Oak Lawn, Illinois	Chicago	July 26, 1985
Oblong Bancshares, Inc., Oblong, Illinois	The First National Bank of Oblong, Oblong, Illinois	St. Louis	August 19, 1985
Old National Bancorp, Evansville, Indiana ONB Merger Corp., Evansville, Indiana	The Merchants National Bank of Terre Haute, Terre Haute, Indiana	St. Louis	July 30, 1985

Section 3—Continued

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Onaga Bancshares, Inc., Onaga, Kansas	First National Bank of Onaga, Onaga, Kansas	Kansas City	July 31, 1985
Rappahannock Bankshares, Inc., Washington, Virginia	The Rappahannock National Bank of Washington, Washington, Virginia	Richmond	August 19, 1985
Republic Bancorp, Inc., Flint, Michigan	Republic Bank, Flint, Michigan	Chicago	August 2, 1985
Ruston Bancshares, Inc., Ruston, Louisiana	D'Arbonne Bank and Trust Company, Farmerville, Louisiana	Dallas	August 19, 1985
Salem Bancorp, Inc., Salem, Indiana	The State Bank of Salem, Salem, Indiana	St. Louis	August 23, 1985
Second National Corporation, Richmond, Indiana	Bentonville State Bank, Bentonville, Indiana	Chicago	July 31, 1985
Security Bancorp, Inc., Southgate, Michigan	BC Corp. of Detroit, Hamtramck, Michigan Commerce Bancorp, Inc., Hamtramck, Michigan The State Bank of Fraser, Fraser, Michigan Bank of Commerce, Hamtramck, Michigan	Chicago	August 20, 1985
Security Bancorp of Tennessee, Inc., Halls, Tennessee	Gates Banking & Trust Company, Gates, Tennessee Bank of Halls, Halls, Tennessee Security State Bank, Newbern, Tennessee	St. Louis	August 13, 1985
Shelby Bancshares, Inc., Pelham, Alabama	Shelby State Bank, Pelham, Alabama	Atlanta	April 24, 1985
Southern Arizona Bancorp, Yuma, Arizona	Southern Arizona Bank of Yuma, Yuma, Arizona	San Francisco	August 12, 1985
Susquehanna Bancshares, Inc., Lititz, Pennsylvania	The Citizens National Bank of Greencastle, Greencastle, Pennsylvania	Philadelphia	August 22, 1985
Susquehanna Bancshares, Inc., Lititz, Pennsylvania	FNT Bancorp, Inc., Sunbury, Pennsylvania	Philadelphia	August 22, 1985
SW Financial Group, Inc., Fort Worth, Texas	Park West State Bank, Farmers Branch, Texas Park West Bank, N.A., Farmers Branch, Texas	Dallas	August 16, 1985
Texas Security Bancshares, Inc., Fort Worth, Texas Thompson Financial Ltd., Fort Worth, Texas	First State Bank, Grand Prairie, Texas	Dallas	August 6, 1985
Tri City Bankshares Corporation, Oak Creek, Wisconsin	Tri City National Bank of Brookfield, Brookfield, Wisconsin	Chicago	August 20, 1985

Section 3—Continued

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
UBT Bancorp, Inc., Bartlesville, Oklahoma	City Bankshares, Inc., Oklahoma City, Oklahoma City Bank & Trust, Oklahoma City, Oklahoma	Kansas City	June 21, 1985
Union Bancshares of Benton, Inc., Benton, Arkansas	The Union Bank of Benton, Benton, Arkansas	St. Louis	April 24, 1985
United Bancorp, Inc., Tecumseh, Michigan	United Savings Bank of Tecumseh, Tecumseh, Michigan	Chicago	August 5, 1985
United Bankshares, Inc., Nashville, Georgia	The United Banking Company, Nashville, Georgia	Atlanta	April 22, 1985
United Missouri Bancshares, Inc., Kansas City, Missouri	United Missouri Bank of Linn County, Linneus, Missouri	Kansas City	July 25, 1985
US Bancshares, Morristown, Tennessee	United Southern Bank of Morristown, Morristown, Tennessee	Atlanta	August 21, 1985
USA Bancshares, Inc., Dallas, Texas	Anna Bancshares, Inc., Anna, Texas The First National Bank of Anna, Anna, Texas Howe Financial Corporation, Howe, Texas Howe State Bank, Howe, Texas Plano East National Bank, Plano, Texas	Dallas	August 19, 1985
UST Corp., Boston, Massachusetts	Gloucester National Bank of Gloucester, Gloucester, Massachusetts	Boston	August 1, 1985
Verbanc Financial Corp., Bellows Falls, Vermont	Bellows Falls Trust Company, Bellows Falls, Vermont	Boston	July 29, 1985
W. D. K. Bancorporation, Hampton, Iowa	Palmer State Bank, Palmer, Iowa	Chicago	August 27, 1985
Weslayan Bancshares, Inc., Houston, Texas	Weslayan Bank, N.A., Houston, Texas	Dallas	August 12, 1985
West Concord Bancshares, Inc., West Concord, Minnesota	Farmers State Bank of West Concord, West Concord, Minnesota	Minneapolis	August 21, 1985
Yellowstone Holding Company, Columbus, Montana	Yellowstone Bank, Billings, Montana	Minneapolis	July 26, 1985
York State Company, York, Nebraska	The Gresham Company, Gresham, Nebraska	Kansas City	August 9, 1985
Zapata Bancshares, Inc., Zapata, Texas	Laredo Bankcorp, Inc., Zapata, Texas Falcon National Bank, Laredo, Texas First National Bank of Mercedes, Mercedes, Texas	Dallas	August 15, 1985

Section 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
First Bank System, Inc., Minneapolis, Minnesota	Rust Insurance Agency, Inc., Fargo, North Dakota	Minneapolis	August 16, 1985
Gibson Investment Company, Gibson, Iowa	commercial and real estate loans/ retain commercial loan activity	Chicago	August 13, 1985
Huntley Bancshares, Inc., Huntley, Illinois	Roberts Insurance Agency, Huntley, Illinois	Chicago	August 20, 1985
The Indiana National Corporation, Indianapolis, Indiana	Keystone Mortgage Corporation, Indianapolis, Indiana	Chicago	August 1, 1985
Northeast Montana Bank Shares, Inc., Poplar, Montana	Northeast Montana Insurance Agency, Inc., Poplar, Montana	Minneapolis	August 2, 1985
Weleetka Bancorporation, Inc., Weleetka, Oklahoma	Weleetka Property and Casualty Agency, Inc., Weleetka, Oklahoma	Kansas City	August 20, 1985

Section 3 and 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
First Commerce Bancshares, Inc., Lincoln, Nebraska	Commerce Group, Inc., Lincoln, Nebraska Commerce Group Grand Island, Inc., Grand Island, Nebraska, Commerce Group Hastings, Inc., Hastings, Nebraska Commerce Group Kearney, Inc., Kearney, Nebraska, Commerce Group North Platte, Inc., North Platte, Nebraska, Commerce Group West Point, Inc., West Point, Nebraska Commerce Affiliated Life Insurance Company, Phoenix, Arizona credit-related insurance underwriting	Kansas City	July 31, 1985
Marine Midland National Finance Corporation, Wilmington, Delaware	Marine Midland Bank (Delaware), N.A., Wilmington, Delaware commercial and consumer finance, mortgage banking	New York	August 22, 1985
Nebanco, Inc., Wallace, Nebraska	American Corporation, North Platte, Nebraska sale of general insurance	Kansas City	July 26, 1985

ORDER APPROVED UNDER BANK MERGER ACT

By Federal Reserve Banks

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Glenwood State Bank, Glenwood, Iowa	Mineola State Bank, Mineola, Iowa	Chicago	August 6, 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 Association 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).

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

Calhoun, et al. v. Board of Governors, No. 85–1750 (D.D.C., filed May 30, 1985).

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

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

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

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

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

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

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

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

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

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

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

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

Membership of the Board of Governors of the Federal Reserve System, 1913–85

APPOINTIVE MEMBERS[1]

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership[2]
Charles S. Hamlin	Boston	Aug. 10, 1914	Reappointed in 1916 and 1926. Served until Feb. 3, 1936.[3]
Paul M. Warburg	New York	do	Term expired Aug. 9, 1918.
Frederic A. Delano	Chicago	do	Resigned July 21, 1918.
W.P.G. Harding	Atlanta	do	Term expired Aug. 9, 1922.
Adolph C. Miller	San Francisco	do	Reappointed in 1924. Reappointed in 1934 from the Richmond District. Served until Feb. 3, 1936.[3]
Albert Strauss	New York	Oct. 26, 1918	Resigned Mar. 15, 1920.
Henry A. Moehlenpah	Chicago	Nov. 10, 1919	Term expired Aug. 9, 1920.
Edmund Platt	New York	June 8, 1920	Reappointed in 1928. Resigned Sept. 14, 1930.
David C. Wills	Cleveland	Sept. 29, 1920	Term expired Mar. 4, 1921.
John R. Mitchell	Minneapolis	May 12, 1921	Resigned May 12, 1923.
Milo D. Campbell	Chicago	Mar. 14, 1923	Died Mar. 22, 1923.
Daniel R. Crissinger	Cleveland	May 1, 1923	Resigned Sept. 15, 1927.
George R. James	St. Louis	May 14, 1923	Reappointed in 1931. Served until Feb. 3, 1936.[4]
Edward H. Cunningham	Chicago	do	Died Nov. 28, 1930.
Roy A. Young	Minneapolis	Oct. 4, 1927	Resigned Aug. 31, 1930.
Eugene Meyer	New York	Sept. 16, 1930	Resigned May 10, 1933.
Wayland W. Magee	Kansas City	May 18, 1931	Term expired Jan. 24, 1933.
Eugene R. Black	Atlanta	May 19, 1933	Resigned Aug. 15, 1934.
M.S. Szymczak	Chicago	June 14, 1933	Reappointed in 1936 and 1948. Resigned May 31, 1961.
J.J. Thomas	Kansas City	do	Served until Feb. 10, 1936.[3]
Marriner S. Eccles	San Francisco	Nov. 15, 1934	Reappointed in 1936, 1940, and 1944. Resigned July 14, 1951.
Joseph A. Broderick	New York	Feb. 3, 1936	Resigned Sept. 30, 1937.
John K. McKee	Cleveland	do	Served until Apr. 4, 1946.[3]
Ronald Ransom	Atlanta	do	Reappointed in 1942. Died Dec. 2, 1947.
Ralph W. Morrison	Dallas	Feb. 10, 1936	Resigned July 9, 1936.
Chester C. Davis	Richmond	June 25, 1936	Reappointed in 1940. Resigned Apr. 15, 1941.
Ernest G. Draper	New York	Mar. 30, 1938	Served until Sept. 1, 1950.[3]
Rudolph M. Evans	Richmond	Mar. 14, 1942	Served until Aug. 13, 1954.[3]
James K. Vardaman, Jr.	St. Louis	Apr. 4, 1946	Resigned Nov. 30, 1958.
Lawrence Clayton	Boston	Feb. 14, 1947	Died Dec. 4, 1949.
Thomas B. McCabe	Philadelphia	Apr. 15, 1948	Resigned Mar. 31, 1951.
Edward L. Norton	Atlanta	Sept. 1, 1950	Resigned Jan. 31, 1952.
Oliver S. Powell	Minneapolis	do	Resigned June 30, 1952.
Wm. McC. Martin, Jr.	New York	April 2, 1951	Reappointed in 1956. Term expired Jan. 31, 1970.
A.L. Mills, Jr.	San Francisco	Feb. 18, 1952	Reappointed in 1958. Resigned Feb. 28, 1965.
J.L. Robertson	Kansas City	do	Reappointed in 1964. Resigned Apr. 30, 1973.
C. Canby Balderston	Philadelphia	Aug. 12, 1954	Served through Feb. 28, 1966.
Paul E. Miller	Minneapolis	Aug. 13, 1954	Died Oct. 21, 1954.
Chas. N. Shepardson	Dallas	Mar. 17, 1955	Retired Apr. 30, 1967.
G.H. King, Jr.	Atlanta	Mar. 25, 1959	Reappointed in 1960. Resigned Sept. 18, 1963.

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership[2]
George W. Mitchell	Chicago	Aug. 31, 1961	Reappointed in 1962. Served until Feb. 13, 1976.[3]
J. Dewey Daane	Richmond	Nov. 29, 1963	Served until Mar. 8, 1974.[3]
Sherman J. Maisel	San Francisco	Apr. 30, 1965	Served through May 31, 1972.
Andrew F. Brimmer	Philadelphia	Mar. 9, 1966	Resigned Aug. 31, 1974.
William W. Sherrill	Dallas	May 1, 1967	Reappointed in 1968. Resigned Nov. 15, 1971.
Arthur F. Burns	New York	Jan. 31, 1970	Term began Feb. 1, 1970. Resigned Mar. 31, 1978.
John E. Sheehan	St. Louis	Jan. 4, 1972	Resigned June 1, 1975.
Jeffrey M. Bucher	San Francisco	June 5, 1972	Resigned Jan. 2, 1976.
Robert C. Holland	Kansas City	June 11, 1973	Resigned May 15, 1976.
Henry C. Wallich	Boston	Mar. 8, 1974	
Philip E. Coldwell	Dallas	Oct. 29, 1974	Served through Feb. 29, 1980.
Philip C. Jackson, Jr.	Atlanta	July 14, 1975	Resigned Nov. 17, 1978.
J. Charles Partee	Richmond	Jan. 5, 1976	
Stephen S. Gardner	Philadelphia	Feb. 13, 1976	Died Nov. 19, 1978.
David M. Lilly	Minneapolis	June 1, 1976	Resigned Feb. 24, 1978.
G. William Miller	San Francisco	Mar. 8, 1978	Resigned Aug. 6, 1979.
Nancy H. Teeters	Chicago	Sept. 18, 1978	Served through June 27, 1984.
Emmett J. Rice	New York	June 20, 1979	
Frederick H. Schultz	Atlanta	July 27, 1979	Served through Feb. 11, 1982.
Paul A. Volcker	Philadelphia	Aug. 6, 1979	
Lyle E. Gramley	Kansas City	May 28, 1980	Resigned Sept. 1, 1985.
Preston Martin	San Francisco	Mar. 31, 1982	
Martha R. Seger	Chicago	July 2, 1984	

Chairmen[4]

Charles S. Hamlin	Aug. 10, 1914–Aug. 9, 1916
W.P.G. Harding	Aug. 10, 1916–Aug. 9, 1922
Daniel R. Crissinger	May 1, 1923–Sept. 15, 1927
Roy A. Young	Oct. 4, 1927–Aug. 31, 1930
Eugene Meyer	Sept. 16, 1930–May 10, 1933
Eugene R. Black	May 19, 1933–Aug. 15, 1934
Marriner S. Eccles	Nov. 15, 1934–Jan. 31, 1948
Thomas B. McCabe	Apr. 15, 1948–Mar. 31, 1951
Wm. McC. Martin, Jr.	Apr. 2, 1951–Jan. 31, 1970
Arthur F. Burns	Feb. 1, 1970–Jan. 31, 1978
G. William Miller	Mar. 8, 1978–Aug. 6, 1979
Paul A. Volcker	Aug. 6, 1979–

Vice Chairmen[4]

Frederic A. Delano	Aug. 10, 1914–Aug. 9, 1916
Paul M. Warburg	Aug. 10, 1916–Aug. 9, 1918
Albert Strauss	Oct. 26, 1918–Mar. 15, 1920
Edmund Platt	July 23, 1920–Sept. 14, 1930
J.J. Thomas	Aug. 21, 1934–Feb. 10, 1936
Ronald Ransom	Aug. 6, 1936–Dec. 2, 1947
C. Canby Balderston	Mar. 11, 1955–Feb. 28, 1966
J.L. Robertson	Mar. 1, 1966–Apr. 30, 1973
George W. Mitchell	May 1, 1973–Feb. 13, 1976
Stephen S. Gardner	Feb. 13, 1976–Nov. 19, 1978
Frederick H. Schultz	July 27, 1979–Feb. 11, 1982
Preston Martin	Mar. 31, 1982–

EX-OFFICIO MEMBERS[1]

Secretaries of the Treasury

W.G. McAdoo	Dec. 23, 1913–Dec. 15, 1918
Carter Glass	Dec. 16, 1918–Feb. 1, 1920
David F. Houston	Feb. 2, 1920–Mar. 3, 1921
Andrew W. Mellon	Mar. 4, 1921–Feb. 12, 1932
Ogden L. Mills	Feb. 12, 1932–Mar. 4, 1933
William H. Woodin	Mar. 4, 1933–Dec. 31, 1933
Henry Morgenthau, Jr.	Jan. 1, 1934–Feb. 1, 1936

Comptrollers of the Currency

John Skelton Williams	Feb. 2, 1914–Mar. 2, 1921
Daniel R. Crissinger	Mar. 17, 1921–Apr. 30, 1923
Henry M. Dawes	May 1, 1923–Dec. 17, 1924
Joseph W. McIntosh	Dec. 20, 1924–Nov. 20, 1928
J.W. Pole	Nov. 21, 1928–Sept. 20, 1932
J.F.T. O'Connor	May 11, 1933–Feb. 1, 1936

1. Under the provisions of the original Federal Reserve Act, the Federal Reserve Board was composed of seven members, including five appointive members, the Secretary of the Treasury, who was ex-officio chairman of the Board, and the Comptroller of the Currency. The original term of office was ten years, and the five original appointive members had terms of two, four, six, eight, and ten years respectively. In 1922 the number of appointive members was increased to six, and in 1933 the term of office was increased to twelve years. The Banking Act of 1935, approved Aug. 23, 1935, changed the name of the Federal Reserve Board to the Board of Governors of the Federal Reserve System and provided that the Board should be composed of seven appointive members; that the Secretary of the Treasury and the Comptroller of the Currency should continue to serve as members until Feb. 1, 1936; that the appointive members in the office on the date of that act should continue to serve until Feb. 1, 1936, or until their successors were appointed and had qualified; and that thereafter the terms of members should be fourteen years and that the designation of Chairman and Vice Chairman of the Board should be for a term of four years.

2. Date after words "Resigned" and "Retired" denotes final day of service.

3. Successor took office on this date.

4. Chairman and Vice Chairman were designated Governor and Vice Governor before Aug. 23, 1935.

Financial and Business Statistics

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Domestic Financial Statistics

MONEY STOCK AND BANK CREDIT

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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	Mar.	Apr.	May	June	July
Reserves of depository institutions[2]									
1 Total	6.9	3.8	17.4	12.2	1.1	7.1	18.1	24.8r	12.2
2 Required	6.7	3.0	16.9	12.3	5.4	8.1	16.4	22.3	13.9
3 Nonborrowed	-44.7	36.3	57.3	14.1	-8.1	15.7	18.3	29.5r	15.4
4 Monetary base[3]	7.1	4.7	8.2	7.5	5.3	3.6	10.6	13.5	6.8
Concepts of money, liquid assets, and debt[4]									
5 M1	4.5	3.2	10.6	10.2	5.7	5.9	14.0	19.8	9.3
6 M2	6.8	9.1	12.0	5.3	4.1	-1.0	8.6	13.7r	8.6
7 M3	9.5	11.0	10.7	5.2	5.8r	.3r	7.7r	10.6r	4.2
8 L	11.6r	9.6r	10.0r	n.a.	9.3r	1.0r	6.0r	n.a.	n.a.
9 Debt	12.6	13.4	13.4	11.8r	10.9	12.1	12.0r	11.6r	n.a.
Nontransaction components									
10 In M2[5]	7.6	10.9	12.5	3.7r	3.6r	-3.0	6.9	11.9r	8.4
11 In M3 only[6]	20.5	18.7	5.5r	4.9r	12.2r	5.0	4.6	-1.5r	-13.3
Time and savings deposits									
Commercial banks									
12 Savings[7]	-5.6	-10.4	-8.7	-1.7	-10.9	-7.0	8.0	14.9	12.8
13 Small-denomination time[8]	13.4	6.9	-1.8	6.5	2.5	15.0	7.4r	2.2r	-7.1
14 Large-denomination time[9,10]	19.3	12.2	2.6	8.3	22.7r	16.0r	-4.0	-19.4r	-7.6
Thrift institutions									
15 Savings[7]	-6.5	-6.6	2.2	3.1r	2.9	-.7	4.3r	9.2	18.3
16 Small-denomination time	17.1	15.2	1.7	3.9r	.5	4.8	10.1r	3.6r	-7.1
17 Large-denomination time[9]	37.8	29.8	21.0	2.6r	-5.4	1.6r	13.2	2.3	-16.9
Debt components[4]									
18 Federal	14.7	15.6	15.9	13.1	10.6	13.2	14.8	12.8	n.a.
19 Nonfederal	12.0	12.7	12.6	11.3r	10.9	11.8	11.2r	11.1	n.a.
20 Total loans and securities at commercial banks[11]	9.1	9.1r	9.9	9.6	11.4	4.7	13.3r	9.3r	10.1

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						
	May	June	July	June 19	June 26	July 3	July 10	July 17	July 24	July 31
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**189,001**	**188,651**	**191,521**	**188,490**	**188,052**	**191,341**	**192,638**	**193,595**	**190,640**	**189,176**
2 U.S. government securities[1]	166,708	166,584	168,803	166,052	166,709	168,363	169,605	170,858	168,347	166,630
3 Bought outright	165,365	166,451	168,183	166,052	166,709	167,821	168,703	169,555	168,347	166,630
4 Held under repurchase agreements	1,343	133	620	0	0	542	902	1,303	0	0
5 Federal agency obligations	8,461	8,325	8,448	8,303	8,303	8,443	8,566	8,546	8,303	8,296
6 Bought outright	8,365	8,321	8,302	8,303	8,303	8,303	8,303	8,303	8,303	8,296
7 Held under repurchase agreements	96	4	146	0	0	140	263	243	0	0
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	1,178	1,227	1,180	1,427	735	1,598	1,396	1,171	884	950
10 Float	587	600	703	798	314	716	834	662	658	620
11 Other Federal Reserve assets	12,067	11,915	12,387	11,910	11,991	12,221	12,237	12,357	12,448	12,679
12 Gold stock	11,091	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	16,696	16,749	16,794	16,750	16,761	16,771	16,781	16,791	16,801	16,811
ABSORBING RESERVE FUNDS										
15 Currency in circulation	183,019	185,414	187,579	185,640	185,139	186,577	188,693	188,057	187,037	186,560
16 Treasury cash holdings	600	596	577	597	594	586	580	577	574	574
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	6,591	2,874	3,918	2,514	3,754	4,409	4,544	3,219	3,582	3,725
18 Foreign	227	229	228	240	210	279	247	203	240	204
19 Service-related balances and adjustments	1,549	1,657	1,660	1,768	1,608	1,670	1,563	1,641	1,845	1,723
20 Other	603	470	367	622	400	335	309	513	353	298
21 Other Federal Reserve liabilities and capital	6,310	6,301	6,243	6,357	6,307	6,291	6,220	6,297	6,214	6,211
22 Reserve balances with Federal Reserve Banks[2]	22,508	23,568	23,451	23,211	22,508	23,673	22,970	25,588	23,303	22,399

Factors	End-of-month figures			Wednesday figures						
	1985			1985						
	May	June	July	June 19	June 26	July 3	July 10	July 17	July 24	July 31
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**185,262**	**191,442**	**190,923**	**190,224**	**188,027**	**192,624**	**191,346**	**194,850**	**189,160**	**190,923**
24 U.S. government securities[1]	164,245	169,110	167,095	165,431	166,282	167,096	168,474	169,595	166,394	167,095
25 Bought outright	164,245	169,110	167,095	165,431	166,282	167,096	167,739	169,595	166,394	167,095
26 Held under repurchase agreements	0	0	0	0	0	0	735	0	0	0
27 Federal agency obligations	8,363	8,303	8,257	8,303	8,303	8,303	8,503	8,303	8,303	8,257
28 Bought outright	8,363	8,303	8,257	8,303	8,303	8,303	8,303	8,303	8,303	8,257
29 Held under repurchase agreements	0	0	0	0	0	0	200	0	0	0
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	1,765	1,338	1,567	3,806	776	4,059	627	4,128	915	1,567
32 Float	-816	262	-571	517	391	950	1,049	395	1,018	-571
33 Other Federal Reserve assets	11,705	12,429	14,575	12,167	12,275	12,216	12,693	12,429	12,530	14,575
34 Gold stock	11,091	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	16,726	16,770	16,817	16,759	16,770	16,780	16,790	16,800	16,810	16,820
ABSORBING RESERVE FUNDS										
37 Currency in circulation	184,691	185,886	187,040	185,478	185,414	188,375	188,774	187,626	186,687	187,042
38 Treasury cash holdings	602	588	577	594	588	581	577	574	574	577
Deposits, other than reserve balances with Federal Reserve Banks										
39 Treasury	1,933	3,288	2,656	3,541	3,892	3,716	4,733	3,150	2,882	2,656
40 Foreign	205	310	274	168	243	195	213	189	217	274
41 Service-related balances and adjustments	1,337	1,348	1,395	1,423	1,348	1,348	1,361	1,361	1,395	1,395
42 Other	557	321	323	567	349	304	329	531	294	323
43 Other Federal Reserve liabilities and capital	6,242	6,291	6,325	6,186	6,144	6,091	6,008	6,065	6,031	6,325
44 Reserve balances with Federal Reserve Banks[2]	22,131	25,888	24,858	24,734	22,527	24,501	21,849	27,861	23,597	24,858

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

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

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

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

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

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

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

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

Averages of daily figures, in millions of dollars

By maturity and source	1985 week ending Monday								
	June 17	June 24	July 1	July 8	July 15ʳ	July 22	July 29	Aug. 5	Aug. 12
One day and continuing contract									
1 Commercial banks in United States	67,155	60,567	58,209	68,283	64,519	61,686	57,442	64,462	63,630
2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	33,019	32,298	31,173	22,113ʳ	32,339	31,360	28,774	28,305	29,207
3 Nonbank securities dealers	8,134	9,063	8,244	9,732	9,453	9,753	8,963	9,332	8,766
4 All other	26,465	25,282	24,718	22,113ʳ	25,579	25,188	26,228	26,076	26,051
All other maturities									
5 Commercial banks in United States	8,883	9,278	9,728	9,732	9,326	8,900	8,943	8,851	9,010
6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	7,517	7,671	7,890	7,861	8,397	7,600	7,489	7,644	7,527
7 Nonbank securities dealers	8,870	9,238	9,517	9,139	9,012	8,288	8,682	9,037	9,470
8 All other	8,488	8,545	7,943	9,060ʳ	7,527	7,281	7,094	6,672	7,069
MEMO: Federal funds and resale agreement loans in maturities of one day or continuing contract									
9 Commercial banks in United States	31,755	30,618	31,795	34,998	30,417	30,133	26,750	30,197	28,057
10 Nonbank securities dealers	7,505	7,671	7,108	6,456	7,343	7,504	7,506	7,746	7,053

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 8/28/85	Effective date	Previous rate	Rate on 8/28/85	Previous rate	Rate on 8/28/85	Previous rate	Rate on 8/28/85	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 Aug. 28, 1985	7½	7½

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

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

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

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

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

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

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

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

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

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

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

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

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

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

Effective with the reserve maintenance period beginning Oct. 25, 1979, a marginal reserve requirement of 8 percent was added to managed liabilities in excess of a base amount. This marginal requirement was increased to 10 percent beginning Apr. 3, 1980, was decreased to 5 percent beginning June 12, 1980, and was eliminated beginning July 24, 1980. Managed liabilities are defined as large time deposits, Eurodollar borrowings, repurchase agreements against U.S. government and federal agency securities, federal funds borrowings from 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 Aug. 31, 1985		In effect Aug. 31, 1985	
	Percent	Effective date	Percent	Effective date
1 Savings	5½	1/1/84	5½	7/1/79
2 Negotiable order of withdrawal accounts	5¼	12/31/80	5¼	12/31/80
3 Negotiable order of withdrawal accounts of $1,000 or more[2]	....	1/5/83	....	1/5/83
4 Money market deposit account[2]	(3)	12/14/82	(3)	12/14/82
Time accounts				
5 7–31 days of less than $1,000[4]	5½	1/1/84	5½	9/1/82
6 7–31 days of $1,000 or more[2]	....	1/5/83	....	1/5/83
7 More than 31 days	....	10/1/83	....	10/1/83

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

2. Effective Dec. 1, 1983, IRA/Keogh (HR10) Plan accounts are not subject to minimum deposit requirements. Effective Jan. 1, 1985, the minimum denomination requirement was lowered from $2,500 to $1,000.

3. Effective Dec. 14, 1982, depository institutions are authorized to offer a new account with a required initial balance of $2,500 and an average maintenance balance of $2,500 not subject to interest rate restrictions. Effective Jan. 1, 1985, the minimum denomination and average maintenance balance requirements was lowered to $1,000. No minimum maturity period is required for this account, but depository institutions must reserve the right to require seven days, notice before withdrawals. When the average balance is less than $1,000, the account is subject to the maximum ceiling rate of interest for NOW accounts; compliance with the average balance requirement may be determined over a period of one month. Depository institutions may not guarantee a rate of interest for this account for a period longer than one month or condition the payment of a rate on a requirement that the funds remain on deposit for longer than one month.

4. Effective Jan. 1, 1985, the minimum denomination requirement was lowered from $2,500 to $1,000. Deposits of less than $1,000 issued to governmental units continue to be subject to an interest rate ceiling of 8 percent.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

Type of transaction	1982	1983	1984	1984	1985					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
U.S. GOVERNMENT SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	17,067	18,888	20,036	3,410	0	2,976	916	6,026	274	2,099
2 Gross sales	8,369	3,420	8,557	0	2,668	214	554	0	417	0
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	3,000	2,400	7,700	0	1,600	400	500	0	800	0
Others within 1 year										
5 Gross purchases	312	484	1,126	182	0	0	961	245	0	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shift	17,295	18,887	16,354	771	596	1,987	1,299	1,129	2,443	1,312
8 Exchange	-14,164	-16,553	-20,840	-966	-625	-2,739	0	-1,463	-2,945	0
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	0	465	846	0	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shift	-14,524	-15,533	-13,709	-771	-596	-1,902	-1,299	-1,114	-2,101	-1,312
13 Exchange	11,804	11,641	16,039	966	625	1,645	0	1,463	1,940	0
5 to 10 years										
14 Gross purchases	388	890	536	0	0	0	0	108	0	0
15 Gross sales	0	0	300	0	100	0	0	0	0	0
16 Maturity shift	-2,172	-2,450	-2,371	0	0	-54	0	-16	42	0
17 Exchange	2,128	2,950	2,750	0	0	600	0	0	600	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	0	-30	0	0	-384	0
21 Exchange	234	1,962	2,052	0	0	493	0	0	405	0
All maturities										
22 Gross purchases	19,870	22,540	23,476	3,591	0	2,976	2,343	7,321	274	2,099
23 Gross sales	8,369	3,420	7,553	0	2,768	214	554	0	417	0
24 Redemptions	3,000	2,487	7,700	0	1,600	400	500	0	800	0
Matched transactions										
25 Gross sales	543,804	578,591	808,986	63,674	66,668	57,076	54,718	65,845	78,870	81,016
26 Gross purchases	543,173	576,908	810,432	61,537	66,367	57,283	57,288	64,001	77,597	83,782
Repurchase agreements										
27 Gross purchases	130,774	105,971	139,441	3,888	20,225	19,584	4,922	11,540	21,716	2,801
28 Gross sales	130,286	108,291	139,019	2,261	21,852	17,077	7,429	4,088	29,168	2,801
29 Net change in U.S. government securities	8,358	12,631	8,908	3,080	-6,295	5,077	1,351	12,931	-9,668	4,865
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	0	17	*	*	8	60
Repurchase agreements										
33 Gross purchases	18,957	8,833	1,205	506	1,463	2,428	445	983	1,336	120
34 Gross sales	18,638	9,213	817	119	1,851	2,048	825	452	1,867	120
35 Net change in federal agency obligations	130	-672	132	388	388	363	-380	531	-540	-60
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**	**3,468**	**-6,683**	**5,440**	**971**	**13,462**	**-10,208**	**4,805**

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 1985					End of month 1985		
	July 3	July 10	July 17	July 24	July 31	May	June	July
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,090	11,090	11,090	11,090	11,090	11,091	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	463	457	468	483	486	490	474	486
Loans								
4 To depository institutions	4,059	627	4,128	915	1,567	1,765	1,338	1,567
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	8,303	8,303	8,303	8,303	8,257	8,363	8,303	8,257
8 Held under repurchase agreements	0	200	0	0	0	0	0	0
U.S. government securities								
Bought outright								
9 Bills	76,287	76,930	78,786	75,585	76,286	73,436	78,301	76,286
10 Notes	67,066	67,066	67,066	67,066	67,066	67,066	67,066	67,066
11 Bonds	23,743	23,743	23,743	23,743	23,743	23,743	23,743	23,743
12 Total bought outright[1]	167,096	167,739	169,595	166,394	167,095	164,245	169,110	167,095
13 Held under repurchase agreements	0	735	0	0	0	0	0	0
14 Total U.S. government securities	167,096	168,474	169,595	166,394	167,095	164,245	169,110	167,095
15 **Total loans and securities**	**179,458**	**177,604**	**182,026**	**175,612**	**176,919**	**174,373**	**178,751**	**176,919**
16 Cash items in process of collection	7,980	6,930	6,884	6,665	7,394	6,865	6,277	7,394
17 Bank premises	585	585	587	588	588	581	585	588
Other assets								
18 Denominated in foreign currencies[2]	4,152	4,152	4,155	4,158	4,493	4,058	4,149	4,493
19 All other[3]	7,479	7,956	7,687	7,784	9,494	7,066	7,695	9,494
20 **Total assets**	**215,825**	**213,392**	**217,515**	**210,998**	**215,082**	**209,142**	**213,639**	**215,082**
LIABILITIES								
21 Federal Reserve notes	172,640	173,018	171,869	170,935	171,286	169,056	170,178	171,286
Deposits								
22 To depository institutions	25,849	23,210	29,222	24,992	26,253	23,468	27,236	26,253
23 U.S. Treasury—General account	3,716	4,733	3,150	2,882	2,656	1,933	3,288	2,656
24 Foreign—Official accounts	195	213	189	217	274	205	310	274
25 Other	304	329	531	294	323	557	321	323
26 **Total deposits**	**30,064**	**28,485**	**33,092**	**28,385**	**29,506**	**26,163**	**31,155**	**29,506**
27 Deferred availability cash items	7,030	5,881	6,489	5,647	7,965	7,681	6,015	7,965
28 Other liabilities and accrued dividends[4]	2,253	2,230	2,285	2,245	2,212	2,359	2,315	2,212
29 **Total liabilities**	**211,987**	**209,614**	**213,735**	**207,212**	**210,969**	**205,259**	**209,663**	**210,969**
CAPITAL ACCOUNTS								
30 Capital paid in	1,723	1,724	1,732	1,732	1,741	1,713	1,721	1,741
31 Surplus	1,626	1,626	1,626	1,626	1,626	1,626	1,626	1,626
32 Other capital accounts	489	428	422	428	746	544	629	746
33 **Total liabilities and capital accounts**	**215,825**	**213,392**	**217,515**	**210,998**	**215,082**	**209,142**	**213,639**	**215,082**
34 MEMO: Marketable U.S. government securities held in custody for foreign and international account	123,448	124,244	124,254	125,649	125,643	119,753	121,276	125,643
	Federal Reserve note statement							
35 Federal Reserve notes outstanding	200,480	200,774	201,537	201,820	201,968	198,021	200,234	201,968
36 LESS: Held by bank	27,840	27,756	29,668	30,885	30,682	28,965	30,056	30,682
37 Federal Reserve notes, net	172,640	173,018	171,869	170,935	171,286	169,056	170,178	171,286
Collateral held against notes net:								
38 Gold certificate account	11,090	11,090	11,090	11,090	11,090	11,091	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	156,932	157,310	156,161	155,227	155,578	153,347	154,470	155,578
42 **Total collateral**	**172,640**	**173,018**	**171,869**	**170,935**	**171,286**	**169,056**	**170,178**	**171,286**

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

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

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1985					1985		
	July 3	July 10	July 17	July 24	July 31	May 31	June 28	July 31
1 Loans—Total	4,059	627	4,128	915	1,567	1,765	1,338	1,567
2 Within 15 days	3,960	539	3,988	890	1,494	1,700	937	1,494
3 16 days to 90 days	99	88	140	25	73	65	401	73
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	0	0	0
6 Within 15 days	0	0	0	0	0	0	0	0
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. government securities—Total	167,096	168,474	169,595	166,394	167,095	164,245	169,110	167,095
10 Within 15 days[1]	7,000	7,762	6,487	5,196	9,291	4,256	7,604	9,291
11 16 days to 90 days	38,100	40,954	41,109	39,577	35,609	38,379	39,719	35,609
12 91 days to 1 year	48,873	46,635	48,876	48,498	49,831	48,474	48,651	49,831
13 Over 1 year to 5 years	37,029	37,029	37,114	37,114	36,355	37,042	37,042	36,355
14 Over 5 years to 10 years	15,281	15,281	15,196	15,196	15,196	15,281	15,281	15,196
15 Over 10 years	20,813	20,813	20,813	20,813	20,813	20,813	20,813	20,813
16 Federal agency obligations—Total	8,303	8,503	8,303	8,303	8,257	8,363	8,303	8,257
17 Within 15 days[1]	39	343	279	212	120	162	159	120
18 16 days to 90 days	824	681	559	650	635	566	677	635
19 91 days to 1 year	1,786	1,807	1,793	1,781	1,783	1,918	1,813	1,783
20 Over 1 year to 5 years	4,023	4,041	4,041	4,039	4,080	4,089	4,023	4,080
21 Over 5 years to 10 years	1,232	1,232	1,232	1,222	1,240	1,229	1,232	1,240
22 Over 10 years	399	399	399	399	399	399	399	399

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

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE

Billions of dollars, averages of daily figures

Item	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.	1984	1985						
					Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[1]												
1 **Total reserves**[2]	**32.10**	**34.28**	**36.14**	**39.08**	**39.08**	**39.64**	**40.43**	**40.47**	**40.71**	**41.32**	**42.18**	**42.61**
2 Nonborrowed reserves	31.46	33.65	35.36	35.90	35.90	38.24	39.14	38.88	39.39	39.99	40.97	41.50
3 Nonborrowed reserves plus extended credit[3]	31.61	33.83	35.37	38.50	38.50	39.29	39.95	39.94	40.26	40.52	41.64	42.01
4 Required reserves	31.78	33.78	35.58	38.23	38.23	38.89	39.53	39.71	39.97	40.52	41.27	41.75
5 Monetary base[4]	158.10	170.14	185.49	199.03	199.03	200.21	202.05	202.95	203.56	205.35	207.66	208.83
	Not seasonally adjusted											
6 **Total reserves**[2]	**32.82**	**35.01**	**36.86**	**40.13**	**40.13**	**40.70**	**39.88**	**40.07**	**41.25**	**40.64**	**41.96**	**42.41**
7 Nonborrowed reserves	32.18	34.37	36.09	36.94	36.94	39.31	38.59	38.47	39.93	39.31	40.75r	41.30
8 Nonborrowed reserves plus extended credit[3]	32.33	34.56	36.09	39.55	39.55	40.36	39.39	39.53	40.80	39.84	41.42	41.81
9 Required reserves	32.50	34.51	36.30	39.28	39.28	39.96	38.97	39.30	40.52	39.84	41.05	41.55
10 Monetary base[4]	160.94	173.17	188.76	202.02	202.02	200.93	199.54	200.86	203.42	204.54	207.99	210.26
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[5]												
11 **Total reserves**[2]	**41.92**	**41.85**	**38.89**	**40.70**	**40.70**	**41.12**	**40.27**	**40.49**	**41.65**	**41.05**	**42.35**	**42.80**
12 Nonborrowed reserves	41.29	41.22	38.12	37.51	37.51	39.73	38.98	38.90	40.33	39.72	41.15	41.70
13 Nonborrowed reserves plus extended credit[3]	41.44	41.41	38.12	40.09	40.09	40.88	39.83	40.03	40.77	40.45	41.88	42.23
14 Required reserves	41.61	41.35	38.33	39.84	39.84	40.38	39.37	39.73	40.91	40.25	41.45	41.95
15 Monetary base[4]	170.47	180.52	192.36	202.59	202.59	201.35	199.94	201.29	203.81	204.94	208.39	210.65

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 Apr.	1985 May	1985 June	1985 July
	Seasonally adjusted							
1 M1	441.8	480.8	528.0	558.5	574.9	581.6	591.2	595.8
2 M2	1,794.4	1,954.9	2,188.8	2,371.7	2,427.3	2,444.6	2,472.6r	2,490.4
3 M3	2,235.8	2,446.8	2,701.8	2,995.0	3,056.3r	3,075.7	3,103.1r	3,113.9
4 L	2,596.5	2,854.7r	3,168.8r	3,539.4r	3,624.3r	n.a.	n.a.	n.a.
5 Debt	4,309.5	4,709.7	5,224.6	5,953.2	6,191.7r	6,251.9	6,313.9	n.a.
M1 components								
6 Currency[2]	124.0	134.3	148.4	158.7	161.7	163.1	164.5	165.4
7 Travelers checks[3]	4.4	4.3	4.9	5.2	5.5	5.5	5.7	5.9
8 Demand deposits[4]	235.2	238.6	243.5	248.6	252.5	255.7	260.7	260.9
9 Other checkable deposits[5]	78.2	103.5	131.3	146.0	155.3	157.3	160.3	163.6
Nontransactions components								
10 In M2[6]	1,352.6	1,474.0	1,660.8	1,813.3r	1,852.4r	1,863.0	1,881.4r	1,894.6
11 In M3 only[7]	441.4	492.0	512.9	623.3	628.9r	631.1	630.5r	623.5
Savings deposits[9]								
12 Commercial Banks	158.6	163.5	133.4	122.6	119.6	120.4	121.9	123.2
13 Thrift institutions	185.8	194.4	173.6	166.0	168.3	169.0	170.2r	172.8
Small denomination time deposits[9]								
14 Commerical Banks	347.8	379.8	350.7	387.0	387.6	389.9	390.7	388.4
15 Thrift institutions	475.8	471.7	433.8	498.6	497.8	502.2	503.5	500.5
Money market mutual funds								
16 General purpose and broker/dealer	150.6	185.2	138.2	167.5	176.2	172.2	175.4	175.6
17 Institution-only	38.0	51.1	43.2	62.7	59.5	63.5	67.1	64.8
Large denomination time deposits[10]								
18 Commercial Banks[11]	247.5	262.0	228.9	264.4	273.0r	272.0	267.7	266.0
19 Thrift institutions	54.6	66.2	101.9	151.8	154.4r	156.0	156.4r	154.2
Debt components								
20 Federal debt	825.9	979.3	1,172.8	1,367.0	1,429.0	1,446.6	1,462.2r	n.a.
21 Non-federal debt	3,483.6	3,730.4	4,051.8	4,586.2	4,762.6r	4,805.3	4,851.8r	n.a.
	Not seasonally adjusted							
22 M1	452.2	491.8	539.7	570.4	581.6	576.2	592.3r	599.1
23 M2	1,798.7	1,959.6	2,194.0	2,376.7	2,439.2	2,440.7	2,476.3r	2,496.4
24 M3	2,243.4	2,454.4	2,709.2	3,002.1r	3,068.2r	3,073.6	3,105.8r	3,116.1
25 L	2,604.7	2,859.5r	3,172.7r	3,540.9r	3,638.5r	n.a.	n.a.	n.a.
26 Debt	4,304.7	4,703.8	5,218.8	5,947.2r	6,161.1r	6,223.1	6,288.6	n.a.
M1 components								
27 Currency[2]	126.2	136.5	150.5	160.9	161.2	163.2	165.2	166.8
28 Travelers checks[3]	4.1	4.0	4.6	4.9	5.2	5.4	6.0	6.6
29 Demand deposits[4]	243.4	247.2	252.2	257.4	255.1	251.4	259.8r	262.2
30 Other checkable deposits[5]	78.5	104.1	132.4	147.2	160.1	156.2	161.3	163.5
Nontransactions components								
31 M2[6]	1,346.5	1,467.8	1,654.2	1,806.3r	1,857.6	1,864.5	1,884.1r	1,897.3
32 M3 only[7]	444.7	494.8	515.2	625.4r	628.9r	632.9	629.5r	619.7
Money market deposit accounts								
33 Commercial banks	*	26.3	230.5	267.1	295.9	298.2	307.3	313.0
34 Thrift institutions	.0	16.9	148.7	147.9	164.5r	165.4	167.8r	171.0
Savings deposits[8]								
35 Commercial Banks	157.5	162.1	132.2	121.4	120.9	121.7	123.2	124.4
36 Thrift institutions	184.7	193.2	172.5	164.9	169.3	170.2	172.6r	175.1
Small denomination time deposits[9]								
37 Commercial Banks	347.7	380.1	351.1	387.6	383.9	385.2	386.4r	386.4
38 Thrift institutions	475.5	471.7	434.2	499.4	495.6	495.7	496.8r	498.0
Money market mutual funds								
39 General purpose and broker/dealer	150.6	185.2	138.2	167.5	176.2	172.2	175.4	175.6
40 Institution-only	38.0	51.1	43.2	62.7	59.5	63.5	67.1	64.8
Large denomination time deposits[10]								
41 Commercial Banks[11]	251.7	265.2	230.8	265.9	270.4	269.9	267.3r	265.1
42 Thrift institutions	54.4	65.9	101.4	151.1	153.4	156.0	156.0r	154.3
Debt components								
43 Federal debt	823.0	976.4	1,170.2	1,364.7	1,427.1	1,443.8	1,457.8	n.a.
44 Non-federal debt	3,481.7	3,727.4	4,048.6	4,582.5	4,734.0r	4,779.4	4,828.6	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 Jan.	Feb.	Mar.	Apr.	May	June
				Seasonally adjusted					
DEBITS TO									
Demand deposits[2]									
1 All insured banks	90,914.4	109,642.3	128,440.8	140,678.6	143,281.5	139,608.3	156,513.2	149,252.8	146,714.9
2 Major New York City banks	37,932.9	47,769.4	57,392.7	64,474.7	63,157.0	62,523.7	70,621.4	66,394.3	66,615.5
3 Other banks	52,981.5	61,873.1	71,048.1	76,203.9	80,124.5	77,084.6	85,891.8	82,858.4	80,099.4
4 ATS–NOW accounts[3]	1,036.2	1,405.5	1,588.7	1,552.0	1,618.6	1,567.0	1,689.3	1,771.1	1,614.3
5 Savings deposits[4]	720.3	741.4	633.1	501.3	499.8	539.2	589.0	636.4	544.4
DEPOSIT TURNOVER									
Demand deposits[2]									
6 All insured banks	324.2	379.7	434.4	468.6	471.4	456.3	515.4	484.6	471.4
7 Major New York City banks	1,287.6	1,528.0	1,843.0	2,008.6	1,902.2	1,967.0	2,183.9	2,079.6	2,104.9
8 Other banks	211.1	240.9	268.6	284.2	295.9	281.1	316.5	300.2	286.5
9 ATS–NOW accounts[3]	14.5	15.6	15.8	14.6	15.0	14.4	15.4	16.1	14.4
10 Savings deposits[4]	4.5	5.4	5.0	4.2	4.2	4.6	5.0	5.4	4.6
				Not seasonally adjusted					
DEBITS TO									
Demand deposits[2]									
11 All insured banks	91,031.8	109,517.6	128,059.1	148,880.1	129,297.2	143,154.3	151,536.1	151,342.3	148,651.5
12 Major New York City banks	38,001.0	47,707.4	57,282.4	68,203.1	57,337.4	64,188.9	67,422.3	67,249.3	67,999.4
13 Other banks	53,030.9	64,310.2	70,776.9	80,677.0	71,959.8	78,965.4	84,113.8	84,093.0	80,652.1
14 ATS–NOW accounts[3]	1,027.1	1,397.0	1,579.5	1,838.9	1,524.4	1,624.7	1,946.1	1,775.5	1,744.0
15 MMDA[5]	....	567.4	848.8	1,103.9	980.9	1,032.5	1,221.4	1,146.7	1,077.9
16 Savings deposits[4]	720.0	742.0	632.9	544.7	455.5	552.9	644.4	621.1	549.7
DEPOSIT TURNOVER									
Demand deposits[2]									
17 All insured banks	325.0	379.9	433.5	486.0	437.2	480.9	498.1	505.5	480.6
18 Major New York City banks	1,295.7	1,510.0	1,838.6	2,025.9	1,780.6	1,990.7	2,138.6	2,205.8	2,125.9
19 Other banks	211.5	240.5	267.9	295.9	273.0	297.5	308.4	312.7	290.8
20 ATS–NOW accounts[3]	14.4	15.5	15.7	17.1	14.3	14.9	17.2	16.2	15.5
21 MMDA[5]	....	2.8	3.5	4.0	3.4	3.5	4.2	3.9	3.5
22 Savings deposits[4]	4.5	5.4	5.0	4.6	3.9	4.7	5.4	5.2	4.6

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 Aug.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May	1985 June	1985 July
						Seasonally adjusted						
1 **Total loans and securities**[2]	**1,662.1**	**1,674.8**	**1,682.8**	**1,701.0**	**1,714.8**	**1,724.0**	**1,742.3**	**1,758.9**	**1,765.8**	**1,785.3**	**1,799.1**	**1,813.6**
2 U.S. government securities	257.1	258.0	257.0	259.4	260.2	260.1	265.8	266.9	261.1	265.9	266.6	271.0
3 Other securities	140.8	141.9	141.5	141.1	139.9	142.4	140.8	138.7	140.1	142.1	144.5	145.5
4 Total loans and leases[2]	1,264.2	1,274.9	1,284.3	1,300.6	1,314.7	1,321.5	1,335.6	1,353.3	1,364.6	1,377.3	1,388.0	1,397.1
5 Commercial and industrial	458.1	460.0	463.0	467.1	468.1	468.4	473.4	480.4	480.9	483.3	483.6	484.2
6 Bankers acceptances held[3]	5.8	5.4	5.6	6.0	5.2	5.0	6.1	6.4	5.4	4.9	4.7	5.1
7 Other commercial and industrial	452.3	454.6	457.3	461.1	462.9	463.4	467.2	474.1	475.5	478.4	478.9	479.1
8 U.S. addressees[4]	440.6	443.5	446.7	450.7	453.3	453.8	457.1	463.8	465.3	468.7	469.8	469.9
9 Non-U.S. addressees[4]	11.6	11.1	10.6	10.3	9.6	9.7	10.2	10.3	10.3	9.6	9.1	9.2
10 Real estate	361.2	364.7	367.7	371.8	375.6	377.9	382.1	385.8	389.9	393.8	397.4	401.4
11 Individual	238.5	241.3	243.5	246.7	251.0	254.6	257.7	261.9	265.5	268.7	271.5r	274.2
12 Security	26.1	28.8	30.3	30.2	31.5	31.9	31.6	32.8	35.1	37.5	40.0	40.3
13 Nonbank financial institutions	30.8	31.2	31.1	31.2	31.4	31.2	30.9	30.6	31.2	31.5	31.2	31.6
14 Agricultural	40.7r	40.8r	40.6	40.4r	40.3	39.9r	39.6r	39.5r	39.4r	39.5r	39.4r	39.6
15 State and political subdivisions	41.2	41.7	41.4r	42.3r	44.2r	46.9	46.6	46.8	47.1	47.5r	47.4	47.7
16 Foreign banks	12.2	11.7	11.7	11.9	11.5	11.4	11.5	11.2	10.8	10.6	10.3	10.4
17 Foreign official institutions	9.4	8.9	8.5	8.4	8.3	7.9	7.9	7.7	7.8	7.8	7.6	7.2
18 Lease financing receivables	14.8	15.0	15.1	15.3	15.5	15.6	15.8	16.1	16.4	16.7	16.9	17.3
19 All other loans	31.3r	30.8r	31.5r	35.3r	37.2r	35.7r	38.6r	40.3r	40.4r	40.5r	42.6r	43.2
						Not seasonally adjusted						
20 **Total loans and securities**[2]	**1,656.1**	**1,673.2**	**1,684.0**	**1,701.9**	**1,725.8**	**1,732.0**	**1,740.4**	**1,755.0**	**1,766.0**	**1,781.4**	**1,800.0**	**1,807.1**
21 U.S. government securities	255.5	255.7	254.1	255.2	256.9	260.1	266.8	269.0	266.6	268.0	270.3	270.8
22 Other securities	140.4	141.3	140.9	141.2	141.5	143.3	141.0	138.9	139.8	142.7	144.1r	144.1
23 Total loans and leases[2]	1,260.2	1,276.2	1,289.0	1,305.5	1,327.4	1,328.7	1,332.6	1,347.1	1,359.7	1,370.7	1,385.5	1,392.2
24 Commercial and industrial	456.1	459.9	463.8	467.3	471.2	470.3	472.9	480.0	481.2	481.9	482.1	483.3
25 Bankers acceptances held[3]	5.6	5.3	5.5	5.9	5.7	5.1	6.0	6.3	5.5	4.9	4.8	5.0
26 Other commercial and industrial	450.4	454.6	458.3	461.4	465.5	465.2	466.9	473.7	475.7	477.0	477.2	478.3
27 U.S. addressees[4]	438.8	443.3	447.2	450.5	455.0	455.4	457.2	463.9	466.2	467.8	468.3	469.0
28 Non-U.S. addressees[4]	11.6	11.3	11.1	11.0	10.5	9.8	9.7	9.8	9.5	9.2	8.9	9.3
29 Real estate	361.4	365.8	368.9	372.8	376.2	378.6	381.7	384.7	388.6	392.8	396.9	400.8
30 Individual	238.3	242.3	245.3	248.4	254.0	257.0	257.4	259.7	263.2	266.5	269.6r	272.4
31 Security	25.4	27.7	30.2	31.7	35.2	33.0	30.8	32.2	35.0	36.0	39.9	38.3
32 Nonbank financial institutions	30.9	31.3	31.0	31.1	31.5	31.3	30.7	30.6	31.3	31.3	31.2	31.7
33 Agricultural	41.5r	41.6r	41.2	40.5r	40.0	39.3r	38.8r	38.6r	38.8r	39.4r	39.9r	40.4
34 State and political subdivisions	41.2	41.7	41.4r	42.3r	44.2r	46.9	46.6	46.8	47.1	47.5r	47.4	47.7
35 Foreign banks	11.9	11.9	12.0	12.2	12.2	11.7	11.4	11.0	10.5	10.3	10.0	10.2
36 Foreign official institutions	9.4	8.9	8.5	8.4	8.3	7.9	7.9	7.7	7.8	7.8	7.6	7.2
37 Lease financing receivables	14.7	14.9	15.0	15.1	15.5	15.8	16.0	16.3	16.4	16.7	16.9	17.2
38 All other loans	29.4r	30.1r	31.7r	35.5r	39.2r	36.9r	38.3r	39.4r	39.9r	40.6r	44.1r	43.0

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						
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
Total nondeposit funds												
1 Seasonally adjusted[2]	103.5	106.5	107.9	112.0	108.5	102.2	113.8	116.8	105.0	111.7	112.4	108.3
2 Not seasonally adjusted	105.7	107.0	109.6	117.5	111.1	104.6	117.2	119.2	108.2	116.9	114.7	107.2
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	139.3	141.6	141.4	145.0	140.5	138.8	146.8	147.2	138.8	142.0	146.7r	146.9
4 Not seasonally adjusted	141.5	142.1	143.1	150.5	143.1	141.1	150.2	149.7	141.9	147.2	149.0r	145.8
5 Net balances due to foreign-related institutions, not seasonally adjusted	-35.8	-35.1	-33.5	-33.1	-32.0	-36.5	-33.0	-30.4	-33.7	-30.3	-34.3r	-38.6
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[4]	-35.0	-35.2	-34.2	-32.7	-31.4	-35.0	-31.7	-29.7	-32.6	-29.7	-32.5r	-38.4
7 Gross due from balances	72.8	71.5	69.8	68.3	69.0	71.4	70.5	71.4	75.0	74.6	76.6	79.4
8 Gross due to balances	37.7	36.3	35.6	35.6	37.6	36.5	38.8	41.7	42.4	44.9	44.0r	40.9
9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[5]	-.8	.1	.7	-.4	-.6	-1.6	-1.2	-.8	-1.2	-.6	-1.8	-.2
10 Gross due from balances	51.6	51.7	50.8	50.7	52.0	53.0	54.0	53.4	51.8	52.4	53.7	54.9
11 Gross due to balances	50.8	51.8	51.5	50.4	51.4	51.4	52.7	52.6	50.7	51.8	51.9	54.7
Security RP borrowings												
12 Seasonally adjusted[6]	79.9	81.4	82.0	84.0	81.1	82.3	90.1	92.0	85.4	85.5	86.5	87.1
13 Not seasonally adjusted	79.6	79.4	81.2	87.0	81.1	82.2	91.1	92.0	86.0	88.3	86.3	83.4
U.S. Treasury demand balances[7]												
14 Seasonally adjusted	13.1	16.0	8.0	17.3	16.1	14.7	13.0	11.8	14.6	22.6	17.4	24.9
15 Not seasonally adjusted	10.3	17.5	11.0	10.4	12.5	18.5	15.8	12.8	15.4	20.9	14.9	23.1
Time deposits, $100,000 or more[8]												
16 Seasonally adjusted	314.2	315.4	321.4	323.0	325.8	324.8	325.4	329.9	332.6	331.2r	326.8r	323.2
17 Not seasonally adjusted	315.6	316.8	322.2	322.9	327.3	325.6	324.9	330.3	330.1r	329.0r	326.4r	322.3

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						
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
ALL COMMERCIAL BANKING INSTITUTIONS[1]											
1 Loans and securities	1,798.3	1,822.7	1,822.7	1,864.0	1,853.8	1,873.4	1,880.5	1,895.9	1,905.1	1,923.5r	1,936.5
2 Investment securities	377.2	375.2	374.4	377.5	381.0	382.0	383.3	383.4	389.8	391.6r	392.2
3 U.S. government securities	243.4	241.2	240.4	242.5	244.9	248.0	250.9	250.0	254.0	254.9r	256.5
4 Other	133.8	134.0	133.9	134.9	136.1	134.1	132.5	133.4	135.8	136.7r	135.7
5 Trading account assets	20.9	22.5	21.9	22.9	24.2	27.6	23.7	23.5	23.5	23.1	22.1
6 Total loans	1,400.2	1,424.9	1,426.4	1,463.7	1,448.7	1,463.7	1,473.5	1,489.0	1,491.8	1,508.7r	1,522.2
7 *Interbank loans*	123.3	126.1	122.6	126.9	125.2	128.6	125.9	130.7	123.8	122.8r	130.7
8 Loans excluding interbank	1,276.9	1,298.8	1,303.8	1,336.8	1,323.4	1,335.1	1,347.6	1,358.3	1,368.0	1,385.9r	1,391.4
9 Commercial and industrial	459.8	467.7	468.7	476.8	469.8	476.5	482.7	481.5	482.8	483.6r	485.7
10 Real estate	366.6	369.8	374.4	377.7	380.2	382.5	386.0	389.8	394.9	398.8r	402.6
11 *Individual*	243.3	247.1	249.6	255.5	257.4	258.1	260.4	264.2	267.3	270.9	273.4
12 All other	207.3	214.2	211.1	226.8	216.1	218.0	218.4	222.8	223.0	232.6r	229.7
13 Total cash assets	181.0	188.0	188.4	201.9	187.8	189.2	183.4	187.3	202.0	190.1r	185.2
14 *Reserves with Federal Reserve Banks*	18.0	18.1	20.4	20.5	20.9	19.6	19.8	22.9	20.7	21.6r	23.3
15 Cash in vault	21.6	21.4	23.9	23.3	21.9	21.8	21.3	21.3	23.3	22.2	21.9
16 Cash items in process of collection	63.2	70.2	66.5	75.9	66.9	68.8	63.9	64.1	76.5	68.4r	63.2
17 Demand balances at U.S. depository *institutions*	30.8	32.0	30.9	34.5	30.9	32.2	31.6	30.1	35.1	31.2	30.6
18 Other cash assets	47.4	46.3	46.7	47.7	47.3	46.7	46.8	48.9	46.5	46.7r	46.2
19 Other assets	196.8	201.6	190.1	196.8	191.7	195.4	188.5	188.7	183.4	189.4r	171.2
20 Total assets/total liabilities and capital	**2,176.1**	**2,212.2**	**2,201.2**	**2,262.6**	**2,233.3**	**2,257.9**	**2,252.4**	**2,272.0**	**2,290.5**	**2,303.0r**	**2,293.0**
21 Deposits	1,549.9	1,578.9	1,578.2	1,631.2	1,604.3	1,617.8	1,625.6	1,636.4	1,659.2	1,657.1r	1,659.7
22 Transaction deposits	442.3	462.7	453.1	491.1	456.8	459.2	457.6	465.3	479.9	473.6r	471.8
23 Savings deposits	364.9	371.1	378.1	386.3	400.0	406.8	409.8	409.4	418.0	424.8r	431.8
24 Time deposits	742.7	745.0	747.0	753.8	747.5	751.8	758.2	761.7	761.3	758.7r	756.1
25 Borrowings	307.1	314.3	298.8	304.1	306.5	308.8	300.6	309.8	304.9	315.4r	314.5
26 Other liabilities	172.9	175.1	179.4	181.1	173.7	182.2	176.9	175.3	175.6	179.3	173.1
27 Residual (assets less liabilities)	146.2	144.0	144.8	146.2	148.8	149.2	149.2	150.5	150.8	151.3	145.6
MEMO											
28 U.S. government securities (including trading account)	255.4	256.3	255.2	256.9	261.9	269.5	268.4	266.4	268.9	270.6r	270.2
29 Other securities (including trading account)	142.7	141.5	141.1	143.4	143.2	140.2	138.7	140.6	144.3	144.2r	144.2
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	1,707.4	1,728.5	1,726.7	1,765.4	1,759.6	1,774.6	1,781.9	1,796.4	1,809.2	1,825.3	1,839.3
31 Investment securities	369.8	367.9	367.5	370.5	373.7	374.7	376.6	376.7	383.3	384.6	384.9
32 U.S. government securities	238.4	236.1	235.8	237.9	240.2	243.2	246.6	246.0	250.3	250.9	252.6
33 Other	131.5	131.8	131.6	132.6	133.5	131.5	130.0	130.6	133.0	133.7	132.3
34 Trading account assets	20.9	22.5	21.9	22.9	24.2	27.6	23.7	23.5	23.5	23.1	22.1
35 Total loans	1,316.6	1,338.0	1,337.3	1,372.1	1,361.7	1,372.3	1,381.6	1,396.2	1,402.5	1,417.6	1,432.3
36 Interbank loans	99.9	103.3	96.1	102.8	100.6	100.9	99.9	103.1	100.4	100.3	108.3
37 Loans excluding interbank	1,216.7	1,234.7	1,241.2	1,269.3	1,261.2	1,271.4	1,281.6	1,293.1	1,302.1	1,317.3	1,324.0
38 Commercial and industrial	418.7	423.0	424.7	430.2	425.7	431.5	435.5	436.0	435.9	435.3	437.7
39 Real estate	362.3	365.5	369.1	372.1	375.1	377.3	380.9	384.5	389.4	393.3	397.1
40 Individual	243.1	246.9	249.4	255.3	257.2	257.9	260.2	263.9	267.1	270.6	273.1
41 All other	192.5	199.3	198.0	211.7	203.1	204.8	205.0	208.7	209.6	218.1	216.1
42 Total cash assets	169.0	176.6	176.8	190.3	175.7	177.8	172.5	175.7	191.0	179.0	173.6
43 Reserves with Federal Reserve Banks	17.4	17.1	19.7	19.2	20.2	18.7	19.2	22.3	19.6	20.9	22.0
44 Cash in vault	21.6	21.4	23.9	23.3	21.9	21.8	21.3	21.3	23.2	22.2	21.9
45 Cash items in process of collection	63.0	69.9	66.3	75.6	66.7	68.5	63.7	63.9	76.2	68.1	62.9
46 Demand balances at U.S. depository institutions	29.4	30.7	29.4	32.9	29.5	30.9	30.3	28.7	33.7	29.7	29.3
47 Other cash assets	37.7	37.5	37.5	39.3	37.5	37.9	38.0	39.5	38.2	38.0	37.5
48 Other assets	141.2	147.9	139.7	142.1	137.6	139.0	137.2	137.6	131.6	137.8	123.3
49 Total assets/total liabilities and capital	**2,017.6**	**2,053.1**	**2,043.2**	**2,097.8**	**2,072.9**	**2,091.4**	**2,091.7**	**2,109.7**	**2,131.8**	**2,142.1**	**2,136.2**
50 Deposits	1,510.9	1,539.1	1,538.0	1,587.8	1,561.8	1,573.7	1,580.5	1,591.7	1,616.0	1,614.5	1,617.7
51 Transaction deposits	435.9	456.2	446.8	484.5	450.6	452.9	451.4	458.9	473.5	467.3	465.4
52 Savings deposits	363.9	370.1	377.1	385.2	398.9	405.6	408.6	408.3	416.8	423.5	430.4
53 Time deposits	711.1	712.8	714.1	718.1	712.3	715.2	720.5	724.5	725.8	723.7	721.9
54 Borrowings	243.5	251.3	240.9	243.1	246.5	247.0	239.9	247.9	245.6	253.3	256.3
55 Other liabilities	119.7	120.5	122.3	123.5	118.4	124.2	124.7	122.3	122.0	125.7	119.2
56 Residual (assets less liabilities)	143.4	142.1	142.0	143.4	146.1	146.5	146.6	147.8	148.1	148.6	143.0

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								
	June 5	June 12	June 19	June 26	July 3r	July 10	July 17	July 24	July 31
1 Cash and balances due from depository institutions	97,189	95,014	92,874	92,218	100,572	87,595	96,340	88,156	93,245
2 **Total loans, leases and securities, net**	**857,652**	**848,180**	**860,666**	**848,370r**	**863,015**	**851,640**	**853,555**	**840,144**	**855,664**
3 U.S. Treasury and government agency	88,146	86,043	87,992	86,212	87,993	88,953	85,614	85,448	86,102
4 Trading account	16,327	16,075	18,343	15,657	16,339	16,319	13,538	13,624	13,856
5 Investment account, by maturity	71,819	69,968	69,650	70,555	71,654	72,634	72,075	71,824	72,246
6 One year or less	20,718	20,868	21,172	21,812	21,930	21,455	21,537	21,292	21,726
7 Over one through five years	35,606	34,189	34,084	34,765	35,590	36,208	36,031	35,925	36,006
8 Over five years	15,494	14,911	14,393	13,978	14,134	14,972	14,507	14,606	14,514
9 Other securities	49,094	49,179	49,337	49,387	48,676	48,582	49,591	49,938	49,807
10 Trading account	4,304	4,084	4,266	4,388	4,455	4,205	4,845	5,029	4,822
11 Investment account	44,790	45,095	45,071	44,998	44,220	44,377	44,746	44,909	44,984
12 States and political subdivisions, by maturity	39,822	40,048	39,957	39,949	39,134	39,249	39,628	39,768	39,869
13 One year or less	5,255	5,422	5,287	5,192	4,824	4,879	4,905	4,950	5,090
14 Over one year	34,567	34,626	34,670	34,757	34,310	34,370	34,723	34,818	34,779
15 Other bonds, corporate stocks, and securities	4,968	5,046	5,114	5,049	5,086	5,128	5,118	5,141	5,115
16 Other trading account assets	4,205	4,078	2,986	3,095	4,358	5,130	3,735	3,466	3,554
17 Federal funds sold[1]	63,878	56,653	60,729	55,139r	62,520	53,154	57,188	50,935	59,315
18 To commercial banks	44,665	37,933	43,143	36,485r	43,710	35,986	39,059	33,426	41,576
19 To nonbank brokers and dealers in securities	12,347	11,303	11,656	12,583	12,521	11,862	12,676	12,266	12,375
20 To others	6,866	7,417	5,929	6,071	6,290	5,306	5,452	5,243	5,363
21 Other loans and leases, gross[2]	669,451	669,422	676,828	671,750r	677,250	673,662	675,246	668,207	674,844
22 Other loans, gross[2]	655,767	655,708	663,103	657,992r	663,297	659,664	661,262	654,212	660,812
23 Commercial and industrial[2]	253,955r	253,193r	253,460r	252,255r	253,856	253,062	252,791	251,925	253,594
24 Bankers acceptances and commercial paper	2,447r	2,276r	2,033r	2,344r	2,663	2,553	2,400	2,411	2,411
25 All other	251,508r	250,917r	251,427r	249,911r	251,193	250,509	250,392	249,514	251,183
26 U.S. addressees	246,379r	245,876r	246,426r	244,879r	246,179	245,522	245,430	244,470	246,146
27 Non-U.S. addressees	5,129r	5,041r	5,000r	5,032r	5,013	4,987	4,962	5,043	5,037
28 Real estate loans[2]	167,252r	167,896r	168,311r	168,729r	168,773	168,958	169,599	169,658	170,402
29 To individuals for personal expenditures	120,214r	120,428r	120,948r	121,647r	122,464	122,523	122,369	122,089	122,494
30 To depository and financial institutions	40,118r	39,549r	40,504r	39,851r	40,376	40,614	40,302	40,063	40,758
31 Commercial banks in the United States	10,450	10,416	10,970r	11,019r	10,535	10,449	10,343	10,832	10,776
32 Banks in foreign countries	5,348r	5,091r	5,207r	5,089r	5,388	5,486	5,441	5,383	5,683
33 Nonbank depository and other financial institutions	24,319r	24,041r	24,327r	23,744r	24,453	24,679	24,517	23,848	24,300
34 For purchasing and carrying securities	19,466	19,741	24,736	19,618	21,977	19,709	19,918	15,558	18,593
35 To finance agricultural production	7,236r	7,237r	7,233r	7,280r	7,349	7,355	7,318	7,327	7,335
36 To states and political subdivisions	29,933	30,156	29,970	30,008	30,032	29,988	30,179	30,345	30,439
37 To foreign governments and official institutions	3,602	3,613	3,598	3,609	3,474	3,412	3,522	3,576	3,410
38 All other	13,990	13,896r	14,343r	14,994r	14,996	14,043	15,263	13,671	13,788
39 Lease financing receivables	13,683	13,714	13,725	13,758	13,953	13,999	13,983	13,994	14,031
40 LESS: Unearned income	5,147	5,165	5,178	5,219	5,199	5,204	5,207	5,234	5,226
41 Loan and lease reserve[2]	11,975	12,030	12,028	11,993	12,584	12,638	12,611	12,616	12,731
42 Other loans and leases, net[2]	652,329	652,226	659,622	654,537r	659,467	655,820	657,428	650,358	656,886
43 All other assets	131,828	130,237	131,818	129,630r	138,154	135,083	132,256	132,742	136,672
44 **Total assets**	**1,086,669**	**1,073,432**	**1,085,358**	**1,070,218**	**1,101,741**	**1,074,319**	**1,082,152**	**1,061,043**	**1,085,581**
45 Demand deposits	197,483	194,403	196,171	190,798	206,279	191,838	194,702	186,858	197,532
46 Individuals, partnerships, and corporations	148,091r	148,691r	146,450r	143,612r	153,635	146,554	149,431	141,784	150,069
47 States and political subdivisions	5,378	4,814	5,705	5,268	5,550	5,063	5,188	5,104	5,867
48 U.S. government	4,133	2,560	4,422	2,350	4,456	1,754	1,176	2,745	1,614
49 Depository institutions in United States	23,708r	22,096r	24,250	22,307r	25,668	22,376	23,418	21,885	24,015
50 Banks in foreign countries	6,008	5,202	5,448	5,701	5,114	5,912	6,059	5,446	5,993
51 Foreign governments and official institutions	787	1,057	842	772	898	905	842	808	816
52 Certified and officers' checks	9,378	9,983	9,054	10,788	10,956	9,274	8,590	9,086	9,159
53 Transaction balances other than demand deposits	38,887	38,400	37,943	36,671	39,412	38,904	38,493	37,836	38,560
54 Nontransaction balances	469,398	470,367	471,175	469,761	471,662	470,699	470,802	471,540	472,193
55 Individuals, partnerships and corporations	432,992r	434,008r	434,933r	433,776r	436,571	435,415	435,271	435,390	436,131
56 States and political subdivisions	24,219	24,161	23,939	23,781	23,017	23,160	23,467	23,917	23,756
57 U.S. government	340	376	366	397	402	397	378	412	426
58 Depository institutions in the United States	9,448r	9,468r	9,594r	9,508r	9,437	9,392	9,344	9,471	9,514
59 Foreign governments, official institutions and banks	2,398	2,354	2,342	2,299	2,235	2,334	2,342	2,350	2,365
60 Liabilities for borrowed money	210,271	199,467	210,439	201,470	216,998	207,341	210,394	198,482	205,031
61 Borrowings from Federal Reserve Banks	2,919	123	3,212	118	3,472	66	3,370	50	919
62 Treasury tax-and-loan notes	2,563	2,130	12,659	14,467	15,230	13,633	15,015	15,501	16,336
63 All other liabilities for borrowed money[3]	204,788	197,215	194,568	186,885	198,296	193,641	192,010	182,932	187,776
64 Other liabilities and subordinated note and debentures	95,645	95,521	94,478	96,613	92,494	90,298	92,583	90,872	96,285
65 **Total liabilities**	**1,011,684**	**998,158**	**1,010,205**	**995,314**	**1,026,845**	**999,081**	**1,006,974**	**985,588**	**1,009,601**
66 Residual (total assets minus total liabilities)[4]	74,985	75,274	75,152	74,904	74,896	75,238	75,177	75,455	75,980
MEMO									
67 Total loans and leases (gross) and investments adjusted[5]	819,659	817,027	823,759r	818,078r	826,553	823,048	821,970	813,735	821,269
68 Total loans and leases (gross) adjusted[2,5]	678,214	677,726	683,443r	679,385r	685,526	680,382	683,031	674,884	681,806
69 Time deposits in amounts of $100,000 or more	155,282r	155,411r	155,601r	154,447r	154,056	152,824	153,049	153,998	153,501
70 Loans sold outright to affiliates—total[6]	2,448	2,413	2,300	2,221	2,200	2,209	2,240	2,139	2,066
71 Commercial and industrial	1,591	1,593	1,492	1,402	1,412	1,404	1,423	1,327	1,271
72 Other	857	819	808	819	788	805	817	812	795
73 Nontransaction savings deposits (including MMDAs)	181,906r	182,722r	183,044r	182,917r	185,026	185,464	185,504	185,653	186,767

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								
	June 5	June 12	June 19	June 26	July 3	July 10	July 17	July 24	July 31
1 Cash and balances due from depository institutions	24,404	23,722	21,524	24,448	23,061	18,626	24,892	22,281	21,265
2 **Total loans, leases and securities, net**[1]	**183,282**	**179,667**	**185,111**	**182,871**	**185,193**	**179,262**	**180,617**	**175,267**	**183,832**
Securities									
3 U.S. Treasury and government agency[2]	......	......	......	......	......	......	......	......	......
4 Trading account[2]	......	......	......	......	......	......	......	......	......
5 Investment account, by maturity	10,657	9,925	10,167	10,660	10,614	10,154	10,856	10,730	10,718
6 One year or less	1,304	1,301	1,758	2,021	2,005	1,373	1,799	1,731	2,013
7 Over one through five years	7,450	6,915	6,702	6,933	6,868	7,079	7,395	7,367	7,070
8 Over five years	1,903	1,708	1,707	1,707	1,741	1,702	1,662	1,632	1,636
9 Other securities[2]	......	......	......	......	......	......	......	......	......
10 Trading account[2]	......	......	......	......	......	......	......	......	......
11 Investment account	9,934	9,921	9,914	9,989	9,933	10,046	10,141	10,261	10,144
12 States and political subdivisions, by maturity	8,805	8,820	8,825	8,891	8,827	8,914	8,986	9,087	9,115
13 One year or less	1,236	1,222	1,213	1,160	1,203	1,234	1,234	1,303	1,306
14 Over one year	7,570	7,598	7,611	7,731	7,624	7,680	7,753	7,785	7,809
15 Other bonds, corporate stocks and securities	1,129	1,101	1,090	1,098	1,106	1,132	1,155	1,174	1,029
16 Other trading account assets[2]	......	......	......	......	......	......	......	......	......
Loans and leases									
17 Federal funds sold[3]	25,905	23,527	23,583	25,256	26,126	22,746	23,611	21,570	26,658
18 To commercial banks	13,890	11,588	12,466	13,910	14,326	11,861	12,299	10,974	15,990
19 To nonbank brokers and dealers in securities	7,081	6,315	6,785	6,872	7,500	7,095	7,277	6,690	6,991
20 To others	4,934	5,625	4,332	4,474	4,300	3,790	4,035	3,907	3,676
21 Other loans and leases, gross	141,727	141,301	146,464	141,997	143,565	141,412	141,104	137,822	141,429
22 Other loans, gross	139,209	138,782	143,934	139,460	140,906	138,736	138,422	135,144	138,749
23 Commercial and industrial	61,794	61,277	61,245	60,662	60,907	60,330	59,704	59,638	60,381
24 Bankers acceptances and commercial paper	813	646	543	721	948	856	739	870	906
25 All other	60,981	60,630	60,702	59,941	59,959	59,473	58,964	58,769	59,475
26 U.S. addressees	60,273	59,932	60,036	59,277	59,281	58,809	58,286	58,086	58,811
27 Non-U.S. addressees	708	699	666	664	678	664	678	683	664
28 Real estate loans	26,012	26,202	26,296	26,261	26,351	26,460	26,722	26,632	27,077
29 To individuals for personal expenditures	16,853	16,861	16,976	17,052	17,143	17,099	17,133	17,174	17,252
30 To depository and financial institutions	11,502	10,974	11,797	11,354	11,196	11,460	11,292	11,571	11,745
31 Commercial banks in the United States	2,346	2,123	2,503	2,515	2,110	2,229	1,997	2,478	2,392
32 Banks in foreign countries	1,892	1,638	1,898	1,749	1,924	2,010	2,118	1,987	2,241
33 Nonbank depository and other financial institutions	7,264	7,213	7,396	7,090	7,162	7,220	7,177	7,106	7,112
34 For purchasing and carrying securities	10,446	10,593	14,895	10,642	12,189	10,505	10,352	7,314r	9,582
35 To finance agricultural production	421	394	396	405	388	370	365	362	352
36 To states and political subdivisions	7,869	7,890	7,855	7,897	7,828	7,801	7,956	8,022	7,991
37 To foreign governments and official institutions	769	822	851	888	789	746	849	922	737
38 All other	3,543	3,769	3,622	4,299	4,116	3,965	4,048	3,510	3,630
39 Lease financing receivables	2,518	2,519	2,530	2,537	2,659	2,675	2,682	2,678	2,680
40 LESS: Unearned income	1,419	1,424	1,426	1,460	1,450	1,453	1,453	1,462	1,448
41 Loan and lease reserve	3,521	3,584	3,591	3,571	3,595	3,644	3,642	3,655	3,668
42 Other loans and leases, net	136,787	136,294	141,447	136,966	138,520	136,315	136,009	132,705	136,313
43 All other assets[4]	69,640	68,200	70,480	65,644	73,245	71,659	67,912	68,134	69,692
44 **Total assets**	**277,326**	**271,590**	**277,116**	**272,963**	**281,499**	**269,548**	**273,421**	**265,682**	**274,790**
Deposits									
45 Demand deposits	48,651	48,319	49,956	49,793	49,806	47,229	49,396	47,000	48,956
46 Individuals, partnerships, and corporations	32,183	32,066	32,957	32,459	32,944	31,375	33,523	30,965	33,178
47 States and political subdivisions	1,037	930	990	933	1,014	988	1,027	912	872
48 U.S. government	825	455	870	442	931	264	146	487	209
49 Depository institutions in the United States	4,938	4,703	6,073	5,029	5,400	4,842	5,446	5,212	5,761
50 Banks in foreign countries	4,674	3,956	4,269	4,510	3,820	4,660	4,793	4,210	4,658
51 Foreign governments and official institutions	582	890	675	575	693	696	679	636	641
52 Certified and officers' checks	4,413	5,319	4,121	5,844	5,001	4,402	3,781	4,577	3,637
53 Transaction balances other than demand deposits ATS, NOW, Super NOW, telephone transfers)	4,044	4,076	4,108	3,931	4,172	4,196	4,043	3,997	4,115
54 Nontransaction balances	86,158	85,925	85,676	84,775	86,207	85,664	85,907	86,015	86,057
55 Individuals, partnerships and corporations	78,378	78,246	77,912	77,224	78,817	78,099	78,317	78,194	78,147
56 States and political subdivisions	4,373	4,373	4,334	4,266	4,178	4,289	4,456	4,586	4,607
57 U.S. government	50	56	54	58	52	60	47	51	50
58 Depository institutions in the United States	2,336	2,263	2,406	2,273	2,225	2,208	2,067	2,125	2,177
59 Foreign governments, official institutions and banks	1,020	988	969	953	935	1,008	1,019	1,059	1,075
60 Liabilities for borrowed money	73,830	68,686	72,281	68,277	76,096	68,588	69,481	64,702	67,232
61 Borrowings from Federal Reserve Banks	1,980	......	2,615	......	1,465	......	1,650	......	......
62 Treasury tax-and-loan notes	645	477	3,425	3,669	3,582	3,259	3,590	3,484	3,633
63 All other liabilities for borrowed money[5]	71,205	68,209	66,241	64,608	71,049	65,330	64,241	61,218	63,599
64 Other liabilities and subordinated note and debentures	40,887	40,732	41,201	42,510	41,366	39,822	40,578	39,918	44,220
65 **Total liabilities**	**253,570**	**247,739**	**253,221**	**249,287**	**257,647**	**245,499**	**249,404**	**241,632**	**250,580**
66 Residual (total assets minus total liabilities)[6]	23,757	23,851	23,894	23,676	23,852	24,048	24,017	24,051	24,210
MEMO									
67 Total loans and leases (gross) and investments adjusted[1,7]	171,986	170,964	175,159	171,477	173,803	170,268	171,416	166,932	170,566
68 Total loans and leases (gross) adjusted[7]	151,395	151,118	155,077	150,828	153,256	150,068	150,419	145,941	149,704
69 Time deposits in amounts of $100,000 or more	33,500	33,010	32,694	32,010	32,815	32,327	32,555	32,776	32,458

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								
	June 5	June 12	June 19	June 26	July 3r	July 10	July 17	July 24	July 31
1 Cash and due from depository institutions	6,969	6,521	6,808	6,347	6,645	7,143	6,806	6,618	6,974
2 Total loans and securities	45,283	44,856	46,093	46,111	47,514	46,616	47,244	45,495	46,676
3 U.S. Treasury and govt. agency securities	3,269	3,386	3,238	3,413	3,413	3,417	3,262	3,354	3,270
4 Other securities	1,687	1,723	1,751	1,779	1,764	2,032	2,069	2,035	2,049
5 Federal funds sold[1]	3,772	3,037	4,231	3,419	4,276	4,033	5,086	4,027	4,276
6 To commercial banks in the United States	3,385	2,653	3,769	3,001	4,061	3,653	4,649	3,569	3,803
7 To others	388	383	461	418	215	381	437	458	472
8 Other loans, gross	36,554	36,710	36,874	37,500	38,061	37,135	36,827	36,079	37,082
9 Commercial and industrial	21,697	21,954	21,513	21,959	22,306	21,947	22,289	21,960	22,251
10 Bankers acceptances and commercial paper	2,029	2,020	1,902	1,813	1,980	1,939	1,902	1,886	1,890
11 All other	19,669	19,934	19,611	20,146	20,325	20,008	20,386	20,074	20,361
12 U.S. addressees	18,569	18,873	18,473	18,962	19,096	18,751	19,002	18,669	18,964
13 Non-U.S. addressees	1,099	1,061	1,138	1,184	1,229	1,256	1,384	1,405	1,397
14 To financial institutions	10,604	10,441	10,618	10,713	10,784	10,660	10,488	10,002	10,238
15 Commercial banks in the United States	8,251	8,196	8,287	8,639	8,423	8,434	8,078	7,714	7,754
16 Banks in foreign countries	1,137	1,164	1,096	1,079	1,075	1,110	1,154	1,081	1,103
17 Nonbank financial institutions	1,216	1,081	1,235	995	1,285	1,116	1,256	1,207	1,381
18 To foreign govts. and official institutions	707	700	703	690	703	687	516	517	514
19 For purchasing and carrying securities	1,195	1,275	1,687	1,791	1,856	1,543	1,255	1,238	1,672
20 All other	2,350	2,340	2,352	2,348	2,412	2,298	2,278	2,362	2,407
21 Other assets (claims on nonrelated parties)	18,408	18,478	18,455	18,261	18,166	18,383	18,238	18,284	18,352
22 Net due from related institutions	10,503	9,720	10,184	9,668	9,788	10,003	9,957	8,068	9,797
23 Total assets	81,162	79,575	81,541	80,387	82,113	82,146	82,245	78,465	81,799
24 Deposits or credit balances due to other than directly related institutions	23,525	23,357	23,354	23,438	23,256	22,676	22,722	23,184	23,523
25 Credit balances	157	168	223	166	187	148	186	173	142
26 Demand deposits	1,670	1,713	1,777	1,716	1,792	1,664	1,676	1,818	1,652
27 Individuals, partnerships, and corporations	854	883	910	906	992	892	916	903	933
28 Other	816	830	866	810	800	772	'60	915	720
29 Time and savings deposits	21,699	21,477	21,354	21,556	21,278	20,865	20,860	21,194	21,729
30 Individuals, partnerships, and corporations	16,969	16,888	16,745	16,928	16,746	16,414	16,519	16,834	16,931
31 Other	4,730r	4,588	4,609	4,628	4,531	4,451	4,340	4,360	4,798
32 Borrowings from other than directly related institutions	30,664	29,762	30,839	29,344	31,697	31,457	32,065	27,786	30,309
33 Federal funds purchased[2]	13,598	12,284	13,216	11,611	13,362	13,712	14,853	10,568	12,651
34 From commercial banks in the United States	11,340	9,987	10,642	9,022	10,846	10,861	12,199	8,105	10,044
35 From others	2,258	2,298	2,574	2,590	2,515	2,851	2,654	2,462	2,607
36 Other liabilities for borrowed money	17,066	17,478	17,623	17,733	18,336	17,745	17,212	17,218	17,658
37 To commercial banks in the United States	15,850	16,127	16,254	16,333	16,983	15,722	15,898	15,948	16,410
38 To others	1,215	1,350	1,368	1,401	1,352	2,023	1,314	1,270	1,248
39 Other liabilities to nonrelated parties	20,317	20,376	20,374	20,129	20,212	20,285	20,138	20,089	20,432
40 Net due to related institutions	6,657	6,080	6,974	7,476	6,947	7,727	7,321	7,406	7,535
41 Total liabilities	81,162	79,575	81,541	80,387	82,113	82,146	82,245	78,465	81,799
MEMO									
42 Total loans (gross) and securities adjusted[3]	33,646	34,007	34,037	34,470	35,030	34,529	34,517	34,212	35,119
43 Total loans (gross) adjusted[3]	28,690	28,898	29,048	29,279	29,853	29,081	29,186	28,823	29,800

▲ 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 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May	1985 June
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**124,374**	**165,829**	**166,436**	**188,312**	**239,117**	**245,322**	**247,095**	**250,575**	**255,236**	**258,943**	**254,627**
Financial companies[3]											
Dealer-placed paper[4]											
2 Total	19,599	30,333	34,605	44,622	56,917	59,713	60,186	60,895	63,405	61,282	61,602
3 Bank-related (not seasonally adjusted)	3,561	6,045	2,516	2,441	2,035	2,137	2,265	2,304	2,180	2,295	2,051
Directly placed paper[5]											
4 Total	67,854	81,660	84,393	96,918	110,474	113,101	114,824	118,029	117,841	119,975	118,432
5 Bank-related (not seasonally adjusted)	22,382	26,914	32,034	35,566	42,105	43,046	42,759	43,334	42,405	43,126	43,454
6 Nonfinancial companies[6]	36,921	53,836	47,437	46,772	71,726	72,508	72,085	71,651	73,990	77,686	74,593
	Bankers dollar acceptances (not seasonally adjusted)[7]										
7 **Total**	**54,744**	**69,226**	**79,543**	**78,309**	**75,470**	**72,273**	**76,109**	**73,726**	**72,825**	**69,689**	**68,375**
Holder											
8 Accepting banks	10,564	10,857	10,910	9,355	10,255	10,060	10,623	10,473	9,666	9,265	9,470
9 Own bills	8,963	9,743	9,471	8,125	9,065	8,839	9,726	9,166	8,263	7,578	7,869
10 Bills bought	1,601	1,115	1,439	1,230	1,191	1,220	897	1,340	1,403	1,687	1,601
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	679	761	737	728	575	511
13 Others	41,614	56,731	66,204	68,225	64,543	64,653r	67,279	65,865	65,965	63,797r	62,106
Basis											
14 Imports into United States	11,776	14,765	17,683	15,649	16,975	16,733	17,115	16,124	16,417	16,670	16,286
15 Exports from United States	12,712	15,400	16,328	16,880	15,859	15,445	15,881	15,179	14,875	14,214	13,340
16 All other	30,257	39,060	45,531	45,781	42,635	40,095	43,113	42,423	41,533	38,804r	38,749

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		

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				
				Apr.	May	June	July	June 28	July 5	July 12	July 19	July 26
MONEY MARKET RATES												
1 Federal funds[1,2]	12.26	9.09	10.22	8.27	7.97	7.53	7.88	7.46	8.06	8.07	7.77	7.88
2 Discount window borrowing[1,2,3]	11.02	8.50	8.80	8.00	7.81	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	8.31	7.80	7.34	7.58	7.45	7.50	7.48	7.54	7.71
4 3-month	11.89	8.88	10.10	8.37	7.83	7.35	7.56	7.49	7.43	7.42	7.53	7.72
5 6-month	11.89	8.89	10.16	8.47	7.88	7.38	7.57	7.60	7.41	7.40	7.53	7.76
Finance paper, directly placed[4,5]												
6 1-month	11.64	8.80	9.97	8.29	7.74	7.31	7.53	7.47	7.45	7.42	7.51	7.64
7 3-month	11.23	8.70	9.73	8.26	7.71	7.19	7.40	7.36	7.27	7.32	7.32	7.55
8 6-month	11.20	8.69	9.65	8.27	7.69	7.16	7.34	7.26	7.19	7.27	7.25	7.49
Bankers acceptances[5,6]												
9 3-month	11.89	8.90	10.14	8.33	7.77	7.32	7.53	7.42	7.35	7.40	7.52	7.71
10 6-month	11.83	8.91	10.19	8.42	7.81	7.34	7.54	7.52	7.30	7.37	7.53	7.75
Certificates of deposit, secondary market[7]												
11 1-month	12.04	8.96	10.17	8.35	7.83	7.38	7.58	7.47	7.48	7.49	7.55	7.69
12 3-month	12.27	9.07	10.37	8.49	7.91	7.44	7.64	7.60	7.52	7.51	7.62	7.76
13 6-month	12.57	9.27	10.68	8.75	8.08	7.58	7.79	7.83	7.58	7.64	7.77	7.98
14 Eurodollar deposits, 3-month[8]	13.12	9.56	10.73	8.74	8.13	7.60	7.89	7.70	7.71	7.74	7.81	8.01
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	10.61	8.61	9.52	7.95	7.48	6.95	7.08	6.97	6.90	6.99	7.07	7.22
16 6-month	11.07	8.73	9.76	8.23	7.65	7.09	7.19	7.16	6.98	7.09	7.18	7.35
17 1-year	11.07	8.80	9.92	8.44	7.85	7.27	7.31	7.37	7.13	7.19	7.29	7.47
Auction average[10]												
18 3-month	10.66	8.64	9.56	7.99	7.56	7.01	7.05	7.06	7.00	6.92	7.06	7.23
19 6-month	10.80	8.76	9.79	8.31	7.75	7.16	7.16	7.24	7.08	7.00	7.20	7.35
20 1-year	11.10	8.85	9.91	8.44	7.94	7.18	7.09	n.a.	n.a.	7.09	n.a.	n.a.
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	12.27	9.57	10.89	9.14	8.46	7.80	7.86	7.91	7.66	7.73	7.82	8.03
22 2-year	12.80	10.21	11.65	10.09	9.39	8.69	8.77	8.85	8.58	8.62	8.73	8.97
23 2-½-year[13]	....	....	....	....	....	....	....	....	9.00	n.a.	8.85	n.a.
24 3-year	12.92	10.45	11.89	10.49	9.75	9.05	9.18	9.27	8.98	8.96	9.13	9.41
25 5-year	13.01	10.80	12.24	11.01	10.34	9.60	9.70	9.85	9.53	9.50	9.64	9.91
26 7-year	13.06	11.02	12.40	11.34	10.72	10.08	10.15	10.32	9.98	9.97	10.08	10.36
27 10-year	13.00	11.10	12.44	11.43	10.85	10.16	10.31	10.43	10.14	10.12	10.23	10.51
28 20-year	12.92	11.34	12.48	11.69	11.19	10.57	10.68	10.77	10.52	10.52	10.62	10.87
29 30-year	12.76	11.18	12.39	11.47	11.05	10.44	10.50	10.60	10.39	10.36	10.42	10.64
Composite[14]												
30 Over 10 years (long-term)	12.23	10.84	11.99	11.42	10.96	10.36	10.51	10.56	10.35	10.35	10.44	10.69
State and local notes and bonds												
Moody's series[15]												
31 Aaa	10.86	8.80	9.61	8.95	8.52	8.24	8.34	8.30	8.30	8.35	8.35	8.35
32 Baa	12.46	10.17	10.38	9.95	9.54	9.03	9.18	9.10	9.10	9.20	9.20	9.20
33 *Bond Buyer* series[16]	11.66	9.51	10.10	9.42	9.01	8.69	8.81	8.80	8.82	8.81	8.73	8.87
Corporate bonds												
Seasoned issues[17]												
34 All industries	14.94	12.78	13.49	12.89	12.47	11.70	11.69	11.80	11.69	11.61	11.60	11.74
35 Aaa	13.79	12.04	12.71	12.23	11.72	10.94	10.97	11.09	10.91	10.85	10.87	11.07
36 Aa	14.41	12.42	13.31	12.69	12.30	11.46	11.42	11.52	11.43	11.35	11.34	11.47
37 A	15.43	13.10	13.74	13.14	12.70	11.98	11.92	12.02	11.93	11.87	11.83	11.95
38 Baa	16.11	13.55	14.19	13.51	13.15	12.40	12.43	12.56	12.46	12.38	12.35	12.45
39 A-rated, recently-offered utility bonds[18]	15.49	12.73	13.81	12.75	12.25	11.62	11.60	11.62	11.37	11.53	11.62	11.81
MEMO: Dividend/price ratio[19]												
40 Preferred stocks	12.53	11.02	11.59	10.75	10.60	10.05	9.92	10.07	9.98	9.94	9.92	9.84
41 Common stocks	5.81	4.40	4.64	4.37	4.31	4.21	4.14	4.19	4.16	4.14	4.07	4.15

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 several very low yielding "flower" bonds.
15. General obligations based on Thursday figures; Moody's Investors Service.
16. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
17. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
18. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.
19. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

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

1.36 STOCK MARKET Selected Statistics

Indicator	1982	1983	1984	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May	1985 June	1985 July
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	68.93	92.63	92.46	95.85	94.85	99.11	104.73	103.92	104.66	107.00	109.52	111.64
2 Industrial	78.18	107.45	108.01	110.91	109.05	113.99	120.71	119.64	119.93	121.88	124.11	126.94
3 Transportation	60.41	89.36	85.63	87.37	88.00	94.88	101.76	98.30	96.47	99.66	105.79	111.62
4 Utility	39.75	47.00	46.44	49.93	50.58	51.95	53.44	53.91	55.51	57.32	59.61	59.68
5 Finance	71.99	95.34	89.28	95.28	95.29	101.34	109.58	107.59	109.39	115.31	118.44	119.85
6 Standard & Poor's Corporation (1941–43 = 10)[1]	119.71	160.41	160.50	166.27	164.48	171.61	180.88	179.42	180.62	180.94	188.89	119.54
7 American Stock Exchange[2] (Aug. 31, 1973 = 100)	282.62r	216.48	207.96	209.47	202.28	211.82	228.40	225.62	229.46	228.75	227.48	235.21
Volume of trading (thousands of shares)												
8 New York Stock Exchange	64,617	85,418	91,084	83,692	89,032	121,545	115,489	102,591	94,387	106,827	105,849	111,952
9 American Stock Exchange	5,283	8,215	6,107	6,008	7,254	9,130	10,010	8,677	7,801	7,171	7,128	7,284
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Margin credit at broker–dealers**[3]	**13,325**	**23,000**	**22,470**	**22,350**	**22,470**	**22,090**	**22,970**	**23,230**	**23,900**	**24,300**	**25,260**	**25,220**
11 Margin stock	12,980	22,720	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
12 Convertible bonds	344	279	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Subscription issues	1	1	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Free credit balances at brokers[4]												
14 Margin-account	5,735	6,620	7,015	6,700r	7,015	6,770	6,680	6,780	6,910	6,865	7,300	7,000
15 Cash-account	8,390	8,430	10,215	8,420	10,215	9,725	9,840	10,155	9,230	9,230	10,115	9,700
	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	47.0	46.0	35.0	36.0	38.0	39.0	36.0	37.0	34.0
18 40–49	24.0	22.0	18.0	19.0	18.0	19.0	20.0	20.0	19.0	19.0	19.0	20.0
19 50–59	24.0	16.0	16.0	13.0	16.0	20.0	18.0	18.0	18.0	19.0	19.0	19.0
20 60–69	14.0	9.0	9.0	9.0	9.0	11.0	11.0	10.0	10.0	11.0	10.0	11.0
21 70–79	9.0	6.0	5.0	6.0	5.0	7.0	8.0	7.0	7.0	7.0	7.0	8.0
22 80 or more	8.0	6.0	6.0	6.0	6.0	8.0	8.0	7.0	7.0	8.0	8.0	8.0
	Special miscellaneous-account balances at brokers (end of period)											
23 **Total balances (millions of dollars)**[6]	**35,598**	**58,329**	**75,840**	**73,904**	**75,840**	**79,600**	**81,830**	**81,930**	**82,990**	**87,120**	**86,910**	**89,240**
Distribution by equity status (percent)												
24 Net credit status	62.0	63.0	59.0	59.0	59.0	59.0	59.0	60.0	60.0	60.0	59.0	59.0
Debt status, equity of												
25 60 percent or more	29.0	28.0	29.0	29.0	29.0	30.0	31.0	30.0	30.0	30.0	31.0	32.0
26 Less than 60 percent	9.0	9.0	11.0	12.0	11.0	10.0	10.0	10.0	10.0	10.0	10.0	9.0

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					1985					
			Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
							Savings and loan associations						
1 **Assets**	**707,646**	**773,417**	**860,088**	**877,642**	**881,627**	**887,696**	**902,449**	**898,537**	**898,086**	**904,827**	**906,995**	**911,696**	**917,013**
2 Mortgages	483,614	494,789	540,644	550,129	552,516	556,229	555,277	558,276	556,184	559,263	563,376	566,396	569,291
3 Cash and investment securities[1]	85,438	104,274	108,820	112,350	112,023	114,879	125,358	119,673	119,724	119,713	114,641	116,432	118,163
4 Other	138,594	174,354	210,624	215,163	217,088	216,588	221,814	220,588	222,178	225,851	228,978	228,868	229,559
5 **Liabilities and net worth**	**707,646**	**773,417**	**860,088**	**877,642**	**881,627**	**887,696**	**902,449**	**898,537**	**898,086**	**904,827**	**906,995**	**911,696**	**917,013**
6 Savings capital	567,961	634,455	691,704	704,558	708,846	714,780	724,301	730,709	726,308	732,406	731,914	737,704	742,034
7 Borrowed money	97,850	92,127	114,747	121,329	119,305	117,775	126,169	114,806	116,879	119,461	118,655	115,391	117,000
8 FHLBB	63,861	52,626	60,178	63,627	63,412	63,383	64,207	63,152	63,452	63,187	63,941	65,239	66,861
9 Other	33,989	39,501	54,569	57,702	55,893	54,392	61,962	51,654	53,427	56,274	54,714	50,152	50,139
10 Loans in process[2]	9,934	21,117	26,773	27,141	26,754	26,683	26,959	26,546	26,636	27,004	27,406	27,404	27,986
11 Other	15,602	15,968	20,599	18,050	19,894	21,302	17,215	18,358	19,857	17,471	20,539	21,671	19,708
12 Net worth[3]	26,233	30,867	33,038	33,705	33,582	33,839	34,764	34,664	35,042	35,489	35,887	36,930	38,271
13 MEMO: Mortgage loan commitments outstanding[4]	18,054	32,996	41,182	40,089	38,530	37,856	34,841	33,305	34,217	35,889	36,269	36,953	35,652
							Mutual savings banks[5]						
14 **Assets**	**174,197**	**193,535**	**200,722**	**201,445**	**203,274**	**204,499**	**203,898**	**204,859**	**206,175**	**210,568**	**210,469**	**212,509**	
Loans													
15 Mortgage	94,091	97,356	101,211	101,621	102,704	102,953	102,895	103,393	103,654	104,340	105,102	105,869	
16 Other	16,957	19,129	24,068	24,535	24,486	24,884	24,954	25,747	26,456	27,798	28,000	28,530	
Securities													
17 U.S. government[6]	9,743	15,360	15,019	14,965	15,295	15,034	14,643	14,628	14,917	15,098	14,504	14,895	
18 State and local government	2,470	2,177	2,055	2,052	2,080	2,077	2,077	2,067	2,069	2,092	2,097	2,094	
19 Corporate and other[7]	36,161	43,580	42,632	42,605	43,003	43,361	42,962	43,351	43,063	43,888	43,889	43,871	
20 Cash	6,919	6,263	4,981	4,795	4,605	4,795	4,954	4,140	4,423	4,864	4,679	5,004	
21 Other assets	7,855	9,670	10,756	10,872	11,101	11,395	11,413	11,533	11,593	12,488	12,288	12,246	
22 **Liabilities**	**174,197**	**193,535**	**200,722**	**201,445**	**203,274**	**204,499**	**203,898**	**204,859**	**206,175**	**210,568**	**210,469**	**212,509**	n.a.
23 Deposits	155,196	172,665	176,085	177,345	178,624	180,073	180,616	181,062	181,849	185,197	184,478	185,802	
24 Regular[8]	152,777	170,135	172,990	174,296	175,727	177,130	177,418	177,954	178,791	181,742	180,804	182,113	
25 Ordinary savings	46,862	38,554	34,787	34,564	34,221	34,009	33,739	33,413	33,413	33,715	33,211	33,457	
26 Time	96,369	95,129	101,270	102,934	104,151	104,849	104,732	104,098	103,536	105,204	104,527	104,843	
27 Other	2,419	2,530	3,095	3,049	2,897	2,943	3,198	3,108	3,058	3,455	3,689	3,674	
28 Other liabilities	8,336	10,154	13,604	12,979	13,853	13,453	12,504	12,931	13,387	14,393	14,959	15,546	
29 General reserve accounts	9,235	10,368	10,498	10,488	10,459	10,535	10,510	10,619	10,670	10,720	10,803	10,913	
30 MEMO: Mortgage loan commitments outstanding[9]	1,285	2,387	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
							Life insurance companies						
31 **Assets**	**588,163**	**654,948**	**694,082**	**699,996**	**705,827**	**712,271**	**720,807**	**730,120**	**734,920**	**741,442**	**747,683**		
Securities													
32 Government	36,499	50,752	56,263	57,552	59,825	62,678	64,683	65,367	67,111	66,641	67,265		
33 United States[10]	16,529	28,636	33,886	35,586	37,594	40,288	41,970	42,183	43,929	43,317	43,840		
34 State and local	8,664	9,986	9,357	9,221	9,344	9,385	9,757	9,895	9,956	9,770	9,772		
35 Foreign[11]	11,306	12,130	13,020	12,745	12,887	13,005	12,956	13,289	13,226	13,554	13,653		
36 Business	287,126	322,854	348,614	350,512	352,059	354,815	354,902	364,617	367,411	370,582	374,904	n.a.	n.a.
37 Bonds	231,406	257,986	283,673	285,543	287,607	291,021	290,731	297,666	298,381	302,072	305,945		
38 Stocks	55,720	64,868	64,941	64,969	64,452	63,794	64,171	66,951	69,030	68,510	68,959		
39 Mortgages	141,989	150,999	155,438	155,802	156,064	156,691	157,283	157,583	158,052	158,956	160,250		
40 Real estate	20,264	22,234	24,117	24,685	24,947	25,467	25,985	26,343	26,567	26,911	27,202		
41 Policy loans	52,961	54,063	54,517	54,551	54,574	54,571	54,610	54,442	54,523	54,466	54,472		
42 Other assets	48,571	54,046	55,133	56,894	58,358	58,049	63,344	61,768	61,256	63,886	63,590		
							Credit unions[12]						
43 **Total assets/liabilities and capital**	**69,585**	**81,961**	**90,503**	**91,651**	**91,619**	**92,521**	**93,036**	**94,646**	**96,183**	**98,646**	**101,268**	**104,992**	**106,948**
44 Federal	45,493	54,482	61,500	62,107	61,935	62,690	63,205	64,505	65,989	67,799	68,903	71,342	72,328
45 State	24,092	27,479	29,003	29,544	29,684	29,831	29,831	30,141	30,194	30,847	32,365	33,650	34,620
46 Loans outstanding	43,232	50,083	58,802	59,874	60,483	62,170	62,561	62,662	62,393	62,936	64,341	65,298	65,997
47 Federal	27,948	32,930	39,578	40,310	40,727	41,762	42,337	42,220	42,283	42,804	43,414	44,042	44,378
48 State	15,284	17,153	19,224	19,564	19,756	20,408	20,224	20,442	20,110	20,132	20,927	21,256	21,599
49 Savings	62,990	74,739	82,135	83,172	83,129	84,000	84,348	86,047	86,048	88,560	91,275	95,278	96,390
50 Federal (shares)	41,352	49,889	56,205	56,734	56,655	57,302	57,539	58,820	59,914	61,758	62,867	66,680	66,068
51 State (shares and deposits)	21,638	24,850	25,930	26,438	26,474	26,698	26,809	27,227	26,134	26,802	28,408	28,598	30,322

1.37 Continued

Account	1982	1983	1984					1985					
			Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	FSLIC-insured federal savings banks												
52 **Assets**	**6,859**	**64,969**	**87,209**	**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	52,039	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	13,331	12,867	13,615	14,826	16,001	15,378	17,511	18,237	17,923	18,886	18,655
55 Other	......	15,835	21,839	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**	**87,209**	**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	68,443	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	12,863	11,828	11,935	11,937	12,798	12,372	14,079	14,860	15,187	15,220	14,576
59 FHLBB	......	4,640	7,654	6,600	6,867	7,041	7,515	7,361	8,023	8,491	8,849	8,925	9,039
60 Other	......	2,837	5,209	5,228	5,068	4,896	5,283	5,011	6,056	6,369	6,338	6,295	5,537
61 Other	......	1,157	1,912	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	3,991	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	1,895	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	3,860	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 H1	Calendar year 1983 H2	Calendar year 1984 H1	Calendar year 1985 May	Calendar year 1985 June	Calendar year 1985 July
U.S. budget									
1 Receipts[1]	617,766	600,562	666,457	306,331	306,584	341,808	39,794	72,151	57,970
2 Outlays[1]	728,375	795,917	841,800	396,477	406,849	420,700	80,245	71,506	78,012
3 Surplus, or deficit (−)	−110,609	−195,355	−175,343	−90,146	−100,265	−78,892	−40,451	645	−20,042
4 Trust funds	5,456	23,056	30,565	22,680	7,745	18,080	6,699	10,268	−392
5 Federal funds[2,3]	−116,065	−218,410	−205,908	−112,822	−108,005	−96,971	−47,149	−9,623	−19,650
Off-budget entities (surplus, or deficit (−))									
6 Federal Financing Bank outlays	−14,142	−10,404	−7,277	−5,418	−3,199	−2,813	−1,192	−1,573	−1,308
7 Other[3,4]	−3,190	−1,953	−2,719	−528	−1,206	−838	−354	−441	−183
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	−41,997	−1,369	−21,532
Source of financing									
9 Borrowing from the public	134,993	212,425	170,817	102,538	84,020	80,592	16,333	11,857	23,921
10 Cash and monetary assets (decrease, or increase (−))[4]	−11,911	−9,889	5,636	−9,664	−16,294	−3,127	−29,808	−12,697	−466
11 Other[5]	4,858	5,176	8,885	3,222	4,358	7,418	−4,143	2,209	−1,923
MEMO									
12 Treasury operating balance (level, end of period)	29,164	37,057	22,345	27,997	11,817	13,567	11,138	24,013	24,146
13 Federal Reserve Banks	10,975	16,557	3,791	19,442	3,661	4,397	1,933	3,288	2,656
14 Tax and loan accounts	18,189	20,500	18,553	8,764	8,157	9,170	9,204	20,725	21,489

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	May	June	July
RECEIPTS									
1 **All sources**	**600,563**	**666,457**	**306,331**	**305,122**	**341,808**	**341,392**	**39,794**	**72,151**	**57,970**
2 Individual income taxes, net	288,938	295,955	144,551	147,663	144,691	157,229	3,611	34,764	26,252
3 Withheld	266,010	279,345	135,531	133,768	140,657	145,210	27,640	23,448	26,898
4 Presidential Election Campaign Fund	36	35	30	6	29	5	8	3	3
5 Nonwithheld	83,585r	81,346	63,014	20,703	61,463	19,403	1,945	13,579	1,133
6 Refunds	60,692	64,770r	54,024	6,815	57,458	7,387	25,982	2,266	1,783
Corporation income taxes									
7 Gross receipts	61,780	74,179	33,522	31,064	40,328	35,190	2,205	11,373	3,052
8 Refunds	24,758	17,286	13,809	8,921	10,045	6,847	975	585	1,161
9 Social insurance taxes and contributions, net	208,994r	241,902	110,520	100,832	131,372	118,690	28,423	21,049	22,853
10 Payroll employment taxes and contributions[1]	179,010	203,476	90,912	88,388	106,436	104,540	19,204	18,924	21,474
11 Self-employment taxes and contributions[2]	6,756	8,709	6,427	398	7,667	1,086	590	1,258r	−406
12 Unemployment insurance	18,799	25,138	10,984	8,714	14,942	10,706	8,192	501	1,276
13 Other net receipts[3]	4,436	4,580	2,197	2,290	2,329	2,360	437	367	441
14 Excise taxes	35,300	37,361	16,904	19,586	18,304	18,961	3,235	2,733	3,409
15 Customs deposits	8,655	11,370	4,010	5,079	5,576	6,329	946	997	1,125
16 Estate and gift taxes	6,053	6,010	2,883	3,050	3,102	3,029	566	428	614
17 Miscellaneous receipts[4]	15,594	16,965	7,751	7,811	8,481	8,812	1,783	1,391	1,826
OUTLAYS									
18 **All types**	**795,917**	**841,800**	**396,477**	**406,849**	**420,700**	**446,943**	**80,245**	**71,506**	**78,012**
19 National defense	210,461	227,405	105,072	108,967	114,639	118,286	22,198	20,815	22,140
20 International affairs	8,927	13,313	4,705	6,117	5,426	8,550	1,201	974	491
21 General science, space, and technology	7,777	8,271	3,486	4,216	3,981	4,473	722	656	652
22 Energy	4,035	2,464	2,073	1,533	1,080	1,423	408	−874	282
23 Natural resources and environment	12,676	12,677	5,892	6,933	5,463	7,370	1,016	1,073	1,317
24 Agriculture	22,173	12,215	10,154	5,278	7,129	8,524	903	822	1,162
25 Commerce and housing credit	4,721	5,198	2,164	2,648	2,572	2,663	−187	266	−189
26 Transportation	21,231	24,705	9,918	13,323	10,616	13,673	2,124	2,130	2,563
27 Community and regional development	7,302	7,803	3,124	4,327	3,154	4,836	508	652	476
28 Education, training, employment, social services	25,726	26,616	12,801	13,246	13,445	13,737	2,448	1,949	2,185
29 Health	28,655	30,435	41,206	27,271r	15,551r	15,692	3,016	2,735	2,944
30 Social security and medicare	223,311	235,764	n.a.	n.a.	119,420r	119,613	21,378	23,074	21,890
31 Income security	122,156r	96,714	143,001r	92,643r	50,450r	57,411	10,740	7,809	10,855
32 Veterans benefits and services	24,845	25,640	11,334	13,621	12,849	13,317	3,207	907	2,324
33 Administration of justice	5,014	5,616	2,522	2,628	2,807	2,992	492	443	658
34 General government	4,991	4,836	2,434	2,479	2,462	2,552	848	643	215
35 General-purpose fiscal assistance	6,287	6,577	3,124	3,290	2,943	3,458	91	−131	1,222
36 Net interest[6]	86,963r	111,007	42,358	47,674	54,748r	61,293	11,536	9,972	10,312
37 Undistributed offsetting receipts[7]	−33,976r	−15,454	−8,887	−7,262	−8,036r	−12,914	−2,403	−2,410	−3,485

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					
					May[r]	June[r]	July	June 26[r]	July 3	July 10	July 17	July 24	July 31
	Immediate delivery[1]												
1	U.S. government securities	32,260	42,135	52,786	83,392	86,993	65,844	80,405	75,436	65,883	71,152	65,336	64,585
	By maturity												
2	Bills	18,392	22,393	26,040	34,199	34,571	29,390	28,558	29,926	29,400	32,200	29,067	28,656
3	Other within 1 year	810	708	1,305	1,934	1,664	1,556	1,582	1,866	1,349	1,681	1,324	1,676
4	1–5 years	6,271	8,758	11,734	23,151	23,489	15,962	27,756	17,523	14,707	16,000	16,373	17,618
5	5–10 years	3,555	5,279	7,607	13,101	15,601	10,810	13,079	14,966	12,007	12,287	10,373	8,987
6	Over 10 years	3,232	4,997	6,100	11,008	11,667	8,126	9,430	11,155	8,421	8,983	8,197	7,648
	By type of customer												
7	U.S. government securities dealers	1,770	2,257	2,920	3,052	2,947	2,478	2,044	3,656	2,381	2,290	1,799	3,383
8	U.S. government securities brokers	15,794	21,045	25,584	40,060	42,796	33,392	40,289	36,498	31,185	36,818	34,915	32,157
9	All others[2]	14,697	18,832	24,282	40,280	41,251	29,973	38,073	35,282	32,317	32,044	28,623	29,045
10	Federal agency securities	4,140	5,576	7,846	10,957	12,893	10,794	10,165	11,116	11,232	14,186	9,710	8,749
11	Certificates of deposit	5,000	4,333	4,947	4,684	4,669	3,889	4,099	4,386	4,061	4,189	4,009	3,272
12	Bankers acceptances	2,502	2,642	3,244	3,920	4,007	3,245	3,656	3,244	3,217	3,834	3,143	3,038
13	Commercial paper	7,595	8,036	10,018	11,388	12,711	13,379	12,219	14,547	12,973	14,603	12,313	12,403
	Futures transactions[3]												
14	Treasury bills	5,055	6,655	6,947	4,572	6,420	4,044	5,223	3,508	3,528	4,993	5,051	3,476
15	Treasury coupons	1,487	2,501	4,503	5,730	7,632	4,954	6,388	5,238	5,027	4,702	5,280	5,462
16	Federal agency securities	261	265	262	148	223	155	347	258	99	135	134	337
	Forward transactions[4]												
17	U.S. government securities	835	1,493	1,364	1,720	1,319	1,151	1,318	1,050	870	644	1,450	1,583
18	Federal agency securities	978	1,646	2,843	3,269	3,740	3,492	3,017	2,657	3,957	4,791	2,959	2,685

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				
					May	June	July	July 3	July 10	July 17	July 24	July 31
		Positions										
	Net immediate[1]											
1	U.S. government securities	13,663	10,701	5,538	5,471r	1,885r	267	750	2,799	1,735	−1,258	−2,246
2	Bills	7,297	8,020	5,500	8,001r	4,588	2,946	535	2,908	4,108	4,090	2,042
3	Other within 1 year	972	394	63	1,083	845	1,293	893	1,022	1,139	1,435	1,652
4	1–5 years	3,256	1,778	2,159	3,792r	5,698	6,512	6,804	7,156	6,709	5,445	6,669
5	5–10 years	−318	−78	−1,119	−5,687	−7,179	−7,231	−5,755	−6,616	−6,897	−7,957	−8,150
6	Over 10 years	2,026	528	−1,174	−2,077r	−2,394	−3,413	−1,949	−1,860	−3,499	−4,409	−4,576
7	Federal agency securities	4,145	7,232	15,294	19,819r	22,746	23,461	22,329	24,178	24,613	23,605	22,083
8	Certificates of deposit	5,532	5,839	7,369	9,368	9,492	8,996	8,732	10,273	8,984	8,426	8,636
9	Bankers acceptances	2,832	3,332	3,874	4,476	4,544	4,607	4,563	5,797	4,609	4,451	3,679
10	Commercial paper	3,317	3,159	3,788	5,469	5,232	4,786	5,044	5,342	4,945	4,552	4,041
	Futures positions											
11	Treasury bills	−2,507	−4,125	−4,525	−5,927	−4,925	−4,799	−1,886	−4,860	−6,771	−4,289	−4,751
12	Treasury coupons	−2,303	−1,032	1,794	6,589	4,235r	4,452	3,071	3,415	3,995	5,392	5,520
13	Federal agency securities	−224	171	233	−99	−472r	−1,161	−1,000	−1,156	−1,078	−1,365	−1,199
	Forward positions											
14	U.S. government securities	−788	−1,936	−1,643	−344	223r	−1,086	974	−961	−917	−1,322	−2,076
15	Federal agency securities	−1,432	−3,561	−9,205	−7,804r	−9,144	−8,941	−8,054	−8,184	−9,370	−9,392	−9,153
		Financing[2]										
	Reverse repurchase agreements[3]											
16	Overnight and continuing	26,754	29,099	44,078	64,824	66,347	221,104	59,070	67,715	72,453	768,266	73,201
17	Term agreements	48,247	52,493	68,357	74,562	75,308	74,930	77,210	71,374	72,671	76,861	77,445
	Repurchase agreements[4]											
18	Overnight and continuing	49,695	57,946	75,717	97,989	146,450	100,429	76,889	99,547	107,275	103,286	105,731
19	Term agreements	43,410	44,410	57,047	67,542	66,486	151,085	81,614	60,232	61,689	463,826	60,274

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 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May	1985 June
1 **Federal and federally sponsored agencies**	**237,085**	**239,716**	**271,564**	**270,965**	**271,479**	**275,093**	**275,209**	**278,697**	**283,357**
2 Federal agencies	33,055	33,940	35,145	35,235	35,360	35,140	35,182	34,915r	35,048
3 Defense Department[1]	354	243	142	133	122	116	107	102	97
4 Export-Import Bank[2,3]	14,218	14,853	15,882	15,882	15,881	15,709	15,707	15,706	15,744
5 Federal Housing Administration[4]	288	194	133	132	129	127	123	122	119
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	1,337	970r	970
8 Tennessee Valley Authority	14,365	14,970	15,435	15,535	15,675	15,635	15,776	15,776	15,879
9 United States Railway Association[6]	194	111	51	51	51	51	74	74	74
10 Federally sponsored agencies[7]	204,030	205,776	236,419	235,730	236,120	239,953	240,027	243,782	248,309
11 Federal Home Loan Banks	55,967	48,930	65,085	64,705	64,706	65,700	65,257	67,765	69,898
12 Federal Home Loan Mortgage Corporation	4,524	6,793	10,270	10,195	11,237	11,882	12,004	12,167	12,723
13 Federal National Mortgage Association[8]	70,052	74,594	83,720	84,612	84,701	86,297	86,913	88,170	89,518
14 Farm Credit Banks	71,896	72,409	71,255	70,642	70,012	70,161	69,882	69,321	69,570
15 Student Loan Marketing Association	1,591	3,050	5,369	5,576	5,464	5,913	5,971	6,359	6,600
MEMO									
16 **Federal Financing Bank debt[9]**	**126,424**	**135,791**	**145,217**	**146,034**	**146,611**	**147,507**	**148,718**	**149,597**	**151,605**
Lending to federal and federally sponsored agencies									
17 Export-Import Bank[3]	14,177	14,789	15,852	15,852	15,852	15,690	15,690	15,690	15,729
18 Postal Service[6]	1,221	1,154	1,087	1,087	1,087	1,087	1,087	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	13,810	13,950	13,910	14,051	14,154	14,385
21 United States Railway Association[6]	194	111	51	51	51	51	74	74	74
Other Lending[10]									
22 Farmers Home Administration	53,261	55,266	58,971	59,066	59,041	59,756	60,641	61,461	62,606
23 Rural Electrification Administration	17,157	19,766	20,693	20,653	20,804	20,730	20,894	21,003	21,183
24 Other	22,774	26,460	29,853	30,515	30,826	31,283	31,281	31,495	31,908

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				
				Oct.	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May
1 **All issues, new and refunding[1]**	**79,138**	**86,421**	**106,641**	**12,558**	**13,548**	**17,713**	**6,607**	**8,510**	**9,873**	**12,095**	**13,595**
Type of issue											
2 General obligation	21,094	21,566	26,485	3,770	2,611	2,185	1,887	3,527	2,998	3,265	4,471
3 U.S. government loans[2]	225	96	16	1	3	2	7	0	5	0	1
4 Revenue	58,044	64,855	80,156	8,788	10,937	15,528	4,720	4,983	6,875	8,830	9,124
5 U.S. government loans[2]	461	253	17	3	1	0	3	0	0	2	0
Type of issuer											
6 State	8,438	7,140	9,129	1,110	405	725	369	1,559	252	958	1,298
7 Special district and statutory authority	45,060	51,297	63,550	7,087	7,265	11,894	4,045	4,493	5,754	7,279	7,940
8 Municipalities, counties, townships, school districts	25,640	27,984	33,962	4,361	5,878	5,094	2,193	2,458	3,867	3,858	4,357
9 **Issues for new capital, total**	**74,804**	**72,441**	**94,050**	**11,105**	**12,352**	**16,354**	**5,206**	**5,890**	**8,253**	**9,075**	**9,464**
Use of proceeds											
10 Education	6,482	8,099	7,553	755	999	671	757	950	1,018	1,121	1,140
11 Transportation	6,256	4,387	7,552	1,018	2,151	1,339	347	472	173	319	601
12 Utilities and conservation	14,259	13,588	17,844	2,784	534	4,133	1,359	1,008	1,491	2,347	1,393
13 Social welfare	26,635	26,910	29,928	3,500	3,701	3,598	1,670	1,848	3,155	3,105	3,207
14 Industrial aid	8,349	7,821	15,415	1,522	3,866	5,572	389	353	584	293	735
15 Other purposes	12,822	11,637	15,758	1,526	1,101	1,041	684	1,259	1,832	1,890	2,388

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					
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May[r]	June
1 **All issues[1]**	**84,638**	**120,074**	**132,311**	**11,931**	**6,940**	**7,294**	**6,743**	**14,005**	**11,790**	**12,896**	**18,964[p]**
2 **Bonds[2]**	**54,076**	**68,495**	**109,683**	**9,524**	**5,918**	**5,739**	**4,027**	**11,641**	**8,850**	**9,738**	**15,651**
Type of offering											
3 Public	44,278	47,369	73,357	9,524	5,918	5,739	4,027	11,641	8,850	9,738	15,651
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	1,447	1,741	1,326	1,476	5,660	922	1,500	8,044
6 Commercial and miscellaneous	5,442	7,540	13,726	1,198	555	144	469	974	1,317	639	865
7 Transportation	1,491	3,833	4,694	19	110	297	30	130	334	357	512
8 Public utility	12,327	9,125	10,679	555	575	309	80	500	860	1,136	585
9 Communication	2,390	3,642	2,997	1,557	169	375	353	300	0	150	125
10 Real estate and financial	19,604	27,502	52,980	4,749	2,768	3,288	1,619	4,077	5,418	5,956	5,520
11 **Stocks[3]**	**30,562**	**51,579**	**22,628**	**2,407**	**1,022**	**1,555**	**2,716**	**2,364**	**2,940**	**3,158**	**3,313[p]**
Type											
12 Preferred	5,113	7,213	4,118	655	91	170	218	311	312	634	663[p]
13 Common	25,449	44,366	18,510	1,752	931	1,385	2,498	2,053	2,628	2,524	3,650[p]
Industry group											
14 Manufacturing	5,649	14,135	4,054	227	137	172	229	224	283	504	419[p]
15 Commercial and miscellaneous	7,770	13,112	6,277	1,025	112	234	760	472	1,019	624	1,226[p]
16 Transportation	709	2,729	589	66	71	0	153	32	522	33	236[p]
17 Public utility	7,517	5,001	1,624	150	66	225	283	197	157	185	42[p]
18 Communication	2,227	1,822	419	3	26	271	101	15	5	119	151[p]
19 Real estate and financial	6,690	14,780	9,665	936	610	653	1,190	1,424	954	1,693	1,239[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	1984	1984		1985					
			Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	84,345	107,485	9,458	10,006	19,152	14,786	14,582	18,049	16,408	18,177
2 Redemptions of own shares[3]	57,100	77,033	6,343	8,948	9,183	8,005	9,412	13,500	10,069	9,385
3 Net sales	27,245	30,452	3,115	1,058	9,969	6,781	5,170	4,549	6,339	8,792
4 Assets[4]	113,599	137,126	132,709	137,126	151,534	154,707	157,065	164,087	178,275	185,901
5 Cash position[5]	8,343	11,978	11,518	11,978	13,114	14,567	13,082	15,444	15,017	15,579
6 Other	105,256	125,148	121,191	125,148	138,420	140,140	143,983	148,643	163,258	170,322

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
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	297.3
2 Profits before tax	165.5	203.2	235.7	227.4	225.5	243.3	246.0	224.8	228.7	222.3	221.1
3 Profits tax liability	60.7	75.8	89.8	84.7	84.5	92.7	95.8	83.1	87.7	85.3	84.6
4 Profits after tax	104.8	127.4	145.9	142.6	141.1	150.6	150.2	141.7	141.0	137.0	136.5
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	50.9
7 Inventory valuation	-9.5	-11.2	-5.6	-19.3	-9.2	-13.5	-7.3	-.2	-1.6	.9	1.6
8 Capital consumption adjustment	3.1	33.2	55.7	36.9	43.6	47.6	52.3	58.3	64.5	69.1	74.6

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

1.49 NONFINANCIAL CORPORATIONS Assets and Liabilities

Billions of dollars, except for ratio

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

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

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

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

SOURCE. Federal Trade Commission and Bureau of the Census.

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

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

Industry	1983	1984	1985[1]	1983 Q4	1984 Q1	1984 Q2	1984 Q3	1984 Q4	1985 Q1	1985 Q2[1]	1985 Q3[1]
1 **Total nonfarm business**	**304.78**	**353.54**	**386.10**	**325.45**	**337.48**	**348.34**	**361.12**	**367.21**	**371.16**	**385.31**	**392.61**
Manufacturing											
2 Durable goods industries	53.08	65.95	75.24	57.56	61.26	63.12	68.31	71.13	69.87	75.72	77.83
3 Nondurable goods industries	63.12	72.43	80.74	66.18	68.71	72.21	73.72	75.07	75.78	79.83	82.96
Nonmanufacturing											
4 Mining	15.19	16.88	16.06	16.27	17.61	16.01	16.96	16.93	15.66	16.47	16.19
Transportation											
5 Railroad	4.88	6.77	7.35	6.04	5.76	7.46	7.47	6.40	6.02	7.44	8.30
6 Air	4.36	3.55	4.09	3.75	3.23	3.52	3.73	3.73	4.20	3.60	4.54
7 Other	4.72	6.17	6.21	5.48	5.96	6.06	6.50	6.16	6.01	6.12	6.47
Public utilities											
8 Electric	37.27	37.09	35.23	37.79	38.36	37.82	36.82	35.37	36.65	35.35	33.93
9 Gas and other	7.70	10.30	12.51	8.07	8.77	10.07	11.07	11.31	11.81	12.36	12.83
10 Commercial and other[2]	114.45	134.39	148.68	124.30	127.83	132.07	136.55	141.10	145.17	148.42	149.56

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

1. Anticipated by business.

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

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

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities ▲

Billions of dollars, end of period

Account	1980	1981	1982	1983 Q4	1984 Q1	1984 Q2	1984 Q3	1984 Q4	1985 Q1r	1985 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 June 30, 1985[1]	Changes in accounts receivable 1985 Apr.	May	June	Extensions 1985 Apr.	May	June	Repayments 1985 Apr.	May	June
1 Total	**144,616**	**745r**	**692**	**508**	**26,098**	**26,710**	**25,455**	**25,353r**	**26,018**	**24,947**
Retail financing of installment sales										
2 Automotive (commercial vehicles)	12,464	119	354	146	889	1,135	948	770	781	802
3 Business, industrial, and farm equipment	20,431	−102	4	71	1,063	1,238	1,347	1,165	1,234	1,276
Wholesale financing										
4 Automotive	20,903	417	−462	422	9,090	9,493	9,053	8,673	9,955	8,631
5 Equipment	4,709	−213	34	−160	479	588	439	692	554	599
6 All other	6,798	−59	−249	126	1,627	1,569	1,517	1,686	1,818	1,391
Leasing										
7 Automotive	14,941	538	363	295	1,093	1,034	829	555	671	534
8 Equipment	37,269	207r	141	−174	1,313	992	1,345	1,106r	851	1,519
9 Loans on commercial accounts receivable and factored commercial accounts receivable	15,733	−44	243	−268	9,448	9,396	8,917	9,492	9,153	9,185
10 All other business credit	11,368	−118	264	50	1,096	1,265	1,060	1,214	1,001	1,010

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 Jan.	Feb.	Mar.	Apr.	May	June	July
	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	94.8	101.8	91.3	101.4	106.4	102.4	119.0
2 Amount of loan (thousands of dollars)	69.8	69.5	73.7	71.4	76.5	69.9	76.9	78.4	79.7	89.0
3 Loan/price ratio (percent)	76.6	77.1	78.7	77.9	77.6	79.8	78.9	76.1	79.9	77.3
4 Maturity (years)	27.6	26.7	27.8	27.7	28.1	27.2	27.4	26.8	27.7	27.5
5 Fees and charges (percent of loan amount)[2]	2.95	2.40	2.64	2.65	2.58	2.65	2.65	2.49	2.40	2.26
6 Contract rate (percent per annum)	14.47	12.20	11.87	11.77	11.74	11.42	11.55	11.55	11.31	10.97
Yield (percent per annum)										
7 FHLBB series[3]	15.12	12.66	12.37	12.27	12.21	11.92	12.05	12.01	11.75	11.38
8 HUD series[4]	15.79	13.43	13.80	12.88	13.06	13.26	13.01	12.49	12.06	12.09
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series)[5]	15.30	13.11	13.81	13.01	13.27	13.43	12.97	12.28	11.89	12.12
10 GNMA securities[6]	14.68	12.25	13.13	12.26	12.23	12.68	12.31	11.93	11.54	11.48
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	66,031	74,847	83,339	89,353	90,369	91,975	92,765	93,610	94,777	95,634
12 FHA/VA-insured	39,718	37,393	35,148	34,602	34,553	34,585	34,516	34,428	34,307	34,276
13 Conventional	26,312	37,454	48,191	54,751	55,816	57,391	58,250	59,182	60,470	61,359
Mortgage transactions (during period)										
14 Purchases	15,116	17,554	16,721	1,943	1,559	2,256	1,515	1,703	1,904	1,918
15 Sales	2	3,528	978	0	0	100	0	0	0	251
Mortgage commitments[7]										
16 Contracted (during period)	22,105	18,607	21,007	1,230	1,895	1,636	1,921	2,074	1,593	1,583
17 Outstanding (end of period)	7,606	5,461	6,384	5,678	5,665	5,019	5,361	5,589	5,062	4,715
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
18 Total	5,131	5,996	9,283	10,362	11,118	11,549	11,615	11,879	12,576	
19 FHA/VA	1,027	974	910	876	859	854	850	843	838	
20 Conventional	4,102	5,022	8,373	9,485	10,259	10,694	10,765	11,036	11,738	
Mortgage transactions (during period)										
21 Purchases	23,673	23,089	21,886	2,197	3,247	3,232	2,201	3,591	4,106	n.a.
22 Sales	24,170	19,686	18,506	2,162	2,428	2,751	1,973	3,189	3,292	
Mortgage commitments[9]										
23 Contracted (during period)	28,179	32,852	32,603	4,264	3,622	3,453	4,141	3,701	5,172	
24 Outstanding (end of period)	7,549	16,964	13,318	29,654	30,135	30,436	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 Q1r	1985 Q2p
1 **All holders**	**1,655,921r**	**1,827,156r**	**2,030,493r**	**1,930,671r**	**1,982,842r**	**2,030,493r**	**2,075,628**	**2,124,431**
2 1- to 4-family	1,108,449r	1,217,761r	1,346,746r	1,284,566r	1,316,091r	1,346,746r	1,376,595	1,410,641
3 Multifamily	139,423r	149,950r	163,892r	157,871r	160,201r	163,892r	167,394	170,436
4 Commercial	300,799r	349,195r	407,533r	376,617r	394,144r	407,533r	419,809	431,742
5 Farm	107,250r	110,250r	112,322r	111,617r	112,406r	112,322r	111,830	111,612
6 Major financial institutions	1,021,327r	1,108,249	1,241,682r	1,177,662	1,215,160r	1,241,682r	1,263,656	1,292,245
7 Commercial banks[1]	301,272	330,521	374,681r	352,258	363,156r	374,681r	383,444	395,755
8 1- to 4-family	173,804	182,514	196,070r	190,185	193,090r	196,070r	198,912	203,299
9 Multifamily	16,480	18,410	21,432r	20,501	20,083r	21,432r	21,974	22,716
10 Commercial	102,553	120,210	146,650r	131,533	139,742r	146,650r	152,242	159,094
11 Farm	8,435	9,387	10,529	10,039	10,241r	10,529	10,316	10,646
12 Mutual savings banks	94,452r	131,940	154,441	143,387	146,073	154,441	161,992	164,812
13 1- to 4-family	64,488r	93,649	109,890	102,122	103,824	109,890	114,735	117,565
14 Multifamily	14,780r	17,247	19,385	18,227	18,580	19,385	20,081	20,469
15 Commercial	15,156r	21,016	25,136	23,009	23,639	25,136	27,146	26,748
16 Farm	28r	28	30	29	30	30	30	30
17 Savings and loan associations	483,614	494,789	555,277	528,172	550,129	555,277	559,263	569,922
18 1- to 4-family	393,323	390,883	431,450	414,087	429,101	431,450	433,429	441,690
19 Multifamily	38,979	42,552	48,309	45,951	47,861	48,309	48,936	49,868
20 Commercial	51,312	61,354	75,518	68,134	73,167	75,518	76,898	78,364
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	138,741r	148,328r	158,993r	153,897r	154,768r	158,993r	163,547	165,782
27 Government National Mortgage Association	4,227	3,395	2,301	2,715	2,389	2,301	1,964	1,914
28 1- to 4-family	676	630	585	605	594	585	576	568
29 Multifamily	3,551	2,765	1,716	2,110	1,795	1,716	1,388	1,346
30 Farmers Home Administration	1,786	2,141	1,276	1,344	738	1,276	1,062	840
31 1- to 4-family	783	1,159	213	281	206	213	156	113
32 Multifamily	218	173	119	463	126	119	82	63
33 Commercial	377	409	497	81	113	497	421	336
34 Farm	408	400	447	519	293	447	403	328
35 Federal Housing and Veterans Administration	5,228	4,894	4,816r	4,753	4,749	4,816r	4,878	4,882
36 1- to 4-family	1,980	1,893	2,048r	1,894	1,982	2,048r	2,181	2,205
37 Multifamily	3,248	3,001	2,768r	2,859	2,767	2,768r	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	50,953r	52,010r	52,261r	52,364r	52,595r	52,261r	52,120	51,654
42 1- to 4-family	3,130r	3,081r	3,074r	3,061r	3,068r	3,074r	3,080	3,053
43 Farm	47,823r	48,929r	49,187r	49,303r	49,527r	49,187r	49,040	48,601
44 Federal Home Loan Mortgage Corporation	4,733	7,632	10,399	9,478	9,447	10,399	11,548	11,715
45 1- to 4-family	4,686	7,559	9,654	8,931	8,841	9,654	10,642	10,615
46 Multifamily	47	73	745	547	606	745	906	1,100
47 Mortgage pools or trusts[2]	216,654	285,073	332,057	305,051	317,548	332,057	347,793	363,126
48 Government National Mortgage Association	118,940	159,850	179,981	170,893	175,770	179,981	185,954	191,501
49 1- to 4-family	116,038r	155,950r	175,589r	166,723r	171,481r	175,589r	181,419	186,839
50 Multifamily	2,902r	3,900r	4,392r	4,170r	4,289r	4,392r	4,535	4,662
51 Federal Home Loan Mortgage Corporation	42,964	57,895	70,822	61,267	63,964	70,822	76,759	82,760
52 1- to 4-family	42,560	57,273	70,253	60,636	63,352	70,253	75,781	81,738
53 Multifamily	404	622	569	631	612	569	978	1,022
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	46,110
58 1- to 4-family	20,005	20,404	21,813	21,331	21,595	21,813	21,928	22,133
59 Multifamily	4,344	5,090	5,841	5,081	5,618	5,841	6,041	6,087
60 Commercial	7,011	7,351	7,559	7,764	7,844	7,559	7,681	7,746
61 Farm	8,940	9,362	9,826	9,459	9,869	9,826	10,060	10,144
62 Individual and others[4]	279,199r	285,506r	297,761r	294,061r	295,366r	297,761r	300,632	303,278
63 1- to 4-family[5]	189,275r	189,281r	193,787r	193,384r	192,848r	193,787r	194,937	196,041
64 Multifamily	30,300r	31,799r	33,584r	32,693r	33,203r	33,584r	34,261	34,339
65 Commercial	30,843r	35,024r	40,531r	38,300r	39,490r	40,531r	41,598	42,961
66 Farm	28,781	29,402	29,859r	29,684	29,825	29,859	29,836	29,937

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 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May	1985 June
	Amounts outstanding (end of period)										
1 **Total**	**383,701**	**460,500**	**441,358**	**447,783**	**460,500**	**461,530**	**463,628**	**471,567**	**479,935**	**488,666**	**497,359**
By major holder											
2 Commercial banks	171,978	212,391	204,582	206,635	212,391	213,951	215,778	219,970	223,850	226,973	231,222
3 Finance companies	87,429	96,747	95,113	95,753	96,747	96,732	97,360	99,133	101,324	104,130	105,971
4 Credit unions	53,471	67,858	64,716	66,528	67,858	68,538	68,939	70,432	71,418	72,381	73,468
5 Retailers[2]	37,470	40,913	35,908	37,124	40,913	38,978	37,483	37,082	37,091	37,472	37,548
6 Savings and loans	23,108	29,945	28,781	29,358	29,945	30,520	31,405	32,349	33,514	34,754	35,901
7 Gasoline companies	4,131	4,315	4,290	4,217	4,315	4,329	4,012	3,820	3,834	3,918	4,075
8 Mutual savings banks	6,114	8,331	7,968	8,168	8,331	8,482	8,651	8,781	8,904	9,038	9,174
By major type of credit											
9 Automobile	143,114	172,589	168,923	170,731	172,589	173,769	175,491	179,661	183,558	187,795	192,448
10 Commercial banks	67,557	85,501	83,620	84,326	85,501	86,223	87,333	89,257	90,915	92,403	95,232
11 Credit unions	25,574	32,456	30,953	31,820	32,456	32,781	32,973	33,687	34,159	34,620	35,139
12 Finance companies	49,983	54,632	54,350	54,585	54,632	54,765	55,185	56,717	58,484	60,772	62,077
13 Revolving	81,977	101,555	91,505	93,944	101,555	100,565	99,316	100,434	101,887	103,492	104,471
14 Commercial banks	44,184	60,549	55,276	56,641	60,549	61,445	61,978	63,684	65,127	66,311	67,094
15 Retailers	33,662	36,691	31,939	33,086	36,691	34,791	33,326	32,930	32,926	33,263	33,302
16 Gasoline companies	4,131	4,315	4,290	4,217	4,315	4,329	4,012	3,820	3,834	3,918	4,075
17 Mobile home	23,862	24,556	24,573	24,439	24,556	24,281	24,379	24,456	24,675	24,925	25,208
18 Commercial banks	9,842	9,610	9,627	9,613	9,610	9,498	9,456	9,425	9,432	9,445	9,483
19 Finance companies	9,547	9,243	9,470	9,235	9,243	9,053	9,044	8,981	8,992	9,016	9,061
20 Savings and loans	3,906	4,985	4,791	4,887	4,985	5,005	5,150	5,305	5,496	5,699	5,887
21 Credit unions	567	718	685	704	718	725	729	745	755	765	777
22 Other	134,748	161,800	156,357	158,669	161,800	162,915	164,442	167,016	169,815	172,454	175,232
23 Commercial banks	50,395	56,731	56,059	56,055	56,731	56,785	57,011	57,604	58,376	58,814	59,413
24 Finance companies	27,899	32,872	31,293	31,933	32,872	32,914	33,131	33,435	33,848	34,342	34,833
25 Credit unions	27,330	34,684	33,078	34,004	34,684	35,032	35,237	36,000	36,504	36,996	37,552
26 Retailers	3,808	4,222	3,969	4,038	4,222	4,187	4,157	4,152	4,165	4,209	4,246
27 Savings and loans	19,202	24,960	23,990	24,471	24,960	25,515	26,255	27,044	28,018	29,055	30,014
28 Mutual savings banks	6,114	8,331	7,968	8,168	8,331	8,482	8,651	8,781	8,904	9,038	9,174
	Net change (during period)										
29 **Total**	**48,742**	**76,799**	**5,631**	**6,080**	**6,819**	**7,223**	**9,041**	**8,342**	**8,270**	**9,042**	**6,786**
By major holder											
30 Commercial banks	19,488	40,413	2,756	2,483	3,028	3,799	5,071	4,847	3,853	4,108	3,249
31 Finance companies	18,572	18,636	398	778	1,196	901	1,203	2,048	1,885	2,373	1,218
32 Credit unions	6,218	14,387	1,224	1,731	1,336	1,290	1,423	797	1,215	673	797
33 Retailers[2]	5,075	3,443	128	278	389	251	269	91	168	341	−31
34 Savings and loans	7,285	6,837	864	546	576	922	997	715	1,063	1,327	1,417
35 Gasoline companies	68	184	98	86	117	−91	−102	−142	−45	59	−51
36 Mutual savings banks	1,322	2,217	163	178	177	151	180	−14	131	161	187
By major type of credit											
37 Automobile	16,856	29,475	2,504	2,549	2,687	2,887	3,198	3,391	3,488	3,792	3,832
38 Commercial banks	8,002	17,944	1,057	1,019	1,275	1,616	1,790	1,767	1,546	1,589	2,634
39 Credit unions	2,978	6,882	587	828	640	598	696	381	580	325	380
40 Finance companies	11,752	9,298	860	702	772	673	712	1,243	1,362	1,878	818
41 Revolving	12,353	19,578	1,488	1,614	1,445	1,957	2,527	2,631	2,126	2,429	69
42 Commercial banks	7,518	16,365	1,279	1,289	1,001	1,809	2,429	2,698	2,003	2,095	184
43 Retailers	4,767	3,029	111	239	327	239	200	75	168	275	−64
44 Gasoline companies	68	184	98	86	117	−91	−102	−142	−45	59	−51
45 Mobile home	1,452	694	−392	−91	117	−159	282	−11	218	186	199
46 Commercial banks	237	−232	−91	−1	29	−89	41	−50	19	−21	−28
47 Finance companies	776	−608	−381	−192	−13	−144	33	−63	13	−19	1
48 Savings and loans	763	1,079	67	84	88	60	192	92	175	219	217
49 Credit unions	64	151	13	18	13	14	16	10	11	7	9
50 Other	18,081	27,052	2,031	2,008	2,570	2,538	3,034	2,331	2,438	2,635	2,686
51 Commercial banks	3,731	6,336	511	176	723	463	811	432	285	445	459
52 Finance companies	6,044	9,946	−81	268	437	372	458	868	510	514	399
53 Credit unions	3,176	7,354	624	885	683	678	711	406	624	341	408
54 Retailers	308	414	17	39	62	12	69	16	0	66	33
55 Savings and loans	6,522	5,758	797	462	488	862	805	623	888	1,108	1,200
56 Mutual savings banks	1,322	2,217	163	178	177	151	180	−14	131	161	187

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

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

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

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

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

Item	1982	1983	1984	1984 Dec.	1985 Jan.	Feb.	Mar.	Apr.	May	June
INTEREST RATES										
Commercial banks[1]										
1 48-month new car[2]	16.82	13.92	13.71	n.a.	n.a.	13.37	n.a.	n.a.	13.16	n.a.
2 24-month personal	18.64	16.50	16.47	n.a.	n.a.	16.21	n.a.	n.a.	16.09	n.a.
3 120-month mobile home[2]	18.05	16.08	15.58	n.a.	n.a.	15.42	n.a.	n.a.	15.03	n.a.
4 Credit card	18.51	18.78	18.77	n.a.	n.a.	18.85	n.a.	n.a.	18.74[r]	n.a.
Auto finance companies										
5 New car	16.15	12.58	14.62	15.24	15.11	13.78	12.65	11.92	11.87	12.06
6 Used car	20.75	18.74	17.85	18.34	17.88	17.91	17.78	17.78	17.84	17.77
OTHER TERMS[3]										
Maturity (months)										
7 New car	45.9	45.9	48.3	50.2	50.7	51.4	52.2	51.5	50.9	51.3
8 Used car	37.0	37.9	39.7	39.8	41.3	41.1	41.3	41.3	41.4	41.3
Loan-to-value ratio										
9 New car	85	86	88	89	90	90	91	91	91	91
10 Used car	90	92	92	93	93	93	93	93	94	94
Amount financed (dollars)										
11 New car	8,178	8,787	9,333	9,707	9,654	9,196	9,232	9,305	9,775	9,965
12 Used car	4,746	5,033	5,691	5,975	5,951	5,968	5,976	6,043	6,117	6,116

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

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

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

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

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

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

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

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

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

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

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures[1]

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

Measure	1982	1983	1984	1984		1985						
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May^r	June^r	July
1 **Industrial production**	**103.1**	**109.2**	**121.8**	**123.4**	**123.3**	**123.6**	**123.7**	**124.0**	**124.1^r**	**124.3**	**124.7**	**124.9**
Market groupings												
2 Products, total	107.8	113.9	127.1	129.9	129.8	129.6	129.8	130.3	130.8^r	131.7	132.0	132.3
3 Final, total	109.5	114.7	127.8	130.7	130.6	130.4	130.4	130.8	131.3^r	132.0	132.4	132.5
4 Consumer goods	101.4	109.3	118.2	119.6	119.7	118.8	119.1	119.8	119.5^r	120.4	120.9	121.3
5 Equipment	120.2	121.7	140.5	145.5	144.9	145.7	145.3	145.4	146.9	147.4	147.5	147.3
6 Intermediate	101.7	111.2	124.9	127.2	127.3	126.8	127.7	128.6	129.3^r	130.5	130.9	131.5
7 Materials	96.7	102.8	114.6	114.6	114.6	115.4	115.4	115.5	115.0^r	114.3	114.6	114.9
Industry groupings												
8 Manufacturing	102.2	110.2	123.9	126.0	125.8	125.9	125.8	126.3	126.6^r	126.8	127.1	127.5
Capacity utilization (percent)[2]												
9 Manufacturing	70.3	74.0	80.8	81.2	80.9	80.7	80.4	80.5	80.5^r	80.4	80.4	80.4
10 Industrial materials industries	71.7	75.3	82.3	81.5	81.3	81.7	81.5	81.4	80.9^r	80.2	80.3	80.3
11 Construction contracts (1977 = 100)[3]	111.0	137.0	149.0	151.0	150.0	150.0	145.0	162.0	161.0	162.0	142.0	164.0
12 Nonagricultural employment, total[4]	136.1	137.1	143.6	145.7	146.0	146.5	146.8	147.3	147.6	148.0	92.1	148.5
13 Goods-producing, total	102.2	100.1	106.1	107.1	107.5	107.7	107.5	107.5	107.6	107.5	107.3	107.3
14 Manufacturing, total	96.6	94.8	99.8	100.5	100.8	100.8	100.6	100.4	100.1	99.9	99.8	99.7
15 Manufacturing, production-worker	89.1	87.9	94.0	93.5	93.7	93.6	93.3	93.0	92.6	92.3	92.1	92.2
16 Service-producing	154.7	157.3	164.1	166.9	167.2	167.8	168.3	169.1	169.5	170.3	170.5	171.0
17 Personal income, total	410.3	435.6	478.1	491.7	493.9	496.7	499.4	501.0	505.7^r	502.3	504.1	506.2
18 Wages and salary disbursements	367.4	388.6	422.5	432.6	436.7	438.5	440.5	443.7	445.7	446.8	449.4	449.8
19 Manufacturing	285.5	294.7	323.6	330.0	333.2	334.4	332.9	334.8	333.5	333.9	334.6	335.0
20 Disposable personal income[5]	398.0	427.1	470.3	482.9	484.5	487.6	484.7	481.3	496.6^r	504.7	492.1	494.3
21 Retail sales (1977 = 100)[6]	148.1	162.0	179.0	183.0	183.4	184.2	186.1	185.7	191.5	190.6	188.0	188.7
Prices[7]												
22 Consumer	289.1	298.4	311.1	315.3	315.5	316.1	317.4	318.8	320.1	321.3	322.3	322.8
23 Producer finished goods	280.7	285.2	291.2	292.3	292.0	292.1	292.6	292.4	293.1	294.2	293.9	294.8

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	1984	1985						
				Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June	July
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**174,450**	**176,414**	**178,602**	**179,524**	**179,600**	**179,742**	**179,891**	**180,024**	**180,171**	**180,322**	**180,492**
2 Labor force (including Armed Forces)[1]	112,383	113,749	115,763	116,682	117,091	117,310	117,738	117,596	117,600	117,009	117,543
3 Civilian labor force	110,204	111,550	113,544	114,464	114,875	115,084	115,514	115,371	115,373	114,783	115,314
Employment											
4 Nonagricultural industries[2]	96,125	97,450	101,685	102,888	103,071	103,345	103,757	103,517	103,648	103,232	103,737
5 Agriculture	3,401	3,383	3,321	3,385	3,320	3,340	3,362	3,428	3,312	3,138	3,126
Unemployment											
6 Number	10,678	10,717	8,539	8,191	8,484	8,399	8,396	8,426	8,413	8,413	8,451
7 Rate (percent of civilian labor force)	9.7	9.6	7.5	7.2	7.4	7.3	7.3	7.3	7.3	7.3	7.3
8 Not in labor force	62,067	62,665	62,839	62,842	62,509	62,432	62,153	62,428	62,571	63,313	62,949
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**89,566**	**90,196**	**94,461**	**96,092**	**96,419**	**96,591**	**96,910**	**97,120**	**97,421**	**97,449[r]**	**97,692**
10 Manufacturing	18,781	18,434	19,412	19,603	19,604	19,561	19,526	19,467	19,426	19,400[r]	19,393
11 Mining	1,128	952	974	973	974	976	977	982	982	974[r]	970
12 Contract construction	3,905	3,948	4,345	4,469	4,534	4,525	4,553	4,641	4,658	4,635[r]	4,658
13 Transportation and public utilities	5,082	4,954	5,171	5,246	5,259	5,272	5,269	5,278	5,301	5,295[r]	5,302
14 Trade	20,457	20,881	22,134	22,691	22,776	22,857	22,963	23,013	23,140	23,201	23,283
15 Finance	5,341	5,468	5,682	5,776	5,790	5,809	5,835	5,858	5,888	5,909	5,931
16 Service	19,036	19,694	20,761	21,252	21,382	21,480	21,644	21,723	21,813	21,856[r]	21,924
17 Government	15,837	15,870	15,987	16,082	16,100	16,111	16,143	16,158	16,213	16,179[r]	16,231

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	Output (1977 = 100)				Capacity (percent of 1977 output)				Utilization rate (percent)			
	1984		1985		1984		1985		1984		1985	
	Q3	Q4	Q1	Q2r	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2r
1 **Total industry**	**123.4**	**123.1**	**123.8**	**124.4**	**150.6**	**151.7**	**152.8**	**154.0**	**81.9**	**81.2**	**81.0**	**80.8**
2 Mining	113.8	108.3	110.1	110.0	132.9	133.1	133.4	133.6	85.6	81.3	82.6	82.3
3 Utilities	109.8	111.1	114.2	113.6	132.6	133.0	133.7	134.5	82.8	83.5	85.5	84.4
4 **Manufacturing**	**125.6**	**125.8**	**126.0**	**126.8**	**153.9**	**155.2**	**156.5**	**157.7**	**81.6**	**81.0**	**80.5**	**80.4**
5 Primary processing	107.6	107.0	107.5	108.1	131.2	131.4	131.6	132.0	82.0	81.5	81.6	81.9
6 Advanced processing	136.3	137.0	137.1	138.2	167.6	169.6	171.4	173.2	81.3	80.8	80.0	79.8
7 **Materials**	**116.0**	**114.5**	**115.4**	**114.6**	**139.8**	**140.7**	**141.6**	142.5	**83.0**	**81.4**	**81.5**	**80.5**
8 Durable goods	124.0	123.7	123.6	121.7	153.1	154.4	155.9	157.4	81.0	80.1	79.3	77.3
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	111.0	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	110.7	135.7	136.2	136.7	137.0	82.7	81.3	81.7	80.8
12 Paper	127.7	126.2	126.3	122.0	133.7	135.3	136.1	136.2	95.5	93.3	92.8	89.5
13 Chemical	110.2	110.9	113.2	112.3	140.8	141.1	141.5	142.0	78.3	78.6	80.0	79.1
14 Energy materials	105.7	101.3	105.0	105.4	119.3	119.7	120.0	120.3	88.6	84.6	87.5	87.6

Series	Previous cycle[1]		Latest cycle[2]		1984	1984		1985						
	High	Low	High	Low	July	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.r	Mayr	Juner	July
	Capacity utilization rate (percent)													
15 **Total industry**	**88.6**	**72.1**	**86.9**	**69.5**	**82.0**	**81.3**	**81.1**	**81.1**	**80.9**	**81.0**	**80.8**	**80.8**	**80.8**	**80.8**
16 Mining	92.8	87.8	95.2	76.9	86.4	81.7	81.7	82.9	82.1	82.8	82.1	82.4	82.5	82.6
17 Utilities	95.6	82.9	88.5	78.0	82.9	84.3	83.8	84.7	86.7	85.0	84.6	84.7	83.9	83.0
18 **Manufacturing**	**87.7**	**69.9**	**86.5**	**68.0**	**81.7**	**81.2**	**80.9**	**80.7**	**80.4**	**80.5**	**80.5**	**80.4**	**80.4**	**80.4**
19 Primary processing	91.9	68.3	89.1	65.1	81.7	81.7	80.9	81.6	81.5	81.8	82.1	81.5	81.9	82.5
20 Advanced processing	86.0	71.1	85.1	69.5	81.6	80.9	80.8	80.2	79.8	79.8	79.7	79.9	79.7	79.5
21 **Materials**	**92.0**	**70.5**	**89.1**	**68.4**	**83.0**	**81.5**	**81.3**	**81.7**	**81.5**	**81.4**	**80.9**	**80.2**	**80.3**	**80.3**
22 Durable goods	91.8	64.4	89.8	60.9	80.9	80.2	79.7	79.9	79.1	78.9	78.3	76.7	76.9	77.1
23 Metal materials	99.2	67.1	93.6	45.7	68.8	68.6	68.0	68.1	68.2	69.8	69.9	66.4	69.1	70.0
24 Nondurable goods	91.1	66.7	88.1	70.6	82.0	80.9	80.8	80.9	81.1	80.2	80.2	80.8	80.8	80.9
25 Textile, paper, and chemical	92.8	64.8	89.4	68.6	82.6	81.1	80.7	81.7	82.0	81.4	80.7	80.9	80.7	81.0
26 Paper	98.4	70.6	97.3	79.9	96.5	92.5	93.7	93.7	92.6	92.1	89.1	89.6	89.9	n.a.
27 Chemical	92.5	64.4	87.9	63.3	77.5	78.8	78.3	80.1	80.2	79.5	79.2	79.2	78.8	n.a.
28 Energy materials	94.6	86.9	94.0	82.2	88.9	84.8	85.5	86.6	87.4	88.4	87.6	87.7	87.5	87.0

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

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

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value ▲

Monthly data are seasonally adjusted

Grouping	1977 proportion	1984 avg.	1984 July	1984 Aug.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.[r]	1985 May[r]	1985 June[r]	1985 July
			Index (1977 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**121.8**	**123.2**	**123.5**	**123.3**	**122.7**	**123.4**	**123.3**	**123.6**	**123.7**	**124.0**	**124.1**	**124.3**	**124.7**	**124.9**
2 Products	57.72	127.1	128.6	129.0	128.8	129.0	129.9	129.8	129.6	129.8	130.3	130.8	131.7	132.0	132.3
3 Final products	44.77	127.8	129.2	129.7	129.8	129.9	130.7	130.6	130.4	130.4	130.8	131.3	132.0	132.4	132.5
4 Consumer goods	25.52	118.2	119.1	118.4	118.3	118.5	119.6	119.7	118.8	119.1	119.8	119.5	120.4	120.9	121.3
5 Equipment	19.25	140.5	142.5	144.5	145.0	145.0	145.5	144.9	145.7	145.3	145.4	146.9	147.4	147.5	147.3
6 Intermediate products	12.94	124.9	127.0	126.9	125.6	126.2	127.2	127.3	126.8	127.7	128.6	129.3	130.5	130.9	131.5
7 Materials	42.28	114.6	115.8	116.1	115.9	114.2	114.6	114.6	115.4	115.4	115.5	115.0	114.3	114.6	114.9
Consumer goods															
8 Durable consumer goods	6.89	112.6	113.8	113.3	111.5	111.4	113.3	113.1	112.8	112.8	113.5	111.5	111.8	113.4	114.1
9 Automotive products	2.98	109.8	110.4	111.6	107.4	104.2	110.2	111.6	114.2	115.4	115.1	113.1	113.6	114.6	116.0
10 Autos and trucks	1.79	103.0	102.8	106.0	98.7	95.0	103.1	104.7	112.5	111.7	110.5	109.0	109.6	109.4	111.4
11 Autos, consumer	1.16	93.2	92.8	92.7	85.1	84.0	89.7	95.6	102.5	100.7	101.3	100.5	98.1	97.0	101.1
12 Trucks, consumer	.63	121.2	121.5	130.8	124.1	115.4	127.8	121.5	131.1	132.0	127.5	124.7	130.9	132.3	.....
13 Auto parts and allied goods	1.19	120.1	121.9	120.0	120.6	118.1	121.1	122.1	116.8	121.1	122.0	119.4	119.6	122.5	123.0
14 Home goods	3.91	114.8	116.4	114.6	114.7	116.9	115.8	114.3	111.6	110.9	112.2	110.2	110.5	112.4	112.6
15 Appliances, A/C and TV	1.24	136.2	140.9	138.7	138.0	140.5	137.4	137.2	126.1	127.1	131.8	126.9	129.8	135.2	135.6
16 Appliances and TV	1.19	137.5	143.0	140.6	140.1	142.2	138.4	138.2	126.6	127.2	131.8	127.1	129.2	135.6	.....
17 Carpeting and furniture	.96	117.6	119.3	117.5	118.8	118.1	118.1	114.1	112.7	117.9	117.7	118.1	116.9	119.7	.....
18 Miscellaneous home goods	1.71	97.8	97.2	95.7	95.6	99.3	99.0	97.9	100.6	95.1	95.0	93.7	92.9	91.8	.....
19 Nondurable consumer goods	18.63	120.2	120.9	120.2	120.7	121.0	121.8	122.1	121.1	121.4	122.1	122.5	123.6	123.7	124.0
20 Consumer staples	15.29	125.0	125.9	125.4	126.3	126.7	127.4	127.7	126.6	126.9	127.9	128.5	129.7	129.9	130.0
21 Consumer foods and tobacco	7.80	126.2	126.9	126.6	127.7	128.2	127.6	129.1	127.1	127.8	128.0	129.4	129.2	129.2	.....
22 Nonfood staples	7.49	123.9	125.0	124.3	125.0	125.4	127.5	126.5	126.0	126.0	127.7	127.6	130.2	130.6	131.0
23 Consumer chemical products	2.75	137.4	139.0	138.3	140.4	141.3	143.3	142.7	142.9	143.2	145.1	145.1	148.7	150.5	.....
24 Consumer paper products	1.88	138.4	143.0	141.2	140.7	140.0	141.5	141.8	141.2	138.1	141.7	142.0	145.8	147.1	.....
25 Consumer energy	2.86	101.4	99.7	99.8	100.0	100.5	103.0	100.7	99.9	101.5	101.9	101.5	102.1	100.8	.....
26 Consumer fuel	1.44	89.3	87.4	88.5	88.1	88.8	89.9	87.7	85.1	84.9	87.0	90.0	90.2	88.3	.....
27 Residential utilities	1.42	113.7	112.2	111.2	112.1	112.4	116.3	113.9	115.0	118.4	117.1	113.2	114.4	.....	.....
Equipment															
28 Business and defense equipment	18.01	139.6	141.4	143.5	144.1	144.1	144.6	143.9	145.5	145.6	146.1	147.7	148.2	148.4	147.9
29 Business equipment	14.34	134.9	137.0	139.1	139.2	139.1	139.8	138.4	140.4	140.0	140.2	142.0	142.2	142.0	141.6
30 Construction, mining, and farm	2.08	66.6	68.9	68.1	67.9	69.5	68.2	68.5	68.8	68.3	67.1	68.4	67.4	67.6	.....
31 Manufacturing	3.27	109.4	110.6	113.4	113.3	112.7	112.4	111.5	111.6	112.3	112.0	112.4	114.0	113.8	113.3
32 Power	1.27	79.2	80.3	80.3	82.4	83.7	83.8	84.5	82.5	81.8	79.6	81.8	81.9	81.7	81.5
33 Commercial	5.22	209.2	213.5	216.5	216.9	216.4	217.1	214.5	217.4	217.0	218.9	221.8	223.2	222.5	222.8
34 Transit	2.49	98.6	97.6	100.6	99.3	98.5	102.9	100.9	106.7	104.9	104.5	106.0	102.9	103.2	102.0
35 Defense and space equipment	3.67	157.9	158.5	160.7	163.4	163.5	163.3	165.3	165.3	167.3	169.0	170.1	171.8	173.4	172.9
Intermediate products															
36 Construction supplies	5.95	114.0	114.3	115.3	114.7	114.6	115.7	114.7	116.2	115.7	116.9	117.4	118.1	118.5	118.9
37 Business supplies	6.99	134.2	137.8	136.9	134.9	136.1	137.1	138.0	135.9	137.9	138.6	139.4	141.0	141.5	.....
38 General business supplies	5.67	137.9	142.0	141.3	138.7	140.1	140.9	141.4	140.2	141.1	141.9	143.4	144.8	145.6	.....
39 Commercial energy products	1.31	118.0	119.5	117.4	118.2	118.8	120.4	122.9	117.1	124.1	124.5	122.4	124.6	.....	.....
Materials															
40 Durable goods materials	20.50	122.3	123.5	124.4	124.0	123.7	123.9	123.4	124.2	123.3	123.3	122.8	120.8	121.5	122.2
41 Durable consumer parts	4.92	98.0	97.5	99.0	98.8	98.9	99.1	99.8	102.6	102.2	102.1	101.8	100.2	99.9	100.6
42 Equipment parts	5.94	164.5	168.6	170.1	169.9	168.6	169.1	168.8	166.7	164.2	163.3	161.1	158.0	158.0	158.7
43 Durable materials n.e.c.	9.64	108.6	108.8	109.2	108.5	108.7	108.7	107.4	109.1	109.0	109.6	110.0	108.4	110.0	110.7
44 Basic metal materials	4.64	86.4	86.5	85.6	85.0	84.8	85.2	84.0	83.5	84.1	85.1	86.6	82.3	85.1	.....
45 Nondurable goods materials	10.09	111.2	111.6	111.6	111.4	111.2	110.7	110.7	110.9	111.4	110.3	110.4	111.3	111.5	111.7
46 Textile, paper, and chemical materials	7.53	111.6	111.8	112.5	112.3	111.5	110.5	110.1	111.5	112.1	111.3	110.5	110.9	110.8	111.2
47 Textile materials	1.52	101.5	103.2	104.5	99.2	98.5	93.7	91.2	90.3	93.5	93.0	94.1	95.0	94.8	.....
48 Pulp and paper materials	1.55	126.5	128.5	127.0	127.7	126.2	125.1	127.2	127.5	126.0	125.4	121.3	122.0	122.6	.....
49 Chemical materials	4.46	109.9	109.1	110.1	111.5	110.8	111.1	110.6	113.3	113.5	112.7	112.3	112.5	112.1	.....
50 Miscellaneous nondurable materials	2.57	109.8	110.8	109.0	108.4	109.9	111.1	112.1	109.2	109.4	107.2	110.1	112.4	113.5	.....
51 Energy materials	11.69	104.0	106.0	105.5	105.5	99.9	101.5	102.4	103.9	104.9	106.2	105.3	105.6	105.3	104.8
52 Primary energy	7.57	107.5	110.7	109.3	110.0	101.4	104.1	106.0	107.0	107.6	110.2	107.9	108.1	109.0	.....
53 Converted fuel materials	4.12	97.6	97.3	98.5	97.2	97.1	96.8	96.0	98.2	100.0	99.0	100.6	100.9	98.6	.....

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value—Continued

Grouping	SIC code	1977 proportion	1984 avg.	1984 July	Aug.	Sept.	Oct.	Nov.	Dec.	1985 Jan.	Feb.	Mar.	Apr.r	May r	June r	July
				Index (1977 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	......	15.79	110.9	112.9	111.9	112.1	108.0	110.1	109.9	111.4	111.9	111.8	111.1	111.5	111.4	111.1
2 Mining	......	9.83	110.9	114.8	113.0	113.6	107.2	108.8	108.9	110.5	109.5	110.5	109.6	110.1	110.4	110.5
3 Utilities	......	5.96	110.9	109.8	110.0	109.7	109.4	112.1	111.6	113.0	115.8	113.9	113.6	114.0	113.2	112.2
4 Manufacturing	......	84.21	123.9	125.4	125.9	125.6	125.5	126.0	125.8	125.9	125.8	126.3	126.6	126.8	127.1	127.5
5 Nondurable	......	35.11	122.5	123.9	123.2	123.1	123.3	123.8	123.4	123.2	123.8	123.9	124.3	125.1	125.6	126.0
6 Durable	......	49.10	124.8	126.4	127.7	127.2	127.0	127.5	127.4	127.8	127.2	128.0	128.2	128.0	128.2	128.5
Mining																
7 Metal	10	.50	77.0	79.6	72.2	73.6	75.3	75.5	69.3	70.5	74.5	83.6	81.2	79.2	76.3	.....
8 Coal	11.12	1.60	127.6	141.7	136.4	144.2	102.0	113.1	116.2	118.5	121.5	131.9	128.5	128.7	134.0	134.0
9 Oil and gas extraction	13	7.07	109.1	110.9	110.2	109.2	110.1	109.8	109.8	110.7	108.2	106.8	106.5	107.3	106.7	106.7
10 Stone and earth minerals	14	.66	116.1	118.3	118.4	117.6	114.2	115.3	113.2	118.5	119.8	118.7	118.5	118.6	117.6	.....
Nondurable manufactures																
11 Foods	20	7.96	127.1	127.8	127.7	128.2	129.1	128.7	129.0	128.2	129.4	128.5	130.8	131.5	131.7	.....
12 Tobacco products	21	.62	100.7	100.9	97.3	99.6	103.1	102.7	107.4	97.2	103.8	103.4	98.4	94.7	.....	.....
13 Textile mill products	22	2.29	103.7	105.7	103.5	100.9	100.3	97.1	94.7	93.6	98.5	99.4	99.0	100.0	101.1	.....
14 Apparel products	23	2.79	102.8	102.3	101.3	100.1	100.5	101.1	102.5	102.6	103.1	101.3	100.2	100.1	99.5	.....
15 Paper and products	26	3.15	127.3	128.2	128.2	128.9	127.6	127.7	128.8	128.3	126.4	126.9	125.1	124.1	127.1	.....
16 Printing and publishing	27	4.54	147.9	152.3	151.5	148.8	149.5	153.5	151.2	150.4	150.3	152.6	154.2	156.7	157.7	158.5
17 Chemicals and products	28	8.05	121.7	122.9	122.0	124.2	123.5	124.3	123.4	125.7	125.8	126.5	125.8	127.6	128.2	.....
18 Petroleum products	29	2.40	87.4	87.0	87.5	85.7	85.4	86.2	84.7	84.1	84.0	84.7	87.3	87.3	85.3	86.1
19 Rubber and plastic products	30	2.80	143.2	146.0	144.5	144.1	146.0	146.6	146.6	145.9	145.7	144.1	144.9	144.5	144.9	.....
20 Leather and products	31	.53	76.7	77.0	74.2	73.4	70.9	71.5	71.4	69.1	69.2	69.4	69.9	71.0	70.5	.....
Durable manufactures																
21 Lumber and products	24	2.30	109.1	107.9	109.4	110.4	110.2	109.5	109.4	109.2	109.1	109.5	110.9	112.2	.....	.....
22 Furniture and fixtures	25	1.27	136.7	139.4	140.0	140.9	139.9	139.8	138.0	136.5	139.0	139.2	141.0	142.0	141.9	.....
23 Clay, glass, stone products	32	2.72	112.3	113.8	113.7	112.6	113.3	113.6	111.8	112.7	110.5	111.4	114.5	116.3	116.5	.....
24 Primary metals	33	5.33	82.4	80.6	84.0	82.9	81.3	80.9	78.4	81.7	80.2	81.8	81.4	76.6	78.3	81.3
25 Iron and steel	331.2	3.49	73.5	69.0	74.6	73.6	71.0	71.1	68.9	71.0	68.5	73.2	71.9	65.4	68.1	.....
26 Fabricated metal products	34	6.46	102.8	103.7	104.1	104.8	104.8	105.4	105.9	106.4	107.6	108.6	109.1	108.4	108.4	108.6
27 Nonelectrical machinery	35	9.54	142.0	146.1	147.8	146.5	146.6	145.8	144.6	145.0	144.9	146.5	148.9	149.5	148.5	147.9
28 Electrical machinery	36	7.15	172.4	175.3	176.2	176.8	178.4	178.9	180.2	176.0	173.2	173.1	168.9	169.3	169.6	169.4
29 Transportation equipment	37	9.13	113.6	114.2	116.2	114.3	113.4	116.0	117.8	120.4	120.5	120.8	120.7	120.9	121.4	121.9
30 Motor vehicles and parts	371	5.25	105.6	105.4	108.3	104.6	103.1	107.5	109.5	113.0	112.5	111.3	110.9	110.5	110.6	111.6
31 Aerospace and miscellaneous transportation equipment	372–6.9	3.87	124.4	126.0	126.9	127.5	127.3	127.5	129.0	130.5	131.4	133.7	134.1	134.9	136.2	135.9
32 Instruments	38	2.66	136.9	139.4	139.8	140.2	138.6	138.6	138.9	138.7	138.7	139.0	138.5	138.9	139.4	139.4
33 Miscellaneous manufactures	39	1.46	98.0	99.7	97.8	95.9	98.6	98.6	97.2	99.0	96.4	96.0	98.3	98.1	97.2	.....
Utilities																
34 Electric	......	4.17	116.8	116.1	116.8	116.2	116.8	118.7	117.5	118.9	121.9	119.5	119.1	119.5	118.4	117.3
			Gross value (billions of 1972 dollars, annual rates)													
MAJOR MARKET																
35 Products, total	......	**596.0**	**745.6**	**748.1**	**752.4**	**749.2**	**753.7**	**759.2**	**756.5**	**761.3**	**764.2**	**769.5**	**773.3**	**776.0**	**776.0**	**775.2**
36 Final	......	472.7	593.7	593.7	598.0	596.8	600.4	605.2	601.8	606.5	608.7	613.3	616.2	617.5	617.0	615.7
37 Consumer goods	......	309.2	356.5	355.0	354.1	352.5	355.5	359.0	360.0	358.8	360.9	364.6	364.7	365.8	364.9	366.6
38 Equipment	......	163.5	237.6	239.1	244.3	244.8	245.4	246.7	242.3	247.6	247.8	248.7	251.4	251.7	252.1	249.1
39 Intermediate	......	123.3	151.8	154.3	154.3	152.3	153.2	154.0	154.6	154.9	155.5	156.3	157.1	158.4	159.0	159.6

▲ 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					
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May[r]	June
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,000	1,605	1,682	1,517	1,477	1,616	1,599	1,635	1,624	1,741	1,704	1,778	1,712
2 1-family	546	902	922	866	827	846	843	903	927	993	948	933	961
3 2-or-more-family	454	703	759	651	650	770	756	732	697	748	756	845	751
4 Started	1,062	1,703	1,749	1,669	1,564	1,600	1,630	1,849	1,647	1,889	1,933	1,681	1,694
5 1-family	663	1,067	1,084	1,009	979	1,043	1,112	1,060	1,135	1,168	1,155	1,039	1,034
6 2-or-more-family	400	635	665	660	585	557	518	789	512	721	778	642	660
7 Under construction, end of period[1]	720	1,003	1,051	1,088	1,081	1,077	1,073	1,071	1,066	1,063	1,088	1,091	1,085
8 1-family	400	524	556	568	571	574	579	572	580	578	583	585	580
9 2-or-more-family	320	479	494	520	510	503	495	499	485	485	505	505	505
10 Completed	1,005	1,390	1,652	1,657	1,614	1,587	1,635	1,719	1,794	1,685	1,641	1,621	1,726
11 1-family	631	924	1,025	1,040	972	1,001	985	1,107	1,082	1,043	1,074	1,011	1,087
12 2-or-more-family	374	466	627	617	642	586	650	612	712	642	567	610	639
13 Mobile homes shipped	240	296	295	282	302	291	282	273	276	283	287	287	270
Merchant builder activity in 1-family units													
14 Number sold	413	622	639	670	652	596	604	634	676	699[r]	634	670	669
15 Number for sale, end of period[1]	255	304	358	343	346	349	356	356	360	357[r]	359	359	359
Price (thousands of dollars)[2]													
Median													
16 Units sold	69.3	75.5	80.0	81.3	80.1	82.5	78.3	82.5	82.0	84.2[r]	85.9	79.8	85.3
Average													
17 Units sold	83.8	89.9	97.5	101.3	95.7	101.4	96.3	98.3	96.2	100.9	105.2	98.2	99.2
EXISTING UNITS (1-family)													
18 Number sold	1,991	2,719	2,868	2,730	2,740	2,830	2,870	3,000	2,880	3,030	3,040	3,040	3,060
Price of units sold (thousands of dollars)[2]													
19 Median	67.7	69.8	72.3	71.9	71.9	71.9	72.1	73.8	73.5	74.2	74.5	75.0	76.2
20 Average	80.4	82.5	85.9	85.4	86.2	85.1	85.9	87.7	87.2	88.6	89.7	90.1	91.5
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 **Total put in place**	**236,935**	**268,730**	**312,989**	**320,957**	**318,179**	**313,076**	**310,062**	**341,038**	**334,254**	**333,723**	**343,059**	**340,542**	**342,832**
22 Private	186,091	218,016	257,802	264,348	261,963	257,469	254,547	283,688	276,452	274,575	283,441	277,757	277,564
23 Residential	80,609	121,309	145,058	149,366	144,043	137,880	134,296	155,260	146,042	146,195	148,921	144,835	146,572
24 Nonresidential, total	105,482	96,707	112,744	114,982	117,920	119,589	120,251	128,428	130,410	128,380	134,520	132,922	130,992
Buildings													
25 Industrial	17,346	12,863	13,746	14,663	14,333	14,645	14,440	15,195	15,815	14,585	17,283	16,426	15,425
26 Commercial	37,281	35,787	48,102	50,778	52,092	52,541	54,528	58,524	58,922	59,382	61,226	60,212	59,106
27 Other	10,507	11,660	12,298	12,052	11,916	11,771	12,150	11,889	12,054	11,245	12,675	12,925	12,705
28 Public utilities and other	40,348	36,397	38,598	37,489	39,579	40,632	39,133	42,820	43,619	43,168	43,336	43,359	43,756
29 Public	50,843	50,715	55,186	56,609	56,215	55,608	55,514	57,350	57,802	59,148	59,617	62,785	65,268
30 Military	2,205	2,544	2,839	3,569	2,902	3,107	2,952	2,969	3,036	3,078	3,026	3,062	3,168
31 Highway	13,293	14,143	16,295	16,475	16,210	16,939	16,888	17,759	18,416	19,176	19,920	22,006	21,597
32 Conservation and development	5,029	4,822	4,656	4,851	4,748	5,127	4,654	4,645	4,674	4,727	4,364	5,013	5,403
33 Other	30,316	29,206	31,396	31,714	32,355	30,435	31,020	31,977	31,676	32,167	32,307	32,704	35,100

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 July 1985 (1967 = 100)[1]
	1984 July	1985 July	1984 Sept.	1984 Dec.	1985 Mar.r	1985 Juner	1985 Mar.	1985 Apr.	1985 May	1985 June	1985 July	
CONSUMER PRICES[2]												
1 **All items**	**4.1**	**3.6**	**4.5**	**3.0**	**4.1**	**3.3**	**.5**	**.4**	**.2**	**.2**	**.2**	**322.8**
2 Food	3.8	2.1	3.9	3.7	2.6	−.9	.0	−.2	−.1	.1	.1	309.5
3 Energy items	−.4	2.1	.1	−.7	−.8	9.6	1.9	1.8	.3	.2	−.3	437.1
4 All items less food and energy	5.1	4.2	5.3	3.5	5.5	3.4	.4	.3	.3	.3	.3	314.1
5 Commodities	4.2	2.1	3.8	.9	6.6	−1.4	.3	.0	−.2	−.2	−.2	258.2
6 Services	5.6	5.5	6.2	5.0	5.0	6.4	.4	.4	.7	.5	.5	376.6
PRODUCER PRICES												
7 Finished goods	2.3	.9	.0	1.1	.5	1.5	.1r	.4r	.2	−.2r	.3	294.8
8 Consumer foods	5.6	−1.3	4.5	3.3	−3.0	−8.2	−.4r	−.9r	−1.1	−.1	1.3	271.7
9 Consumer energy	−4.8	−2.6	−19.7	5.6	−21.3	25.9	−.9r	6.0r	3.4	−3.3r	−1.4	736.1
10 Other consumer goods	2.5	2.6	2.5	−.2	6.5	1.3	.6	−.2	.2	.2r	.4	252.8
11 Capital equipment	2.6	2.1	2.3	−1.1	6.2	1.9	.3r	.1r	.0	.4	.0	300.8
12 Intermediate materials[3]	2.7	−.6	−1.1	1.2	−2.5	1.1	−.1	.3	.3	−.4r	−.3	324.9
13 Excluding energy	3.0	.4	.9	1.5	−1.0	1.2	−.1	.0	.2	.2	−.1	305.7
Crude materials												
14 Foods	6.1	−12.0	−1.7	10.6	−24.9	−19.9	−2.8r	−2.8r	−2.4	−.3	−1.1	231.9
15 Energy	.5	−5.2	.4	−7.6	−13.1	2.9	−1.0r	.3r	2.0	−1.5	−.3	749.1
16 Other	5.4	−6.9	−15.3	−10.7	−13.3	3.4	1.4	2.1	−1.5	.2	.7	247.2

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

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

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

Account	1982	1983	1984	1984 Q2	1984 Q3	1984 Q4	1985 Q1	1985 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**	**3,855.1**
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	2,497.5
3 Durable goods	245.1	279.8	318.8	320.7	317.2	326.3	334.8	340.0
4 Nondurable goods	757.5	801.7	856.9	858.3	861.4	866.5	877.3	892.5
5 Services	982.2	1,074.4	1,166.1	1,153.7	1,182.8	1,203.8	1,234.4	1,265.1
6 Gross private domestic investment	414.9	471.6	637.8	627.0	662.8	637.8	646.8	640.9
7 Fixed investment	441.0	485.1	579.6	576.4	591.0	601.1	606.1	622.7
8 Nonresidential	349.6	352.9	425.7	420.8	435.7	447.7	450.9	464.5
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	296.2
11 Residential structures	91.4	132.2	153.9	155.6	155.3	153.5	155.2	158.2
12 Nonfarm	86.6	127.6	148.8	150.5	150.1	148.3	150.0	152.9
13 Change in business inventories	−26.1	−13.5	58.2	50.6	71.8	36.6	40.7	18.1
14 Nonfarm	−24.0	−3.1	49.6	47.0	63.7	27.2	34.1	12.8
15 Net exports of goods and services	19.0	−8.3	−64.2	−58.7	−90.6	−56.0	−74.5	−93.4
16 Exports	348.4	336.2	364.3	362.4	368.6	367.2	360.7	349.4
17 Imports	329.4	344.4	428.5	421.1	459.3	423.2	435.2	442.8
18 Government purchases of goods and services	650.5	685.5	747.4	743.7	761.0	780.5	791.9	810.1
19 Federal	258.9	269.7	295.4	296.4	302.0	315.7	319.9	323.8
20 State and local	391.5	415.8	452.0	447.4	458.9	464.8	472.0	486.3
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	3,837.0
22 Goods	1,276.7	1,355.7	1,542.9	1,544.8	1,549.1	1,579.8	1,583.8	1,575.0
23 Durable	499.9	555.3	655.6	647.9	654.7	687.7	677.1	666.8
24 Nondurable	776.9	800.4	887.3	896.9	894.4	892.1	906.7	908.2
25 Services	1,510.8	1,639.3	1,763.3	1,742.6	1,783.3	1,813.7	1,857.2	1,895.1
26 Structures	281.7	309.8	356.5	357.2	362.1	365.2	369.6	385.0
27 Change in business inventories	−26.1	−13.5	58.2	50.6	71.8	36.6	40.7	18.1
28 Durable goods	−18.0	−2.1	30.4	18.2	41.7	26.7	29.0	4.6
29 Nondurable goods	−8.1	−11.3	27.8	32.4	30.1	9.9	11.7	13.6
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**	**1,671.6**
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**	**3,105.7**
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	2,305.2
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	1,908.9
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	1,538.2
36 Supplement to wages and salaries	295.5	326.2	369.0	365.9	372.8	380.0	389.8	396.3
37 Employer contributions for social insurance	140.0	153.1	173.5	172.4	174.7	177.5	183.6	186.1
38 Other labor income	155.5	173.1	195.5	193.5	198.1	202.5	206.3	210.2
39 Proprietors' income[1]	111.1	121.7	154.4	149.8	153.7	159.1	159.8	161.1
40 Business and professional[1]	89.2	107.9	126.2	126.3	126.4	129.7	134.0	137.1
41 Farm[1]	21.8	13.8	28.2	23.4	27.3	29.4	25.7	23.9
42 Rental income of persons[2]	51.5	58.3	62.5	62.0	63.0	64.1	64.8	66.8
43 Corporate profits[1]	159.1	225.2	285.7	291.1	282.8	291.6	292.3	297.3
44 Profits before tax[3]	165.5	203.2	235.7	246.0	224.8	228.7	222.3	221.1
45 Inventory valuation adjustment	−9.5	−11.2	−5.7	−7.3	−.2	−1.6	.9	1.6
46 Capital consumption adjustment	3.1	33.2	55.7	52.3	58.3	64.5	69.1	74.6
47 Net interest	260.9	256.6	284.1	282.8	293.5	293.4	287.0	275.4

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**	**3,175.5**
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	1,910.0
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	455.5
6 Service industries	374.3	413.1	452.9	449.3	457.3	466.9	477.4	488.5
7 Government and government enterprises	306.6	328.2	349.8	347.3	352.4	356.7	365.4	371.7
8 Other labor income	155.5	173.1	195.5	193.5	198.1	202.5	206.3	210.2
9 Proprietors' income[1]	111.1	121.7	154.4	149.8	153.7	159.1	159.8	161.1
10 Business and professional[1]	89.2	107.9	126.2	126.3	126.4	129.7	134.0	137.1
11 Farm[1]	21.8	13.8	28.2	23.4	27.3	29.4	25.7	23.9
12 Rental income of persons[2]	51.5	58.3	62.5	62.0	63.0	64.1	64.8	66.8
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	454.0
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	3,175.5
19 LESS: Personal tax and nontax payments	404.1	404.2	435.3	430.3	440.9	451.7	489.0	448.0
20 EQUALS: Disposable personal income	2,180.5	2,340.1	2,576.8	2,554.3	2,606.4	2,644.5	2,654.8	2,727.5
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	2,591.4
22 EQUALS: Personal saving	136.0	118.1	156.1	144.8	164.1	163.0	118.6	136.1
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	7,009.3
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	4,626.7
25 Disposable personal income	4,555.0	4,670.0	4,939.0	4,930.0	4,965.0	4,996.0	4,965.0	5,053.0
26 Saving rate (percent)	6.2	5.0	6.1	5.7	6.3	6.2	4.5	5.0
GROSS SAVING								
27 **Gross saving**	**408.8**	**437.2**	**551.8**	**551.0**	**556.4**	**556.0**	**550.7**	**531.5**
28 Gross private saving	524.0	571.7	674.8	660.2	689.4	698.2	662.1	691.7
29 Personal saving	136.0	118.1	156.1	144.8	164.1	163.0	118.6	136.1
30 Undistributed corporate profits[1]	29.2	76.5	115.4	115.3	118.4	120.8	122.5	127.1
31 Corporate inventory valuation adjustment	-9.5	-11.2	-5.7	-7.3	-.2	-1.6	.9	1.6
Capital consumption allowances								
32 Corporate	221.8	231.2	246.2	244.1	248.1	252.8	257.4	262.0
33 Noncorporate	137.1	145.9	157.0	156.0	158.8	161.5	163.7	166.6
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	-160.2
36 Federal	-148.2	-178.6	-175.8	-163.7	-180.6	-197.8	-165.1	-210.8
37 State and local	32.9	44.1	52.9	54.5	47.6	55.6	53.7	50.6
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**	**520.4**
40 Gross private domestic	414.9	471.6	637.8	627.0	662.8	637.8	646.8	640.9
41 Net foreign	-6.6	-33.9	-93.4	-85.0	-119.4	-91.6	-104.2	-120.4
42 **Statistical discrepancy**	**-.5**	**.5**	**-7.4**	**-9.0**	**-13.0**	**-9.9**	**-8.1**	**-11.1**

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

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

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

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

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

1. Seasonal factors are no longer calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing; military exports are excluded from merchandise data and are included in line 6.
3. Includes reinvested earnings.
4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

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

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

Item	1981	1982	1983	1984	1985					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	233,677	212,193	200,486	19,142	19,401	17,853	18,446	17,779	17,414	17,438
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	261,305	243,952	258,048	25,933	28,297	27,985	28,129	28,295	28,685	29,425
3 **Trade balance**	**−27,628**	**−31,759**	**−57,562**	**−6,791**	**−8,896**	**−10,131**	**−9,683**	**−10,516**	**−11,271**	**−11,987**

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						
				Jan.	Feb.	Mar.	Apr.	May	June	July
1 **Total**	**33,958**	**33,747**	**34,934**	**34,380**	**34,272**	**35,493**	**35,493**	**35,782**	**36,088**	**37,071**
2 Gold stock, including Exchange Stabilization Fund[1]	11,148	11,121	11,096	11,095	11,093	11,093	11,091	11,091	11,091	11,090
3 Special drawing rights[2,3]	5,250	5,025	5,641	5,693	5,781	5,973	5,971	6,163	6,196	6,510
4 Reserve position in International Monetary Fund[2]	7,348	11,312	11,541	11,322	11,097	11,386	11,382	11,370	11,394	11,513
5 Foreign currencies[4]	10,212	6,289	6,656	6,270	6,301	7,041	7,049	7,158	7,408	7,958

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						
				Jan.	Feb.	Mar.	Apr.	May	June	July
1 Deposits	328	190	253	244	331	253	348	204	310	274
Assets held in custody										
2 U.S. Treasury securities[1]	112,544	117,670	118,267	117,330	115,179	113,532	115,184	116,989	121,755	124,400
3 Earmarked gold[2]	14,716	14,414	14,265	14,261	14,260	14,264	14,264	14,265	14,262	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	1981	1982	1983	1984	1985					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June^p
					All foreign countries					
1 **Total, all currencies**	**462,847**	**469,712**	**477,090**	**452,205**	**444,953r**	**452,796r**	**462,009r**	**460,344r**	**458,114**	**456,812**
2 Claims on United States	63,743	91,805	115,542	113,435	115,501	119,034	119,927	121,376	120,217	121,124
3 Parent bank	43,267	61,666	82,026	78,151	79,318	84,084	86,797r	86,472	84,702	85,128
4 Other banks in United States[2]	20,476	30,139	33,516	13,664	13,686	13,737	13,092	14,199	14,101	14,465
5 Nonbanks[2]				21,620	22,497	21,213	20,038r	20,705	21,414	21,531
6 Claims on foreigners	378,954	358,493	342,689	318,710	309,119r	314,174r	321,684r	318,920r	317,230	314,881
7 Other branches of parent bank	87,821	91,168	96,004	94,717	87,351	89,184	92,990	91,329	91,341	89,441
8 Banks	150,763	133,752	117,668	100,328	99,871	104,373	105,258	104,303	102,249	101,262
9 Public borrowers	28,197	24,131	24,517	22,872	22,408r	22,186r	22,456r	22,812r	22,753	22,957
10 Nonbank foreigners	112,173	109,442	107,785	100,793	99,489r	98,431r	100,980r	100,476r	100,887	101,221
11 Other assets	20,150	19,414	18,859	20,060	20,333r	19,588r	20,398r	20,048r	20,667	20,807
12 **Total payable in U.S. dollars**	**350,735**	**361,982**	**371,508**	**349,342**	**343,461**	**351,796**	**354,570**	**351,280**	**349,433**	**348,725**
13 Claims on United States	62,142	90,085	113,436	111,468	113,250	116,730	117,562	118,786	117,769	118,571
14 Parent bank	42,721	61,010	80,909	77,271	78,392	83,074	85,715r	85,339	83,733	84,140
15 Other banks in United States[2]	19,421	29,075	32,527	13,500	13,493	13,464	12,790	13,844	13,708	14,027
16 Nonbanks[2]				20,697	21,365	20,192	19,057r	19,603	20,328	20,404
17 Claims on foreigners	276,937	259,871	247,406	227,303	219,768	224,714	226,966	222,693	221,755	220,384
18 Other branches of parent bank	69,398	73,537	78,431	78,279	72,326	74,248	77,229	75,085	75,582	74,192
19 Banks	122,110	106,447	93,332	76,872	75,756	79,217	78,755	76,874	75,642	75,276
20 Public borrowers	22,877	18,413	17,890	17,160	16,994	16,754	17,001	16,976	16,999	16,996
21 Nonbank foreigners	62,552	61,474	60,977	54,992	54,692	54,495	53,981	53,758	53,532	53,920
22 Other assets	11,656	12,026	10,666	10,571	10,443	10,352	10,042	9,801	9,909	9,770
					United Kingdom					
23 **Total, all currencies**	**157,229**	**161,067**	**158,732**	**144,385**	**146,130**	**149,534**	**150,705**	**148,711**	**148,285**	**149,599**
24 Claims on United States	11,823	27,354	34,433	27,731	28,783	31,910	29,675	29,497	29,407	31,321
25 Parent bank	7,885	23,017	29,111	21,918	22,296	25,313	23,250	22,803	22,647	23,932
26 Other banks in United States[2]	3,938	4,337	5,322	1,429	1,540	1,561	1,511	1,649	1,613	1,691
27 Nonbanks[2]				4,384	4,947	5,036	4,914	5,045	5,147	5,698
28 Claims on foreigners	138,888	127,734	119,280	111,772	112,284	112,937	115,889	114,122	113,737	113,201
29 Other branches of parent bank	41,367	37,000	36,565	37,897	36,367	35,381	35,857	34,469	34,868	34,188
30 Banks	56,315	50,767	43,352	37,443	39,063	40,961	40,812	41,253	39,910	39,856
31 Public borrowers	7,490	6,240	5,898	5,334	5,345	5,306	5,186	4,959	4,921	4,966
32 Nonbank foreigners	33,716	33,727	33,465	31,098	31,509	31,289	34,034	33,441	34,038	34,191
33 Other assets	6,518	5,979	5,019	4,882	5,063	4,687	5,141	5,092	5,141	5,077
34 **Total payable in U.S. dollars**	**115,188**	**123,740**	**126,012**	**112,809**	**112,953**	**116,232**	**114,122**	**111,497**	**111,303**	**112,684**
35 Claims on United States	11,246	26,761	33,756	26,924	27,807	30,945	28,839	28,570	28,487	30,372
36 Parent bank	7,721	22,756	28,756	21,551	21,960	24,911	22,910	22,472	22,354	23,625
37 Other banks in United States[2]	3,525	4,005	5,000	1,363	1,496	1,498	1,466	1,576	1,491	1,608
38 Nonbanks[2]				4,010	4,351	4,536	4,463	4,522	4,642	5,139
39 Claims on foreigners	99,850	92,228	88,917	82,889	82,161	82,268	82,437	79,938	79,934	79,466
40 Other branches of parent bank	35,439	31,648	31,838	33,551	31,899	31,099	31,331	29,489	30,148	29,364
41 Banks	40,703	36,717	32,188	26,805	27,465	28,523	27,982	27,808	27,188	27,325
42 Public borrowers	5,595	4,329	4,194	4,030	4,021	3,964	3,804	3,533	3,527	3,619
43 Nonbank foreigners	18,113	19,534	20,697	18,503	18,776	18,682	19,320	19,108	19,071	19,158
44 Other assets	4,092	4,751	3,339	2,996	2,985	3,019	2,846	2,989	2,882	2,846
					Bahamas and Caymans					
45 **Total, all currencies**	**149,108**	**145,156**	**152,083**	**146,811**	**141,834**	**144,665**	**147,041**	**145,096**	**144,033**	**143,397**
46 Claims on United States	46,546	59,403	75,309	77,296	76,856	76,446	78,886	79,150	78,849	77,903
47 Parent bank	31,643	34,653	48,720	49,449	48,892	50,043	53,925r	53,008	51,902	51,038
48 Other banks in United States[2]	14,903	24,750	26,589	11,544	11,326	11,305	10,761	11,647	11,723	12,003
49 Nonbanks[2]				16,303	16,638	15,098	14,200r	14,495	15,224	14,862
50 Claims on foreigners	98,057	81,450	72,868	65,598	61,204	64,408	64,339	62,164	61,604	61,953
51 Other branches of parent bank	12,951	18,720	20,626	17,661	14,382	16,235	15,685	14,716	15,271	15,645
52 Banks	55,151	42,699	36,842	30,246	29,230	30,927	31,481	29,887	28,942	28,497
53 Public borrowers	10,010	6,413	6,093	6,089	6,162	6,081	6,349	6,683	6,604	6,715
54 Nonbank foreigners	19,945	13,618	12,592	11,602	11,430	11,165	10,824	10,878	10,787	11,096
55 Other assets	4,505	4,303	3,906	3,917	3,774	3,811	3,816	3,782	3,580	3,541
56 **Total payable in U.S. dollars**	**143,743**	**139,605**	**145,641**	**141,562**	**137,090**	**139,543**	**141,534r**	**139,926**	**138,724**	**138,429**

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

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

3.14 Continued

Liability account	1981	1982	1983	1984	1985					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
	All foreign countries									
57 **Total, all currencies**	**462,847**	**469,712**	**477,090**	**452,205**	**444,953[r]**	**452,796[r]**	**462,009[r]**	**460,344[r]**	**458,114**	**456,812**
58 Negotiable CDs[3]	n.a.	n.a.	n.a.	37,725	38,804	41,798	40,889	38,940	37,188	37,952
59 To United States	137,767	179,015	188,070	146,955	143,663[r]	140,896[r]	145,892[r]	144,947[r]	145,251	147,263
60 Parent bank	56,344	75,621	81,261	78,111	75,213[r]	72,320[r]	75,952[r]	75,826[r]	77,852	79,380
61 Other banks in United States	19,197	33,405	29,453	18,409	18,125	17,831	18,021	18,841	18,782	19,402
62 Nonbanks	62,226	69,989	77,356	50,435	50,325	50,745	51,919[r]	50,280	48,617	48,481
63 To foreigners	305,630	270,853	269,685	247,122	241,538[r]	249,619[r]	253,642[r]	254,904[r]	253,608	250,354
64 Other branches of parent bank	86,396	90,191	90,615	93,206	87,722	89,872	93,978	91,856	91,332	90,289
65 Banks	124,906	96,860	92,889	78,203	79,291	84,013	82,670[r]	83,607	81,537	80,388
66 Official institutions	25,997	19,614	18,896	20,281	19,484	19,356	20,831	21,854	21,677	21,301
67 Nonbank foreigners	68,331	64,188	68,845	55,432	55,041[r]	56,378[r]	56,163[r]	57,587[r]	59,062	58,376
68 Other liabilities	19,450	19,844	19,335	20,403	20,948[r]	20,483[r]	21,586[r]	21,553[r]	22,067	21,243
69 **Total payable in U.S. dollars**	**364,447**	**379,270**	**388,291**	**365,859**	**357,853**	**366,054**	**369,049**	**365,378[r]**	**363,416**	**364,533**
70 Negotiable CDs[3]	n.a.	n.a.	n.a.	35,227	36,295	39,544	38,197	35,958	34,216	34,638
71 To United States	134,700	175,528	184,305	142,943	139,811	137,154	141,555[r]	140,288	140,539	142,340
72 Parent bank	54,492	73,295	79,035	75,626	72,892	70,084	73,529[r]	73,229	75,233	76,574
73 Other banks in United States	18,883	33,040	28,936	17,935	17,587	17,302	17,472	18,270	18,209	18,841
74 Nonbanks	61,325	69,193	76,334	49,382	49,332	49,768	50,554[r]	48,789	47,097	46,925
75 To foreigners	217,602	192,510	194,139	177,638	171,479	178,745	179,066[r]	178,908[r]	178,825	178,244
76 Other branches of parent bank	69,299	72,921	73,522	77,222	72,648	74,926	78,441	76,145[r]	75,595	75,220
77 Banks	79,594	57,463	57,022	45,131	44,948	48,734	44,871[r]	45,167	44,413	44,667
78 Official institutions	20,288	15,055	13,855	15,773	14,861	14,653	16,049	17,178	17,257	16,876
79 Nonbank foreigners	48,421	47,071	51,260	39,512	39,022	40,432	39,705	40,418	41,560	41,481
80 Other liabilities	12,145	11,232	9,847	10,051	10,268	10,611	10,231	10,224	9,836	9,311
	United Kingdom									
81 **Total, all currencies**	**157,229**	**161,067**	**158,732**	**144,385**	**146,130**	**149,534**	**150,705**	**148,711**	**148,285**	**149,599**
82 Negotiable CDs[3]	n.a.	n.a.	n.a.	34,413	35,455	38,281	37,350	35,326	33,661	34,437
83 To United States	38,022	53,954	55,799	25,250	27,757	23,439	23,982	23,920	24,909	25,879
84 Parent bank	5,444	13,091	14,021	14,651	16,714	13,763	14,509	13,969	14,159	14,912
85 Other banks in United States	7,502	12,205	11,328	3,125	3,569	2,948	2,918	2,665	2,735	3,571
86 Nonbanks	25,076	28,658	30,450	7,474	7,474	6,728	6,555	7,286	8,015	7,396
87 To foreigners	112,255	99,567	95,847	77,424	75,039	80,450[r]	80,722	80,977	80,940	80,607
88 Other branches of parent bank	16,545	18,361	19,038	21,631	20,199	22,146	23,699	21,951	21,908	22,565
89 Banks	51,336	44,020	41,624	30,436	31,216	33,789	32,003	32,259	31,573	30,852
90 Official institutions	16,517	11,504	10,151	10,154	9,084	9,374	10,305	11,590	11,110	10,838
91 Nonbank foreigners	27,857	25,682	25,034	15,203	14,540	15,141	14,715	15,177	16,349	16,352
92 Other liabilities	6,952	7,546	7,086	7,298	7,879	7,364	8,651	8,488	8,775	8,676
93 **Total payable in U.S. dollars**	**120,277**	**130,261**	**131,167**	**117,497**	**117,198**	**120,623**	**117,984**	**116,128**	**115,740**	**117,331**
94 Negotiable CDs[3]	n.a.	n.a.	n.a.	33,070	34,084	37,033	35,719	33,763	32,140	32,722
95 To United States	37,332	53,029	54,691	24,105	26,587	22,386	22,481	22,219	23,244	24,130
96 Parent bank	5,350	12,814	13,839	14,339	16,349	13,506	14,129	13,507	13,755	14,474
97 Other banks in United States	7,249	12,026	11,044	2,980	3,420	2,804	2,748	2,500	2,550	3,387
98 Nonbanks	24,733	28,189	29,808	6,786	6,818	6,076	5,604	6,212	6,939	6,269
99 To foreigners	79,034	73,477	73,279	56,923	52,954	57,654	56,327	56,535	56,849	57,105
100 Other branches of parent bank	12,048	14,300	15,403	18,294	16,940	18,772	20,127	18,513	18,494	19,053
101 Banks	32,298	28,810	29,320	18,356	17,889	20,022	17,191	17,497	17,417	17,175
102 Official institutions	13,612	9,668	8,279	8,871	7,748	7,854	8,734	9,989	9,537	9,246
103 Nonbank foreigners	21,076	20,699	20,277	11,402	10,377	11,006	10,275	10,536	11,401	11,631
104 Other liabilities	3,911	3,755	3,197	3,399	3,573	3,550	3,457	3,611	3,507	3,374
	Bahamas and Caymans									
105 **Total, all currencies**	**149,108**	**145,156**	**152,083**	**146,811**	**141,834**	**144,665**	**147,041**	**145,096**	**144,033**	**143,397**
106 Negotiable CDs[3]	n.a.	n.a.	n.a.	615	734	953	779	634	436	344
107 To United States	85,759	104,425	111,299	102,955	98,466	99,200	103,037[r]	100,480	99,370	99,700
108 Parent bank	39,451	47,081	50,980	47,162	43,783	43,358	45,373[r]	43,750	45,557	45,706
109 Other banks in United States	10,474	18,466	16,057	13,938	13,320	13,590	13,959	15,112	14,545	14,691
110 Nonbanks	35,834	38,878	44,262	41,855	41,363	42,252	43,705[r]	41,618	39,268	39,303
111 To foreigners	60,012	38,274	38,445	40,320	39,785	41,529	40,367[r]	41,102	41,437	40,616
112 Other branches of parent bank	20,641	15,796	14,936	16,782	16,014	17,111	16,744	17,179	17,759	16,537
113 Banks	23,202	10,166	11,876	12,405	12,274	12,976	12,562[r]	13,469	12,879	13,673
114 Official institutions	3,498	1,967	1,919	2,054	2,020	1,992	1,884	1,598	2,194	1,866
115 Nonbank foreigners	12,671	10,345	11,274	9,079	9,477	9,450	9,177	8,856	8,605	8,540
116 Other liabilities	3,337	2,457	2,339	2,921	2,849	2,983	2,858	2,880	2,790	2,737
117 **Total payable in U.S. dollars**	**145,284**	**141,908**	**148,278**	**143,590**	**138,200**	**140,973**	**143,223**	**140,945**	**139,909**	**139,496**

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

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1982	1983	1984r		1985r				
			Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 **Total**[1]	**172,718**	**177,950**	**180,556**	**176,853**	**173,356**	**169,815**	**170,565**	**173,632**	**177,466**
By type									
2 Liabilities reported by banks in the United States[2]	24,989	25,534	26,089	23,310	23,420	22,991	22,721	23,098	22,805
3 U.S. Treasury bills and certificates[3]	46,658	54,341	59,976	56,662	52,474	54,685	57,226	56,691	58,589
U.S. Treasury bonds and notes									
4 Marketable	67,733	68,514	69,029	71,557	72,879	67,601	67,004	70,470	73,019
5 Nonmarketable[4]	8,750	7,250	5,800	5,800	5,300	5,300	4,900	4,500	4,500
6 U.S. securities other than U.S. Treasury securities[5]	24,588	22,311	19,662	19,524	19,283	19,238	18,714	18,873	18,553
By area									
7 Western Europe[1]	61,298	67,645	69,789	68,295	67,387	63,746	65,660	67,865	70,174
8 Canada	2,070	2,438	1,528	1,491	1,136	1,715	1,403	1,558	1,571
9 Latin America and Caribbean	6,057	6,248	8,554	7,450	7,278	7,518	7,528	8,072	8,447
10 Asia	96,034	92,572	93,951	93,044	91,029	90,721	89,968	90,217	91,331
11 Africa	1,350	958	1,264	1,120	1,397	1,200	1,403	1,262	1,299
12 Other countries[6]	5,909	8,089	5,470	5,453	5,129	4,915	4,603	4,658	4,644

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

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

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

Millions of dollars, end of period

Item	1981	1982	1983	1984			1985
				June	Sept.	Dec.r	Mar.
1 Banks' own liabilities	3,523	4,844	5,219	6,459	6,227	7,542	8,012
2 Banks' own claims	4,980	7,707	7,231	9,647r	9,290r	11,307	12,639
3 Deposits	3,398	4,251	2,731	4,244r	3,641r	4,537	6,148
4 Other claims	1,582	3,456	4,501	5,404	5,649	6,770	6,491
5 Claims of banks' domestic customers[1]	971	676	1,059	227	281	569	440

1. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of their domestic customers.

NOTE. Data on claims exclude foreign currencies held by U.S. monetary authorities.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States
Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1981▲	1982	1983	1984	1985					
				Dec.r	Jan.	Feb.	Mar.	Apr.	May	Junep
1 **All foreigners**	**243,889**	**307,056**	**369,607**	**406,457**	**399,255r**	**405,239r**	**413,225**	**410,655r**	**411,032**	**412,737**
2 Banks' own liabilities	163,817	227,089	279,087	306,510	301,627r	311,688r	317,097	312,697r	315,342	316,836
3 Demand deposits	19,631	15,889	17,470	19,571	17,975	19,369	18,131	18,295r	17,713	20,617
4 Time deposits[1]	29,039	68,797	90,632	110,292	114,169r	117,097r	119,228	117,787r	120,689	116,213
5 Other[2]	17,647	23,184	25,874	26,099	23,507r	24,991	25,127	24,338r	25,599	25,644
6 Own foreign offices[3]	97,500	119,219	145,111	150,547	145,977r	150,211r	154,611	152,277r	151,341	154,362
7 Banks' custody liabilities[4]	80,072	79,967	90,520	99,947	97,628r	93,572	96,128	97,958	95,690	95,901
8 U.S. Treasury bills and certificates[5]	55,315	55,628	68,669	75,838	73,635	69,189	71,552	73,078r	71,597	73,057
9 Other negotiable and readily transferable instruments[6]	18,788	20,636	17,467	18,670	18,192r	18,068	18,099	18,337r	17,690	16,211
10 Other	5,970	3,702	4,385	5,439	5,802r	6,315	6,477	6,543	6,403	6,632
11 **Nonmonetary international and regional organizations[7]**	**2,721**	**4,922**	**5,957**	**4,083**	**6,929**	**5,812**	**5,905**	**6,112**	**6,694**	**5,609**
12 Banks' own liabilities	638	1,909	4,632	1,644	3,571	2,092	2,333	3,083	4,389	3,828
13 Demand deposits	262	106	297	254	417	341	191	167	264	164
14 Time deposits[1]	58	1,664	3,584	1,102	2,682	936	1,488	2,276	3,747	3,023
15 Other[2]	318	139	750	288	472	815	654	640	377	640
16 Banks' custody liabilities[4]	2,083	3,013	1,325	2,440	3,358	3,719	3,572	3,029	2,305	1,782
17 U.S. Treasury bills and certificates	541	1,621	463	916	1,921	2,258	2,082	1,434	775	642
18 Other negotiable and readily transferable instruments[6]	1,542	1,392	862	1,524	1,429	1,461	1,490	1,593	1,531	1,140
19 Other	0	0	0	0	8	1	0	2	0	0
20 **Official institutions[8]**	**79,126**	**71,647**	**79,876**	**86,065**	**79,972**	**75,894**	**77,675**	**79,947r**	**79,789**	**81,395**
21 Banks' own liabilities	17,109	16,640	19,427	19,039	16,970	17,249	16,777	16,581r	17,597	17,685
22 Demand deposits	2,564	1,899	1,837	1,823	1,780	1,881	1,923	1,975	1,630	1,867
23 Time deposits[1]	4,230	5,528	7,318	9,374	8,363r	8,673	8,469	9,126	8,688	8,985
24 Other[2]	10,315	9,212	10,272	7,842	6,826r	6,694	6,385	5,481r	7,279	6,833
25 Banks' custody liabilities[4]	62,018	55,008	60,448	67,026	63,002	58,645	60,898	63,366	62,192	63,710
26 U.S. Treasury bills and certificates[5]	52,389	46,658	54,341	59,976	56,662	52,474	54,685	57,226	56,691	58,589
27 Other negotiable and readily transferable instruments[6]	9,581	8,321	6,082	6,966	6,287r	6,086	6,109	6,007	5,451	5,042
28 Other	47	28	25	84	53r	85	105	133	50	78
29 **Banks[9]**	**136,008**	**185,881**	**226,887**	**248,190**	**241,805r**	**250,059r**	**257,565**	**252,858r**	**251,609**	**252,957**
30 Banks' own liabilities	124,312	169,449	205,347	225,341	219,231r	227,722r	235,132	230,426r	229,682	231,130
31 Unaffiliated foreign banks	26,812	50,230	60,236	74,794	73,254r	77,512r	80,521	78,149r	78,341	76,768
32 Demand deposits	11,614	8,675	8,759	10,556	9,030r	9,656	9,154	9,266	8,722	9,843
33 Time deposits[1]	8,720	28,386	37,439	47,120	48,622r	50,993r	54,222	51,610r	52,646	49,964
34 Other[2]	6,477	13,169	14,038	17,118	15,602	16,862	17,144	17,273r	16,973	16,961
35 Own foreign offices[3]	97,500	119,219	145,111	150,547	145,977r	150,211r	154,611	152,277r	151,341	154,362
36 Banks' custody liabilities[4]	11,696	16,432	21,540	22,848	22,575r	22,336	22,433	22,432	21,926	21,827
37 U.S. Treasury bills and certificates	1,685	5,809	10,178	10,927	10,933	10,493	10,602	10,446	10,216	9,745
38 Other negotiable and readily transferable instruments[6]	4,400	7,857	7,485	7,156	6,527r	6,254	6,206	6,235	6,104	6,231
39 Other	5,611	2,766	3,877	4,766	5,114	5,589	5,625	5,751	5,606	5,851
40 **Other foreigners**	**26,035**	**44,606**	**56,887**	**68,119**	**70,549r**	**73,475r**	**72,079**	**71,738r**	**72,941**	**72,775**
41 Banks' own liabilities	21,759	39,092	49,680	60,486	61,855r	64,604r	62,855	62,608r	63,675	64,192
42 Demand deposits	5,191	5,209	6,577	6,938	6,747	7,491	6,863	6,888r	7,098	8,742
43 Time deposits	16,030	33,219	42,290	52,697	54,502r	56,494r	55,049	54,775r	55,608	54,240
44 Other[2]	537	664	813	851	606r	619	943	945	969	1,210
45 Banks' custody liabilities[4]	4,276	5,514	7,207	7,633	8,693	8,871	9,224	9,131	9,266	8,583
46 U.S. Treasury bills and certificates	699	1,540	3,686	4,020	4,118	3,964	4,182	3,973r	3,915	4,081
47 Other negotiable and readily transferable instruments[6]	3,265	3,065	3,038	3,024	3,948	4,267	4,294	4,501r	4,604	3,798
48 Other	312	908	483	590	628	640	748	657	746	704
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	10,747	14,307	10,346	10,476	9,287	9,169	9,412	9,145	9,081	8,679

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments, and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

3.17 Continued

Area and country	1981▲	1982	1983	1984 Dec.	1985 Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **Total**	**243,889**	**307,056**	**369,607**	**406,457[r]**	**399,255[r]**	**405,239[r]**	**413,225**	**410,655[r]**	**410,032**	**412,737**
2 **Foreign countries**	**241,168**	**302,134**	**363,649**	**402,374[r]**	**392,326[r]**	**399,428[r]**	**407,320**	**404,544[r]**	**404,338**	**407,127**
3 Europe	91,275	117,756	138,072	152,553[r]	149,304[r]	152,221	151,660	149,108[r]	151,039	153,771
4 Austria	596	519	585	615	734	625	670	537	627	563
5 Belgium-Luxembourg	4,117	2,517	2,709	4,114	4,000	4,638	4,797	4,795	4,619	4,988
6 Denmark	333	509	466	438	452	530	452	557	494	727
7 Finland	296	748	531	418	425	735	804	476	604	325
8 France	8,486	8,171	9,441	12,701	11,908	12,430	12,782	13,627	14,179	13,849
9 Germany	7,645	5,351	3,599	3,358[r]	3,586	3,258	2,923	3,539	3,727	4,003
10 Greece	463	537	520	699	615	583	730	649	586	605
11 Italy	7,267	5,626	8,462	10,757	9,477	9,108	8,412	7,895	8,468	9,276
12 Netherlands	2,823	3,362	4,290	4,799	4,663	4,622	4,934	4,448	4,573	4,378
13 Norway	1,457	1,567	1,673	1,548	1,712	1,635	1,889	2,138	1,995	1,397
14 Portugal	354	388	373	597	570	614	715	698	665	635
15 Spain	916	1,405	1,603	2,082	2,016	1,887	2,079	2,000	2,030	2,015
16 Sweden	1,545	1,390	1,799	1,676	2,133	1,486	1,667	1,901	1,689	2,277
17 Switzerland	18,716	29,066	32,246	31,054	31,437	31,580	30,421	30,059	29,751	29,554
18 Turkey	518	296	467	584	495	501	527	506	384	631
19 United Kingdom	28,286	48,172	60,683	68,711[r]	68,039	70,269	70,289	68,239[r]	69,714	70,938
20 Yugoslavia	375	499	562	602	545	602	671	648	585	729
21 Other Western Europe[1]	6,541	7,006	7,403	7,184	5,855	6,628	6,286	5,790	5,827	6,235
22 U.S.S.R.	49	50	65	79	66	60	94	125	67	31
23 Other Eastern Europe[2]	493	576	596	537[r]	575	431	517	480	458	614
24 Canada	10,250	12,232	16,026	16,048	16,331[r]	18,263	17,228	17,006	16,214	15,875
25 Latin America and Caribbean	85,223	114,163	140,088	153,577[r]	151,374[r]	154,828[r]	157,708	156,803[r]	157,071	158,423
26 Argentina	2,445	3,578	4,038	4,424	4,523	4,354	4,551	4,664	4,912	5,088
27 Bahamas	34,856	44,744	55,818	56,897[r]	55,580[r]	56,928	59,600	59,069	58,195	57,539
28 Bermuda	765	1,572	2,266	2,370	2,706	3,410	2,799	3,159	3,192	2,496
29 Brazil	1,568	2,014	3,168	5,332	4,920	6,143	4,656	4,743	5,376	5,187
30 British West Indies	17,794	26,381	34,545	36,747[r]	35,265[r]	35,171[r]	36,593	35,765	35,489	38,961
31 Chile	664	1,626	1,842	2,001	1,948	1,916	1,897	1,909	1,922	1,870
32 Colombia	2,993	2,594	1,689	2,514	2,356	2,453	2,540	2,401	2,452	2,504
33 Cuba	9	9	8	10	26	8	6	6	7	6
34 Ecuador	434	455	1,047	1,092	912	981	1,024	1,022	987	1,002
35 Guatemala	479	670	788	896	920	915	950	955	979	963
36 Jamaica	87	126	109	183	157	182	163	154	146	123
37 Mexico	7,235	8,377	10,392	12,506[r]	13,254[r]	13,000	13,240	13,202[r]	13,658	13,532
38 Netherlands Antilles	3,182	3,597	3,879	4,153	4,346	4,662	4,576	4,383	4,439	4,199
39 Panama	4,857	4,805	5,924	6,951[r]	6,884[r]	7,177[r]	7,488	7,584	7,570	7,424
40 Peru	694	1,147	1,166	1,266[r]	1,151	1,064	1,132	1,077	1,162	1,168
41 Uruguay	367	759	1,244	1,394	1,485	1,413	1,443	1,461	1,492	1,414
42 Venezuela	4,245	8,417	8,632	10,545	10,667	10,740	10,649	10,791	10,696	10,471
43 Other Latin America and Caribbean	2,548	3,291	3,535	4,297	4,275	4,311	4,401	4,458	4,396	4,475
44 Asia	49,822	48,716	58,570	71,115[r]	66,522[r]	64,981	72,095	73,233[r]	71,576	70,289
China										
45 Mainland	158	203	249	1,153	1,075	1,068	980	912	698	886
46 Taiwan	2,082	2,761	4,051	4,975	5,098	5,187	5,306	5,242	5,381	5,545
47 Hong Kong	3,950	4,465	6,657	6,594[r]	6,558	6,648	6,937	7,091	7,360	7,989
48 India	385	433	464	507	559[r]	725	738	554	546	569
49 Indonesia	640	857	997	1,033	1,136	914	1,052	1,104	1,031	1,118
50 Israel	592	606	1,722	1,268	1,003	994	941	873	990	1,053
51 Japan	20,750	16,078	18,079	21,586[r]	21,662	22,551	24,540	22,683[r]	22,754	21,085
52 Korea	2,013	1,692	1,648	1,724[r]	1,560	1,584	1,526	1,595	1,598	1,705
53 Philippines	874	770	1,234	1,383[r]	1,327	1,113	1,102	1,223	1,305	1,443
54 Thailand	534	629	747	1,257	1,161	1,050	1,384	1,141	1,167	1,063
55 Middle-East oil-exporting countries[3]	12,992	13,433	12,976	16,804	15,965	15,202	16,391	16,373	16,316	15,046
56 Other Asia	4,853	6,789	9,748	12,831[r]	9,417[r]	7,945	11,200	14,441	12,430	12,787
57 Africa	3,180	3,124	2,827	3,396[r]	3,170	3,561	3,476	3,517	3,429	3,915
58 Egypt	360	432	671	647[r]	541	637	715	747	618	745
59 Morocco	32	81	84	118	115	116	167	155	189	160
60 South Africa	420	292	449	328	376	371	244	339	273	322
61 Zaire	26	23	87	153	76	79	100	128	124	172
62 Oil-exporting countries[4]	1,395	1,280	620	1,189	1,186	1,450	1,346	1,177	1,114	1,506
63 Other Africa	946	1,016	917	961	876	910	903	969	1,112	1,010
64 Other countries	1,419	6,143	8,067	5,684[r]	5,624	5,574	5,152	4,877	5,009	4,854
65 Australia	1,223	5,904	7,857	5,300[r]	5,248	5,017	4,743	4,456	4,608	4,456
66 All other	196	239	210	384	377	557	409	422	401	398
67 Nonmonetary international and regional organizations	2,721	4,922	5,957	4,083	6,929	5,812	5,905	6,112	6,694	5,609
68 International	1,661	4,049	5,273	3,376	6,165	4,935	5,132	5,247	5,636	4,598
69 Latin American regional	710	517	419	587	600	580	632	706	834	808
70 Other regional[5]	350	357	265	120	165	296	141	159	224	203

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.

2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria.

5. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1981▲	1982	1983	1984	1985					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **Total**	**251,589**	**355,705**	**391,312**	**398,558r**	**387,050r**	**393,212r**	**396,898**	**390,022r**	**390,989**	**396,940**
2 **Foreign countries**	**251,533**	**355,636**	**391,148**	**397,884r**	**386,126r**	**392,912r**	**396,658**	**389,942r**	**390,174**	**396,270**
3 Europe	49,262	85,584	91,927	97,917r	96,068r	98,019r	101,759	99,427r	99,997	100,622
4 Austria	121	229	401	433	339	367	484	519	552	536
5 Belgium-Luxembourg	2,849	5,138	5,639	4,794	4,683	5,097	5,233	5,161	5,264	5,212
6 Denmark	187	554	1,275	648	589	589	638	601	560	474
7 Finland	546	990	1,044	898	817	907	826	804	700	896
8 France	4,127	7,251	8,766	9,117r	8,642	9,627r	10,042	10,273	10,462	9,970
9 Germany	940	1,876	1,284	1,313r	1,001	945	1,072	1,008	1,018	1,212
10 Greece	333	452	476	817	896	840	848	907	921	1,002
11 Italy	5,240	7,560	9,018	9,079	8,040	8,481	8,711	8,256	7,798	7,493
12 Netherlands	682	1,425	1,267	1,351	1,480	1,490	1,348	1,401	1,040	1,340
13 Norway	384	572	690	675	651	808	621	748	753	749
14 Portugal	529	950	1,114	1,243	1,212	1,286	1,186	1,151	1,158	1,156
15 Spain	2,095	3,744	3,573	2,884	2,858	3,135	2,978	2,890	2,587	2,699
16 Sweden	1,205	3,038	3,358	2,220	2,497	2,586	2,342	2,338	2,177	2,072
17 Switzerland	2,213	1,639	1,863	2,123r	2,308	2,110	1,921	1,843	1,631	2,206
18 Turkey	424	560	812	1,130	1,232	1,155	1,172	1,147	1,162	1,208
19 United Kingdom	23,849	45,781	47,364	55,184	54,843	54,648	58,381	56,199r	57,812	58,118
20 Yugoslavia	1,225	1,430	1,718	1,886	1,862	1,783	1,793	1,892	1,940	1,958
21 Other Western Europe[1]	211	368	477	596	671	679	642	640	760	782
22 U.S.S.R	377	263	192	142	118	178	203	245	312	297
23 Other Eastern Europe[2]	1,725	1,762	1,598	1,382r	1,329	1,308	1,317	1,404r	1,390	1,244
24 Canada	9,193	13,678	16,341	16,057	16,363	19,082	18,766	18,349r	17,891	17,856
25 Latin America and Caribbean	138,347	187,969	205,491	207,561r	199,474	200,736r	202,808	199,034r	201,041	205,309
26 Argentina	7,527	10,974	11,749	11,043	11,453	11,280	11,162	11,163	11,346	11,360
27 Bahamas	43,542	56,649	59,633	57,904r	54,405r	54,548	57,608	55,526	56,727	60,933
28 Bermuda	346	603	566	592	601r	448	464	633	506	707
29 Brazil	16,926	23,271	24,667	26,315r	25,886	26,146	26,124	26,207	26,434	26,381
30 British West Indies	21,981	29,101	35,527	38,077r	35,368r	36,806	36,299	35,503r	36,024	36,265
31 Chile	3,690	5,513	6,072	6,839	6,746	6,713	6,775	6,676	6,634	6,673
32 Colombia	2,018	3,211	3,745	3,499	3,369	3,406	3,313	3,246	3,270	3,203
33 Cuba	3	3	0	0	0	1	0	0	0	0
34 Ecuador	1,531	2,062	2,307	2,420	2,477	2,489	2,470	2,467	2,487	2,496
35 Guatemala[3]	124	124	129	158	154	157	154	154	149	145
36 Jamaica[3]	62	181	215	252	242	253	233	223	237	227
37 Mexico	22,439	29,552	34,802	34,824r	34,066r	33,660r	33,410	32,554r	32,747	32,411
38 Netherlands Antilles	1,076	839	1,154	1,350	1,273	1,393	1,254	1,319	1,386	1,255
39 Panama	6,794	10,210	7,848	7,707	6,864	7,071	7,083	7,039	6,751	6,880
40 Peru	1,218	2,357	2,536	2,384	2,414	2,337	2,345	2,353	2,310	2,296
41 Uruguay	157	686	977	1,088	1,053	1,021	1,019	1,014	1,013	1,024
42 Venezuela	7,069	10,643	11,287	11,017	10,968	10,929	10,956	10,804	10,947	10,993
43 Other Latin America and Caribbean	1,844	1,991	2,277	2,091	2,135	2,077	2,139	2,154	2,072	2,060
44 Asia	49,851	60,952	67,837	66,278r	64,387	65,351	63,595	63,430r	61,850	63,224
China										
45 Mainland	107	214	292	710	507	741	650	572	545	360
46 Taiwan	2,461	2,288	1,908	1,849	1,745	1,827	1,954	1,937r	1,639	1,716
47 Hong Kong	4,132	6,787	8,489	7,283r	6,801	7,351	6,639	6,897r	7,290	7,141
48 India	123	222	330	425	299	354	284	307	270	310
49 Indonesia	352	348	805	734	710	780	780	704	701	682
50 Israel	1,567	2,029	1,832	2,088	1,993	2,041	1,941	2,004	2,038	2,598
51 Japan	26,797	28,379	30,354	29,059	28,495	29,092	28,008	26,594r	25,477	26,499
52 Korea	7,340	9,387	9,943	9,285	8,799	8,813	9,298	9,434r	9,120	9,073
53 Philippines	1,819	2,625	2,107	2,550	2,499	2,560	2,435	2,360	2,384	2,452
54 Thailand	565	643	1,219	1,125	1,123	1,076	1,005	939	852	862
55 Middle East oil-exporting countries[4]	1,581	3,087	4,954	5,044r	5,004	4,856	4,708	5,509	5,546	5,120
56 Other Asia	3,009	4,943	5,603	6,126r	6,411	5,860	5,895	6,171	5,989	6,411
57 Africa	3,503	5,346	6,654	6,615	6,536	6,376	6,221	6,299	6,203	6,066
58 Egypt	238	322	747	728	668	584	674	629	612	626
59 Morocco	284	353	440	583	552	582	584	595	577	592
60 South Africa	1,011	2,012	2,634	2,795	2,791	2,666	2,420	2,508	2,497	2,514
61 Zaire	112	57	33	18	41	29	24	24	24	24
62 Oil-exporting countries[5]	657	801	1,073	842	812	791	819	893	871	740
63 Other	1,201	1,802	1,727	1,649	1,672	1,724	1,700	1,651	1,621	1,571
64 Other countries	1,376	2,107	2,898	3,456	3,297	3,348	3,510	3,403	3,192	3,192
65 Australia	1,203	1,713	2,256	2,778	2,593	2,635	2,824	2,755	2,533	2,506
66 All other	172	394	642	678	704	713	686	648	658	686
67 Nonmonetary international and regional organizations[6]	56	68	164	674	925	300	240	80	815	670

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.

2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.

3. Included in "Other Latin America and Caribbean" through March 1978.

4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

5. Comprises Algeria, Gabon, Libya, and Nigeria.

6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

NOTE. Data for period before April 1978 include claims of banks' domestic customers on foreigners.

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

Millions of dollars, end of period

Type of claim	1981▲	1982	1983	1984	1985					
				Dec.r	Jan.r	Feb.r	Mar.	Apr.r	May	Junep
1 **Total**	**287,557**	**396,015**	**426,215**	**431,474**	....	....	**430,544**	....	....	**396,940**
2 Banks' own claims on foreigners	251,589	355,705	391,312	398,558	387,050r	393,212	396,898	390,022	390,989	396,940
3 Foreign public borrowers	31,260	45,422	57,569	61,473	61,411r	61,828	61,676	60,972	61,530	60,977
4 Own foreign offices[1]	96,653	127,293	146,393	156,202	153,651r	154,524	157,933	155,144	156,759	164,257
5 Unaffiliated foreign banks	74,704	121,377	123,837	123,791	117,525r	121,372	122,145	119,369	119,173	117,964
6 Deposits	23,381	44,223	47,126	48,168	45,745r	47,685	49,672	47,664	48,096	47,839
7 Other	51,322	77,153	76,711	75,624	71,780r	73,687	72,473	71,706	71,077	70,125
8 All other foreigners	48,972	61,614	63,514	57,092	54,463r	55,487	55,143	54,536	53,526	53,741
9 Claims of banks' domestic customers[2]	35,968	40,310	34,903	32,916	....	....	33,646	....	....	....
10 Deposits	1,378	2,491	2,969	3,380	....	....	3,871	....	....	....
11 Negotiable and readily transferable instruments[3]	26,352	30,763	26,064	23,805	....	....	24,576	....	....	....
12 Outstanding collections and other claims	8,238	7,056	5,870	5,732	....	....	5,198	....	....	....
13 MEMO: Customer liability on acceptances	29,952	38,153	37,715	36,667	....	....	35,204	....	....	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[4]	40,369	42,499	46,217	40,096	42,140r	39,830	39,558	39,193	37,274	n.a.

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
3. Principally negotiable time certificates of deposit and bankers acceptances.
4. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1981▲	1982	1983	1984			1985
				Juner	Sept.r	Dec.	Mar.
1 **Total**	**154,590**	**228,150**	**243,715**	**249,943**	**240,590**	**243,170r**	**239,222**
By borrower							
2 Maturity of 1 year or less[1]	116,394	173,917	176,158	172,510	162,802	165,321r	164,883
3 Foreign public borrowers	15,142	21,256	24,039	21,091	21,086	22,141r	23,496
4 All other foreigners	101,252	152,661	152,120	151,419	141,716	143,180r	141,387
5 Maturity of over 1 year[1]	38,197	54,233	67,557	77,433	77,788	77,849	74,339
6 Foreign public borrowers	15,589	23,137	32,521	37,919	38,571	39,672r	38,088
7 All other foreigners	22,608	31,095	35,036	39,514	39,217	38,177r	36,251
By area							
Maturity of 1 year or less[1]							
8 Europe	28,130	50,500	56,117	59,941	56,741	58,173r	60,269
9 Canada	4,662	7,642	6,211	6,959	5,841	5,978	7,481
10 Latin America and Caribbean	48,717	73,291	73,660	65,134	61,449	60,825r	60,071
11 Asia	31,485	37,578	34,403	34,026	32,268	33,435r	30,651
12 Africa	2,457	3,680	4,199	4,790	4,798	4,442	4,109
13 All other[2]	943	1,226	1,569	1,659	1,705	2,468	2,301
Maturity of over 1 year[1]							
14 Europe	8,100	11,636	13,576	12,778	11,249	9,590	8,545
15 Canada	1,808	1,931	1,857	2,203	1,801	1,890	2,181
16 Latin America and Caribbean	25,209	35,247	43,888	54,252	56,625	57,834	55,372
17 Asia	1,907	3,185	4,850	5,098	5,106	5,386	5,235
18 Africa	900	1,494	2,286	1,865	1,857	2,033	1,963
19 All other[2]	272	740	1,101	1,237	1,150	1,116	1,043

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

Area or country	1980	1981	1982	1983			1984				1985
			Dec.	June	Sept.	Dec.	Mar.	June[7]	Sept.	Dec.	Mar.[p]
1 **Total**	**352.0**	**415.2**	**438.7**	**439.9**	**431.0**	**437.3**	**435.1**	**430.6**	**410.1**	**407.7**	**409.2**
2 G-10 countries and Switzerland	162.1	175.5	179.7	177.1	168.8	168.0	166.0	157.7	148.0	147.6	152.0
3 Belgium-Luxembourg	13.0	13.3	13.1	13.3	12.6	12.4	11.0	10.9	9.8	8.8	9.4
4 France	14.1	15.3	17.1	17.1	16.2	16.3	15.9	14.2	14.3	14.1	14.5
5 Germany	12.1	12.9	12.7	12.6	11.6	11.3	11.7	10.9	10.0	9.0	8.9
6 Italy	8.2	9.6	10.3	10.5	9.9	11.4	11.2	11.5	9.7	10.1	10.0
7 Netherlands	4.4	4.0	3.6	4.0	3.6	3.5	3.4	3.0	3.4	3.9	3.7
8 Sweden	2.9	3.7	5.0	4.7	4.9	5.1	5.2	4.3	3.5	3.2	3.1
9 Switzerland	5.0	5.5	5.0	4.8	4.2	4.3	4.3	4.2	3.9	3.9	4.2
10 United Kingdom	67.4	70.1	72.1	70.8	67.8	65.4	65.1	60.5	57.4	59.8	64.4
11 Canada	8.4	10.9	10.4	10.8	8.9	8.3	8.6	8.9	8.1	7.8	9.0
12 Japan	26.5	30.2	30.2	28.5	29.0	29.9	29.7	29.3	27.9	27.2	24.8
13 Other developed countries	21.6	28.4	33.7	34.5	34.3	36.1	35.7	37.1	36.3	33.8	33.0
14 Austria	1.9	1.9	1.9	2.1	1.9	1.9	2.0	1.9	1.8	1.6	1.6
15 Denmark	2.3	2.3	2.4	3.4	3.3	3.4	3.4	3.1	2.9	2.2	2.1
16 Finland	1.4	1.7	2.2	2.1	1.8	2.4	2.1	2.3	1.9	1.9	1.8
17 Greece	2.8	2.8	3.0	2.9	2.9	2.8	3.0	3.3	3.2	2.9	2.9
18 Norway	2.6	3.1	3.3	3.4	3.2	3.3	3.2	3.2	3.2	3.0	2.9
19 Portugal	.6	1.1	1.5	1.4	1.4	1.5	1.4	1.7	1.6	1.4	1.4
20 Spain	4.4	6.6	7.5	7.2	7.1	7.1	7.1	7.3	6.9	6.5	6.4
21 Turkey	1.5	1.4	1.4	1.4	1.5	1.7	1.9	2.0	2.0	1.9	1.9
22 Other Western Europe	1.7	2.1	2.3	2.0	2.1	1.8	1.8	1.9	1.7	1.7	1.7
23 South Africa	1.1	2.8	3.7	3.9	4.7	4.7	4.8	4.7	5.0	4.5	4.2
24 Australia	1.3	2.5	4.4	4.5	4.4	5.5	5.2	5.7	6.2	6.1	6.2
25 OPEC countries[2]	22.7	24.8	27.4	28.3	27.2	28.9	28.6	26.7	25.0	25.6	25.3
26 Ecuador	2.1	2.2	2.2	2.2	2.1	2.2	2.1	2.1	2.1	2.2	2.2
27 Venezuela	9.1	9.9	10.5	10.4	9.8	9.9	9.7	9.5	9.2	9.3	9.2
28 Indonesia	1.8	2.6	3.2	3.2	3.4	3.8	4.0	4.0	3.8	3.7	3.6
29 Middle East countries	6.9	7.5	8.7	9.5	9.1	10.0	9.8	8.4	7.4	8.2	7.8
30 African countries	2.8	2.5	2.8	3.0	2.8	3.0	3.0	2.7	2.5	2.3	2.4
31 Non-OPEC developing countries	77.4	96.3	107.1	108.8	109.8	111.6	112.2	112.8	111.9	112.2	111.3
Latin America											
32 Argentina	7.9	9.4	8.9	9.4	9.5	9.5	9.5	9.2	9.1	8.7	8.6
33 Brazil	16.2	19.1	22.9	22.7	23.1	23.1	25.1	25.4	26.3	26.3	26.4
34 Chile	3.7	5.8	6.3	5.8	6.3	6.4	6.5	6.7	7.1	7.0	7.0
35 Colombia	2.6	2.6	3.1	3.2	3.2	3.2	3.1	3.0	2.9	2.9	2.8
36 Mexico	15.9	21.6	24.5	25.3	25.9	26.1	25.6	26.0	26.1	25.8	25.7
37 Peru	1.8	2.0	2.6	2.6	2.4	2.4	2.3	2.3	2.2	2.2	2.2
38 Other Latin America	3.9	4.1	4.0	4.3	4.2	4.2	4.4	4.1	3.9	3.9	3.8
Asia											
China											
39 Mainland	.2	.2	.2	.2	.2	.3	.3	.6	.5	.7	.7
40 Taiwan	4.2	5.1	5.3	5.1	5.2	5.3	4.9	5.3	5.2	5.1	5.3
41 India	.3	.3	.6	.7	.8	1.0	1.0	1.0	1.1	1.0	1.0
42 Israel	1.5	2.1	2.3	2.3	1.7	1.9	1.6	1.9	1.7	1.8	1.7
43 Korea (South)	7.1	9.4	10.9	10.9	10.9	11.3	11.1	11.2	10.3	10.7	10.5
44 Malaysia	1.1	1.7	2.1	2.6	2.8	2.9	2.8	2.7	3.0	2.8	2.8
45 Philippines	5.1	6.0	6.3	6.4	6.2	6.2	6.7	6.3	5.9	6.0	6.1
46 Thailand	1.6	1.5	1.6	1.8	1.8	2.2	2.1	1.9	1.8	1.8	1.7
47 Other Asia	.6	1.0	1.1	1.2	1.0	1.0	.9	1.1	1.0	1.1	1.1
Africa											
48 Egypt	.8	1.1	1.2	1.3	1.4	1.5	1.4	1.4	1.2	1.2	1.1
49 Morocco	.7	.7	.7	.8	.8	.8	.8	.8	.8	.8	.8
50 Zaire	.2	.2	.1	.1	.1	.1	.1	.1	.1	.1	.1
51 Other Africa[3]	2.1	2.3	2.4	2.2	2.4	2.3	2.2	1.9	1.9	2.1	2.1
52 Eastern Europe	7.4	7.8	6.2	5.8	5.3	5.3	4.9	4.9	4.5	4.4	4.5
53 U.S.S.R.	.4	.6	.3	.4	.2	.2	.2	.2	.2	.1	.4
54 Yugoslavia	2.3	2.5	2.2	2.3	2.3	2.4	2.3	2.3	2.3	2.3	2.2
55 Other	4.6	4.7	3.7	3.0	2.8	2.8	2.5	2.4	2.1	2.0	1.9
56 Offshore banking centers	47.0	63.7	66.8	69.3	68.7	70.5	71.4	74.1	66.9	66.8	66.3
57 Bahamas	13.7	19.0	19.0	20.7	21.6	21.8	24.6	27.5	23.7	21.5	21.5
58 Bermuda	.6	.7	.9	.8	.8	.9	.7	.7	1.0	.9	.7
59 Cayman Islands and other British West Indies	10.6	12.4	12.9	12.7	10.5	12.2	12.0	12.2	11.1	11.7	12.6
60 Netherlands Antilles	2.1	3.2	3.3	2.6	4.1	4.2	3.3	3.3	3.1	3.4	3.3
61 Panama[4]	5.4	7.7	7.6	6.6	5.7	6.0	6.3	6.6	5.7	6.8	5.7
62 Lebanon	.2	.2	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	8.1	11.8	13.9	14.5	15.2	15.0	14.4	13.5	12.7	12.5	12.4
64 Singapore	5.9	8.7	9.2	11.2	10.5	10.3	10.0	10.2	9.5	9.8	10.0
65 Others[5]	.3	.1	.0	.0	.1	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[6]	14.0	18.8	17.9	16.2	16.9	17.0	16.3	17.3	17.3	17.3	16.9

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Besides the Organization of Petroleum Exporting Countries shown individually, this group includes other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates) as well as Bahrain and Oman (not formally members of OPEC).

3. Excludes Liberia.

4. Includes Canal Zone beginning December 1979.

5. Foreign branch claims only.

6. Includes New Zealand, Liberia, and international and regional organizations.

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

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	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**	**29,531r**	**28,221**
2 Payable in dollars	32,582	26,085	31,856	30,919	28,996	27,754	26,934r	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	10,591r	10,286
12 Trade receivables	14,007	9,994	9,721	9,540	9,105	8,885	9,110r	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	9,856r	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	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	3,812r	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	1,063r	872
44 Canada	967	633	829	1,061	933	1,026	1,021r	1,248
45 Latin America and Caribbean	3,479	2,526	2,695	2,419	2,042	1,976	1,973r	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	3,086r	3,012
53 Japan	1,245	1,047	1,114	1,186	1,178	1,080	1,191r	1,154
54 Middle East oil-exporting countries[2]	905	751	737	701	710	703	688r	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	229r	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.–June	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	1985 May	1985 June[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	69,770	60,473r	36,451	4,487	5,026r	7,125	6,303	5,106	6,476	6,414
2 Foreign sales	64,360	63,388	37,123	5,049	5,726r	7,180	6,748	5,071	6,371	6,027
3 **Net purchases, or sales (−)**	**5,410**	**−2,915r**	**−672**	**−562**	**−700r**	**−56**	**−445**	**36**	**106**	**387**
4 **Foreign countries**	**5,312**	**−3,030r**	**−606**	**−461**	**−717r**	**−51**	**−402**	**28**	**149**	**388**
5 Europe	3,979	−2,975r	−1,724	−359	−558	−215	−582	−161	−269	62
6 France	−97	−405	−6	−54	−19	−41	−13	24	17	27
7 Germany	1,045	−50	−291	−105	−134	−109	−113	23	38	5
8 Netherlands	−109	−315	−398	−29	−44	−108	−129	16	−48	−84
9 Switzerland	1,325	−1,490	−505	−249	−159	−133	−122	−48	−81	38
10 United Kingdom	1,799	−647r	−599	91	−178	129	−195	−191	−214	49
11 Canada	1,151	1,673	194	134	47r	168	−2	33	9	−62
12 Latin America and Caribbean	529	493	882	67	98r	158	80	169	247	130
13 Middle East[1]	−808	−1,998	6	−196	−52	−101	116	−96	44	96
14 Other Asia	395	−372	−38	−91	−264	−99	−41	91	101	174
15 Africa	42	−23	−12	−6	−7	−2	−13	−1	−8	20
16 Other countries	24	171	85	−11	19	40	39	−6	25	−31
17 **Nonmonetary international and regional organizations**	**98**	**115**	**−66**	**−101**	**17**	**−5**	**−43**	**8**	**−44**	**0**
BONDS[2]										
18 Foreign purchases	24,000	39,331r	36,168	6,393r	5,937	8,219	5,484	4,501	6,747	5,280
19 Foreign sales	23,097	26,071	20,029	2,900	3,106	3,649	2,598	3,068	3,700	3,908
20 **Net purchases, or sales (−)**	**903**	**13,260r**	**16,139**	**3,493r**	**2,831**	**4,570**	**2,886**	**1,432**	**3,047**	**1,373**
21 **Foreign countries**	**888**	**12,963r**	**16,143**	**3,517r**	**2,835**	**4,489**	**2,936**	**1,408**	**3,235**	**1,240**
22 Europe	909	11,793r	15,319	3,338	2,635	4,143	2,952	1,634	2,762	1,193
23 France	−89	207	12	24	55	−17	−10	18	0	−35
24 Germany	344	1,731	−19	184	67	−153	−112	174	−6	12
25 Netherlands	51	93	32	15	9	44	8	−9	−11	−9
26 Switzerland	583	644	1,038	276	12	315	483	65	71	93
27 United Kingdom	434	8,520	13,736	2,776	2,441	4,018	2,550	1,294	2,398	1,035
28 Canada	123	−71	89	14	59	−11	−5	0	43	3
29 Latin America and Caribbean	100	390	334	78	90	50	69	−82	178	29
30 Middle East[1]	−1,161	−1,011	−1,458	−179	−123	−84	−127	−507	−112	−505
31 Other Asia	865	1,862	1,837	276	140	337	89	381	372	518
32 Africa	0	1	2	1	0	0	0	0	1	0
33 Other countries	52	0r	21	−10r	35	54	−41	−19	−8	1
34 **Nonmonetary international and regional organizations**	**15**	**297**	**−4**	**−24**	**−4**	**81**	**−50**	**25**	**−188**	**133**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−3,765	−1,057r	−1,927	−221	−782r	−663r	−457	−101	123	−46
36 Foreign purchases	13,281	14,591	9,015	1,169	1,222r	1,607r	1,379	1,437	1,746	1,624
37 Foreign sales	17,046	15,648r	10,942	1,390	2,004r	2,271r	1,836	1,538	1,623	1,670
38 Bonds, net purchases, or sales (−)	−3,239	−4,052r	−2,409	−1,159	175r	202r	−950	−670	−1,035	−130
39 Foreign purchases	36,333	57,312r	37,303	5,134	5,424r	5,299r	5,673	5,674	7,469	7,764
40 Foreign sales	39,572	61,364r	39,712	6,293	5,249r	5,097r	6,623	6,345	8,504	7,894
41 **Net purchases, or sales (−), of stocks and bonds**	**−7,004**	**−5,109r**	**−4,336**	**−1,379**	**−607r**	**−461r**	**−1,407**	**−772**	**−912**	**−177**
42 **Foreign countries**	**−6,559**	**−4,720r**	**−4,699**	**−671**	**−736r**	**−761r**	**−1,217**	**−680**	**−1,076**	**−228**
43 Europe	−5,492	−8,632r	−5,344	−1,086	−719r	−96r	−1,208	−798	−1,984	−539
44 Canada	−1,328	413	−646	254	75	−422	−68	23	99	−158
45 Latin America and Caribbean	1,120	2,472	1,173	104	193r	−49r	7	136	812	75
46 Asia	−855	1,345	32	−115	−392r	−250r	99	−13	200	388
47 Africa	141	−107	−52	3	−4	−3	−26	−5	2	−15
48 Other countries	−144	−210	138	169	111r	58r	−21	−23	−7	21
49 **Nonmonetary international and regional organizations**	**−445**	**−389**	**363**	**−709**	**129**	**300**	**−190**	**−91**	**164**	**51**

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.–June	1984 Dec.	1985 Jan.	Feb.	Mar.	Apr.	May	June[p]
	Transactions, net purchases or sales (−) during period[1]									
1 **Estimated total**[2]	**3,693**	**21,438**[r]	**13,308**	**7,508**	**2,294**[r]	**2,308**[r]	**−4,401**	**−4,324**	**2,852**	**5,930**
2 Foreign countries[2]	3,162	16,433[r]	13,479	5,066	3,779[r]	2,153[r]	−4,756	2,249	4,120	5,934
3 Europe[2]	6,226	11,070	2,673	1,300	532	−81	−1,435	1,818	544	1,295
4 Belgium-Luxembourg	−431	289	320	46	104	18	0	80	101	17
5 Germany[2]	2,450	2,958	−232	336	−120	−129	−1,538	299	851	405
6 Netherlands	375	454	−331	16	−71	11	−201	−7	−73	10
7 Sweden	170	46	1,103	−88	150	−10	1	30	157	775
8 Switzerland[2]	−421	635	826	26	−35	358	313	183	−133	140
9 United Kingdom	1,966	5,223	−288	716	419	−342	293	188	−1,021	176
10 Other Western Europe	2,118	1,466[r]	1,264	248	86	12	−303	1,045	663	−239
11 Eastern Europe	0	0	12	0	0	0	0	0	0	12
12 Canada	699	1,526	143	249	−110[r]	−242[r]	38	334	115	7
13 Latin America and Caribbean	−212	1,413	2,053	380	149	735	−82	466[r]	581	204
14 Venezuela	−124	14	77	−10	5	−11	2	10	−9	80
15 Other Latin America and Caribbean	60	528	896	213	−2	71	65	177	462	122
16 Netherlands Antilles	−149	871	1,080	177	146	674	−149	278	127	3
17 Asia	−3,535	2,377	8,560	3,218	3,093	1,726	−3,289	−331	2,943	4,417
18 Japan	2,315	6,062	6,752	1,585	578	559	177	1,717	1,054	2,666
19 Africa	3	−67	90	2	2	1	1	13	57	16
20 All other	−17	114	−39	−83	113	14	11	−51[r]	−120	−6
21 Nonmonetary international and regional organizations	535	5,006[r]	−172	2,442	−1,485	155[r]	355	2,075	−1,268	−4
22 International	218	4,612	−176	2,361	−1,675	504	338	1,792	−1,057	−78
23 Latin American regional	0	0	3	0	0	1	0	−3	5	0
MEMO										
24 Foreign countries[2]	3,162	16,433[r]	13,479	5,066	3,779[r]	2,153[r]	−4,756	2,249	4,120	5,934
25 Official institutions	779	515[r]	3,990	1,921[r]	2,528[r]	1,322[r]	−5,278	−598	3,466	2,549
26 Other foreign[2]	2,382	15,918[r]	9,487	3,145[r]	1,251[r]	830[r]	521	2,846[r]	654	3,385
Oil-exporting countries										
27 Middle East[3]	−5,419	−6,277	806	−200	27	−372	554	−827	108	−1,317
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 July 31, 1985 Per-cent	Rate on July 31, 1985 Month effective	Country	Rate on July 31, 1985 Per-cent	Rate on July 31, 1985 Month effective	Country	Rate on July 31, 1985 Per-cent	Rate on July 31, 1985 Month effective
Austria	4.5	June 1984	France[1]	9.63	July 1985	Norway	8.0	June 1983
Belgium	11.0	Feb. 1984	Germany, Fed. Rep. of	4.5	June 1984	Switzerland	4.0	Mar. 1983
Brazil	49.0	Mar. 1981	Italy	15.5	Jan. 1985	United Kingdom[2]	....	....
Canada	9.30	July 1985	Japan	5.0	Oct. 1983	Venezuela	11.0	May 1983
Denmark	7.0	Oct. 1983	Netherlands	5.5	Feb. 1985			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. Minimum lending rate suspended as of Aug. 20, 1981.

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1982	1983	1984	1985 Jan.	Feb.	Mar.	Apr.	May	June	July
1 Eurodollars	12.24	9.57	10.75	8.37	9.05	9.32	8.74	8.13	7.60	7.89
2 United Kingdom	12.21	10.06	9.91	11.63	13.69	13.52	12.70	12.61	12.38	12.01
3 Canada	14.38	9.48	11.29	9.70	10.63	11.42	10.15	9.77	9.58	9.33
4 Germany	8.81	5.73	5.96	5.84	6.13	6.36	5.99	5.87	5.66	5.31
5 Switzerland	5.04	4.11	4.35	5.13	5.66	5.77	5.35	5.15	5.14	5.07
6 Netherlands	8.26	5.58	6.08	5.87	6.90	7.14	6.82	6.90	6.58	6.29
7 France	14.61	12.44	11.66	10.43	10.60	10.71	10.49	10.15	10.18	9.97
8 Italy	19.99	18.95	17.08	15.82	15.79	15.82	15.15	14.91	15.00	14.37
9 Belgium	14.10	10.51	11.41	10.75	10.75	10.75	10.09	9.35	8.96	8.95
10 Japan	6.84	6.49	6.32	6.27	6.29	6.30	6.26	6.26	6.30	6.29

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 Feb.	Mar.	Apr.	May	June	July
1 Australia/dollar[1]	101.65	90.14	87.937	73.74	69.70	65.84	67.68	66.51	69.95
2 Austria/schilling	17.060	17.968	20.005	23.190	23.247	21.717	21.868	21.532	20.446
3 Belgium/franc	45.780	51.121	57.749	66.310	66.308	62.283	62.572	61.719	58.626
4 Brazil/cruzeiro	179.22	573.27	1841.50	3768.17	4158.19	4511.58	5239.00	5786.00	6236.19
5 Canada/dollar	1.2344	1.2325	1.2953	1.3547	1.3840	1.3658	1.3756	1.3676	1.3526
6 China, P.R./yuan	1.8978	1.9809	2.3308	2.8347	2.8533	2.8480	2.8556	2.8693	2.8809
7 Denmark/krone	8.3443	9.1483	10.354	11.807	11.797	11.114	11.2244	10.9962	10.456
8 Finland/markka	4.8086	5.5636	6.0007	6.8616	6.8464	6.4652	6.4641	6.3660	6.0798
9 France/franc	6.5793	7.6203	8.7355	10.093	10.078	9.4427	9.4829	9.3414	8.8513
10 Germany/deutsche mark	2.428	2.5539	2.8454	3.3025	3.2982	3.0946	3.1093	3.0636	2.9083
11 Greece/drachma	66.872	87.895	112.73	134.73	140.62	134.86	137.239	136.00	131.75
12 Hong Kong/dollar	6.0697	7.2569	7.8188	7.8017	7.8009	7.7902	7.7766	7.7698	7.7527
13 India/rupee	9.4846	10.1040	11.348	12.922	12.861	12.400	12.5004	12.441	12.031
14 Ireland/pound[1]	142.05	124.81	108.64	94.23	94.58	101.17	100.71	102.19	107.79
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	2042.00	2078.50	1975.89	1984.45	1953.92	1900.33
17 Japan/yen	249.06	237.55	237.45	260.48	257.92	251.84	251.73	248.84	241.14
18 Malaysia/ringgit	2.3395	2.3204	2.3448	2.5513	2.5734	2.4922	2.4759	2.4685	2.4696
19 Mexico/peso	72.990	155.01	192.31	236.06	246.15	246.57	254.8182	294.22	346.70
20 Netherlands/guilder	2.6719	2.8543	3.2083	3.7387	3.7290	3.4981	3.5097	3.4535	3.2732
21 New Zealand/dollar[1]	75.101	66.790	57.837	45.223	45.276	45.520	45.197	45.949	49.826
22 Norway/krone	6.4567	7.3012	8.1596	9.4695	9.4608	8.9314	8.9442	8.8255	8.4338
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	183.24	183.98	174.56	177.545	176.15	169.77
25 Singapore/dollar	2.1406	2.1136	2.1325	2.2557	2.2582	2.2199	2.2228	2.2291	2.2109
26 South Africa/rand[1]	92.297	89.85	69.534	50.57	50.33	51.50	50.18	50.54	51.07
27 South Korea/won	731.93	776.04	807.91	839.16	850.71	861.21	792.56	875.00	876.46
28 Spain/peseta	110.09	143.500	160.78	182.35	183.13	172.85	175.397	173.42	167.97
29 Sri Lanka/rupee	20.756	23.510	25.428	26.605	26.836	27.113	27.404	27.433	27.327
30 Sweden/krona	6.2838	7.6717	8.2706	9.3364	9.4135	8.9946	8.9895	8.8565	8.4703
31 Switzerland/franc	2.0327	2.1006	2.3500	2.8045	2.8033	2.5948	2.6150	2.5721	2.4060
32 Taiwan/dollar	n.a.	n.a.	39.633	39.228	39.542	39.728	39.906	39.857	40.136
33 Thailand/baht	23.014	22.991	23.582	27.961	28.097	27.466	27.554	27.433	27.053
34 United Kingdom/pound[1]	174.80	151.59	133.66	109.31	112.53	123.77	124.83	128.08	138.07
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	158.43	158.14	149.56	149.92	147.71	140.94

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.

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Federal Reserve Banks, Branches, and Offices

FEDERAL RESERVE BANK, branch, or *facility* Zip	Chairman Deputy Chairman	President First Vice President	Vice President in charge of branch
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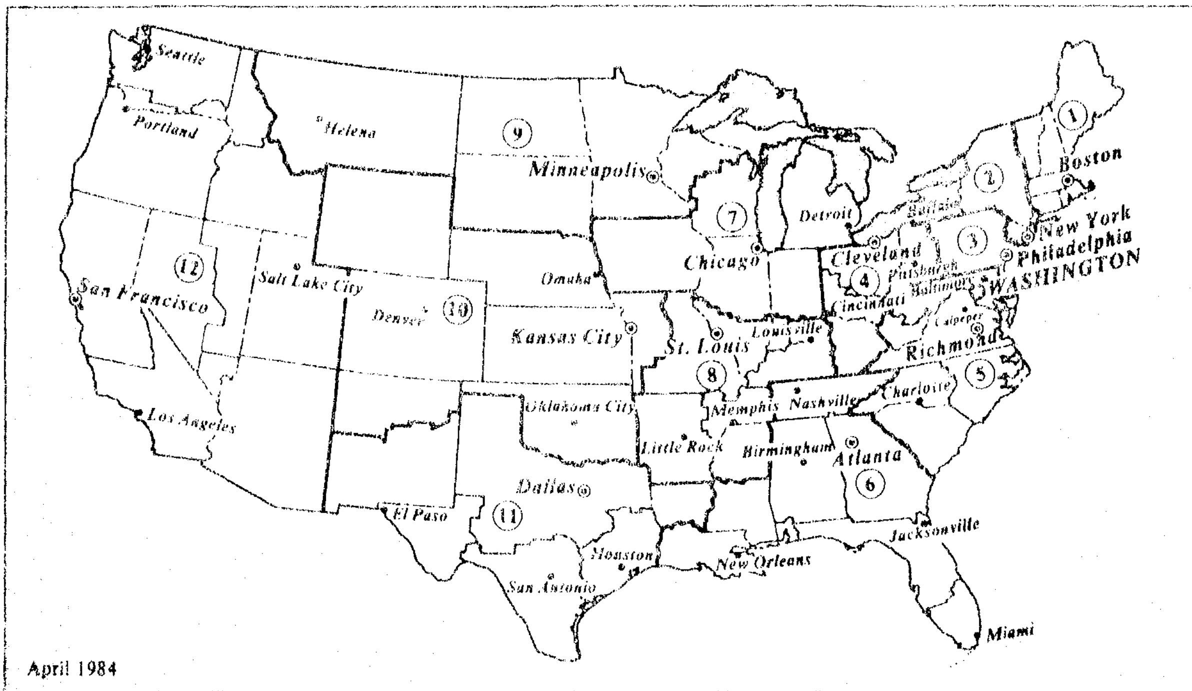
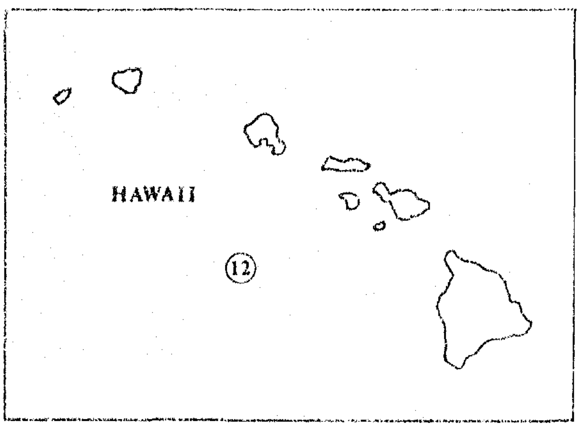
NEW YORK* 10045	John Brademas Clifton R. Wharton, Jr.	E. Gerald Corrigan Thomas M. Timlen	
Buffalo 14240	M. Jane Dickman		John T. Keane
PHILADELPHIA 19105	Robert M. Landis Nevius M. Curtis	Edward G. Boehne Richard L. Smoot	
CLEVELAND* 44101	William H. Knoell E. Mandell de Windt	Karen N. Horn William H. Hendricks	
Cincinnati 45201	Robert E. Boni		Charles A. Cerino
Pittsburgh 15230	Milton G. Hulme, Jr.		Harold J. Swart
RICHMOND* 23219	Leroy T. Canoles, Jr. Robert A. Georgine	Robert P. Black Jimmie R. Monhollon	
Baltimore 21203	Robert L. Tate		Robert D. McTeer, Jr.
Charlotte 28230	Wallace J. Jorgenson		Albert D. Tinkelenberg
Culpeper Communications and Records Center 22701			John G. Stoides
ATLANTA 30301	John H. Weitnauer, Jr. Bradley Currey, Jr.	Robert P. Forrestal Jack Guynn	
Birmingham 35283	Martha McInnis		Fred R. Herr
Jacksonville 32231	E. William Nash, Jr.		James D. Hawkins
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
CHICAGO* 60690	Stanton R. Cook Robert J. Day	Silas Keehn Daniel M. Doyle	
Detroit 48231	Russell G. Mawby		Roby L. Sloan
ST. LOUIS 63166	W.L. Hadley Griffin Mary P. Holt	Thomas C. Melzer Joseph P. Garbarini	
Little Rock 72203	Sheffield Nelson		John F. Breen
Louisville 40232	Henry F. Frigon		James E. Conrad
Memphis 38101	Donald B. Weis		Paul I. Black, Jr.
MINNEAPOLIS 55480	John B. Davis, Jr. Michael W. Wright	Gary H. Stern Thomas E. Gainor	
Helena 59601	Gene J. Etchart		Robert F. McNellis
KANSAS CITY 64198	Irvine O. Hockaday, Jr. Robert G. Lueder	Roger Guffey Henry R. Czerwinski	
Denver 80217	James E. Nielson		Wayne W. Martin
Oklahoma City 73125	Patience Latting		William G. Evans
Omaha 68102	Kenneth L. Morrison		Robert D. Hamilton
DALLAS 75222	Robert D. Rogers Bobby R. Inman	Robert H. Boykin William H. Wallace	
El Paso 79999	John R. Sibley		Joel L. Koonce, Jr.
Houston 77252	Robert T. Sakowitz		J.Z. Rowe
San Antonio 78295	Robert F. McDermott		Thomas H. Robertson
SAN FRANCISCO 94120	Alan C. Furth Fred W. Andrew	John J. Balles Richard T. Griffith	
Los Angeles 90051	Richard C. Seaver		Robert M. McGill
Portland 97208	Paul E. Bragdon		Angelo S. Carella
Salt Lake City 84125	Don M. Wheeler		E. Ronald Liggett
Seattle 98124	John W. Ellis		Gerald R. Kelly

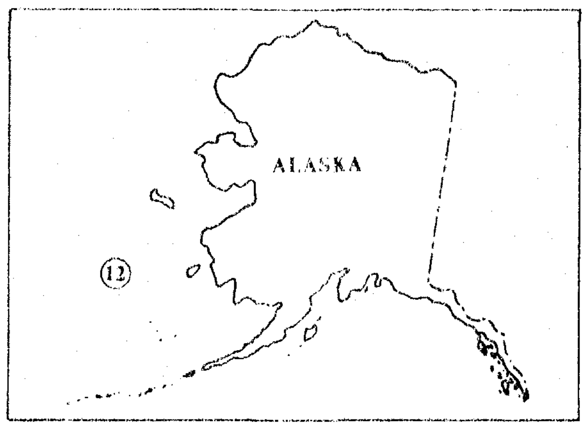
*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; Cranford, New Jersey 07016; Jericho, New York 11753; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; and Milwaukee, Wisconsin 53202.

The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territories







LEGEND

Boundaries of Federal Reserve Districts

Boundaries of Federal Reserve Branch Territories

Board of Governors of the Federal Reserve System

Federal Reserve Bank Cities

Federal Reserve Branch Cities

Federal Reserve Bank Facility