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anticipated slowing in monetary growth did not occur, somewhat greater reserve pressure would be acceptable in the context of a pickup in the expansion of economic activity with account being taken of conditions in domestic and international financial markets and the behavior of the dollar on foreign exchange markets. On the other hand, somewhat lesser reserve restraint might be acceptable in the event of pronounced sluggishness in the performance of the economy in association with a marked slowing in monetary growth.

The Committee agreed that the current intermeeting range for the federal funds rate should be reduced by 1 percentage point to 5 to 9 percent. The reduction was intended as a purely technical adjustment in the context of an unchanged degree of reserve availability and its purpose was to provide a more symmetrical range around the lower federal funds rate that had prevailed for some time. The members regard the federal funds range as a mechanism for initiating Committee consultation when its boundaries are persistently exceeded.

Monetary Policy Report to the Congress

Report submitted to the Congress on July 18, 1986, pursuant to the Full Employment and Balanced Growth Act of 1978.[1]

MONETARY POLICY AND THE ECONOMIC OUTLOOK FOR 1986 AND 1987

Sharp contrasts among sectors and regions of the economy characterized economic developments during the first half of 1986. Reflecting in substantial part continuing strong competitive pressures from abroad and large spending cutbacks in the oil industry in response to sharply declining prices, industrial and investment activity were restrained. In contrast, activity continued to expand rather strongly in housing, the financial sector, and the broad service area of the economy. On balance, real gross national product remained on a rather sluggish growth path.

Although there are substantial uncertainties about the degree and timing of a pickup in economic activity, a number of positive economic and financial developments have occurred that should provide the basis for somewhat faster economic growth and some reduction in unemployment over the year ahead. Interest rates have moved lower, and, reflecting the decline of the dollar on foreign exchange markets, U.S. industry is in a stronger competitive position internationally. Also, inflation has remained subdued, reflecting not only declines in the prices of energy and other basic commodities but also continued restraint on wages in many sectors. Much of the uncertainty about a pickup in growth turns on the strength of economic performance in other industrialized countries, and there is also some concern over the transitional effects of tax reform legislation.

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

What monetary policy has been able to do, during a period of greater overall price stability and adequate capacity relative to the demands actually placed upon it, is to accommodate demands for money and credit, helping to facilitate further declines in interest rates. Monetary policy by itself cannot eliminate or deal with the sectoral imbalances that are still troubling the economy. A reduction of the large deficit in the nation's external accounts is of critical importance over time, and this reduction will be difficult to achieve in an orderly way without faster growth in key foreign economies. Agreement on tax reform also would remove a major source of uncertainty that probably has inhibited growth in the first half of the year; over time, substantial progress toward eliminating federal budget deficits is essential to achieving better balance in the U.S. and world economies. Overall, prospects for the economy appear to be favorable, but much will depend on the evolution of policy, both in this country and abroad.

Economic and Financial Background

The first half of this year saw a continuation of the reduced pace of economic growth that has prevailed since the middle of 1984. Although the service industries have been strong, manufacturing activity has been relatively sluggish in the face of strong foreign competition, and some sectors, such as energy and agriculture, are under strong pressure. The economy has generated a substantial number of new jobs this year, but the labor force also has grown rapidly and the unemployment rate has remained around 7 percent.

Perhaps the most significant economic event in the first half of 1986 was the plunge in world crude oil prices. Despite the potential longer-term benefits from this development, the initial impact on the U.S. economy was negative as, with less of an incentive to search for new sources of supply, oil exploration activity was cut back sharply. However, falling crude oil prices have been translated quickly into lower rates of inflation for a time, and in addition, they have damped expectations about future price increases. Consumer confidence has been high, and with purchasing power boosted by the decline in energy prices, consumer spending has been strong. By damping inflation expectations, the drop in world oil prices also spurred a rally in credit markets, further extending the decline in interest rates that began in mid-1984.

Against the background of relatively slow economic growth and little overall price pressure, monetary policy basically has accommodated strong demands for reserves to back deposits thus far in 1986, while responding to and facilitating the drop in market interest rates with three half-point cuts in the discount rate. At the same time, with the dollar under downward pressure in foreign exchange markets during most of the period and the economies of other key industrial countries somewhat weak early in the year, international economic and financial developments remained an important consideration in the conduct of monetary policy. Similar official changes in interest rates in several major foreign countries, where growth also has been slower than expected, took place around the time of the first two discount rate reductions by the Federal Reserve this spring. The coordinated cuts helped avoid the potential for disturbing exchange market conditions.

Reductions in other short-term rates were generally in line with the total decline of 1½ percentage points in the discount rate since the end of last year. Yields on long-term credit market instruments fell as much as 2¼ percentage points, encouraged not only by the revision of inflation expectations that seemed to be keyed to falling energy prices but also by the sluggish performance of the economy and, early in the year, by the restraining effect of the Gramm–Rudman–Hollings legislation on expected federal budget deficits.

These and earlier declines in market rates had a particularly strong effect on the narrow monetary aggregate. By June, M1 had grown at an annual rate of 12¾ percent from its fourth-quarter 1985 level, well in excess both of its target range of 3 to 8 percent and of the growth in the economy. Over the first half of the year, the velocity of the aggregate appears to have declined at a faster rate than the postwar record decline in 1985. The interaction of lower interest rates with the changed composition of M1 since deposit deregulation explains a good portion of this rapid decline of velocity. The public apparently has been shifting a considerable amount of its savings into the negotiable order of withdrawal (NOW) account component of the aggregate in response to relatively large declines in rates on competitive outlets for liquid funds. Growth in demand deposits also has been quite strong, likely related to the effect of lower interest rates on the balances that businesses must hold to compensate for banking services, as well as to a surge in financial market activity. Even after taking account of these factors, however, the strength of M1 appeared extraordinary in the first half.

The broader aggregates grew more moderately, ending the first half near the middle of their respective target growth ranges of 6 to 9 percent. Nevertheless, the strong demand for liquid assets, generated by the relatively large declines in long-term rates, was evident not only in soaring M1 balances but also in the composition of the broader aggregates. For example, the more liquid components of M2 grew rapidly, while its time-deposit component increased only marginally. Over the same period, the debt of domestic nonfinancial sectors is estimated to have remained somewhat above its monitoring range, growing well in excess of GNP.

The substantial decline in long-term interest rates since the middle of last year has helped buoy interest-sensitive sectors of the economy. Activity in the housing market was quite strong in the first half of 1986, supported by the lowest level of mortgage rates in more than seven years. The reduction in interest rates also was a factor in the strength of consumer spending, both by reducing the overall cost of credit and by raising the value of the household sector's security holdings.

Although the foreign exchange value of the dollar has fallen a third from its 1985 peak, the depreciation apparently has not yet produced a substantial increase in the volume of exports or a reduction in the volume of imports. Adjustments of trading patterns to exchange rate movements take place over a number of years, and it is not surprising that a dramatic improvement in our large merchandise trade deficit has yet to occur. However, progress has been somewhat slower than might have been expected, partly because of the slow growth in other major industrialized countries. The continuing appreciation of the dollar against the currencies of many developing nations also has been a factor.

The influence of strong foreign competition remains pervasive. Agricultural products are in ample supply worldwide, reducing the export opportunities of our producers. In manufacturing, many industries continue to face weak foreign orders, while an increasing portion of domestic demand has been met from abroad in spite of price increases on some competing foreign products. With little observed pickup in demand, many firms have scaled back their expenditure plans, and capital spending remains weak as a result.

Ranges for Money and Debt Growth in 1986 and 1987

The FOMC reaffirmed the 1986 ranges of 6 to 9 percent that had been established in February for M2 and M3; as noted above, the broader monetary aggregates ended the first half of the year near the middle of those target ranges. For 1987, the Committee tentatively decided that, consistent with its intention to achieve money growth at a rate consistent with maintaining reasonable price stability and sustainable economic expansion, the target growth ranges for both M2 and M3 would be lowered ½ percentage point, to 5½ to 8½ percent, measured from the fourth quarter of 1986 to the fourth quarter of 1987. Those ranges were felt to be consistent with a pickup in economic growth.

The rapid rise in M1 over the first half of the year underscored the degree of uncertainty surrounding the behavior of the aggregate and, in particular, about its behavior relative to GNP. The nature of the relationship among M1, income, and interest rates appears to have been significantly altered by the changed composition of the aggregate in recent years, as well as by the prospects for greater price stability. The precise implications of these developments for the future are not yet clear, given the limited experience to date. In these circumstances, the Committee decided that growth of M1 in excess of the previously established range of 3 to 8 percent for 1986 would be acceptable and growth in that aggregate over the balance of the year would continue to be evaluated in light of the behavior of the other monetary aggregates. Developments in all the aggregates will be judged against the background of developments in the economy and financial markets and potential price pressures.

With respect to 1987, the Committee expressed the preliminary view that the current range for M1—3 to 8 percent—should provide for adequate money growth to support continued economic expansion, assuming that a greater stability reemerges in the link between M1 and income in a more stable economic, price, and interest rate environment than has existed in recent years. However, in the context of the experience of the past several years and keeping in mind the exceptional uncertainties in predicting the behavior of M1, the Committee at the end of this year will review with particular care the appropriate range and weight to be placed on M1 in 1987.

As shown in the accompanying table, the FOMC did not change the 1986 "monitoring" range for the credit market debt of domestic nonfinancial sectors and tentatively retained the same range for next year. It was anticipated that the debt aggregate might exceed the monitoring range of 8 to 11 percent for 1986 as a whole,

Ranges of growth for monetary and debt aggregates
Percent change, fourth quarter to fourth quarter

Aggregate	1986	Tentative for 1987
M1	[3 to 8][1]	[3 to 8][2]
M2	6 to 9	5½ to 8½
M3	6 to 9	5½ to 8½
Debt	8 to 11	8 to 11

1. While no new range was specified for 1986, growth in excess of the established range would be acceptable.
2. Indicative of likely range if more stable velocity behavior shows signs of reemerging.

given its rapid growth around the beginning of the year, but as in the past, the Committee felt that raising the target would create an inappropriate benchmark for evaluating longer-term trends in debt growth.

Economic Projections

The Committee believes that the monetary objectives it has set are supportive of a strengthening of economic activity in the second half of the year. However, the uncertainties associated with the economic outlook appear to be quite large, and continued vigilance and flexibility in the conduct of policy clearly are needed. As summarized in the table on economic projections, the central-tendency forecast of Committee members and nonvoting Reserve Bank Presidents is for growth of 2½ to 3 percent in real GNP this year. Such an increase in output would be expected to generate appreciable further gains in employment, but the unemployment rate might not drop below 7 percent before year-end. With the decline in energy prices more than offsetting effects from the depreciation of the dollar and with pressure from domestic labor and product markets restrained, the inflation rate for the year is generally projected at between 2¼ and 2¾ percent, as measured by the implicit deflator for GNP.

In 1987, which would be the fifth year of the current expansion, real GNP is projected by most participants to increase 3 to 3½ percent, and unemployment is expected to decline moderately. A significant portion of the increase in production next year is expected to come from the external sector, with the lower value of the dollar expected to restrain the growth of imports and to stimulate exports. However, with energy prices leveling off, exchange-rate-related increases in import prices are expected to cause an acceleration in inflation to a range of 3 to 4 percent next year.

The forecasts of the Committee members and nonvoting Reserve Bank Presidents assume that the Congress will seek to achieve the Gramm–Rudman–Hollings deficit reduction targets. Progress in reducing the federal deficit is seen as crucial in maintaining financial conditions conducive to balanced growth and to an improved pattern of international transactions.

Economic projections for 1986 and 1987[1]

Percent

Change in GNP or unemployment	FOMC Members and other FRB Presidents: Range	FOMC Members and other FRB Presidents: Central tendency
	1986	
Change, fourth quarter to fourth quarter		
Nominal GNP	3¾ to 6½	4¾ to 5¾
Real GNP	2¼ to 3½	2½ to 3
Implicit deflator for GNP	1½ to 3¼	2¼ to 2¾
Average level in the fourth quarter		
Civilian unemployment rate	6.9 to 7.2	7
	1987	
Change, fourth quarter to fourth quarter		
Nominal GNP	5 to 8¼	6 to 7½
Real GNP	2 to 4¼	3 to 3½
Implicit deflator for GNP	1½ to 4¼	3 to 4
Average level in the fourth quarter		
Civilian unemployment rate	6½ to 7	Around 6¾

1. The administration has yet to publish its mid-session budget review document, but spokesmen have indicated that there will be revisions to earlier forecasts. As a consequence, the customary comparison of FOMC forecasts and administration economic goals has not been included in this report.

A number of factors point toward a reacceleration in growth, although the exact degree and timing remain uncertain. Despite their initial effects on investment, lower energy prices should help support economic activity, primarily by bolstering real consumer income. The lower level of interest rates also is expected to give some impetus to consumption while, at the same time, maintaining the strength in the housing market. Business spending on new plant and equipment is projected to pick up somewhat over time, but the degree of improvement will depend in part on the character of tax reform legislation.

A critical element in the expected improvement in economic performance is progress toward reducing the size of the merchandise trade deficit. As previously noted, with import prices rising as a result of the depreciation of the dollar, the growth in imports is expected to slow, and the increased price competitiveness of U.S. goods should bolster export growth. However, a substantial improvement in our trade performance will require satisfactory growth of demand in other countries. Moreover, such an improvement will require open access to foreign markets, which underscores the critical importance of avoiding protectionist measures here and abroad.

The Performance of the Economy During the First Half of 1986

The economy continued to expand in the first half of 1986, but apparently no more rapidly than in 1985. The overall increase in output during the first six months of the year generated slightly more than 1 million new jobs, and the civilian unemployment rate held near 7 percent. At the same time, the dramatic decline in world crude oil prices caused a substantial slowing in inflation.

The combination of the lingering effects of the high foreign exchange value of the dollar during 1984 and 1985, the slow growth abroad, and the initial impact of lower crude oil prices played a key role in inhibiting any acceleration in overall economic activity. Industrial output declined noticeably over the first half, with activity reflecting the continuing intense competition from foreign producers in the manufacturing sector and also the sharp cutbacks in energy-related investment. U.S. agriculture confronts growing world supplies of many farm products, and many farmers continue to be squeezed by a heavy debt-servicing burden and falling land values. The drop in oil prices has caused substantial adjustment problems in the short run. Oil drilling has been reduced drastically, and a number of high-cost wells have been capped. More than 100,000 jobs have been lost in the oil industry since the beginning of the year.

At the same time, however, some of the benefits from the drop in oil prices did begin to emerge in the first half. The lower price of crude oil was reflected fairly quickly in the prices of finished energy products, which caused consumer prices to register their largest three-month decline since the beginning of 1949. This lower price level has given a substantial boost to the purchasing power of consumers and has helped to support higher levels of spending. Although the volume of oil imports will rise, the sharper decline in price is an aid in reducing the large deficit in our trade account.

A potentially more significant longer-term influence on our balance of trade is the lower value of the dollar. The prices of foreign goods are rising in dollar terms and should begin to shift expenditures from imports to domestic products. At the same time, U.S. goods are more competitive on world markets, although we have yet to experience a sustained improvement in exports. The rather moderate improvement in export volume to date reflects, in part, the effects of the dollar's earlier rise and the slow pace of economic activity abroad. Growth in the major industrialized nations was particularly weak in the first quarter of 1986, although there appears to have been some rebound in the second quarter. Meanwhile, the drop in oil revenues reduced import demand in some developing countries, most importantly Mexico.

Another factor affecting the economy this year has been the changing fiscal-policy environment. It now appears that the deficit in the current fiscal year may exceed earlier plans, but the Congress has moved to implement the spirit of the deficit targets contained in the Gramm–Rudman–Hollings legislation in acting on its fiscal 1987 budget. The prospect of lower federal budget deficits in the years ahead, coupled with the drop in oil prices, encouraged sizable reductions in long-term interest rates at the beginning of 1986, which have begun to stimulate the interest-sensitive sectors of the economy. The most notable result has been in the housing sector in which lower mortgage rates have led to substantial gains in building activity. Investment in new plant and equipment has not shown a similarly positive response to lower interest rates, however; apart from the negative effects of the oil drilling decline, business spending has been damped by the existence of a sizable overhang of office and factory space and by continuing uncertainties about sales trends and tax reform.

With the decline in energy prices, further progress has been made in reducing the inflation rate. Continued moderation in wage increases and abundant supplies of agricultural commodities and industrial raw materials also were important factors in restraining price increases in the first half of 1986. These favorable developments worked to offset the inflationary tendencies associated with the depreciation of the dollar and the continued rapid rise in the prices of services.

The Household Sector

Consumer expenditures were quite strong in the first half of 1986, supported in part by rapid income growth. Real disposable income increased at about 5½ percent at an annual rate, boosted by high levels of farm subsidy payments and the energy-related slowdown in inflation. In addition, survey information indicates that consumer confidence remains high, and many households consider it to be a good time to purchase big-ticket items such as a car or a new home. Under these circumstances, consumers have been willing to spend the bulk of their income gains, and the personal saving rate has remained at a historically low level.

The increase in consumer spending was widespread. Purchases of nondurable goods, such as apparel, were particularly strong in the first quarter, while outlays for services also grew briskly. The demand for new automobiles also remained quite high after the large sales increase in 1985. New cars sold at an annual rate of 11 million units in the first six months of this year, with important support coming from a series of below-market finance incentive programs for many domestic models. Foreign automobiles continued to sell at a fast pace even though sticker prices generally have increased more than 10 percent in response to the exchange rate changes.

Activity in the housing sector also has been strong this year. Stimulated by the decline in mortgage rates, sales of new single-family homes hit a record high in March and remained generally strong throughout the second quarter. Production responded to this increase in demand, and during the first half, single-family units were begun at a rate of 1¼ million units, the highest since 1979. Despite elevated rental vacancy rates, construction apparently was maintained in the multifamily sector by the large volume of mortgage revenue bonds issued by many state and local governments at the end of last year. However, as these tax-exempt funds were depleted, activity in the multifamily market began to taper off in the spring. In addition, concerns about the treatment of income properties under tax reform may have begun to restrain the construction of multifamily dwellings.

Indicators of the financial position of the household sector were mixed in the first half of the year. Although the growth in consumer credit slowed from its rapid pace in 1985, the ratio of consumer installment debt to disposable income edged up to a new high. The rallies in the stock and bond markets strengthened the asset side of the household sector balance sheet, and many homeowners took the opportunity presented by the decline in interest rates to ease their debt-servicing burdens by refinancing mortgage loans. However, increased strains also were evident, as personal bankruptcies rose to record levels and mortgage delinquency rates remained historically high.

The Business Sector

The financial position of the business sector improved a bit in the aggregate during the early part of 1986, albeit with considerable diversity across industries. Economic profits in the corporate sector rose at an \$11 billion annual rate in the first quarter, and the share of after-tax economic profits in GNP remained at the highest level since the late-1960s. Financial conditions in agriculture and manufacturing remained weak, however. Agriculture continued to be hurt by excess supply conditions worldwide, and farm loan delinquencies rose to a postwar high. In manufacturing, intense price competition from foreign sources squeezed profit margins, and with little growth in demand, capacity utilization moved lower.

Business spending on plant and equipment was weak in the first half of the year. This poor performance partly reflected a "payback" after very strong capital spending in the fourth quarter of 1985. Firms apparently accelerated their spending at the end of last year to take advantage of investment incentives that were targeted for scaling back or elimination under proposed tax reform legislation; expenditures then dropped off in the first quarter of 1986. In addition to these tax-anticipation effects, the demand for computers and other high-technology equipment remained subdued, after increasing rapidly in the first two years of the recovery. Spending on nonresidential structures was down substantially, partly as a result of the cutback in oil and gas well drilling, which was large enough to reduce real GNP growth ½ percentage point in the first quarter and perhaps more in the second quarter. However, a correction also began in the construction of office buildings in response to past overbuilding and high vacancy rates.

Much of the change in business inventories in the first half of this year was associated with fluctuations in automobile dealers' stocks. Domestic car production outpaced sales in the first quarter, and this resulted in a substantial buildup of auto inventories. Assembly schedules were scaled back in the spring, which helped dealers reduce their excess inventories, although stocks remained high. Outside the auto area, inventory investment remained moderate overall, but the pattern differed markedly between manufacturing and trade. Manufacturers continued to trim their stocks, preferring to keep inventories lean until there was firm evidence of a resurgence in demand. In contrast, inventory investment picked up at trade establishments, even though merchants continued to hold a historically high level of stocks relative to sales.

With the declines in capital spending and the slow pace of inventory investment, internal funds in the aggregate were adequate to meet almost all of the basic financing needs of nonfinancial corporations. However, the drop in long-term interest rates to the lowest levels since 1978 prompted businesses to issue massive amounts of bonds; the proceeds were used not only to finance new investment but also to retire outstanding bonds and stocks and to pay down short-term debt.

The Government Sector

Despite congressional action to slow the growth of spending, the size of the federal budget deficit in fiscal 1986 may match or exceed the record $212 billion of fiscal 1985. Revenue growth has slackened in association with the slower pace of nominal income growth. Expansion of corporate tax receipts has slowed significantly, while excise tax revenues also are down as lower oil prices virtually have eliminated the receipts from the "windfall profits" tax.

Federal purchases of goods and services fluctuated widely in the first half of 1986. They dropped substantially in the first quarter, in part reflecting a slowing in the purchases of farm products by the Commodity Credit Corporation (CCC), after a record increase in the fourth quarter of 1985. Excluding CCC purchases, real federal outlays were down slightly, as a result of lower defense spending.

Purchases of goods and services by state and local governments in real terms increased at an annual rate of 2.8 percent in the first quarter of 1986, about the same pace as in 1985. After a large increase in the first quarter, construction spending remained strong in the spring, while employment rose further. However, a number of states, particularly those dependent on agriculture and the oil industry, continued to experience a substantial deterioration in their financial condition. A significant portion of tax revenues in many oil-producing states are tied directly to the value of oil output, and the drop in oil prices has induced a concomitant decline in receipts. In addition, the secondary effects on energy-related businesses are tending to reduce revenues further. To restore fiscal balance, many states have announced expenditure cuts or tax increases.

The External Sector

Continuing the decline that began early last year, the dollar depreciated further against the currencies of foreign industrial countries during the first half of 1986. On balance, the trade-weighted value of the dollar has fallen more than 30 percent from its February 1985 peak, about one-third of which has occurred this year. Associated with the depreciation was a narrowing in inflation-adjusted interest rate differentials between the United States and the other major industrialized countries, as interest rates declined both here and abroad.

Although a substantial correction has occurred in the dollar's value, at least against the currencies of the major industrialized countries, the nation's current account deficit was unchanged in the first quarter from the high rate of $135 billion in the fourth quarter of 1985. This lack of improvement was the result of large increases in nonpetroleum imports while exports grew more slowly. The failure to date of the dollar's decline to slow import growth reflects, in part, the relatively slow pass-through of the depreciation into import prices. Because profit margins of foreign exporters expanded during the period of dollar appreciation, they are able, for a time, to absorb the reduced receipts without raising prices; slack markets at home also have held down price increases. In addition, the dollar has continued to rise against the currencies of many developing countries, which account for about one-quarter of U.S. nonpetroleum imports. However, nonpetroleum import prices now are increasing, led by large increases for automobiles, other consumer items, and capital equipment.

The decline in the dollar also improved the price competitiveness of U.S. goods in foreign markets. However, exports have been slow to pick up, in important part because of the sluggish pace of foreign economic activity. Real gross national product declined in both Japan and West Germany in the first quarter, but economic growth appears to have been somewhat stronger in the spring.

Economic growth also has been sluggish among many of our major trading partners in the developing world. Like other oil-producing countries, Mexico is adjusting its spending to lower oil revenues, and this adjustment has reduced the demand for U.S. products. Falling world commodity prices also have aggravated the financial difficulties of other developing nations, including members of the Organization of Petroleum Exporting Countries.

Reflecting these influences, the volume of U.S. merchandise imports rose 1½ percent in the first quarter of 1986, as nonpetroleum imports continued to grow rapidly while oil imports declined. The largest increases were in machinery, with smaller advances registered for some consumer goods. The volume of merchandise exports was up somewhat in the first quarter, with a decline of 3½ percent in exports of agricultural products offset by increased U.S. nonagricultural exports.

Labor Markets

Nonfarm payroll employment expanded in the first half at an average pace of roughly 175,000 per month on a strike-adjusted basis, down from 230,000 in 1985. Continuing the trend of the past few years, gains at trade and service establishments were quite strong and accounted for most of the overall employment increase. Hiring also was brisk at construction sites through much of the period, buoyed by the strength in homebuilding. However, manufacturing payrolls contracted somewhat, with weakness in the motor vehicle, metals, and machinery industries.

The civilian unemployment rate averaged somewhat higher over the first half of the year than at the end of 1985. The continued expansion of job opportunities about matched the rise in the number of individuals entering or reentering the workforce, and labor force participation reached a new high by midyear. However, the weakness in the industrial sector was reflected in a rise in the number of workers separated from their last job.

In view of the continued slack in labor markets as well as lower price inflation, wage growth remained moderate. The employment cost index, a broad measure of overall compensation trends, rose 3¾ percent in the 12 months ending in March, down from 4½ percent over the year ended in March 1985. Most of the slowing was the result of smaller increases in the cost of employee benefit programs, reflecting in part efforts to contain medical insurance expenses, while wages and salaries rose at about the rate of 4 percent experienced in 1985. Continued moderation in union wage gains also was evident in the collective bargaining agreements reached in the first half of 1986.

After declining at the end of 1985, labor productivity in the nonfarm business sector rebounded in the first quarter of 1986. However, the gain largely reflected erratic movements in hours worked by self-employed workers, and productivity has been essentially flat over the past year after rising substantially early in the recovery. Productivity in manufacturing has increased somewhat faster during this expansion, as intense import competition has forced many producers to modernize their factories and streamline work rules. As a result of the first-quarter bounce back in productivity, unit labor costs in the nonfarm business sector fell during that period, but they were still up about 3 percent from a year earlier.

Price Developments

Falling energy prices were largely responsible for a significant slowing in measures of aggregate inflation during the first half of 1986. A broad measure of prices—the fixed-weighted price index for GNP—increased at a 2½ percent annual rate in the first quarter, down from a rise of 3½ percent in 1985. Consumer prices actually declined over the February-to-April period, but they still were up 1½ percent over the 12-month period ended in May. The drop in prices was greater at the wholesale level, where weakness in the industrial sector added to the downward pressure from energy prices.

The speed and magnitude of the decline in world crude oil prices this winter were dramatic. Over the January-to-April period, crude oil prices fell more than $15 per barrel to their lowest level since 1978. Prices of refined petroleum products responded quickly to the drop in crude oil prices, and retail gasoline prices fell 25 percent, or about 28 cents a gallon, over the January-to-May period. Charges for electricity and natural gas, which compete with fuel oil as a power source, responded more slowly to the lower crude oil prices but by the end of May had fallen about 1 percent.

The prices of industrial raw materials continued to decline in the first half. Prices were depressed by abundant world supplies of many primary commodities; debt-servicing obligations led many developing countries to maintain or expand their output. Sluggish industrial activity in the United States and other large economies contributed to the softness of commodity markets.

Outside the energy area, further progress was made in reducing the inflation rate during the first half of the year. Retail food prices rose at an annual pace of only 1 percent through May, held down by falling meat prices. A small decline in the prices of consumer goods was responsible for the slowdown in the consumer price index (CPI), excluding food and energy, to an annual rate of increase of 3½ percent from its 4½ percent rise during 1985. In contrast, the prices of nonenergy services continued to increase at an annual rate of 6 percent, boosted by rising housing costs and by higher premiums for most types of insurance.

Monetary Policy and Financial Markets in the First Half of 1986

The Federal Open Market Committee at its meeting in February of this year established target growth ranges, measured from the fourth quarter of 1985 to the fourth quarter of 1986, of 3 to 8 percent for M1 and 6 to 9 percent for both M2 and M3. The associated monitoring range for growth of the debt of domestic nonfinancial sectors was set at 8 to 11 percent. As compared with the ranges for 1985, the M2 target was unchanged, the upper limit for M3 was reduced ½ percentage point, and the debt range was lowered 1 full percentage point; the M1 target remained the same as that set last July for the second half of 1985. It was expected that growth of money and credit within these ranges would be adequate to encourage sustainable economic expansion consistent with progress over time toward reasonable price stability and an improved pattern of international transactions.

In retaining the comparatively wide target range for M1, the FOMC recognized continuing uncertainties about the behavior of that aggregate. Moreover, the Committee agreed that, in view of these uncertainties and the unexpectedly rapid growth of M1 relative to GNP in recent years, the behavior of the narrow money stock would be evaluated in light of growth in the broader monetary aggregates, developments in the economy and financial markets, and the potential for inflationary pressures.

In the event, rapid M1 growth reemerged early this spring, and by June the aggregate was far above its range. M2 and M3, however, ended the first half near the middle of their 1986 target ranges. This disparate pattern of money growth, as well as the modest expansion in economic output, ebbing inflation, and continuing downward pressure on the dollar in foreign exchange markets, provided the setting for policy during the first six months of this year. In general, monetary policy was accommodative. As an operational matter, the degree of pressure on reserve positions of depository institutions remained limited, and the discount rate was lowered twice in the first half of the year, ½ percentage point each time, in the context of sizable declines in market interest rates and similar actions by some other industrial countries. In early July, the discount rate was cut another ½ point, to 6 percent.

Money, Credit, and Monetary Policy

In 1985, M1 grew at a rate substantially above its target growth range in the first half, and it continued to do so over the remainder of the year, even after the range had been rebased and widened in July. Instead of the return to more normal behavior that the FOMC had looked for, M1 velocity—the ratio of nominal GNP to M1 balances—fell even more rapidly in the second half of the year than it had in the first. Taking the prevailing economic and financial conditions into account, the Committee decided in the latter part of 1985 that above-target M1 growth would be acceptable.

In light of the uncertainties surrounding the behavior of M1, in February of this year the FOMC set a 1986 target range for the aggregate that, while not providing for a drop in velocity as large as the 6 percent decline posted in 1985, was wide enough to allow for appreciable variation in velocity relative to historical trends. Nevertheless, the Committee recognized that the relationship of M1 to income had become increasingly difficult to predict, owing importantly to the changing composition of M1. An important share of the aggregate now consists of interest-bearing deposits, which are potentially an attractive repository for savings as well as transaction balances, introducing an additional source of sensitivity to changes in interest rates and other economic variables. In these circumstances, the Committee emphasized that policy implementation would involve a continuing appraisal of trends in all of the money and credit measures, as well as of indicators of economic activity and prices, and conditions in credit and foreign exchange markets. Within this framework for policy and against a background of incoming data indicating moderation of inflationary pressures and a relatively slow pace of economic expansion—including weakness in some important goods-producing sectors—the Federal Reserve basically accommodated the demands for re-

Growth of money and credit
Percentage changes at annual rates

Period	M1	M2	M3	Domestic nonfinancial sector debt
1985: 4–1986: 2	11.9	7.3	7.9	13.0[e]
1985: 4–June 1986	12.8	7.8	7.8	12.7[e]
Fourth quarter to fourth quarter				
1979	7.5	8.1	10.3	12.3
1980	7.3	9.0	9.6	9.6
1981	5.2 (2.5)[1]	9.3	12.3	9.8
1982	8.7	9.1	10.0	9.0
1983	10.4	12.2	9.9	11.2
1984	5.4	8.0	10.5	14.3
1985	11.9	8.6	7.6	14.0
Quarterly average				
1985: 1	10.1	11.7	10.2	13.6
2	10.5	6.3	5.5	12.0
3	14.5	9.5	7.6	12.9
4	10.7	6.0	6.5	14.6
1986: 1	7.7	4.3	7.4	16.1
2	15.8	10.3	8.3	9.6[e]

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

e Estimated.

serves associated with strong M1 growth over the first half of 1986.

Early in the year, reserves were provided slightly more freely, continuing the trend toward easier reserve conditions that had developed late last year. In the initial months of 1986, growth of M1 dropped off sharply from its rapid 1985 pace, and growth of M2 also slowed substantially, to a rate below its annual target range. There were signs of some sluggishness in economic activity, and steep declines in oil prices, which were improving the outlook for inflation, contributed importantly to a rally in long-term credit markets that picked up momentum in mid-February. At the same time, short-term interest rates edged a little lower, but the federal funds rate remained significantly above the Federal Reserve's discount rate.

In this context, a cut in the discount rate would complement the thrust of open-market operations and would accommodate the market tendency toward lower interest rates. However, an important consideration in the timing and extent of any rate cut was the risk posed by an excessive reaction in the foreign exchange markets, when the dollar remained under downward pressure during much of the period. Ultimately, on March 7, the Federal Reserve cut the interest rate charged for discount window borrowings ½ percentage point to 7 percent, and the central banks of Japan, Germany, and several other industrial nations took similar actions around that time.

Short-term rates in U.S. markets fell throughout March and much of April. Interest rates in long-term markets continued to benefit from the favorable effect of slumping oil prices on inflation expectations, as well as improvements in the federal budget outlook, with the Gramm–Rudman–Hollings legislation beginning to bite and official projections of the deficit being revised sharply downward. To an extent, declining rates also reflected the optimism present in the markets that, with economic growth remaining moderate, there was potential for a further easing of monetary policy. M1 accelerated markedly—moving above its target range in March—apparently in response to lower interest rates, but M2 and M3 growth were rather restrained, with M2 remaining below the lower end of its range throughout the first quarter.

On April 18, the Federal Reserve announced another reduction in the discount rate, to 6½ percent. This change served primarily to catch up with and validate declines that already had taken place in market rates. Exchange rates and international interest rate considerations again played a role, and our discount rate cut coincided with a rate cut by the Bank of Japan.

By this time, market interest rates in the United States had fallen 1 to 2 percentage points since December, to their lowest levels in eight or nine years. Both short- and long-term rates then turned higher for a time, as some indications of stronger economic growth seemed to be developing and prospects for a further easing of monetary policy receded. Supporting the market's changed outlook were an acceleration in the monetary aggregates, strength in some incoming economic indicators, and the dollar's slide on foreign exchange markets, which continued through mid-May. The dollar subsequently recovered a bit, but most of the increase both in the exchange rate and in U.S. market interest rates was reversed before the first half ended, as indications of an expected strengthening of economic activity failed to materialize. With market interest rates falling, price pressures remaining subdued, and the economies of the United States and other industrial countries growing relatively slowly, the Federal Reserve again reduced the discount rate ½ percentage point, to 6 percent, effective July 11.

On balance since the end of 1985, the dollar has declined more than 10 percent, and short-term rates, about 1½ percentage points. Long-term Treasury yields fell as much as 2¼ percentage points, but yields on other long-term securities fell less; corporate and tax-exempt bond yields dropped about 1 point, and fixed-rate mortgages fell just ½ percentage point. The smaller declines in these other markets were due in part to the massive issuance of these obligations (including a large volume of refinancings) elicited by the drop in rates over recent quarters, to investor desires for call protection, and in the case of tax-exempt securities, to concerns about tax reform.

Lower market interest rates have been an important factor in the rapid growth of M1 this year. The strong response of M1 to the decline in rates has reflected in part the cumulative effect of the deposit deregulation of recent years. In the first half of 1986, the final two installments of deregulation—the removal of minimum balance requirements on money market deposit accounts and Super NOWs on January 1 and the lifting of the ceiling on passbook savings rates on April 1—appear to have had little immediate effect on the growth of M1 or the other aggregates because relatively few institutions actually changed their deposit pricing practices. But the advent and expansion of interest-bearing checking accounts over the years have attracted more savings-type balances and have increased the responsiveness of M1 to interest rate changes. Since rates on the interest-bearing M1 accounts have adjusted sluggishly to changes in market rates, relatively wide swings in the incentives to hold these deposits have resulted.

Growth in NOW accounts surged in the first half of 1986, reaching an annual rate of around 25 percent in the second quarter, as it responded to the lower overall level of market interest rates and the narrower spread between long- and short-term rates. The latter development seemed to spur shifts of funds from time deposits into shorter-term accounts, including NOW accounts. Demand deposit growth also strengthened as interest rates declined. In part, lower rates prompted increases in the compensating balances that businesses needed to hold in the form of demand deposits to pay for bank services. In addition, deposit levels may have been boosted to an extent by a sizable increase in financial transactions in the first half of the year, especially soaring mortgage prepayments and originations, which was stimulated by lower rates.

The velocity of M1 fell only moderately in the first quarter, but as money growth picked up and nominal GNP apparently failed to accelerate, velocity dropped at an extraordinary pace in the second quarter, resulting in a first-half rate of decline in M1 velocity that probably was somewhat faster than the average over 1985. Although the rapid M1 growth and falling velocity stemmed in large measure from interest rate declines, the size of the M1 increase was distinctly larger than what would have been expected based on historical relationships among money, income, and interest rates.

In contrast to M1, which grew at an annual rate of 12¾ percent through June and exceeded its target by a large margin, both M2 and M3 grew moderately in the first half of the year and in June were near the middle of their respective ranges. Some of the more liquid components of the broader monetary aggregates, however, increased very rapidly, as part of the larger shift in investor portfolios toward short-term assets. This shift had much less effect on M2 or M3 than on M1, because the reallocation of funds took place largely within these broader aggregates. In addition to transaction deposits, money market deposit accounts, money market mutual funds, and ordinary savings deposits all expanded strongly during the first half of the year, while small time deposits grew only slightly.

Investors looked not only to the shorter-term components of the monetary aggregates, but also to stock and bond mutual funds (not included in the aggregates), which posted very attractive returns as a result of ongoing market rallies. Flows into such funds probably depressed M2 growth somewhat in the first half of this year, as they had in 1985. Even so, lower market interest rates and strong demands for short-term assets lifted M2 in excess of income, leading to an appreciable further decline in M2 velocity over the first two quarters of 1986. While M2 showed a fair amount of volatility in the first half, growth of M3 was comparatively steady from month to month, as banks varied their issuance of managed liabilities to compensate for fluctuations in core deposit inflows.

The debt of domestic nonfinancial sectors is estimated to have expanded at a more moderate rate over the first six months of 1986 than it had in some time, although still well in excess of the growth in income.[2] Bond issuance had surged in December in advance of the possible effective date of some provisions of tax-reform legislation, lifting the first-quarter level of the debt aggregate. Hence, when measured from its fourth-quarter-average base, the growth of domestic nonfinancial sector debt has remained above its monitoring range, coming in at an annual rate of 12¾ percent through June. Measured from its level at the end of December, however, debt

2. The appendix reviews some aspects of the recent behavior of the debt aggregate.

grew at an annual rate of 10¼ percent through the end of June.

To an extent, the lower rate of debt growth since the end of December represented a reaction to the inflated borrowing just before the end of last year, when special factors applying to particular sectors combined to boost debt issuance tremendously, far in excess of normal credit needs. For example, the pronounced slowdown of federal borrowing in the first quarter reflected the drawdown of substantial cash balances built up by the government before year-end. Indeed, federal borrowing picked up again in the second quarter, and, for the year as a whole, the huge federal deficit is likely to make a strong contribution to aggregate debt growth, as it has for the past several years.

Following the surge in their borrowing late last year, state and local governments showed a sharp drop in debt growth. This earlier borrowing and continued uncertainty about tax reform restrained tax-exempt debt growth in early 1986. Beginning in March, however, public-purpose and refunding issues increased again as rates declined further and views changed about the likely form and effective date of restrictions proposed in tax-reform legislation.

Borrowing by the household sector also eased somewhat from the heavy pace of recent years. After a surprising slowdown early in the year, net residential mortgage borrowing apparently expanded rapidly in the second quarter. Over the entire period, lower mortgage rates spurred a substantial pickup in total mortgage originations, but the high volume of refinancings reportedly strained the ability of lenders to process real estate transactions. Consumer credit growth rates this year have been substantially below those of last year, though still outpacing the growth of income. An increasing number of consumers seem to be experiencing difficulty in making timely payments on outstanding credit; delinquencies on consumer loans other than credit cards have risen moderately, but those on bank credit cards have surged in the past two years, and personal bankruptcy rates have soared.

The smallest degree of deceleration occurred in the debt of the nonfinancial business sector, which continued to be boosted by the wave of corporate mergers, acquisitions, and share repurchases. While the stock market rally helped spur a substantial rise in gross equity issuance, net stock issuance remained decidedly negative because of the mergers and restructurings. Most notable so far this year, however, was the strength of long-term debt issuance by businesses in response to steeply falling long-term rates; gross issuance of corporate bonds, especially strong in March and April, ran far in excess of previous records. Nonfinancial firms increased their short-term debt only slightly, however, and this was reflected in a decline in their commercial paper outstanding, as well as in slow business loan growth at banks.

The stresses evident in many parts of the economy left their mark on the books of banks and other financial institutions. Asset quality deteriorated as a consequence of the sharp drop in oil prices and associated dislocations in the energy sector, overbuilding in commercial real estate, and the continuing distress in agriculture. Banks with relatively large amounts of farm loans outstanding, as well as other agricultural lenders, have been particularly hard hit recently; loan losses at these institutions have soared and their profitability has continued to slide. While banks in regions with economies heavily dependent on energy production were among the most strongly capitalized and profitable earlier, their financial position has eroded under pressure of surrounding economic difficulties. Bank failures in the first half of this year continued to run at about the rapid pace of 1985, with agricultural banks again accounting for a disproportionate share.

Overall bank earnings began to improve in 1985, and the industry has added significantly to its capital and loss reserves, although the explosion in off-balance-sheet commitments and the clouded outlook surrounding the repayment of many bank loans may have made it more difficult to assess the level of risk in the banking industry. At savings and loan associations, overall profitability appears to be improving as interest rates have declined and mortgage origination activity has surged. However, a substantial number of these institutions continue to have severe problems owing primarily to losses on weak assets, prompting proposals to add to the financial resources of the Federal Savings and Loan Insurance Corporation.

Concerns over loans to certain developing countries came to the forefront again this year as Mexico began to grapple with the additional economic and financial problems brought on in large part by dramatically lower oil prices. Banks have remained cautious lenders in the face of ongoing concerns about the economic and financial prospects of these countries. However, despite the weakness of global demand, some progress has been made in implementing appropriate macroeconomic policies and policies of internal structural reform. Financial support for such policies both from multilateral lending institutions and private creditors has been provided or is being negotiated along the lines proposed by Secretary of the Treasury Baker in Seoul last fall. □

Appendix: Some Aspects of the Behavior of Domestic Nonfinancial Sector Debt

After moving in rather close alignment for about a quarter of a century, debt growth in recent years has far outpaced expansion of nominal GNP. The ratio of debt outstanding to GNP began climbing late in 1981 and subsequently soared well above the range that had prevailed since the early 1950s, a development that extended through the first half of 1986.

The debt aggregate is derived from the Federal Reserve's Flow of Funds accounts. It contains the credit market debt of domestic nonfinancial sectors—households, nonfinancial businesses, state and local governments, and the federal government—whose spending accounts for the vast bulk of income and production. It excludes debt of the financial sector because funds raised by financial intermediaries are already counted in the debt aggregate at the point they are channeled to nonfinancial sectors. To include financial sector debt would lead to double counting.

Nonfinancial sectors also behave to a degree as financial intermediaries, raising funds in credit markets and using the proceeds, at least for a while, to acquire credit market claims on other nonfinancial units. In such cases, "double counting" may be said to exist, because the initial borrowing appears as debt of a domestic nonfinancial unit, and the financial asset acquired has as its counterpart, either directly or indirectly, debt of another nonfinancial unit. For example, a substantial portion of the funds raised by state and local governments in 1985 was used to acquire claims on the federal government or mortgage claims on households. The federal government also issues debt and uses the proceeds to extend loans to private borrowers—obligations that appear elsewhere in the debt aggregate.

While nonfinancial sectors engage to some degree in these intermediary functions on a regular basis, a marked increase in such activity can act to boost measured growth in the debt aggregate. This was the case last year, when the proceeds of a large volume of debt issued by state and local governments with the intention of retiring outstanding obligations at a later time were placed largely in special nonmarketable securities of the federal government. In addition, debt growth has been lifted in recent years by a wave of corporate mergers, acquisitions, and share repurchases that has resulted in a massive retirement of equity, financed with credit.

To assess the degree to which this double counting and corporate substitution of debt for equity have acted to boost debt growth, the behavior of an adjusted debt measure and of an equity-augmented measure was examined. The adjusted debt measure excludes readily identifiable double counting—in particular, that associated with the aforementioned state and local and federal government borrowing as well as with credit extended by nonfinancial businesses to the household sector. The resulting measure of adjusted debt is noticeably smaller in relation to GNP, but it has behaved quite similarly to the regular debt measure, rising sharply relative to GNP in recent years to well above the range prevailing since the 1950s.

The adjusted debt measure can be augmented by the accumulated net issuance of equity so that it encompasses funds raised in all markets. Although increasing less rapidly than debt or adjusted debt—for example, it rose 12½ percent in 1985 on an end-of-period basis, as compared with 14½ percent for adjusted debt and 15 percent for debt—the augmented measure also has risen rapidly in recent years in relation to GNP, indicating that borrowing to retire equity explains only a small portion of the increase in the debt–GNP ratio. From a longer perspective, this measure has remained within its historical range, and its recent rise returns it, in relation to GNP, to the levels prevailing in the 1950s and early 1960s.

The evidence thus suggests that unusual behavior of the debt aggregate relative to GNP in recent years is related more to changes in underlying behavior than to the special factors just discussed. The unusual rise in debt relative to GNP in recent years has been in both the federal and nonfederal components of the aggregate. Growth in federal debt strengthened in the early 1980s and soared in 1982 with the widening of the budget deficit. After 1982, growth of federal debt slowed a bit in percentage terms while continuing to increase in dollar amounts and relative to GNP. Rising federal budget deficits have been associated with rising current account deficits and a growing gap between domestic purchases and output as net exports have contracted sharply. From one perspective, the growing federal deficit can be viewed as being financed by an inflow of funds from abroad—the counterpart to our current account deficit—which has enabled the federal government to increase its borrowing without curbing private spending and credit use to the extent that would be necessary in the absence of those external funds.[3] However, the erosion of our international competitive position, which is reflected in the current account deficit, certainly has greatly affected individual industries.

Debt of each of the nonfederal sectors—households, nonfinancial businesses, and state and local governments—also has increased relative to economic activity, even after removing the types of double counting mentioned above. In the case of households, the exceptional growth of debt has been evident in both mortgage and consumer debt and has been accompanied by a spectacular buildup of financial assets and a low personal saving rate. In other words, the household sector has been "grossing up" its balance sheet in recent years by heavy financial asset accumulation and borrowing. Financial deregulation and competition for household assets likely have contributed to this process by expanding access to market-related yields on deposits and other financial assets, while growing competition among lenders for market share and the trend toward securitization have added to sources of credit and put downward pressure on household borrowing costs. The corresponding narrowing of the spread between borrowing and deposit rates adds to the willingness of households to borrow rather than draw down liquid assets when spending rises relative to income. Demographic factors also appear to have contributed to household debt growth as the baby boom generation has moved further into the age bracket in which spending on housing and durables and borrowing tend to be high. In addition, households have benefited from the runup in stock market prices in recent years, and this boost to their net worth may have encouraged more borrowing. Even so, household debt growth has outstripped increases in net worth.

For nonfinancial corporations, most of the advance in indebtedness relative to output in recent years stems from the substitution of debt for equity, previously discussed. The unevenness of the current economic expansion also appears to have boosted corporate borrowing because some industries—especially those dependent on export markets and those competing with imports—have experienced protracted weakness, even though overall cash flows have been strong; thus, working capital and investment needs have been less closely matched with cash flows among firms than is typical, contributing to more rechanneling of funds through credit markets and more corporate borrowing. Finally, state and local government borrowing was especially heavy in 1985, even after removing the double-counting factors already mentioned, as lower interest rates and the anticipation of tax reform also fueled a surge in tax-exempt bond issuance for purposes other than advance refunding and mortgage acquisitions.

3. Not shown in the charts to the appendix is the relation between debt measures and domestic spending (GNP less net exports). In recent years, debt growth has been somewhat more in line with growth in domestic purchases than output, but this ratio, too, has risen sharply.

Profitability of U.S.-Chartered Insured Commercial Banks in 1985

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After a five-year decline, the aggregate profitability of insured commercial banks turned somewhat higher in 1985. The industry's return on assets rose to 0.70 percent and its return on equity to 11.33 percent, but both were still well below their 1979 peaks. Lower market interest rates contributed to a widening of net interest margins last year and enabled banks to realize gains on securities from their investment portfolios, thereby more than offsetting the effects of a continued deterioration in asset quality that was apparent in increased loan-loss provisions. As shown in table 1, interest margins have been generally well maintained in recent years; however, loan-loss provisions have soared, reflecting stresses in a number of key sectors of the domestic economy and in developing countries. Notwithstanding the improvement in the overall profit picture, however, a record 118 insured commercial banks failed last year.

Whether 1985 represents an isolated interruption in the general downtrend of bank profitability in the 1980s or marks a longer-run turning point remains to be seen. On the one hand, either of two special factors—neither of which is sustainable at its current pace over the long run—could be credited solely with the improvement in profits last year. First, the banking industry realized capital gains of $1.5 billion on securities in 1985, a sizable swing from the small net capital loss posted the previous year. And second, a single bank reported a huge year-to-year change, as Continental Illinois returned to profitability after experiencing a loss of nearly $1 billion in 1984. Moreover, loan losses continued to rise, and the sharp drop in oil prices and associated dislocations in the energy sector, as well as continuing weakness in agriculture and overbuilding in commercial real estate, all point to

1. Income and expense as a percent of average net assets, all insured commercial banks, 1981–85[1]

Item	1981	1982	1983	1984	1985
Gross interest income	11.93	11.36	9.63	10.23	9.39
Gross interest expense	8.77	8.07	6.38	6.97	6.03
Net interest margin	3.17	3.28	3.25	3.26	3.36
Noninterest income	.90	.96	1.03	1.19	1.31
Loss provision	.26	.40	.47	.57	.66
Other noninterest expense	2.77	2.93	2.96	3.05	3.17
Securities gains (losses)	−.08	−.06	.00	−.01	.06
Income before tax	.96	.85	.85	.83	.90
Taxes[2]	.20	.14	.18	.19	.21
Extraordinary items	.00	.00	.00	.01	.01
Net income	.76	.71	.67	.64	.70
Cash dividends declared	.30	.31	.33	.32	.33
Net retained earnings	.46	.40	.34	.33	.37
MEMO: Net interest margin, taxable equivalent[3]	3.53	3.66	3.60	3.73	3.88

1. Assets are fully consolidated and net of loss reserves. Data are based on averages for call dates in December of the preceding year and in June and December of the current year. In 1984 data are based on averages for call dates at the beginning and end of the year only.

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

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

lingering—and possibly worsening—problems with asset quality for many banks.

On the other hand, a rosier picture of net income would have emerged last year but for banks' efforts to increase their loss reserves. This prudent step was complemented by an increase in retained earnings, as the industry added to capital with both internal and external funds. The ability of the banking system to build reserves and capital and to improve profitability suggests considerable resiliency as the industry continues to adjust to disinflation, the deregulation of deposit rates, and the underlying economic difficulties and imbalances that have impaired the quality of many bank assets.

2. Rates paid for fully consolidated liabilities, all insured commercial banks, 1981–85[1]

Percent

Item	1981	1982	1983	1984	1985
Interest-bearing deposits	13.42	12.10	9.32	9.92	8.55
Large certificates of deposit	16.42	14.13	8.90	10.67	8.86
Deposits in foreign offices[2]	17.37	14.87	10.32	12.62	10.24
Other deposits	10.07	9.99	9.11	8.84	7.95
Gross federal funds purchased and repurchase agreements	17.53	12.84	9.69	11.23	8.52
Other liabilities for borrowed money[3]	13.84	12.81	11.88	13.38	10.76
Total	**13.89**	**12.21**	**9.46**	**10.19**	**8.65**

1. Calculated as described in the "Technical Note," FEDERAL RESERVE BULLETIN, vol. 65 (September 1979), p. 704.
2. Series break after 1983. Reporting instructions classified international banking facilities as domestic offices until the end of 1983 and as foreign offices thereafter. Income data are not sufficiently detailed to allow construction of a consistent series on the new basis for rates of return as has been done for balance sheet data in other tables in this article.
3. Including subordinated notes and debentures.

INTEREST EXPENSE

With market rates in 1985 about 2 percentage points below their year-earlier levels, commercial bank interest expense fell to the lowest point since the late 1970s. The drop in interest expense resulted not only from the general decline in rates, but also from the ongoing change in the composition of bank liabilities that over the past several years has lessened the importance of money market liabilities in funding bank assets. Deregulated retail-type deposits have been replacing more expensive wholesale money. In 1985, this trend away from money market liabilities was most apparent at the larger banks. Combined with the sharper decline in rates paid on wholesale liabilities, which continue to account for a much higher share of liabilities than at smaller banks, this sizable shift into lower-cost retail-type deposits led the larger banks to post declines in interest expense that were on average half again as large as those recorded at banks with less than $1 billion in assets.

Last year's declines in market rates were reflected to varying degrees in the interest rates paid on bank liabilities, as shown in table 2. The sharpest decreases were evident in the wholesale liability categories, such as federal funds purchased and deposits in foreign offices. By contrast, the rate on "other deposits," which in table 2 include all interest-bearing retail-type deposits, fell less than 1 percentage point. The sluggish adjustment of rates on these deposits, and especially on the more liquid accounts, at times has led to strong deposit inflows when market rates have fallen.

In 1985, retail-type deposits again funded more of commercial bank assets, with increases both in interest-bearing checkable accounts and in other retail deposits, which include savings, small time deposits, and MMDAs. For the first time in at least 10 years, these interest-bearing retail-type deposits significantly exceeded the money market liabilities of banks, accounting for 37.5 percent of consolidated assets while money market liabilities totaled 34.9 percent. The decline in the importance of wholesale liabilities last year occurred despite a special factor that worked to boost certain borrowings. Specifically, partly in response to regulators' urgings, commercial banks have been adding to capital, and various types of subordinated notes (included in table 3 as "other borrowings" and "money market liabilities") are considered either primary or secondary capital for regulatory purposes. Consequently, concerns about capital adequacy may have motivated a portion of the increase in other borrowings, while yield considerations and slowing asset growth restrained issuance of other types of money market liabilities, including large time deposits and deposits booked in foreign offices.

The decline in interest expense was most pronounced at the larger banks, which derive a higher proportion of their funding from wholesale sources with market-related rates of return.

3. Selected liabilities as a percent of total assets, all insured commercial banks, 1981–85[1]

Item	Domestic offices					Fully consolidated offices				
	1981	1982	1983	1984	1985	1981	1982	1983	1984	1985
Deposit liabilities	76.09	74.95	74.99	75.32	75.35	78.61	77.61	77.68	77.93	77.46
In foreign offices	...	...	...	...	...	15.93	15.79	14.71	12.94	12.47
In domestic offices	...	...	...	...	...	62.68	61.82	62.97	64.99	64.99
Demand deposits	25.20	21.03	19.68	19.09	18.63	20.76	17.35	16.53	16.47	16.07
Other checkable deposits	2.95	4.16	4.80	5.03	5.32	2.43	3.43	4.03	4.34	4.59
Large time deposits[2]	17.15	17.71	14.46	14.17	13.19	14.12	14.61	12.15	12.22	11.38
Other deposits[3]	30.79	32.05	36.04	37.03	38.20	25.37	26.44	30.26	31.95	32.95
Gross federal funds purchased and repurchase agreements	9.12	9.67	9.28	8.68	8.79	7.54	7.99	7.81	7.51	7.64
Other borrowings	2.18	2.24	2.47	2.47	3.05	2.62	2.64	2.84	2.87	3.37
MEMO										
Money market liabilities[4]	28.44	29.62	26.21	25.31	25.04	40.21	41.03	37.51	35.55	34.86
Average assets (billions of dollars)	1,598	1,733	1,897	2,086	2,072	1,940	2,101	2,259	2,418	2,577

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

The nine largest banks in the country saw the average rate paid on their interest-bearing liabilities drop nearly 2 percentage points last year. This figure was larger than that for any other group of banks, despite the fact that the nine money center banks tended to post the smallest decline in rates on any given category of liability; for example, the largest banks dropped their average rate on retail-type deposits just 43 basis points last year—less than half the average decline elsewhere. This paradox is explained in the composition of their liabilities: the largest banks financed 57.7 percent of their consolidated assets with money market liabilities, on which rates adjust quite promptly to declines in market rates, while the rest of the industry financed a little more than a quarter of its assets this way. Moreover, the trend toward lower interest expense at the nine money center banks was reinforced by a favorable shift in the structure of their liabilities away from the wholesale money that provides the bulk of their financing and toward lower-cost retail-type deposits. Nevertheless, the average interest expense at these very large banks remained the highest in the industry, owing to the continued importance of wholesale liabilities on their balance sheets and the relatively high rates they apparently paid for those liabilities.

The group of large banks other than money center banks also reduced their interest expense by a substantial amount last year, to the lowest among the size categories. Not only did these other large banks start out with a lower cost structure of liabilities than did the money center banks, they also experienced a more sizable improvement in 1985 in their liability composition, as the share of retail-type deposits rose 2.5 percentage points, to account for more than one-third of consolidated assets.

The small and medium-sized banks did not do as well in reducing their interest expense and ended up with expenses somewhat above those at large banks other than money center banks. The small banks, although starting with a favorable structure of liabilities, saw that position deteriorate somewhat last year. Unlike the rest of the banking industry, they increased the share of their assets funded by money market liabilities, stepping up their issuance of large time deposits. In addition, they continued to face a significant runoff of demand deposits. Although small banks gained some interest-bearing retail deposits, the increase was less than half the average at other banks, and small banks continued to have to pay a higher average rate on these deposits than did other banks. (Data on balance sheet composition, earnings, and rates paid and earned are displayed in appendix table A.2, disaggregated by bank size.)

INTEREST INCOME

The lower market rates in 1985 also affected commercial bank interest income, which in the

4. Rates of return on fully consolidated portfolios, all insured commercial banks, 1981–85[1]

Percent

Item	1981	1982	1983	1984	1985
Securities, total	9.28	9.96	9.83	9.95	9.39
State and local government	6.74	7.20	7.04	7.50	6.87
Loans, gross	16.32	15.17	12.69	13.65	12.42
Net of loss provision	15.59	14.17	11.59	12.54	11.16
Taxable equivalent[2]					
Total securities	11.65	12.43	12.06	12.18	11.66
State and local government	11.96	12.81	12.58	13.44	12.41
Total securities and gross loans	15.07	14.39	12.41	13.31	12.24

1. Calculated as described in the "Technical Note," FEDERAL RESERVE BULLETIN, vol. 65 (September 1979), p. 704.
2. See table 1, note 3.

aggregate dropped 84 basis points to 9.39 percent of total net assets. As in the case of interest expense, shifts in balance sheet composition influenced the pass-through of lower interest rates to profit-and-loss statements. The decline in interest income was moderated, and thus net income was bolstered, by a shift in bank portfolios in the aggregate away from relatively low-yielding assets, such as U.S. government securities and interbank deposits, and toward loans and tax-exempt securities, which were quite attractive on a taxable-equivalent basis last year (see table 4).

Loans rose to more than 58 percent of consolidated bank assets last year, as increases in consumer and real estate loans more than made up for sluggish farm and commercial and industrial (C&I) loans. While consumer loans continued to increase at about the rapid rate typical of the current economic expansion, lower interest rates encouraged stepped-up real estate borrowing last year, but reduced C&I loan growth. Business borrowing was diverted to the long-term markets, where corporations took advantage of rates that had fallen to the lowest level since the start of the 1980s. The largest banks experienced a substantial drop in the proportion of C&I loans in their portfolios. Not only are their customers most likely to include those businesses that would have ready access to bond markets, but these top banks also continued to record significant sales of C&I loan participations. In contrast, small and medium-sized banks, which hold relatively low proportions of business loans in their portfolios, experienced some increases in these shares last year.

Overall, securities increased slightly as a share of consolidated bank assets in 1985. As shown in table 5, this small net change masked a decrease in the importance of U.S. government securities that about offset strength in state and local obligations. The upturn in the share of these tax-exempt securities was the first in nearly 15 years, spurred in part by reactions to congressional tax reform proposals that specified January 1, 1986, as the effective date for eliminating the tax deductibility of carrying costs on such securities. State and local issuers raised a massive volume of funds last year, in response both to the tax reform proposals and to the lower level of interest rates. This bloated supply helped keep tax-exempt yields high relative to other interest rates, contributing to the attractiveness of state and local bonds late last year. Only small banks devoted a reduced share of their assets to these

5. Selected portfolio items as a percent of total assets, all insured commercial banks, 1981–85[1]

Item	Domestic offices					Fully consolidated offices				
	1981	1982	1983	1984	1985	1981	1982	1983	1984	1985
Interest-earning assets	81.56	82.83	82.63	83.00	82.95	84.59	85.87	85.96	85.74	85.82
Loans	55.05	55.21	54.18	56.11	56.28	55.91	56.82	56.46	57.67	58.16
Securities	20.09	19.58	20.31	19.84	19.87	17.00	16.56	17.47	17.58	17.71
U.S. government	10.45	10.40	11.65	11.46	10.92	8.63	8.59	9.79	9.89	9.43
State and local government	9.20	8.75	8.11	7.80	8.29	7.62	7.25	6.84	6.76	7.19
Other bonds and stocks	.44	.43	.54	.59	.66	.75	.73	.83	.93	1.09
Gross federal funds sold and reverse repurchase agreements	4.81	5.30	5.13	4.81	5.22	3.99	4.41	4.34	4.17	4.51
Interest-bearing deposits	1.61	2.75	3.01	2.25	1.57	7.69	8.06	7.69	6.33	5.44
MEMO: Average assets (billions of dollars)	1,598	1,733	1,897	2,086	2,072	1,940	2,101	2,259	2,418	2,577

1. Data are based on averages for call dates in December of the preceding year and in June and December of the current year. In 1984 data are based on averages for call dates at the beginning and end of the year only.

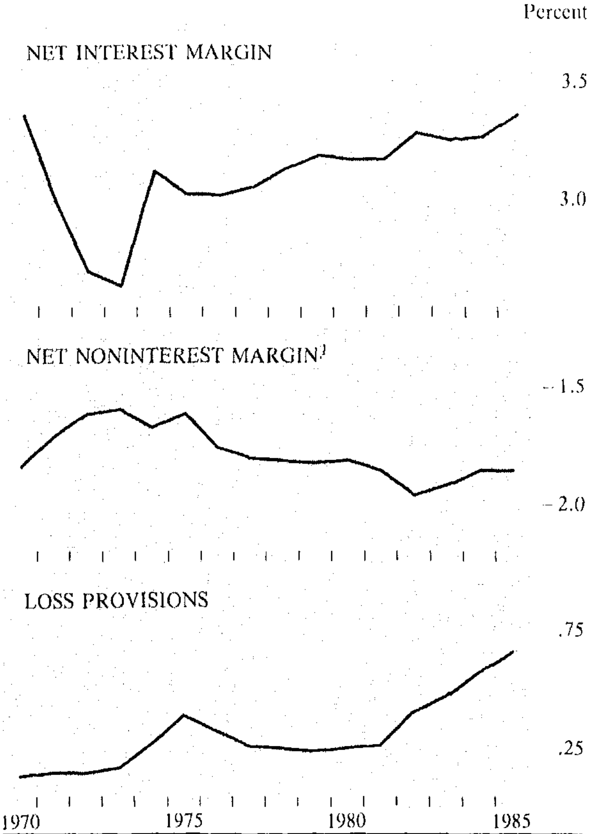
obligations, *probably* because deteriorating profits left them with less need for tax shelters. A decline in tax-exempt securities as a share of assets was most noticeable at small agricultural and energy banks, whose earnings have been under particular pressure.[1]

As with interest expense, the decline in interest income last year was sharpest at the larger banks. The interest income of smaller banks tends to be less variable because they have assets with longer average maturities; they hold, for example, a far higher proportion of securities than do the largest banks. Last year, additional downward pressure on interest income at the nine money center banks arose from a substantial decline in loans as a share of their assets; these higher-yielding loans were replaced in part by sales of federal funds and reverse repurchase agreements.

NET INTEREST MARGIN

In the aggregate, insured commercial banks increased their net interest margin 10 basis points in 1985, to 3.36 percent of total net assets (see chart 1). The nine largest banks, which form the group with the lowest interest margin, were the only size class of bank to post a decline on average in that margin. This decline, however, was more apparent than real because the drop was caused by a reallocation of assets toward tax-exempt securities, which generally carry lower rates than do taxable assets; adjusting for this influence, the interest margin of money center banks increased 9 basis points. On this taxable-equivalent basis, the only category of banks to experience a narrowing of its interest margin in 1985 was the group of smaller banks that do a relatively large amount of energy lending. At the other extreme, the large banks, excluding the top nine, posted an increase of 23 basis points in their taxable-equivalent interest margin. A sizable shift toward tax-exempt securities and consumer and real estate loans helped

1. Components of net income as a percent of average net assets



1. Excluding loss provisions.

support income at these banks, while a shift away from money market liabilities helped control their expenses; both of these shifts were larger (as a share of assets) than at any other size class.

This group of large banks, however, did not show the same kind of dominance in securities gains. While these banks registered a rise in their taxable-equivalent interest margin that was double that for the rest of the industry, their increase in capital gains was equal to the industry average. In the aggregate, commercial banks took advantage of lower interest rates to sell securities from their investment portfolios last year, realizing capital gains, expressed as a percentage of their consolidated net assets, of 6 basis points—contrasting with a small loss on such transactions in 1984. (This increase in securities gains was equal to the rise in overall commercial bank net income last year.) Capital gains were widespread, varying little from size group to size

1. Agricultural banks are defined as those at which the ratio of total farm loans to total loans is above the unweighted average of such ratios at all banks. Energy banks include generally those with energy loans and leases in excess of 25 percent of primary capital.

group, with slightly larger gains at banks suffering more pressure on earnings.

LOAN LOSSES

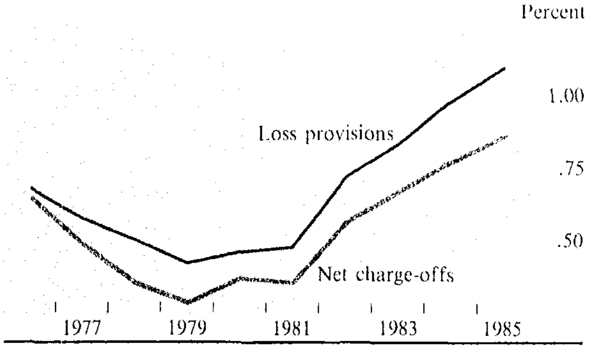
The upturn of profitability in 1985 occurred despite the continuing rise in loan-loss provisions. The industry as a whole increased additions to loss reserves 10 basis points to 0.66 percent of average net assets—nearly triple the level at the beginning of the decade (see chart 1). These provisions represent current revenues that commercial banks have diverted from profits to raise or replenish their reserves for loan and lease losses. The loan-loss reserve, in turn, is a balance sheet item that must be maintained at a level adequate to absorb anticipated losses, and it may not be allowed to dip below zero when bad loans are charged off against it. Recent experience with loan-loss provisions has shown them to be closely related to same-period charge-offs of loans. And charge-offs, which generally had been related to the cyclical position of the economy, have risen without interruption so far in the 1980s, despite the fact that 1985 was the third year of an economic expansion.

These two measures of portfolio quality are displayed in chart 2, expressed as a proportion of total loans. Charge-offs of bad loans, net of recoveries, rose to 0.86 percent of average loans. The higher level and faster growth of loss provisions relative to charge-offs imply that bank reserves against losses have been bolstered. Indeed, a memo item in appendix table A.2 shows loss reserves growing from 0.55 percent of average consolidated net assets in 1981 to 0.79 percent last year. Since loan-loss reserves are counted as primary capital for regulatory purposes, incentives to improve capital-to-asset ratios may have been a minor consideration motivating additions to these reserves. For the industry as a whole, the charge-offs taken last year lowered somewhat the proportion of loans on nonaccrual status, to 2.2 percent by the end of the year. The proportion of loans that were delinquent, whether still accruing interest or not, also declined during 1985.

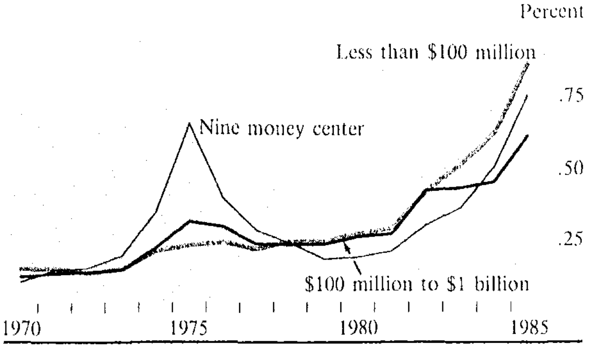
The steep upturn in loan-loss provisions in the 1980s was spread across all size classes of banks. Unlike the period from 1973 to 1975, in which loan-loss increases were sharper at larger banks, small banks posted as large a rise in loan-loss provisions after the latest recession as did money center banks (chart 3). Last year, as shown in table 6, loan-loss provisions at small banks and at the largest banks rose most quickly. The deterioration of asset quality at small banks was particularly marked at banks with heavier concentrations of lending to farmers and energy-related businesses. Loan-loss provisions as a share of net assets at those banks rose especially steeply, to more than double the national average. Small agricultural banks charged off in excess of 2 percent of their loans and small energy banks, 2½ percent. Moreover, these charge-offs are likely to be followed by more, for—unlike the rest of the industry—both groups showed large increases in the proportion of their loans placed on nonaccrual status.

Banks with assets between $100 million and $1 billion exhibited fewer problems. Their loan-loss provisions and net charge-offs grew more than the industry average, but the levels of both ratios

2. Net loan losses and provisions as a percent of average loans



3. Loss provisions as a percent of average net assets



6. Loan losses and recoveries, all insured commercial banks, 1984–85

Millions of dollars, except as noted

Year and size of bank[1]	Losses charged	Recoveries	Net charge-offs		Loss provision
			Amount	Percent of loans[2]	
1985					
All banks	15,521	2,694	12,826	.86	16,967
Less than $100 million	3,273	454	2,819	1.38	3,320
$100 million to $1 billion	2,841	461	2,380	.83	3,099
$1 billion or more					
Money center banks	3,864	557	3,307	.86	4,605
Others	5,543	1,223	4,320	.69	5,943
1984					
All banks	12,912	2,141	10,771	.77	13,690
Less than $100 million	2,304	399	1,905	.95	2,401
$100 million to $1 billion	2,160	423	1,737	.65	2,236
$1 billion or more					
Money center banks	2,604	452	2,152	.57	2,930
Others	5,844	867	4,977	.90	6,122

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

2. Data are based on averages for call dates in December of the preceding year and in June and December of the current year. In 1984 data are based on averages for call dates at the beginning and end of the year only.

remained slightly below the averages for all banks. The proportion of loans at these medium-sized banks that were delinquent rose somewhat, but remained below that for any other category of banks.

Data for the large banks other than money center banks improved, although the results were dominated by the turnaround at Continental Illinois. At these banks, provisions for loan losses declined 8 basis points to 0.56 percent of net assets, and charge-offs declined to 0.69 percent of loans. Excluding Continental Illinois from the calculations results in both of these ratios remaining about unchanged last year relative to the preceding year—which still is better than for the remainder of the banking industry. The large banks other than money center banks also recorded a significant improvement in the ratio of delinquent loans to total loans. The drop in the ratio at this group accounted for most of the improvement industrywide last year.

As mentioned earlier, money center banks sharply increased their provisions for loan losses, to 0.74 percent of net assets, and also increased their charge-offs at a faster rate than did other banks. These top nine banks indicated that half of their loss provisions were attributable to international operations. Indeed, last year, C&I loans to non-U.S. addressees were charged off at a higher rate, 1.3 percent of such loans, than were loans to U.S.-domiciled businesses, 0.9 percent. Although the delinquency rate reported by the money center banks declined from 1984, it remained slightly above the industry average, and the share of loans that were classified as nonaccruing increased.

Other Noninterest Expenses and Noninterest Income

The margin between noninterest income and expenses at commercial banks was little changed last year, in keeping with its trendless behavior in recent years (see chart 1). Noninterest income rose 13 basis points relative to assets to 1.31 percent of net assets, while noninterest expenses (excluding loan-loss provisions) rose 12 basis points to 3.17 percent of net assets.

Unlike the rest of the industry, the money center banks improved their net performance on noninterest items 15 basis points. They posted a very large increase in noninterest income, which came about equally from gains on trading account securities and from the undifferentiated "other noninterest income." Noninterest expenses also grew relatively rapidly at these largest banks, but were more than offset by the income gains. Other banks experienced smaller increases in both noninterest income and expenses, but for each size class of bank, the growth of expenses outpaced income, leading to a deterioration in the noninterest margin at these other banks. For both income and expenses, the rises were evident primarily in the "all other" categories. Although detailed information is not directly available, "all other" noninterest income likely was lifted by fees and service charges (other than those on deposit accounts), as banks continued to unbundle financial services and increasingly charged explicitly for such services. Large banks apparently derived income from such off-balance-sheet activities as loan participations, interest rate swaps, and issuance of standby letters of credit. "All other" noninterest expenses probably were boosted by the costs of marketing, data processing, and new product development.

PROFITABILITY, DIVIDENDS, AND CAPITAL

Insured commercial banks reversed a five-year trend and showed an improvement in aggregate profits last year. The return on average net assets rose 6 basis points to 0.70 percent; similarly, the return on equity rose 73 basis points to 11.33 percent. In both cases the gains were more than accounted for by the group of large banks other than money center banks, which posted an increase of 24 basis points in its return on assets last year (see table 7). About half the improvement at this group—and all of the improvement for the industry—could be credited to the return to profitability of Continental Illinois in 1985.

Chart 4 shows the movement in return on assets of each size group since 1970. At money center banks the return on assets slipped 7 basis points last year, and these nine banks showed the largest decline in return on equity, more than 1.8 percentage points, as they added significantly to capital. Medium-sized banks showed a small decline in both ratios. But the problems of energy and farm lenders were clear in the results for small banks. The return on assets at small agricultural banks dropped 17 basis points to 0.57 percent, and their return on equity fell almost 2 percentage points to 6.26 percent. Small energy banks fared worse; as a group, these 334 banks posted a net loss last year, with their return on equity having sunk 4.4 percentage points since the previous year, to a negative 1.26 percent. The 260 U.S.-chartered commercial banks with foreign offices, which generally are large banks, showed a gain of 0.16 percent in return on assets. This improvement occurred despite a decline in their net income from international operations, which fell to 18 percent of their total profits, down from 30 percent in 1984, as increased provisions for loan losses attributable to international operations were not offset by better performance in other aspects of that business.

The overall proportion of income distributed as dividends changed little in 1985: it remained at

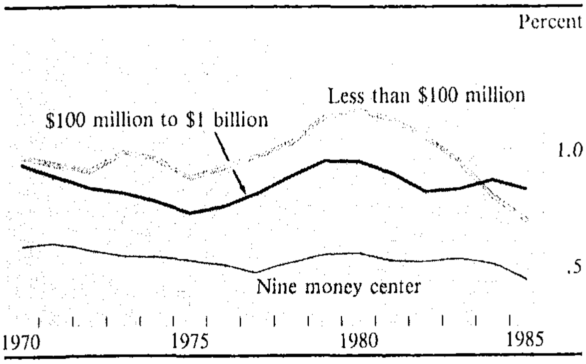
7. Profit rates, all insured commercial banks, 1981–85

Percent

Type of return and size of bank[1]	1981	1982	1983	1984	1985
Return on assets[2]					
All banks	.76	.71	.67	.64	.70
Less than $100 million	1.14	1.07	.96	.81	.70
$100 million to $1 billion	.91	.84	.84	.88	.84
$1 billion or more					
Money center banks	.53	.53	.54	.52	.45
Others	.66	.60	.54	.53	.77
Return on equity[3]					
All banks	13.09	12.10	11.24	10.60	11.33
Less than $100 million	13.39	12.45	11.12	9.49	8.20
$100 million to $1 billion	12.78	11.74	11.86	12.40	11.71
$1 billion or more					
Money center banks	13.57	13.27	12.57	11.42	9.61
Others	12.80	11.42	10.15	9.66	13.69

1. Size categories are based on fully consolidated assets at year-end.
2. Net income as a percent of fully consolidated net assets. Data are based on averages for call dates in December of the preceding year and in June and December of the current year. In 1984 data are based on averages for call dates at the beginning and end of the year only.
3. Net income as a percent of average equity capital. Data are based on averages for call dates in December of the preceding year and in June and December of the current year. In 1984 data are based on averages for call dates at the beginning and end of the year only.

4. Return on assets



about half. And despite the disparity in profits among size classes, the path traced by dividends was about the same, rising slightly for each group. The only exception was agricultural banks, which decreased dividends 3 basis points relative to assets; even the small energy banks, despite their poor performance, kept up their dividends. Large banks other than money center banks retained virtually all of the increase in their profits last year, adding almost two-thirds of their aftertax net income to retained earnings, while other banks retained only about 45 percent of net income. Small agricultural banks retained less than one-third of their profits; and energy banks with assets of less than $1 billion paid dividends out of equity on average. About one-third of these energy banks refrained from distributing dividends, but almost a quarter paid out dividends in excess of income—or despite net losses. For the industry as a whole, however, retained income funded a larger share of the increase in equity capital (see table 8), reversing the decline registered for the two previous years.

The primary capital-to-asset ratio of commercial banks rose again in 1985, to almost 7½ percent by the end of the year. Large banks raised their ratio ½ percentage point to about 6¾ percent; money center banks accomplished this primarily by issuing mandatory convertible debt and adding to their loan-loss reserves, while other large banks bolstered shareholder equity. Medium-sized banks increased their ratio mainly through equity capital, and the more limited increase at small banks came equally from greater shareholder equity and loan-loss reserves.

The improvement in profitability for the industry as a whole did not appear to continue into the early part of 1986. The average return on assets was 3 basis points lower in the first quarter of this year than during the corresponding period in 1985. The net interest margin showed no change, as both interest income and expense declined 70 basis points as a share of net assets. The margin between noninterest income and expenses improved somewhat, and banks realized larger gains on securities. However, these two factors were outweighed by the continued escalation of provisions for losses, up 11 basis points relative to assets over the year-earlier period. □

8. Sources of increases in total equity capital, all insured commercial banks, 1981–85

Millions of dollars, except as noted

Item	1981	1982	1983	1984	1985
Retained income[1]					
All banks	8,848	8,284	7,653	7,823	9,452
Large banks[2]	4,104	4,051	3,621	4,090	6,368
Net increase in equity capital					
All banks	11,163	9,374	10,739	14,956	14,724
Large banks	5,465	4,578	5,626	9,415	9,403
Percent of increase in equity capital from retained income[3]					
All banks	79	88	71	52	64
Large banks	75	88	64	43	68

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

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

3. Retained income divided by the net increase in equity capital.

A.1. Report of income, all insured commercial banks, 1981–85

Millions of dollars

Item	1981	1982	1983	1984	1985
Operating income, total	**247,577**	**257,293**	**239,264**	**274,273**	**273,529**
Interest, total	230,148	237,193	216,059	245,640	240,006
Loans	164,715	168,619	153,323	181,873	179,783
Balances with banks	23,905	23,867	16,739	16,557	13,602
Gross federal funds sold and reverse repurchase agreements	12,183	11,309	9,198	10,464	9,355
Securities (excluding trading accounts)	29,345	33,398	36,799	36,746	37,266
U.S. government	18,019	21,028	24,205	n.a.	n.a.
State and local government	9,704	10,648	10,620	n.a.	n.a.
Other[1]	1,622	1,721	1,974	n.a.	n.a.
Service charges on deposits	3,892	4,584	5,399	6,512	7,281
Other operating income[2]	13,538	15,517	17,806	22,121	26,242
Operating expense, total	**227,490**	**238,274**	**220,236**	**254,273**	**252,118**
Interest, total	169,078	168,651	143,215	167,335	154,128
Deposits	138,830	141,185	119,843	139,331	128,867
Large certificates of deposit	38,896	37,366	22,523	25,761	22,476
Deposits in foreign offices	46,696	41,754	29,021	35,781	30,013
Other deposits	53,238	62,065	68,299	77,789	76,377
Gross federal funds purchased and repurchase agreements	23,752	20,628	16,438	19,323	16,236
Other borrowed money[3]	6,496	6,838	6,934	8,682	9,025
Salaries, wages, and employee benefits	27,901	31,244	33,637	36,463	39,346
Occupancy expense[4]	8,558	9,975	11,101	12,092	13,410
Loss provision	5,080	8,429	10,621	13,690	16,967
Other operating expense	16,873	19,975	21,662	24,694	28,266
Securities gains or losses (−)	−1,595	−1,282	−30	−142	1,505
Income before tax	18,491	17,737	18,998	19,858	22,915
Taxes	3,859	2,976	4,076	4,665	5,372
Extraordinary items	57	64	70	217	318
Net income	14,689	14,826	14,992	15,409	17,862
Cash dividends declared	5,841	6,542	7,338	7,585	8,410

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

n.a. Not available.

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1981–85[1]

A. All banks

Item	1981	1982	1983	1984	1985
	Balance sheet items as a percent of average consolidated assets				
Interest-earning assets	84.59	85.87	85.96	85.74	85.82
Loans	55.91	56.82	56.46	57.67	58.16
Commercial and industrial	21.54	22.81	22.54	22.52	22.09
Real estate	14.37	14.24	14.13	14.77	15.66
Consumer	9.64	9.20	9.17	9.97	10.67
Securities	17.00	16.56	17.47	17.58	17.71
U.S. government	8.63	8.59	9.79	9.89	9.43
State and local government	7.62	7.25	6.84	6.76	7.19
Other bonds and stocks	.75	.73	.83	.93	1.09
Gross federal funds sold and reverse repurchase agreements	3.99	4.41	4.34	4.17	4.51
Interest-bearing deposits	7.69	8.06	7.69	6.33	5.44
Deposit liabilities	78.61	77.61	77.68	77.93	77.46
In foreign offices	15.93	15.79	14.71	12.94	12.47
In domestic offices	62.68	61.82	62.97	64.99	64.99
Demand deposits	20.76	17.35	16.53	16.47	16.07
Other checkable deposits	2.43	3.43	4.03	4.34	4.59
Large time deposits	14.12	14.61	12.15	12.22	11.38
Other deposits	25.37	26.44	30.26	31.95	32.95
Gross federal funds purchased and repurchase agreements	7.54	7.99	7.81	7.51	7.64
Other borrowings	2.62	2.64	2.84	2.87	3.37
MEMO: Money market liabilities	40.21	41.03	37.51	35.55	34.86
Loss reserves	.55	.59	.63	.70	.79
	Effective interest rate (percent)				
Rates earned					
Securities	9.28	9.96	9.83	9.95	9.39
State and local government	6.74	7.20	7.04	7.50	6.87
Loans, gross	16.32	15.17	12.69	13.65	12.42
Net of loss provision	15.59	14.17	11.59	12.54	11.16
Taxable equivalent					
Securities	11.65	12.43	12.06	12.18	11.66
Securities and gross loans	15.07	14.39	12.41	13.31	12.24
Rates paid					
Interest-bearing deposits	13.42	12.10	9.32	9.92	8.55
Large certificates of deposit	16.42	14.13	8.90	10.67	8.86
Deposits in foreign offices	17.37	14.87	10.32	12.62	10.24
Other deposits	10.07	9.99	9.11	8.84	7.95
All interest-bearing liabilities	13.89	12.21	9.46	10.19	8.65
	Income and expenses as a percent of average net consolidated assets				
Gross interest income	11.93	11.36	9.63	10.23	9.39
Gross interest expense	8.77	8.07	6.38	6.97	6.03
Net interest margin	3.17	3.28	3.25	3.26	3.36
Taxable equivalent	3.53	3.66	3.60	3.73	3.88
Noninterest income	.90	.96	1.03	1.19	1.31
Loss provision	.26	.40	.47	.57	.66
Other noninterest expense	2.77	2.93	2.96	3.05	3.17
Securities gains or losses (−)	−.08	−.06	.00	−.01	.06
Income before tax	.96	.85	.85	.83	.90
Taxes	.20	.14	.18	.19	.21
Extraordinary items	.00	.00	.00	.01	.01
Net income	.76	.71	.67	.64	.70
Cash dividends declared	.30	.31	.33	.32	.33
Net retained income	.46	.40	.34	.33	.37
MEMO					
Average assets (billions of dollars)	1,940	2,101	2,259	2,418	2,577
Number of banks	14,208	14,123	14,075	13,961	13,916

1. See notes to tables in the text.

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1981–85—Continued[1]

B. Banks with less than $100 million in assets

Item	1981	1982	1983	1984	1985
	Balance sheet items as a percent of average consolidated assets				
Interest-earning assets	90.84	91.10	91.02	90.77	90.92
Loans	53.72	52.55	51.49	52.26	53.00
Commercial and industrial	12.26	12.91	12.88	12.90	13.47
Real estate	19.60	18.37	17.98	18.88	19.84
Consumer	13.97	12.91	12.28	12.36	12.46
Securities	29.35	29.61	31.00	30.39	29.21
U.S. government	17.38	18.25	20.52	20.85	19.97
State and local government	11.50	10.94	10.01	9.01	8.64
Other bonds and stocks	.46	.41	.46	.54	.60
Gross federal funds sold and reverse repurchase agreements	5.87	6.35	5.96	5.53	5.94
Interest-bearing deposits	1.90	2.60	2.57	2.59	2.76
Deposit liabilities	87.56	87.17	87.83	88.18	88.26
Demand deposits	22.52	19.04	17.01	16.11	14.88
Other checkable deposits	4.01	6.14	7.55	8.14	8.55
Large time deposits	10.03	10.67	9.80	10.22	10.92
Other deposits	51.00	51.32	53.46	53.71	53.90
Gross federal funds purchased and repurchase agreements	1.41	1.68	1.21	1.01	.85
Other borrowings	.52	.48	.41	.35	.36
MEMO: Money market liabilities	11.96	12.83	11.42	11.59	12.13
Loss reserves	.51	.51	.52	.58	.67
	Effective interest rate (percent)				
Rates earned					
Securities	9.69	10.82	10.58	10.66	10.29
State and local government	6.45	7.24	7.47	7.84	7.74
Loans, gross	14.91	15.34	13.70	14.16	13.36
Net of loss provision	14.27	14.39	12.55	12.80	11.53
Taxable equivalent					
Securities	11.70	12.95	12.53	12.23	11.83
Securities and gross loans	13.75	14.46	13.24	13.44	12.81
Rates paid					
Interest-bearing deposits	11.21	10.96	9.15	9.54	8.40
Large certificates of deposit	15.14	13.74	9.20	10.84	9.15
Other deposits	10.56	10.51	9.15	9.34	8.27
All interest-bearing liabilities	11.31	11.01	9.11	9.54	8.39
	Income and expenses as a percent of average net consolidated assets				
Gross interest income	11.55	11.75	10.60	10.89	10.31
Gross interest expense	7.15	7.35	6.32	6.72	6.04
Net interest margin	4.39	4.40	4.28	4.17	4.27
Taxable equivalent	4.93	4.96	4.82	4.66	4.74
Noninterest income	.68	.67	.69	.74	.77
Loss provision	.29	.42	.51	.63	.86
Other noninterest expense	3.24	3.31	3.29	3.28	3.37
Securities gains or losses (−)	−.10	−.02	.01	−.01	.08
Income before tax	1.45	1.31	1.18	.99	.88
Taxes	.31	.24	.23	.19	.19
Extraordinary items	.00	.00	.00	.01	.01
Net income	1.14	1.07	.96	.81	.70
Cash dividends declared	.35	.39	.38	.39	.41
Net retained income	.79	.67	.58	.41	.29
MEMO					
Average assets (billions of dollars)	352	365	373	383	387
Number of banks	12,353	12,081	11,811	11,554	11,358

1. See notes to tables in the text.

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1981–85—Continued[1]

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

Item	1981	1982	1983	1984	1985
	Balance sheet items as a percent of average consolidated assets				
Interest-earning assets	88.37	89.34	89.65	89.56	89.88
Loans	54.40	53.71	52.98	54.41	56.03
Commercial and industrial	16.34	16.88	16.84	17.50	17.88
Real estate	20.02	19.38	18.89	19.61	20.99
Consumer	14.00	13.16	12.86	13.14	13.47
Securities	25.68	25.30	26.51	26.17	25.58
U.S. government	13.15	13.48	15.34	15.46	14.60
State and local government	11.88	11.16	10.29	9.76	10.00
Other bonds and stocks	.65	.66	.87	.95	.98
Gross federal funds sold and reverse repurchase agreements	5.46	5.91	5.59	5.41	5.46
Interest-bearing deposits	2.84	4.42	4.58	3.58	2.81
Deposit liabilities	83.18	82.89	84.34	85.13	85.49
In foreign offices	.24	.24	.22	.27	.29
In domestic offices	82.94	82.66	84.12	84.87	85.21
Demand deposits	24.97	21.31	19.51	18.71	17.64
Other checkable deposits	3.62	5.21	6.10	6.44	6.82
Large time deposits	14.98	15.35	12.94	12.96	13.15
Other deposits	39.37	40.79	45.57	46.76	47.61
Gross federal funds purchased and repurchase agreements	6.08	6.47	5.21	4.59	4.13
Other borrowings	1.28	1.15	1.21	1.04	1.07
MEMO: Money market liabilities	22.58	23.20	19.57	18.86	18.64
Loss reserves	.58	.59	.61	.65	.71
	Effective interest rate (percent)				
Rates earned					
Securities	9.15	9.96	9.89	9.97	9.51
U.S. government	11.55	12.41	11.86	10.35	10.29
State and local government	6.52	7.03	7.03	7.43	7.11
Other bonds and stocks	10.15	10.52	11.31	10.39	9.14
Loans, gross	15.23	14.70	12.78	13.60	12.60
Net of loss provision	14.56	13.71	11.81	12.65	11.39
Taxable equivalent					
Securities	11.37	12.27	12.08	12.15	11.77
Securities and gross loans	13.90	13.84	12.50	13.13	12.34
Rates paid					
Interest-bearing deposits	11.47	10.67	8.83	9.33	8.16
Large certificates of deposit	16.05	13.91	8.90	10.88	8.78
Deposits in foreign offices	15.84	14.48	9.23	15.77	8.11
Other deposits	9.99	9.71	8.82	8.95	8.02
All interest-bearing liabilities	11.98	10.89	8.80	9.39	8.14
	Income and expenses as a percent of average net consolidated assets				
Gross interest income	11.37	11.18	9.92	10.39	9.76
Gross interest expense	7.44	7.19	6.02	6.50	5.76
Net interest margin	3.94	4.00	3.90	3.89	4.00
Taxable equivalent	4.46	4.53	4.42	4.42	4.55
Noninterest income	.83	.86	.90	.97	.97
Loss provision	.27	.42	.43	.46	.61
Other noninterest expense	3.37	3.45	3.39	3.33	3.40
Securities gains or losses (−)	−.10	−.07	−.01	−.01	.06
Income before tax	1.03	.92	.98	1.06	1.02
Taxes	.13	.09	.14	.19	.20
Extraordinary items	.01	.00	.00	.01	.01
Net income	.91	.84	.84	.88	.84
Cash dividends declared	.39	.40	.42	.43	.45
Net retained income	.52	.44	.42	.44	.39
MEMO					
Average assets (billions of dollars)	382	413	454	488	511
Number of banks	1,651	1,813	2,012	2,135	2,259

1. See notes to tables in the text.

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1981–85—Continued[1]

D. *Nine money center banks*

Item	1981	1982	1983	1984	1985
			Balance sheet items as a percent of average consolidated assets		
Interest-earning assets	80.63	82.19	81.56	81.14	80.32
Loans	59.14	62.27	62.93	63.66	61.85
Commercial and industrial	30.21	32.34	32.31	31.78	29.35
Real estate	8.62	9.16	9.22	9.82	10.49
Consumer	4.50	4.61	4.72	5.28	5.78
Securities	6.48	5.96	6.39	6.68	7.20
U.S. government	2.77	2.37	2.60	2.33	2.22
State and local government	2.39	2.37	2.49	2.90	3.14
Other bonds and stocks	1.32	1.23	1.30	1.45	1.84
Gross federal funds sold and reverse repurchase agreements	2.11	2.50	2.52	2.51	3.55
Interest-bearing deposits	12.90	11.45	9.72	8.29	7.72
Deposit liabilities	75.37	73.69	72.18	72.08	70.91
In foreign offices	39.86	39.99	37.93	35.21	35.42
In domestic offices	35.51	33.70	34.25	36.88	35.49
Demand deposits	15.06	11.28	11.43	11.83	12.01
Other checkable deposits	.83	1.06	1.19	1.24	1.31
Large time deposits	12.95	13.75	10.55	10.62	8.27
Other deposits	6.68	7.61	11.08	13.20	13.90
Gross federal funds purchased and repurchase agreements	7.23	7.27	7.86	7.42	7.59
Other borrowings	4.54	4.75	5.12	5.34	6.46
MEMO: Money market liabilities	64.58	65.76	61.46	58.58	57.74
Loss reserves	.49	.54	.59	.69	.84
			Effective interest rate (percent)		
Rates earned					
Securities	9.89	9.73	9.56	9.72	9.17
U.S. government	10.97	10.81	11.92	11.58	11.51
State and local government	7.55	7.46	6.33	7.61	6.41
Other bonds and stocks	11.99	11.93	11.46	11.10	11.38
Loans, gross	17.32	15.47	12.64	13.85	12.38
Net of loss provision	16.62	14.63	11.75	12.97	11.06
Taxable equivalent					
Securities	12.46	12.36	11.86	12.58	11.57
Securities and gross loans	16.56	14.94	12.32	13.73	12.29
Rates paid					
Interest-bearing deposits	15.94	13.95	10.23	11.06	9.41
Large certificates of deposit	16.64	14.47	8.96	10.70	8.97
Deposits in foreign offices	17.12	14.89	10.77	12.90	10.55
Other deposits	9.97	10.15	10.02	7.83	7.40
All interest-bearing liabilities	16.06	13.84	10.56	11.53	9.76
			Income and expenses as a percent of average net consolidated assets		
Gross interest income	12.55	11.63	9.40	10.22	9.10
Gross interest expense	10.45	9.29	7.00	7.84	6.74
Net interest margin	2.10	2.34	2.40	2.38	2.36
Taxable equivalent	2.25	2.49	2.53	2.83	2.93
Noninterest income	.98	1.05	1.12	1.42	1.75
Loss provision	.21	.30	.36	.50	.74
Other noninterest expense	1.99	2.25	2.34	2.54	2.71
Securities gains or losses (−)	−.05	−.06	.01	.02	.06
Income before tax	.83	.77	.84	.78	.71
Taxes	.30	.24	.30	.26	.26
Extraordinary items	.00	.01	.00	.00	.00
Net income	.53	.53	.54	.52	.45
Cash dividends declared	.22	.23	.27	.24	.25
Net retained income	.31	.30	.26	.29	.21
MEMO					
Average assets (billions of dollars)	538	564	582	594	623
Number of banks	9	9	9	9	9

1. See notes to tables in the text.

A.2. Portfolio composition, interest rates, and income and expenses, insured commercial banks, 1981–85—Continued[1]

E. Large banks other than money center banks

Item	1981	1982	1983	1984	1985
	Balance sheet items as a percent of average consolidated assets				
Interest-earning assets	82.33	84.19	84.77	84.62	85.24
Loans	55.33	56.52	56.07	57.78	58.90
Commercial and industrial	22.42	23.70	23.15	23.19	22.98
Real estate	13.02	13.25	13.25	13.74	14.61
Consumer	9.02	8.68	8.88	10.31	11.54
Securities	14.00	13.43	14.28	14.81	15.90
U.S. government	6.14	5.91	7.04	7.35	7.32
State and local government	7.35	6.97	6.58	6.71	7.70
Other bonds and stocks	.51	.54	.66	.75	.88
Gross federal funds sold and reverse repurchase agreements	3.68	4.09	4.20	4.01	4.10
Interest-bearing deposits	9.32	10.15	10.21	8.02	6.35
Deposit liabilities	73.89	73.07	73.43	73.77	73.50
In foreign offices	14.01	13.85	13.03	10.77	9.39
In domestic offices	59.89	59.22	60.40	62.99	64.11
Demand deposits	22.02	18.89	18.21	18.37	18.13
Other checkable deposits	2.21	2.92	3.33	3.68	4.00
Large time deposits	16.75	16.75	13.84	13.65	12.53
Other deposits	18.90	20.66	25.02	27.29	29.44
Gross federal funds purchased and repurchase agreements	11.84	12.39	12.05	11.68	11.84
Other borrowings	2.94	2.92	3.23	3.29	3.77
MEMO: Money market liabilities	45.53	45.91	42.16	39.39	37.53
Loss reserves	.60	.65	.70	.78	.85
	Effective interest rate (percent)				
Rates earned					
Securities	8.74	9.17	9.16	9.42	8.78
U.S. government	10.64	11.12	11.18	11.13	11.17
State and local government	6.96	7.24	6.95	7.36	6.50
Other bonds and stocks	12.11	12.66	10.84	11.46	11.03
Loans, gross	16.80	15.08	12.29	13.37	12.06
Net of loss provision	15.98	13.92	10.99	12.11	11.00
Taxable equivalent					
Securities	11.60	12.09	11.66	12.06	11.51
Securities and gross loans	15.55	14.31	12.00	13.10	11.94
Rates paid					
Interest-bearing deposits	13.92	12.20	9.09	9.73	8.34
Large certificates of deposit	16.88	14.17	8.83	10.52	8.78
Deposits in foreign offices	17.98	14.84	9.48	12.04	9.62
Other deposits	9.54	9.66	9.08	8.71	7.85
All interest-bearing liabilities	14.55	12.28	9.24	10.04	8.34
	Income and expenses as a percent of average net consolidated assets				
Gross interest income	11.95	11.06	9.19	9.89	9.04
Gross interest expense	9.02	8.00	6.17	6.76	5.73
Net interest margin	2.94	3.06	3.02	3.13	3.31
Taxable equivalent	3.31	3.42	3.35	3.56	3.80
Noninterest income	1.00	1.09	1.19	1.34	1.42
Loss provision	.29	.46	.56	.64	.56
Other noninterest expense	2.79	2.97	3.01	3.14	3.26
Securities gains or losses (−)	−.10	−.07	−.01	−.02	.05
Income before tax	.76	.65	.63	.67	.95
Taxes	.10	.05	.10	.16	.20
Extraordinary items	.00	.00	.00	.01	.02
Net income	.66	.60	.54	.53	.77
Cash dividends declared	.30	.29	.29	.27	.29
Net retained income	.37	.31	.25	.25	.49
MEMO					
Average assets (billions of dollars)	668	759	850	953	1,057
Number of banks	195	220	243	263	290

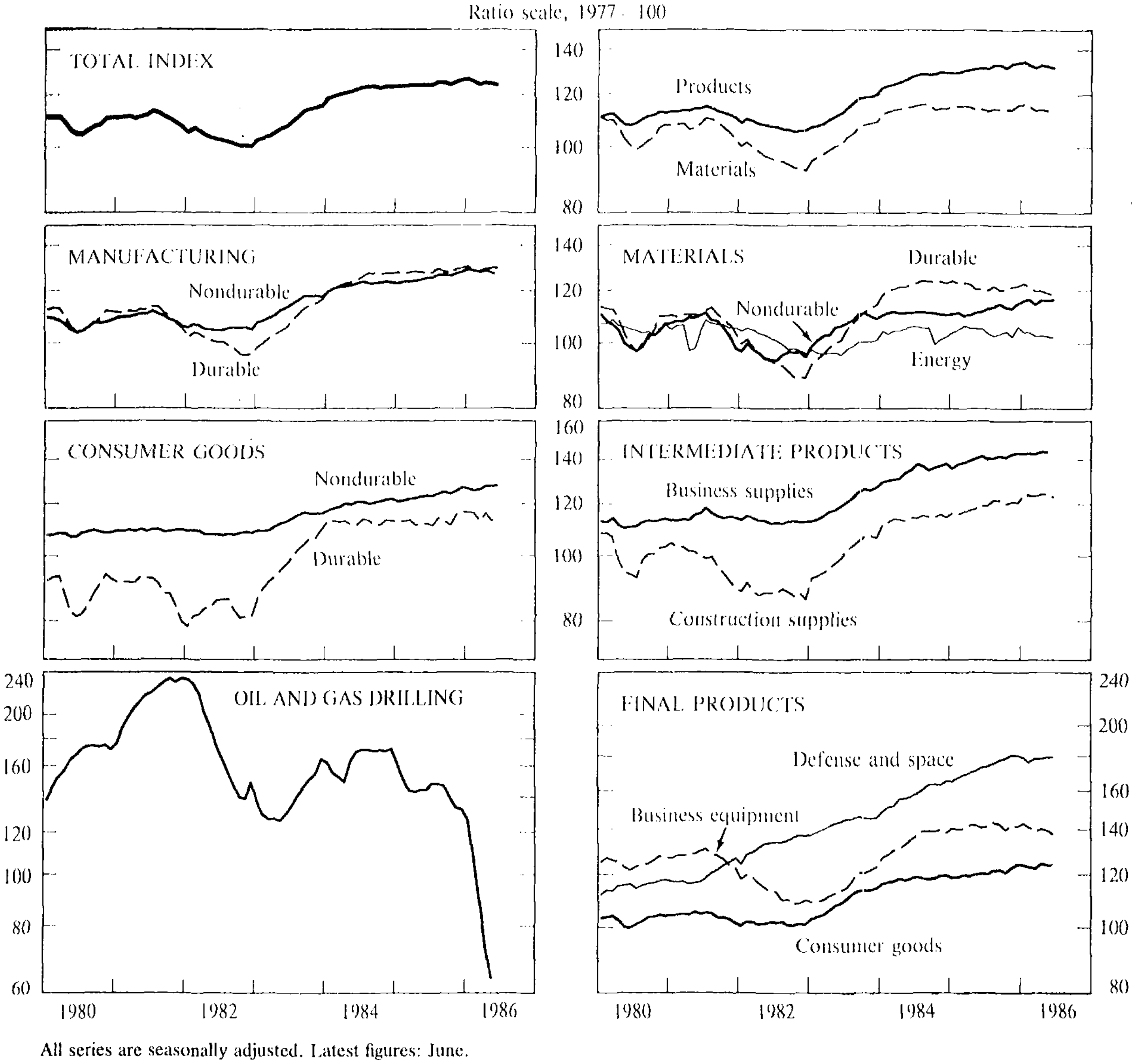
1. See notes to tables in the text.

Industrial Production

Released for publication July 15

Industrial production decreased an estimated 0.5 percent in June after having declined 0.4 percent in May and having increased 0.6 percent in April. About one-half of the June decrease was related to strikes affecting the output of business equipment, construction supplies, and durable materials; the remainder reflected declines among a wide variety of products and materials, with only autos and transit equipment showing any significant gain. Industrial output in the second quarter dropped about 3 percent at an annual rate from the preceding quarter. At 124.1 percent of the 1977 average, the total index was slightly below that of a year earlier.

In market groups, output of durable consumer goods edged up in June after having declined 2.4



All series are seasonally adjusted. Latest figures: June.

Group	1977 = 100		Percentage change from preceding month					Percentage change, June 1985 to June 1986
	1986		1986					
	May	June	Feb.	Mar.	Apr.	May	June	
	Major market groups							
Total industrial production	**124.7**	**124.1**	**−.9**	**−.9**	**.6**	**−.4**	**−.5**	**−.2**
Products, total	132.6	131.8	−1.0	−.7	.8	−.4	−.6	.2
Final products	131.9	131.2	−1.2	−1.0	.9	−.5	−.6	−.3
Consumer goods	123.9	123.7	−.6	−.5	1.6	−.4	−.1	2.8
Durable	113.4	113.5	−.3	−2.9	2.8	−2.4	.1	1.4
Nondurable	127.8	127.5	−.7	.3	1.2	.2	−.2	3.3
Business equipment	139.6	138.0	−1.3	−1.4	.8	−.4	−1.1	−1.9
Defense and space	179.5	179.7	−1.4	1.0	.1	.4	.1	3.6
Intermediate products	134.9	134.0	−.2	.0	.7	.0	−.7	2.0
Construction supplies	124.3	123.0	−.4	.0	.5	.1	−1.0	3.2
Materials	113.9	113.4	−.7	−1.3	.4	−.5	−.4	−.8
	Major industry groups							
Manufacturing	128.6	127.9	−.8	−.7	.7	−.2	−.5	1.0
Durable	127.8	126.7	−1.0	−1.0	.7	−.6	−.8	−.7
Nondurable	129.7	129.6	−.5	−.1	.8	.3	.0	3.3
Mining	100.4	98.9	−2.0	−2.5	−.5	−1.7	−1.5	−10.6
Utilities	111.6	112.0	−1.9	−.2	.6	−1.1	.3	−1.3

NOTE. Indexes are seasonally adjusted.

percent in May. Autos were assembled at an annual rate of 8.0 million units in June, up from a rate of 7.6 million in May. Output of nondurable consumer goods was virtually unchanged again and has, on average, changed little since last December. Production of home goods weakened further and in June was about 5 percent below the December high; appliance output has fallen especially sharply. Production of business equipment declined about 1 percent in June, with reductions in all major categories except transit equipment. Within the business equipment group, the largest drop last month was for output of commercial equipment, which reflected a strike-related decline in communication equipment. Output of defense and space equipment edged up in June after a gain of 0.4 percent in May.

Production of construction supplies declined 1.0 percent, owing in part to a strike in the lumber industry. In June, output of materials fell about ½ percent, with durable and energy materials reduced further. Output of metals, in particular, was weak—exacerbated by a strike-related reduction in aluminum production. Output of nondurable goods materials was unchanged, but remained about 4 percent higher than it was a year earlier.

In industry groups, manufacturing output in June declined 0.5 percent, as durables fell 0.8 percent and nondurables were unchanged. Output at mines decreased 1.5 percent in June following a similar decline the preceding month. Oil and gas well drilling, which has accounted for most of the loss in mining output in 1986, declined further in June, but less rapidly than in preceding months. Utilities output rose 0.3 percent following a decrease of 1.1 percent in May.

Statement to Congress

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, July 23, 1986.

I appreciate the opportunity to report once again on the conduct of monetary policy. I would first like to place that matter in the larger context of the performance of the U.S. and the world economy.

As you know, there have been marked contrasts in the economic performance of different sectors and regions of this country. Consumption has been strongly maintained, and there have been large increases in employment in the broad service sector. Housing is being built at a high rate. But industrial activity and business investment, which had leveled off last year, have declined over the last six months, and the agricultural and energy industries are under strong pressure. As a consequence, activity in some areas of the country has advanced rather strongly, while severe adjustments are taking place in the energy and agricultural belts.

The net result is that the overall economic growth rate in the United States moderated to about 3 percent through 1985 and early 1986, and apparently slackened further in the second quarter of this year. Moreover, growth in other major industrialized countries remained slower than in the United States during 1985 and the early part of this year.

Throughout this period, sizable increases in employment have continued in this country; the unemployment rate has remained generally at a little more than 7 percent; and, relative to the size of the working age population, more people are employed than ever before recorded. In Europe, unemployment has also remained relatively steady, but at much higher levels.

After more than three years of economic expansion, the process of disinflation has continued, reinforced for the time being by sharply lower prices of oil, by far the most important commodity. With industrial prices steady, the average level of wholesale prices has been declining here, and even faster in key countries abroad whose currencies have been sharply appreciating relative to the dollar. Interest rates here and abroad have also declined appreciably, reflecting both the sense of progress against inflation and the fact that growth has been proceeding well within capacity restraints.

The large decline in U.S. interest rates and the sharply higher stock market over the past year suggest that the cost of capital has declined. The fall in oil prices has helped bolster the real income of consumers. Meanwhile, the substantial depreciation of the dollar has placed our industry in a decidedly better competitive position vis-à-vis other industrial countries. As many have suggested, these underlying forces should help sustain an economic expansion that has already lasted longer than most.

But I would be remiss in failing to emphasize much less satisfactory aspects of the U.S. and world economic situation. There can be no evading the fact that some fundamental economic adjustments must be made within our economy in the months and years ahead.

The clear challenge is to find the ways and means to work through those adjustments in a context of sustained growth while also consolidating and retaining the progress toward price stability. The conduct of U.S. monetary policy is obviously relevant to that process. But that single policy instrument cannot itself provide the answer. Complementary approaches in the fiscal, trade, and other policies of this country, and in the approaches of other countries, will be required as well. The hard fact is that, while the need for complementary actions to achieve the necessary adjustments in the United States and world economy seems to be more widely recognized, progress in coordinating action toward those aims has been limited.

DISEQUILIBRIUM IN THE INDUSTRIAL WORLD

Some obvious imbalances have developed in the economies of the industrialized world. That development is evident most of all in the enormous deficit in our external trade and current accounts and in the counterpart surpluses of a few other countries. Unless dealt with effectively and constructively, growing market and political pressures will, sooner or later, inevitably have much more disturbing consequences.

The problem first clearly emerged some time ago. The powerful thrust of the strong U.S. economic expansion in 1983 and 1984 had spilled out abroad in the form of sharply rising imports, aided and abetted by the exceptional strength of the dollar internationally. There were, for a while, benefits on all sides. At a time of slack demand at home, exports to us helped Europe and Japan to restore and maintain their growth. The United States also absorbed a disproportionate share of the necessary external adjustment efforts by the heavily indebted countries of Latin America. Those countries have sharply curtailed their imports since 1982, and they have become more competitive in markets for manufactured goods.

At the same time, the United States began to be the recipient of a growing flow of capital from abroad. That inflow, which pushed the dollar so high in the exchange markets until early 1985, had the practical effect of relieving potential pressures on our internal financial markets even in the face of the massive and growing federal deficit. Consequently, private investment and construction could expand. At the same time, the competitive pressure from imports encouraged strong cost-cutting and productivity efforts in the industrial sector. That has been one powerful factor accounting for the near stability of prices of manufactured goods over the past year or more.

We cannot, however, build a lasting foundation for sustained growth and stability on massive international disequilibrium—huge and rising trade deficits in the United States and counterpart surpluses abroad. Nor can we count on satisfying indefinitely so many of our own needs for capital by drawing so heavily on the savings generated elsewhere in the world—savings that have been so freely available in part only because internal growth in Europe and Japan has been relatively slow.

Today the imbalances and strains are clearly showing. The forward momentum of our economy has been sustained almost entirely by consumer spending and housing construction, both of which have been accompanied by unsustainably heavy borrowing. Savings meanwhile have remained at a relatively low level, even by past U.S. standards. For more than a year, industrial production in the United States has not grown appreciably, and there has been some decline in 1986. The pace of business investment has slackened.

Some of the relative weakness in industrial output and investment over the past six months can be attributed to temporary factors and to developments peculiar to the United States. For instance, some investment orders were speeded up late last year in anticipation of tax reform, and the debate on the nature of that reform has apparently led to some deferral of ordering this year. The boom in spending for computers has subsided, and commercial construction, in response to large and growing vacancies of office space, is predictably declining. Probably much more important in recent months have been very sharp cutbacks in domestic oil exploration and investment, driving energy-producing states into recessionlike conditions and affecting production of steel and equipment elsewhere as well.

But a large part of the difficulty stems from the continuing imbalances in the world economy. On the average, growth rates in major European economies and Japan were about ¾ percent less than the reduced growth path of the United States during 1985 and the first quarter of 1986. However, the more disturbing contrast lies in the source of that growth.

In the United States, the rate of growth in *domestic* demand, while slowing in the third year of expansion, continued to average about 3¾ percent through that period. *Domestic* demand growth in the industrialized countries of Europe and Japan was significantly less—about 2½ percent. In the early part of this year, when their exports slackened, those countries did not grow at all.

The plain implication is that our overall GNP growth rate was reduced by continuing deterioration in our trade and current account balances. With our current account deficit reaching a record annual rate of $135 billion in the first quarter of this year, industrial production and investment were restrained. Meanwhile, foreign surpluses continued to build through much of the period, and as their exports have slowed, internal demand has not yet, in most of those countries, picked up the slack.

Prospects for investment and for manufacturing activity in the United States are heavily dependent on an improved trade outlook. The sharp decline in the dollar since its peak in early 1985 should help set the stage for such an improvement. There is evidence that U.S. producers find themselves in a stronger competitive position. However, the deterioration in actual trade in manufactured goods has slowed little.

The decline in the dollar is both relatively recent and from a very high level so that the absence of a stronger response in trade so far is not entirely surprising. What is of concern is that the domestic markets of our major industrial competitors have remained so sluggish, raising a question as to the buoyancy of the markets for our exports and of their own growth prospects.

You are well aware that the present imbalance among industrial countries is reflected in strong protectionist pressures in the United States. Yet, as the President has so strongly emphasized, to abandon our tradition of relatively open markets would surely be to invite an unravelling of the international trading order. We would then have less trade and more inflation. With that development, prospects for sustained growth both here and abroad would clearly be placed in jeopardy.

I know of the complaints about "unfair" trading practices of other countries. We need to deal with them energetically. But I also know the clear lesson of experience is that a protectionist retreat by the United States, the world's leading economic power, would invite recrimination and escalation. Certainly, the most effective and promising avenue for dealing with the trade complaints on all sides will be in the planned round of multilateral trade negotiations rather than in a tit-for-tat process of mutual retaliation.

Moreover, I believe it is demonstrable that, as a matter of relative importance, much more fundamental imbalances in the world economy than unfair trading practices are responsible for the present pattern of trade deficits and surpluses. Those underlying imbalances can only be dealt with by complementary economic policies, not by protectionism.

Quite clearly it is in no one's interest—neither the United States nor other countries—that we seek better balance in our external accounts by deliberately restraining further our own growth rate. But it is also true that as things now stand, stronger *domestically generated* growth in the United States will not reduce the international imbalances. Taken alone, it would aggravate our trade deficit further, posing an even more difficult adjustment problem later.

As I suggested, the recent changes in the exchange rate can help us to escape that dilemma—they should work to improve our trade position and to reduce the surpluses of others. In fact, faced with a combination of appreciating currencies and slower growth in overseas markets, exporters in both Japan and some European countries are experiencing reduced profits and more sluggish orders from abroad. However, in the absence of offsetting internal sources of expansion, those same pressures could dampen their own prospects for growth.

That possibility is one of several reasons why we should not rely on exchange rate changes *alone* to produce the needed international adjustments in the world economy. Over a number of years, we in the United States will certainly need to shift more of our resources into exports and into recovering domestic markets in which import penetration has been so high. That shift, very broadly, implies relatively more growth in manufacturing; relatively less growth in services, in government spending, or in other sectors; and more savings and less borrowing. For some of the rest of the world, the opposite shift will need to be at work—less reliance on exports and more on domestic sources of growth.

Much still needs to be done to ease the way for those adjustments. For one thing, we in the United States are not prepared for a really large improvement in our trade balance. Our financial markets remain dependent on the large capital inflows from abroad that are a necessary counterpart of our trade and current account deficits. Moreover, taken by itself, depreciation of our currency in an effort to redress the trade deficit poses a risk of renewed inflation.

Only as our huge federal deficit is cut can we comfortably contemplate less borrowing abroad and provide assurance against renewed inflation. Put another way, in a growing economy, reductions in the federal deficit will be necessary to release the real and financial resources necessary to improve our trading position in a way consistent with rising investment.

In a few foreign countries, such as Germany, some signs of stronger internal growth have appeared in recent months. But such signs are far from uniform among key countries abroad, and most projections of their growth for this year have been lowered, not raised, as exports have slowed.

With rising currencies and falling oil prices, some of those countries after years of effort have now successfully achieved virtual stability in consumer prices. Moreover, their wholesale prices have declined sharply and are appreciably lower than they were a year ago.

All of us—and certainly this central banker—can appreciate the importance of maintaining a broad framework of stability and appropriate financial disciplines to sustain that progress. What is at issue for some countries is their ability to achieve and maintain vigorous internal growth at a time of high unemployment and ample resources as external stimulus fades away, as it must if international equilibrium is to be restored. The appreciation of their currencies and the strong deflationary influences of low oil and other commodity prices would appear to offer a prime opportunity for reconciling those goals of domestic growth and stability.

The International Debt Problem

Four years after the international debt problem broke into our collective consciousness in 1982, when Mexico abruptly lost access to international credit markets, that threat to our mutual prosperity remains. The renewed difficulties of the oil-producing countries today should not, however, obscure the progress that has been made. Collectively, the heavily indebted countries of Latin America and elsewhere have made an enormous effort to adjust their external accounts; in fact in 1984 and 1985 they were in rough current account balance, in contrast to an aggregate deficit of about $50 billion in 1982.

To be sure, that effort for a time was accompanied by sharply lower imports, recession, and lower standards of living as these countries brought their spending more in line with their internal resources. But it is also true that many of those countries are again growing, in some cases with vigor, as is the case with the largest single debtor, Brazil. Helped by the reduction in world interest rates, external interest burdens have been reduced appreciably in some countries relative to exports or other measures of capacity to pay. A number of Latin American countries have also made striking progress in dealing with ingrained inflation for the first time in many years, in the process gaining political support. There has been considerable, if uneven, progress toward liberalizing their economic structures in ways that should encourage more growth and productivity over time.

In the midst of this progress, the sharp decline in oil prices over the past six months has had an enormous adverse impact on the oil-exporting heavily indebted countries—Venezuela, Nigeria, Ecuador, and Mexico. At current oil prices, for instance, Mexico would lose about a third of its 1985 exports, perhaps as much as 15 percent of its government revenues, and the equivalent of some 5 percent of its GNP. Inevitably, that situation poses a new and a severe challenge for Mexico—a challenge that will require strong new efforts to make the necessary economic adjustments and to improve the structure of their economy. There is no large cushion of external reserves to buffer the shock. Consequently, a large amount of financial resources will have to be marshalled from abroad to help ease the transition, to maintain continuity in debt service, and to provide a solid base for renewed growth.

That combination of adjustment, structural change, and appropriate financing is, indeed, the essence of the approach announced by the Mexican government earlier this week. In cooperation with the IMF and the World Bank, Mexico is undertaking a wide range of efforts to deal with both its short- and its longer-range economic problems. To my mind, their efforts, in the midst of crisis to move toward a more open, competitive economy, are particularly encouraging. They have joined the General Agreement on Tariffs and Trade (GATT), import restrictions are being rationalized and liberalized, a good many state-owned enterprises are being made available for sale (or, if too inefficient, shut down), subsidies are being reduced and eliminated, and procedures for approving foreign investment are being eased. If carried through effectively, those measures promise to work toward fundamental improvement in the efficiency, competitiveness, and creditworthiness of the Mexican economy, thereby enhancing prospects for longer-term growth.

Today, that country is in recession. But the program clearly contemplates economic recovery in 1987 and 1988. Certainly, sizable amounts of financing from abroad will be required to support that effort. About half of that financing can be committed by the IMF, the World Bank, and the Inter-American Development Bank. But Mexico is calling upon commercial banks, with so much already at stake, to play a large role as well.

In assessing that situation, I would note that the Mexican exposure of commercial banks appears not to have increased for some 18 months. Indeed, there has been little net new lending to Latin America as a whole over the past year.

Taking the entire period since mid-1982, the exposure of American banks to the heavily indebted countries of Latin America relative to their capital has declined appreciably. That ratio fell from about 120 percent of the capital of lending banks to less than 75 percent at the end of last year, a decline of 38 percent. No doubt, there has been a further reduction by now.

Those exposures, in relative terms, are actually considerably less than they were in 1977, when the data were first collected. For some time, the pace of lending has, in fact, been well below that contemplated by Secretary Baker when he set out a framework for a growth-oriented approach toward the international debt problem at the IMF meetings last autumn.

That initiative—essentially contemplating a combination of strong adjustment efforts and structural reform by the indebted countries with reasonably assured financing by international institutions and private banks—is now being tested. It is being tested in difficult circumstances not foreseen at the time—the sharp break in oil prices. But the basic community of interests among borrowers and lenders—and the world at large—in a coherent, cooperative approach is as strong as ever.

The debtor countries themselves have an enormous stake in maintaining their creditworthiness and in seeking solutions in the framework of open, competitive markets. We all have a strong interest in international financial order—even more when there are other points of strain in the banking system. And, of course, relationships beyond the purely economic are at stake, for the United States most of all.

The challenge is large, but with cooperation, also manageable. Indeed, the same oil price decline that has undermined the budgetary and trading position of Mexico and other large oil exporters has relieved the pressure on those who are importing oil. Interest rates have declined. A number of borrowing countries will require significantly less, rather than more, financing than the financing that was contemplated a year ago. Given the enormous progress that was made in adjusting external positions, most of the borrowers can look toward more balanced expansion in their imports and exports as they grow—among other things, providing renewed opportunities for American exporters.

But I must also emphasize one essential ingredient for success beyond the capacity of the indebted countries to manage. Only a stable, growing world economy, with markets open to the developing world, can provide an environment that is conducive to economic expansion, more normal interest rates, and orderly debt service by the borrowers. That ingredient is plainly the responsibility of the industrialized world alone. It is one of the reasons why we must collectively deal with the obvious imbalances among us.

Monetary Policy in 1986

These larger issues were the background against which the Federal Reserve has conducted monetary policy in 1986 and reviewed its objectives for growth in money and credit this year and next. The results of the review by the Federal Open Market Committee (FOMC) of target ranges for money and credit for 1986 and tentative ranges for 1987 were discussed in the Humphrey–Hawkins report that was published and sent to the Committee at the end of last week. That report also sets out projections for real activity and prices by FOMC members and Reserve Bank presidents.

As indicated in the report, the posture of monetary policy remained broadly accommodative over the past six months. The discount rate has been reduced in three steps this year 1½ percent, in part responding to and in part facilitating declines in short-term interest rates of similar magnitude. Long-term interest rates also moved lower, extending the sharper drops in the second half of last year. The general structure of interest rates is now as low as at any time since 1977.

The reductions in interest rates in 1985 and 1986 have clearly helped support the more interest-sensitive sectors of the economy, reflected in part in the highest level of housing starts since the late 1970s. The declines have also helped ease the debt servicing costs of businesses, farmers, developing countries, and the U.S. government itself.

On the other side of the ledger, as interest rates have declined, the rate of growth in debt has remained at disturbingly high levels, although there are at least faint signs of a slackening in the rate of debt creation after a burst around the turn of the year. The declines in interest rates also clearly helped induce the general public to increase its holdings of its most liquid assets, including demand deposits and negotiable order of withdrawal (NOW) accounts included in the narrow measure of the money supply, M1. That reaction was undoubtedly amplified by the fact that interest is paid on NOW accounts, which are now the favored form in which transaction balances are held by individuals. With interest rate spreads currently quite narrow between NOW accounts and other liquid assets, those accounts no doubt have served increasingly as a repository for liquid savings as well as for money held for transaction purposes.

Similarly, there are some indications of a greater willingness of businesses to hold demand deposits at a time of lower interest rates, partly because, with interest rates down, a larger balance is necessary to compensate banks for a given amount of services. To some extent, an environment of more stable prices may also be encouraging larger money holdings.

None of that was predictable with any precision, and the rate of growth in M1, which ran at almost 13 percent over the first half of the year, was far above the FOMC's target range. Action to restrain that growth within the target range—which would have required reducing the provision of reserves and a significant increase in pressures on bank reserve positions—was not deemed desirable in the light of other important considerations.

One of those considerations was that growth in the broader measures of money—M2 and M3—remained well within their respective target ranges of 6 to 9 percent, ending the second quarter close to their midpoints. That fact and other evidence suggested that much of the growth of M1 reflected a shifting of the composition of liquid assets rather than excessive, and potentially highly inflationary, money creation. That judgment was, of course, reinforced by the moderate rate of growth for the economy over all, the absence of indications of a strong acceleration as the year progressed, evidence of greater stability in prices of manufactured goods, and declining commodity prices.

In looking ahead, the Committee decided to retain the existing ranges of 6 to 9 percent for M2 and M3 this year. The range of 3 to 8 percent that was set for M1 early in the year was not recalibrated because of the uncertainties as to the behavior of that aggregate at present. Certainly the inflationary potential of excessive money growth remains a matter of concern. But in current circumstances, the Committee decided that the significance of changes in M1 could only be judged in the context of movements in the broader aggregates, and against the background of movements in interest rates and the economy generally. Taking account of those factors, growth in excess of the target established at the start of the year will be acceptable.

In circumstances of greater economic, price, and interest rate stability, more predictable relationships between M1 and the economy may reemerge over time, although the trend of M1 velocity—the ratio between GNP and M1—will likely be different than it was earlier in the postwar period. However, a firm conclusion concerning the nature and stability of future velocity characteristics may take years of experience in the new institutional and economic setting. For the time being, in looking to next year, the Committee set out a highly tentative range of M1 growth of 3 to 8 percent on the assumption that velocity changes will be within the range of most postwar experience. However, that judgment—and indeed the weight to be given any M1 range for 1987—will be carefully reviewed at the start of next year.

The tentative 1987 ranges for M2 and M3 were lowered ½ percentage point to 5½ to 8½ percent. That modest reduction, consistent with the long-term objective of achieving a rate of monetary growth compatible with price stability, is judged to be entirely compatible with a somewhat greater rate of economic growth next year, provided that growth is not accompanied by a marked increase in inflationary pressures.

The actual price statistics for some months have, of course, reflected the precipitous drop in the price of oil, and consumer prices have dropped slightly this year. But equally clearly, the price of oil will not continue falling so fast, and at some point could well rise again. More predictably, the large depreciation of the dollar will bring in its wake an increase in import prices of manufactured goods. That impact has been moderated so far by the narrowing of the earlier wide profit margins of many of those exporting to us and by the availability of imports from developing countries, few of which have had any appreciable appreciation of their currencies vis-à-vis the dollar.

The rate of increase in costs of housing and of many services, which accounts for a large proportion of the economy, has decelerated little if at all in recent years. With demand strong, measured productivity gains limited, and compensation increases in service occupations continuing to average 4½ percent or more, those areas continue to lend a chronic inflationary bias to the general price level.

Those underlying forces are reflected in the projection of FOMC members and Reserve Bank presidents that the overall inflation rate is likely to be somewhat higher next year. That prospect underscores the need for vigilance in the conduct of monetary policy. We want to assure maintenance of the remarkable progress toward stability as the economy grows more strongly and as a large amount of resources are shifted back to manufacturing industries as our trade balance improves. Without such assurance, there would be no firm basis for expecting the level of interest rates to remain for long at lower levels or to decline further.

In looking toward growth in the range of 3 to 3½ percent next year, considerable emphasis was placed by Committee members on the potential contribution to that growth of a stronger trade balance. As I emphasized earlier, that shift, if it is to take place in the context of sustained and stronger world growth, will require appropriately complementary policies here and abroad. Significant progress toward dealing with our own budget deficit seems to me a key ingredient in that overall policy "mix."

The timing of another important domestic policy instrument—discount rate cuts—has been influenced by international financial and exchange rate considerations. A substantial realignment of the excessively strong dollar exchange rate has been a necessary and constructive part of achieving the necessary adjustment in external trade. But there are clear dangers in placing excessive weight on that approach.

History demonstrates all too clearly that a kind of self-reinforcing cascading depreciation of a nation's currency, undermining confidence and carrying values below equilibrium levels, is not in that nation's interest or that of its trading partners. Among other things, such a movement of the dollar now could transmit strong inflationary pressures to the United States and inhibit the free flow of capital from abroad at reasonable interest rates. Moreover, other countries would find it more difficult to sustain their forward momentum.

In the light of all these considerations, the discount rate reductions in March and April were timed to coincide with similar changes by one or more other key countries, minimizing any impact on the exchange markets and consistent with the desirability of some reduction in interest rates in the industrialized world generally.

SOME LESSONS OF RECENT EXPERIENCE

Experience over the first half of 1986 underscored the difficulty—I would say the impossibility—of conducting monetary policy in current circumstances according to one or two simple, preset criteria. For instance, the rapid growth of debt and M1 clearly bear watching because of the potential for aggravating the vulnerability of the financial structure to adversity and because of the inflationary potential. However, the weight of the evidence strongly suggests that M1 *alone* during this period of economic and institutional transition is not today a reliable measure of future price pressures (or indeed a good short-term "leading indicator" of business activity). The more restrained performance of the broader aggregates, as well as the performance of the economy and prices themselves, point in a different direction.

At the same time pressures on the oil industry, agriculture, and parts of manufacturing and the more general disinflationary process are reflected in strains on some depository institutions. Those strains emphasize the importance of dealing with factors more directly under the control of lenders themselves: excessive leveraging of borrowers and loose credit standards. A broad array of approaches by the supervisory and regulatory authorities has been necessary to deal with the particular points of pressure in a manner consistent with the stability of the entire fabric of financial institutions and markets.

The present situation certainly makes even more pointed the need to provide a stronger sense of legislative direction about the evolution of the financial system over time. There are also urgent specific pieces of legislation before you to permit the Federal Deposit Insurance Corporation and the Federal Reserve to facilitate interstate acquisitions of failed or failing banks and to supplement the resources of the Federal Savings and Loan Insurance Corporation.

The difficulties of some financial institutions are one specific example of economic problems that cannot be effectively dealt with by monetary policy alone. Indeed a strength of monetary policy is that it can respond flexibly to changing circumstances. But it is equally true that a single, broad-brush policy instrument cannot, at one and the same time, be called upon to stimulate the economy, protect the dollar, restrain excessive debt creation, and shift resources away from consumption and back into investment, manufacturing, and exports—as desirable and important as all those goals may be.

Events of recent years have also heavily underscored how cumbersome fiscal policy can be, and the difficulties of achieving political consensus on such matters as tax reform and the appropriate legislative framework for financial institutions. On an international scale, achieving consensus on appropriate action can be still more difficult.

We have nonetheless come a long way toward restoring growth and stability in this decade. But my sense is that all that progress is in growing jeopardy unless we act—we in the United States, we in the industrialized world, and we in the world as a whole—in mutually supportive ways.

The main directions of that effort seem to me clear enough. The Gramm–Rudman–Hollings legislation is an expression of the sense of urgency surrounding our budgetary effort in the United States. The rest of the industrial world needs to achieve and maintain a momentum of "home-grown" expansion. With strong national and international leadership—and with the cooperation of private and public lenders—a constructive resolution of the economic crisis in Mexico can point the way to a wider resolution of the debt problem in a context of growth.

Hard as it may be to carry through on those efforts, that resolution is what needs to be done if the imbalances in the economy are to be effectively addressed. Then we will have a really solid base for sustaining the momentum of growth and the progress toward stability in the years ahead. Certainly, the Federal Reserve will play its part in that effort. □

Chairman Volcker presented identical testimony before the House Committee on Banking, Finance and Urban Affairs, July 29, 1986.

Announcements

Change in the Discount Rate

The Federal Reserve Board announced a reduction in the discount rate from 6½ percent to 6 percent, effective on Friday, July 11, 1986.

The action, conforming in part to recent declines in a number of market interest rates, was taken within the framework of the generally accommodative stance of monetary policy that has prevailed for some time.

More specifically, the action appeared appropriate in the context of a pattern of relatively slow growth, comfortably within capacity constraints, in the United States and in the industrialized world generally. That pattern has been accompanied by relatively low prices of a number of important commodities and greater stability in prices of goods generally. Measures of the broader monetary aggregates—M2 and M3—are near the midpoints of the target ranges set at the start of the year.

In making the change, the Board voted on requests submitted by the Boards of Directors of the 12 Federal Reserve Banks. The discount rate is the interest rate that is charged depository institutions when they borrow from their District Federal Reserve Banks.

Change in Reporting of Yields on U.S. Treasury Securities

The Federal Reserve Board announced that, beginning with the July Federal Reserve Bulletin, it no longer included in its statistical tables the average constant maturity yield on U.S. Treasury notes and bonds with 2½ years remaining to maturity.

This figure is obtained from the Treasury Department. Since there is no marketable Treasury security with an initial maturity of 2½ years, the Treasury has decided to discontinue calculating this yield.

Calculation of the 2½ year constant maturity was initiated at the beginning of 1980 when a new time deposit for small savers was authorized with a maximum yield tied to the 2½ year Treasury yield. All interest rate ceilings on deposits have subsequently been eliminated.

This special announcement was made so that depository institutions with time deposit contracts that rely on this rate and any lenders who offer loans or parties who have existing contracts with variable or adjustable rates tied to this yield could make alternative arrangements.

New Publication

The Federal Reserve Board has announced the publication of a new pamphlet, *A Guide to Business Credit and the Equal Credit Opportunity Act*.

The pamphlet was written to facilitate and improve access to credit for business owners, particularly first-time borrowers. It describes the credit application process from the lender's perspective and provides guidance on the preparation of effective loan proposals. It also discusses protections provided by the Equal Credit Opportunity Act (which bars discrimination based on sex, race, national origin, marital status, and other factors), including the right of a business applicant to be informed of the lender's reasons for a credit denial.

The pamphlet was prepared in consultation with the following industry groups: the National Association of Bank Women, the American Bankers Association, the Consumer Bankers Association, the Independent Bankers Association of America, the National Bankers Association, and the U.S. Small Business Administration. In addition, the National Association of Women Business Owners brought to this project the viewpoint of business owners as credit applicants.

The pamphlet will be distributed to the small-business community through the Federal Reserve Banks and the groups that joined in its development. Copies are also available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

DATA FROM CALL REPORTS TO BE AVAILABLE FROM NTIS

Beginning October 1, 1986, the National Technical Information Service (NTIS), an agency of the Department of Commerce, will assume responsibility for public sale and distribution of individual bank printouts of the Reports of Condition and Income. The Board and Federal Reserve Banks will no longer handle such requests. Requests for individual reports received by the Board and Reserve Banks after September 30, 1986, and those for printouts from the June 30, 1986, Call will be returned.

NTIS will be able to produce printouts for all publicly available Call and Income Reports directly from Federal Reserve Board data. Thus, the quality of the data and level of revision will be the same as those currently available from the Federal Reserve System. Requests should be addressed to the following:

Sales Office
National Technical Information Service
U.S. Department of Commerce
5285 Port Royal Road
Springfield, Virginia 22161
(703) 487-4650

REVISED LIST OF OTC STOCKS SUBJECT TO MARGIN REGULATIONS

The Federal Reserve Board has published a revised list of over-the-counter (OTC) stocks that are subject to its margin regulations, effective August 12, 1986.

This List of Marginable OTC Stocks supersedes the revised list that was effective on May 13, 1986. Changes that have been made in the list, which now includes 2,750 OTC stocks, are as follows: 188 stocks have been included for the first time, 160 under national market system (NMS) designation; 45 stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing; and 40 stocks have been removed for reasons such as listing on a national securities exchange or involvement in an acquisition.

The list includes all over-the-counter securities designated by the Board pursuant to its established criteria as well as all securities qualified for trading in the national market system. This list includes all securities qualified for trading in tier 1 of the NMS through August 12 and those in tier 2 through July 15, 1986. Additional OTC securities may be designated as NMS securities in the interim between the Board's quarterly publications and will be immediately marginable. The next publication of the Board's list is scheduled for November 1986.

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

PROPOSED ACTIONS

The Federal Reserve Board has extended the comment period to August 11 on amendments it proposed to Regulation D—Reserve Requirements of Depository Institutions.

The Board also issued for public comment a proposal to allow the head offices of the Federal Reserve Banks of Minneapolis and Kansas City to continue a tiered-pricing structure for check collection services. The proposal also outlines the conditions under which other Reserve Bank offices could establish tiered pricing for check collection services. Comment is requested by September 19.

SYSTEM MEMBERSHIP: ADMISSION OF STATE BANKS

The following banks were admitted to membership in the Federal Reserve System during the period July 1 through July 31, 1986:

Colorado
Castle Rock.... Castle Rock Industrial Bank
Florida
Bradenton .... Bank of Bradenton
Miami........ Interstate Bank of Commerce
Kentucky
Union.............. Central Trust Company
North Carolina
Charlotte .... Barclays Bank of North Carolina
Texas
Austin .... Lakeland State Bank

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON MAY 20, 1986

1. Domestic Policy Directive

The information reviewed at this meeting indicated a mixed pattern of economic developments. On balance, growth in real GNP, estimated by the Commerce Department to have picked up in the first quarter to an annual rate of 3.7 percent, appeared to be expanding at a relatively modest pace in the current quarter. Thus far in 1986, broad measures of prices, heavily influenced by sharp reductions in petroleum prices, had shown declines in energy and food prices and moderate increases in prices of most other goods and services.

Total nonfarm payroll employment rose 200,000 further in April, after increasing about ¾ million in the first quarter, but employment trends continued to be unbalanced across industries. Employment in finance and service industries remained strong, and hiring at construction sites picked up substantially after changing little in the first quarter. In manufacturing, however, job losses were recorded for the third consecutive month, and the length of the average factory workweek slipped from the high levels registered at the end of last year. Employment in the oil and gas industry plummeted during the first four months of the year, as firms curtailed drilling activity in response to lower oil prices. The civilian unemployment rate edged down to 7.1 percent in April, close to the level that had prevailed throughout 1985.

The index of industrial production rose an estimated 0.2 percent in April after steep declines in the preceding two months. The increase was attributable mainly to a rebound in motor vehicle assemblies, but there were also some gains in steel output and in production of equipment for business and for defense and space; these developments offset a further plunge in oil and gas well drilling. The index of capacity utilization for total industry dropped 0.7 percent further in March to 79.3 percent, its lowest level since December 1983, and apparently changed little in April.

Total retail sales rose ½ percent in April, primarily reflecting a substantial increase in spending for automotive products and continued gains in outlays for general merchandise. Sales of domestic automobiles, sparked by a new series of sales and financing incentives, strengthened to an annual rate of 8.0 million units from their sluggish pace of 6.9 million units in March. Sales rose even further in early May to a rate of 8.8 million units.

Total private housing starts increased about 4 percent in April from a relatively high level. During the first four months of 1986, starts averaged nearly 2 million units at an annual rate, well above levels of about 1¾ million units in each of the previous three years. Issuance of residential building permits also rose somewhat in April, with the increase concentrated in the single-family sector. Permits for multifamily structures fell, apparently in response to high rental vacancy rates, particularly in the South, and perhaps to heightened uncertainties about the prospects for changes in tax legislation relating to certain types of real estate investment.

Weakness in the energy sector has contributed to a slowing in business capital spending in recent months. Outlays for nonresidential structures fell sharply as spending on petroleum drilling activity plummeted. Expenditures for capital equipment dropped substantially, about reversing the rise in the previous quarter that was attributed to purchases of equipment in advance of potentially adverse tax law changes. New orders for nondefense capital goods, which had been flat in the fourth quarter, remained lackluster through March. Recent surveys of capital spending plans point to no more than modest growth in outlays for the year as a whole.

Largely reflecting declines in energy prices, the producer price index fell 0.6 percent in April, its fourth consecutive monthly decline, and over the first four months of the year the index was down about 11 percent at an annual rate. The consumer price index had fallen 0.4 percent in March for the second month in a row, and had declined at an annual rate of about 2 percent over the first three months of the year. Though movements in these indexes were dominated by the sharp drop in prices of petroleum products, declines in food prices at both the producer and consumer levels also helped to hold down inflation in the first quarter. On the other hand, prices of goods other than food and energy items generally have been rising in recent months at about the same pace that prevailed last year, while prices of services have been increasing a little faster than in 1985.

The trade-weighted value of the dollar against major foreign currencies rose somewhat in the week before this meeting but on balance it had declined about 4¾ percent further over the period since the Committee's meeting on April 1; the largest decline was against the Japanese yen. There was little net change over the period in the differential between U.S. and a weighted average of foreign interest rates. Throughout the period, but especially around the time of the Tokyo Summit in early May, statements of U.S. and foreign officials appeared to influence trading behavior. The U.S. merchandise trade deficit appeared to have decreased somewhat in the first quarter, as both the volume and average price of oil imports fell and nonagricultural exports picked up.

At its meeting on April 1, 1986, the Committee had adopted a directive that called for maintaining about the existing degree of pressure on reserve positions. The members expected such an approach to policy implementation to be consistent with growth of both M2 and M3 at an annual rate of about 7 percent for the period from March to June. Over the same period, M1 was expected to expand at an annual rate of about 7 to 8 percent, but the members recognized that the behavior of M1 remained subject to unusual uncertainty. The Committee agreed that somewhat lesser or somewhat greater reserve restraint might be acceptable over the intermeeting period depending on the behavior of the aggregates, the strength of the business expansion, developments in foreign exchange markets, progress against inflation, and conditions in domestic and international credit markets. The intermeeting range for the federal funds rate was retained at 6 to 10 percent.

M1 grew at an annual rate of 14½ percent in April, close to its rapid pace in March, and data available thus far for early May indicated further strong expansion. M1 has expanded more rapidly than the Committee expected at the time of its April 1 meeting, and for the year to date has grown at a rate well above the 8 percent upper limit of the Committee's range for 1986. M2 and M3 expanded in April at annual rates of about 13¾ percent and 10½ percent respectively, also outpacing the growth paths previously expected for the second quarter. However, given its earlier weakness, M2 moved only into the lower part of its long-run range in April, while M3 rose to a level slightly above the midpoint of its range for 1986. Expansion of total domestic nonfinancial debt, which had slowed appreciably over the first quarter, appeared to be continuing at a relatively moderate pace.

Open market operations during the intermeeting period were directed at maintaining about the prevailing degree of pressure on reserve positions. During the three full reserve maintenance periods after the April 1 meeting, seasonal plus adjustment borrowing from the discount window averaged about $275 million. Borrowing was exceptionally light in the days immediately preceding the announcement on April 18 of a reduction in the discount rate from 7 to 6½ percent, but has averaged a little more than $300 million since then.

Federal funds generally traded in the 6¾ to 7 percent area over most of the intermeeting period, down about ½ percentage point from the rate prevailing around the time of the previous meeting. Most other short-term rates also declined on balance, though by less than the federal funds and discount rates, while long-term rates moved somewhat higher. After declining early in the intermeeting period, interest rates subsequently rose against the background of an upturn in oil prices, strong money supply growth, further depreciation of the dollar, and emerging views among market participants that the scope for further easing in monetary policy was reduced.

The staff projections presented at this meeting suggested that expansion in real GNP, though relatively modest in the current quarter, would likely strengthen over the second half of 1986 and would be at a moderate pace in 1987. The rate of unemployment was expected to decline marginally over the projection horizon. The general level of prices, as measured by the GNP implicit deflator, was projected to rise relatively slowly in the near term, but to pick up later as the favorable effects of declining oil prices dissipated and upward pressures on prices from the dollar's depreciation tended to intensify.

In the Committee's discussion of the economic situation and outlook, members commented that stronger economic expansion in line with the staff forecast was a reasonable expectation for the second half of the year, but several members also stressed the risks of a different outcome. It was generally noted that there was no firm evidence to date of a pickup from the currently sluggish rate of expansion in overall economic activity and that weaknesses remained in key sectors of the economy such as energy and agriculture. However, a number of fundamental factors pointed to faster growth later, though there was considerable uncertainty about both the timing and the magnitude of the prospective strengthening. These factors included substantially reduced interest rates, higher prices in equity markets, lower oil prices, and the favorable effects of the dollar's depreciation on the international competitiveness of U.S. products. At the same time, some members observed that inflationary pressures could increase over the next several quarters, particularly if domestic demands for goods and services proved to be quite strong at a time when the lagged price effects of the dollar's depreciation were being felt. It was noted in this connection that progress toward reducing federal budget deficits was urgently needed to improve prospects for balanced economic growth and help protect against renewed inflation.

With regard to specific indications of prospective strengthening in economic activity, members referred among other developments to the apparent improvement in business confidence in many parts of the country. Housing activity was described as strong in most areas, and some members cited evidence of a pickup in sales of consumer durables related to housing. And although activity in manufacturing industries tended to remain sluggish, the service industries generally were experiencing considerable growth, including notably the financial services and tourism. While the staff forecast had indicated continuing growth of consumer spending and modest expansion in business fixed investment and inventories, one member referred to the possibility that expansion in these key sectors might gather momentum as uncertainties about the actual strength of business were resolved favorably, contributing to a greater acceleration in real economic growth. Another member commented that the buildup of liquidity was seen by many observers as a positive factor for the expansion, especially in the context of what was viewed as an accommodative monetary policy. While broad measures of liquidity had not shown particular strength in recent quarters, holdings of cash balances had been expanding rapidly and were available to support a considerable pickup in spending at some point in the future.

On the other hand, several members indicated that the possibility of the expansion remaining weak could not be ruled out. In this regard, a number of members indicated that they viewed business fixed investment as a major uncertainty in the overall economic outlook, noting that current indicators of future investment remained weak and that there was considerable reluctance to undertake some investment activities pending the passage of tax reform legislation. Moreover, the apparent overbuilding of commercial and other facilities in some parts of the country and weak investment demand in depressed sectors of the economy would tend to inhibit investment spending over the quarters ahead. Members also referred to shortfalls in revenues of state and local governments in depressed areas of the country as a negative factor. Finally, one member referred to the possibility of an inventory correction should the currently positive business mood begin to deteriorate.

A number of members expressed the view that the performance of the economy during the second half of the year would hinge to a considerable extent on foreign developments. Some felt that the main downside risks in the nearer-term business outlook were on the foreign trade side. To an important degree, rising demands for U.S. exports would depend on faster growth in key foreign industrial nations, and it was observed that such growth had been disappointing and a pickup might not occur in the absence of more stimulative economic policies in at least some of those countries. And while a depreciated dollar could be expected to have a favorable impact on U.S. foreign trade over time, that impact might well be delayed and muted in an environment of slow growth abroad and of highly competitive markets for internationally traded goods. Further growth in protectionism in the United States might likewise have a strongly inhibiting effect on U.S. export markets as foreign nations retaliated.

A number of members raised questions about the outlook for inflation. It was pointed out that the recently favorable behavior of overall prices was the result of price declines in the energy and food sectors. Those declines would soon be in the past, and upward pressures on overall prices would reemerge, stimulated in part by the lagged inflationary effects of the dollar's depreciation. Indeed, prices of nonfuel imports were already indicated to have turned up. Even if oil prices were to stabilize near current levels, their favorable impact on overall prices would tend to wane over the quarters ahead, and the possibility of a reversal in oil prices could not be dismissed. Agricultural prices also could not be expected to continue trending downward, and indeed some firming had occurred recently. On the more favorable side, members referred to the intense competition in many markets and to restrained wage settlements in a number of industries. Basic cost pressures appeared to be well contained so far in manufacturing industries although price and wage pressures in the service industries remained disturbing. In one view any intensification of inflationary pressures might well be delayed until well into 1987.

At its meeting in February the Committee had agreed on policy objectives for monetary growth for the period from the fourth quarter of 1985 to the fourth quarter of 1986 that included ranges of 3 to 8 percent for M1 and 6 to 9 percent for both M2 and M3. The associated range for total domestic nonfinancial debt was set at 8 to 11 percent. In keeping with the Committee's usual procedures under the Humphrey–Hawkins Act, these ranges would be reviewed at the July meeting when provisional ranges would also be established for 1987.

The Committee's policy discussion focused to a considerable extent on the members' evaluation of the recent behavior of the monetary aggregates, particularly M1. With varying degrees of emphasis, members questioned the reliability of M1 developments as a guide for the conduct of monetary policy under prevailing circumstances. It was noted in this connection that the rapid growth in M1 and the associated weakness in its velocity appeared to reflect to a considerable but nonetheless uncertain extent the earlier declines that had occurred in market interest rates in the context of subsiding inflationary expectations and softness in final demands. From this viewpoint, the relatively rapid growth in the demand for money balances needed to be accommodated in order to assure a satisfactory performance of the economy. On the other hand, rapid monetary growth also might imply an excessive buildup in liquidity, with inflationary implications for the future. In that context, several members emphasized the need to gauge the performance of M1 in light of whether behavior of other, broader, monetary aggregates provided confirming evidence of a rapid growth in liquid assets.

Members noted that expansion of the broader aggregates, despite the more rapid growth in recent weeks, was well within the Committee's ranges for 1986, and indeed near the lower end of the range in the case of M2. The more moderate growth of the broader aggregates this year, along with relatively moderate growth of L, an even more encompassing measure of the public's liquid asset holdings, raised questions as to whether the growth of M1 really represented a potentially excessive buildup in liquidity or was more of a shift in the composition of liquid holdings in response to relative movements in interest rates. However, continuing growth in M2 and M3 at the relatively rapid rates experienced recently could be a matter of increasing concern. One member expressed a somewhat differing assessment of the behavior of the broader aggregates this year in that the contingent liabilities of banks, most of which back instruments that are not included in M2 and M3, also seemed to have grown rapidly. Moreover, growth of M2 and M3 appeared to have been held back by investor portfolio shifts into bonds and equities, including mutual funds, and the unwinding of such shifts could result in faster growth later. In this view, therefore, less comfort could be taken from the relatively restrained growth of the broader aggregates for the year to date.

According to an analysis prepared for this meeting, the maintenance of the current degree of pressure on reserve positions could be expected to be associated with slower monetary growth over the balance of the quarter. Even so, because of the substantial expansion in April and early May, growth for the quarter as a whole would be considerably faster than was expected at the time of the previous meeting, notably in the case of M1. According to this analysis, the unusual surge in demand deposits was likely to subside over the course of coming weeks, while some moderation could also be expected in the growth of NOW accounts as both depositors and depository institutions completed their adjustments to the lower market interest rates that had emerged. Members indicated broad agreement with this analysis, but they questioned the timing and extent of the slower growth. In light of the uncertainties that were involved, some proposed omitting numerical references in the directive to the Committee's expectations for monetary growth in the second quarter. However, despite the greater than usual uncertainties, a majority of the members preferred to retain the customary procedure of specifying numerical growth expectations in the directive.

In the Committee's discussion of policy implementation for the period immediately ahead, most of the members indicated that they were in favor of continuing to direct open market operations at least initially toward maintaining the existing degree of reserve availability. In support of this view, members commented that the rapid growth of the monetary aggregates and the favorable conditions for a pickup in business activity had to be weighed against the currently sluggish growth in overall business activity and the consequent uncertainties surrounding the economic outlook. One member felt, however, that the rapid growth in M1 and the potential for increased inflationary pressures later in the year and in 1987 argued for some firming.

With regard to possible adjustments during the intermeeting period, a majority of the members felt that policy implementation should be alert to the potential need for some firming of reserve conditions, especially if business indicators gave a clear signal of a pickup in the rate of economic expansion and monetary growth did not slow in line with expectations. Generally, these members did not want to rule out the possibility of some easing in the weeks immediately ahead, but they foresaw the potential desirability of such a course only in the context of appreciably more sluggish economic performance than was now expected. In this connection, one member emphasized that continuing declines in the velocity of money in combination with a sluggish economic performance might warrant some easing of reserve conditions. Other members believed that there should be no presumptions about the likely direction of any intermeeting adjustments, given the prevailing uncertainties about the performance of the economy, possible developments in domestic and international financial markets, and the behavior of the monetary aggregates. Some members also expressed the view that the Committee should be tolerant of a shortfall of M1 growth below current expectations in light of the rapid expansion of M1 recently and for the year to date. It was noted that account needed to be taken of the behavior of the dollar on foreign exchange markets in any intermeeting adjustments.

At the conclusion of the Committee's discussion, all but one member indicated their acceptance of a directive that called for no change in the existing degree of pressure on reserve positions. The members expected such an action to be associated with a deceleration in monetary growth over the balance of the second quarter. Because such growth had been rapid thus far in the quarter, the members anticipated faster growth of the monetary aggregates, especially

M1, than was expected at the time of the April 1 meeting. The members recognized that the behavior of M1 remained subject to unusual uncertainty, but they agreed that its growth might be in the area of 12 to 14 percent for the period from March to June, assuming some decline over the balance of the quarter. For the same period, M2 and M3 were now expected to expand at annual rates of around 8 to 10 percent. The members agreed that if the anticipated slowing in monetary growth did not occur, somewhat greater reserve pressure would be acceptable in the context of a pickup in the expansion of economic activity, with account being taken of conditions in domestic and international financial markets and the behavior of the dollar on foreign exchange markets. On the other hand, somewhat lesser reserve restraint might be acceptable in the event of pronounced sluggishness in the performance of the economy in association with a marked slowing in monetary growth.

The Committee agreed that the current intermeeting range for the federal funds rate should be reduced by 1 percentage point to 5 to 9 percent. The reduction was intended as a purely technical adjustment in the context of an unchanged degree of reserve availability and its purpose was to provide a more symmetrical range around the lower federal funds rate that had prevailed for some time. The members regard the federal funds range as a mechanism for initiating Committee consultation when its boundaries are persistently exceeded.

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 indicates a mixed pattern of developments but suggests on balance that economic activity is expanding at a relatively modest pace in the current quarter. Total nonfarm payroll employment increased moderately further in April following a considerable rise in the first quarter, but employment in manufacturing fell for the third consecutive month. The civilian unemployment rate edged down to 7.1 percent. Industrial production and total retail sales turned up in April following earlier declines, while housing starts rose somewhat further from a relatively high level. Weakness in the energy sector has contributed to a slowing of business capital spending. The merchandise trade deficit appears to have decreased somewhat in the first quarter, as the volume and average price of oil imports fell. Largely reflecting declines in energy prices, consumer prices have declined somewhat since late 1985 and producer prices have fallen substantially.

In April M1 continued to grow at a rapid pace, leaving this aggregate above the upper end of its range for the year. Growth of the broader aggregates, especially of M2, strengthened considerably in April, bringing M2 into the lower part of its long-run range and M3 slightly above the midpoint of its range for 1986. Most short-term interest rates have declined on balance since the April 1 meeting of the Committee, while long-term rates are somewhat higher. On April 18, the Federal Reserve Board approved a reduction in the discount rate from 7 to 6½ percent. The trade-weighted value of the dollar against major foreign currencies has risen somewhat recently but on balance the dollar has declined further since the April meeting, particularly against the Japanese yen.

The Federal Open Market Committee seeks monetary and financial conditions that will foster reasonable price stability over time, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives the Committee agreed at its February meeting to establish the following ranges for monetary growth, measured from the fourth quarter of 1985 to the fourth quarter of 1986. With respect to M1, the Committee recognized that, based on the experience of recent years, the behavior of that aggregate was subject to substantial uncertainties in relationship to economic activity and prices, depending among other things on its responsiveness to changes in interest rates. It agreed that an appropriate target range under existing circumstances would be 3 to 8 percent, but it intends to evaluate movements in M1 in the light of its consistency with the other monetary aggregates, developments in the economy and financial markets, and potential inflationary pressures. It adopted a range of 6 to 9 percent for M2 and 6 to 9 percent for M3. The associated range for growth in total domestic nonfinancial debt was set at 8 to 11 percent for the year 1986.

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 a deceleration in money growth over the balance of the quarter. However, in view of the rapid money growth thus far in the quarter and the apparent weakness in velocity, the Committee anticipates faster growth for the monetary aggregates, particularly M1, than expected at the last meeting. M2 and M3 are expected to expand over the period from March to June at annual rates of about 8 to 10 percent. While the behavior of M1 continues to be subject to unusual uncertainty, growth at an annual rate of about 12 to 14 percent over the period is now anticipated. If the anticipated slowing in monetary growth does not develop, somewhat greater reserve restraint would be acceptable in the context of a pickup in growth of the economy, taking account of conditions in domestic and international financial markets and the behavior of the dollar in foreign exchange markets. Somewhat lesser reserve restraint might be acceptable in the context of a marked slowing in money growth and pronounced sluggishness in economic performance. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 5 to 9 percent.

Votes for this action: Messrs. Volcker, Corrigan, Angell, Guffey, Mrs. Horn, Messrs. Johnson, Melzer, Morris, Rice, and Ms. Seger. Vote against this action: Mr. Wallich. Absent and not voting: None.

Mr. Wallich dissented because he preferred to direct open market operations toward somewhat greater restraint. He was concerned about the implications of rapid monetary expansion for inflation and wanted to take action promptly to help assure slower monetary growth.

2. Authorization for Domestic Open Market Operations

On June 18, 1986, the Committee approved a temporary increase of $3 billion, to $9 billion, in the limit between Committee meetings on changes in System Account holdings of U.S. government and federal agency securities specified in paragraph 1(a) of the authorization for domestic open market operations. The increase was effective immediately for the intermeeting period ending with the close of business on July 9, 1986.

Votes for this action: Messrs. Volcker, Corrigan, Angell, Guffey, Mrs. Horn, Messrs. Johnson, Morris, Rice, and Boykin. Votes against this action: None. Absent and not voting: Mr. Melzer, Ms. Seger and Mr. Wallich. (Mr. Boykin voted as alternate for Mr. Melzer.)

This action was taken on the recommendation of the Manager for Domestic Operations. The Manager had advised that through June 17, outright purchases of securities thus far in the intermeeting interval had reduced the leeway under the usual $6 billion limit to about $2¼ billion. It was anticipated that substantial additional purchases of securities in excess of that leeway would be necessary over the remainder of the intermeeting period. Currency in circulation was expanding rapidly, as expected, while required reserves were growing considerably faster than had been anticipated earlier.

Legal Developments

Amendment to Regulation K

The Board of Governors is amending 12 C.F.R. Part 211, its Regulation K, relating to the types of foreign investments that require the specific consent of the Board. Currently an application to the Board is required where the investor banking organization proposes to invest more than 10 percent of its capital and surplus in a foreign organization. The amendment removes this requirement and permits the investor to make the investment after prior notice to the Board 45 days in advance of the date the proposed investment would be made.

Effective July 8, 1986, the Board amends 12 C.F.R. Part 211 as follows:

Part 211—International Banking Operations

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

Authority: 12 U.S.C. 211 *et seq.*; 12 U.S.C. 1841 *et seq.*; Pub. L. 95-369, 92 Stat. 607, 12 U.S.C. 3101 *et seq.*; Title II, Pub. L. 97-290, 96 Stat. 1235; Title IX, Pub. L. 98-181, 97 Stat. 1153.

2. Part 211.5(c)(2) is amended by deleting at the end of the first sentence the phrase "if the total amount to be invested does not exceed 10 percent of the investor's capital and surplus."

* * * * *

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

Orders Issued Under Section 3 of the Bank Holding Company Act

Bankers' Bancorp of Illinois
Springfield, Illinois

Order Approving Formation of a Bank Holding Company

Bankers' Bancorp of Illinois, Springfield, Illinois, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act of 1956, as amended ("Act") (12 U.S.C. § 1842(a)(1)), to become a bank holding company by acquiring Independent Bankers' Bank of Illinois, Springfield, Illinois ("Bank"), a *de novo* bankers' bank.

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

Applicant, a nonoperating Illinois corporation, was organized for the purpose of becoming a bank holding company by acquiring Bank, a *de novo* "bankers' bank" chartered under Illinois law, which will perform correspondent services for independent community banks.[1] Bank will only engage in providing banking and banking-related services to other banks.

Section 2 of the Act (12 U.S.C. § 1841(c)), as amended by the Garn-St Germain Depository Institutions Act of 1982, includes bankers' banks in the definition of "bank," enabling these institutions to form holding companies. Bank does not do business with the general public. Instead, Bank intends to provide cash letter remittances and clearings, wire transfers, sales and purchases of federal funds, money market and securities information, sales and purchases of overline commercial and agricultural loans, bank stock loans, and assistance in origination of large complex credits through the use of consultants. Bank will furnish management services which include credit analysis, documentation and controls, collection and workout planning, strategic planning, cross selling and officer call programs, funds availability analysis, data processing analysis, audit procedures and productivity measuring. Bank only competes with other banks that offer correspondent banking services in Illinois. The Board has determined that consummation of this proposal will have no significant effect on competition, either existing or potential, and will not affect the concentration of banking resources in Illinois.

The financial and managerial resources of Applicant and Bank are considered consistent with approval, in

1. Applicant and Bank are owned by 67 community banks, each holding 5 percent or less of Applicant's outstanding shares.

view of the nature of the activities of a bankers' bank, and the prospects of each appear favorable. Factors relating to the convenience and needs of the community to be served also are consistent with approval of this proposal.

Bank also has applied for approval under section 9 of the Federal Reserve Act, 12 U.S.C. § 321 *et seq.* and section 208.4 of Regulation H, 12 C.F.R. § 208.4, to become a member of the Federal Reserve System. Bank appears to meet all of the criteria for admission to membership, including capital requirements and considerations related to management character and quality. Accordingly, Bank's membership application is approved.

Based on the foregoing and other facts of record, the Board has determined that these applications should be and hereby are approved. This 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 July 21, 1986.

Voting for this action: Chairman Volcker and Governors Wallich, Rice, Seger, Angell and Johnson.

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

First Interstate Corporation
Los Angeles, California

Order Approving Acquisition of a Bank

First Interstate Corporation, Los Angeles, California, a 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 approval under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire First Interstate Bank of Oklahoma City, N.A., Oklahoma City, Oklahoma ("Bank"), a newly chartered bank that will purchase certain assets and assume certain liabilities of The First National Bank and Trust Company of Oklahoma City, Oklahoma City, Oklahoma ("FNB").

On July 14, 1986, FNB was declared insolvent and the Federal Deposit Insurance Corporation ("FDIC") was appointed receiver. Pursuant to section 116 of the Garn–St Germain Depository Institutions Act of 1982 (the "Garn–St Germain Act") (12 U.S.C. § 1823(f)), the FDIC determined to arrange for the sale of assets and the assumption of liabilities of the closed bank and solicited offers for the acquisition of such assets and liabilities from qualified purchasers. After following the applicable procedures set forth in the Garn–St Germain Act, the FDIC on July 14, 1986, accepted Applicant's bid for the assets and liabilities of FNB. On the same day, the FDIC advised that Applicant had been selected as the winning bidder, and recommended immediate action on this application to prevent the liquidation of FNB.

In view of this situation and the need for immediate action to prevent the failure of the institution and to protect the interest of FNB's depositors, it has been determined, pursuant to section 3(b) of the BHC Act (12 U.S.C. § 1842(b)), section 225.14(h) of Regulation Y (12 C.F.R. § 225.14(h)), and section 262.3(l) of the Rules of Procedure of the Board of Governors of the Federal Reserve System (12 C.F.R. § 262.3(l)), to dispense with the notice provisions of the BHC Act.

Under section 3(d) of the BHC Act (12 U.S.C. § 1842(d)), the Douglas Amendment, a bank holding company generally may not be allowed to acquire control of any bank located outside of the holding company's principal state of banking operations.[1] Section 118(c) of the Garn–St Germain Act, however, exempts from this prohibition applications filed as a result of a transaction authorized under section 116 of the Garn–St Germain Act. Section 116 permits the FDIC to authorize the interstate acquisition of a failed bank with assets of $500 million or more upon compliance with the procedures specified in the statute. FNB had assets of $1.75 billion as of its most recent report of condition, dated March 31, 1986, and, as noted above, the FDIC has determined to accept Applicant's bid. In view of these and other facts of record, the Secretary concludes that approval of Applicant's proposal to acquire a bank in Oklahoma is not barred by the Douglas Amendment.

FNB operates in the Oklahoma City banking market. Applicant's subsidiary banks do not operate in Oklahoma. Accordingly, consummation of the proposed acquisition would have no effect on competition in any relevant market.

In evaluating this application, the Secretary of the Board has carefully considered the financial and managerial resources of Applicant and the effect on these resources of the proposed acquisition. The Secretary concludes that banking factors are consistent with

1. A bank holding company's principal state of banking operations is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

approval. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval of the application.

Having considered the record of this application in light of the factors contained in section 3 of the BHC Act, the Secretary has determined that the proposed transaction is in the public interest and that the application should be approved on a basis that would not preclude immediate consummation of the proposed acquisition. On the basis of the above considerations, the application is hereby approved.

The transaction may be consummated immediately but in no event later than three months after the effective date of this Order unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco acting pursuant to delegated authority.

By order of the Secretary of the Board acting pursuant to delegated authority for the Board of Governors, effective July 14, 1986.

WILLIAM W. WILES
Secretary of the Board

[SEAL]

Harco Bankshares, Inc.
Harlan, Kentucky

Cole Holding Company, Inc.
Harlan, Kentucky

Order Approving Formation of Bank Holding Companies

Harco Bankshares, Inc., Harlan, Kentucky ("Harco"), has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company ("Act") (12 U.S.C. § 1842(a)(l)) to become a bank holding company by acquiring all of the voting shares of the successor by merger to The Harlan National Bank, Harlan, Kentucky ("Bank"). By separate applications, Cole Holding Company, Inc., Harlan, Kentucky ("Cole"), has applied for Board approval under section 3(a)(1) of the Act to become a bank holding company by acquiring 35.5 percent of the voting stock of either Harco or Bank.

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

Harco, a nonoperating corporation with no subsidiaries, was organized for the purpose of becoming a bank holding company by acquiring Bank, which holds total deposits of $60 million.[1] Upon acquisition of Bank, Harco would control the 86th largest commercial bank in Kentucky, holding approximately 0.3 percent of the total deposits in commercial banks in the state. Cole is a nonoperating organization formed to hold 35.5 percent of the voting shares of either Harco or Bank. Cole would be a bank holding company, therefore, through its direct or indirect control of Bank.

Bank is the second largest of the three commercial banks located in the Harlan County banking market and controls approximately 39.3 percent of the total deposits in commercial banks in the market.[2] Principals of Harco, who currently control 71.4 percent of Bank, also control 73.8 percent of Guaranty Deposit Bank, Cumberland, Kentucky ("Guaranty"), which is located approximately 22 miles from Bank and in the Harlan County banking market. Guaranty, with $28 million in deposits, is the third largest bank in the market and holds 18.9 percent of the market's commercial bank deposits. Principals of Bank have controlled Guaranty since August 1961.

In analyzing the competitive effects of a proposal to form a bank holding company where individuals controlling more than one bank in the relevant banking market seek to transfer control of one of the banks to a bank holding company, the Board considers the competitive effects of the transaction whereby common ownership was established.[3] In this case, the Board has considered the competitive effect at the time the principals of Harco first obtained control of Guaranty in August 1961. At that time, the communities of Harlan, which is located in central Harlan County, and Cumberland, which is located in northeast Harlan County, were not considered to be in the same banking market. In 1961, the Harlan County banking market consisted of all of Harlan County except the extreme northern border and the northeastern corner, including Cumberland and two other towns, Benham and Lynch, which were located in a separate Tri-City banking market.

The record indicates that the terrain in Harlan County is mountainous, serving to isolate the Tri-City area from the remainder of the county. In 1961, Harlan and Cumberland each had their own retail, medical

1. All banking data are as of September 30, 1985, unless otherwise noted.

2. The Harlan County banking market is defined as Harlan County, Kentucky.

3. *See Mid-Nebraska Bancshares, Inc. v. Board of Governors of the Federal Reserve System*, 627 F.2d 266 (D.C. Cir. 1980).

and educational facilities. In addition, the mining industry, which dominated the county's economy, limited the need for commuting between the Tri-City area and the rest of the county by providing their employees with low-cost housing close to mining operations in Benham and Lynch. The average driving time between Harlan and Cumberland in 1961 was substantial, and only after significant highway improvements in the late 1970s did travel between the communities increase. The commuting pattern was further altered by housing changes, including the phase-out of housing provided by coal companies, and by a recent expansion of Harlan's retail facilities. These developments prompted the redefinition of the market in 1985 to place Cumberland and Harlan in the same market. The affiliation of the two banks in 1961 thus had no adverse impact on competition, since Bank and Guaranty operated in separate markets. Accordingly, after consideration of the record, the Board concludes that competitive considerations are consistent with approval of these applications.

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

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

By order of the Board of Governors, effective July 2, 1986.

Voting for this action: Chairman Volcker and Governors Wallich, Rice, Seger, Angell, and Johnson.

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

Hibernia Corporation
New Orleans, Louisiana

Order Approving Merger of Bank Holding Companies

Hibernia Corporation, New Orleans, Louisiana, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended ("BHC Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under section 3(a)(5) of the Act (12 U.S.C. § 1842(a)(5)) to merge with Southwest Bancshares, Inc., Lafayette, Louisiana ("Southwest"), and thereby indirectly to acquire Southwest National Bank of Lafayette ("Southwest Bank").[1]

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

Applicant is the third largest commercial banking organization in the state, holding deposits of $2.7 billion, representing 8.9 percent of total deposits in commercial banks in the state.[2] Southwest is the 102nd largest commercial banking organization in Louisiana, controlling one bank subsidiary, holding deposits of $62.5 million, representing 0.2 percent of total deposits in commercial banks in the state. Upon consummation of this proposal, Applicant would remain the third largest banking organization in Louisiana and would control approximately the same percent of deposits in commercial banks in the state. Consummation of this transaction would not have a significant adverse effect on the concentration of banking resources in the state.

Bank operates in the Lafayette banking market, where it controls 4 percent of total deposits in commercial banks and is the sixth largest of eight banks.[3] Applicant's subsidiary banks operate in the New Orleans and Alexandria banking markets.[4] Since Applicant's and Southwest's subsidiary banks do not operate in the same markets, consummation of the proposal would not eliminate any existing competition. The Board has also examined the effect of the proposed merger on probable future competition in the relevant markets. On the basis of the number of potential entrants into the relevant markets and the fact that certain of the markets are not highly concentrated, the Board has concluded that consummation of this proposal would not have any significant adverse effects on probable future competition in any relevant market.

1. Applicant has also applied under section 3(a)(3) of the BHC Act to acquire and to exercise options to acquire 25 percent of the shares of Southwest Bank. Applicant states that it would exercise these options only in the event that consummation of the merger transaction appeared unlikely.

2. All banking data are as of June 30, 1985, adjusted to reflect consummation of an acquisition approved by the Board on November 5, 1985.

3. Market data are as of December 30, 1984.

4. The New Orleans banking market consists of the parishes of Orleans, Jefferson, St. Bernard, and St. Tammany; and the Alexandria banking market consists of the parishes of Rapids and Grant. The Lafayette banking market consists of Lafayette Parish.

The financial and managerial resources and future prospects of Applicant, Southwest, and their subsidiary banks are considered satisfactory and consistent with approval.

In considering the convenience and needs of the communities to be served, the Board has also taken into account the records of Applicant's bank subsidiaries under the Community Reinvestment Act ("CRA") (12 U.S.C. § 2901 *et seq.*), particularly Applicant's lead bank, Hibernia National Bank of New Orleans ("Bank"). The CRA requires the Board to assess the records of those subsidiaries in meeting the credit needs of their entire communities, including low- and moderate-income neighborhoods, consistent with their safe and sound operation, and to take those records into account in its evaluation of bank holding company applications.

With regard to Applicant's CRA record, the Board has considered extensive comments from the Louisiana Association of Community Organizations for Reform Now ("ACORN") and Local 100, Service Employees International Union, AFL-CIO (collectively "Protestants"). Protestants allege that Applicant has failed to assess or meet the needs of low- and moderate-income and minority residents within the New Orleans community served by the Bank. Protestants argue that Applicant and Bank fail to provide a variety of needed services in New Orleans, including mortgage and small business loans (particularly FHA, VA, and SBA guaranteed loans), low-cost, economy checking accounts, and check-cashing services for U.S. government checks. Moreover, Protestants allege Bank has discriminated on the basis of race in extending credit.

In accordance with the Board's practice and procedures for handling protested applications,[5] the Board reviewed the CRA record of Applicant, the allegations made by Protestants, and Applicant's response, and it arranged private meetings between Applicant and Protestants, in November 1985 and February 1986, to clarify the issues and provide a forum for the resolution of differences. Applicant took the position that it was already meeting the convenience and needs of the New Orleans community and that there was no need to discuss concerns expressed by Protestants. Applicant rejected the proposals made by Protestants, and offered only to advertise its services in low-income and minority areas and to cash government checks for customers who agreed to deposit one-half the amount of the check for at least a one-day clearing period. Thus, in the absence of any dialog between the Applicant and the Protestants, the private meetings proved fruitless and in order to complete the record on this application, the Board, on April 10, 1986, directed that a public meeting be held.

At the public meeting held in New Orleans on May 3, 1986, both Applicant and Protestants made detailed written submissions and offered testimony. In addition, Applicant advised the Board that it would undertake additional programs and measures in connection with Applicant's service to the convenience and needs of the community, including low- and moderate-income segments. Subsequent to the meeting and in response to concerns expressed at the meeting, Applicant has clarified and expanded the scope of the measures it will undertake to serve the convenience and needs of the community.

Applicant will designate, at the holding company level, a CRA officer with the title of vice president whose responsibility will be to evaluate comments from interested parties and to assure that Applicant meets its CRA obligations. This official will be primarily responsible for assessing the credit needs of the community, including low- and moderate-income residents. As part of this process, the CRA officer will meet with representatives of community groups in New Orleans, including ACORN, as well as any other group that has information helpful to Applicant in assessing the credit needs of the community. Applicant will also instruct its loan officers on a regular basis, in writing, on the policies and practices it develops to meet the needs of low- and moderate-income residents of New Orleans.

Applicant will establish, initially for a two-year period, a mortgage lending program directed primarily at low- and moderate-income residents in New Orleans. During this two-year period, Applicant will make every reasonable effort to make available a minimum of $2 million of VA and FHA first mortgage loans to low- and moderate-income borrowers. Applicant will assess the program's overall success after two years. At that time, Applicant will decide whether to continue the mortgage lending program, expand it, or discontinue it, based on the success of the program. In addition, Applicant will make SBA loans in New Orleans. Applicant previously provided and will continue to provide non-SBA small business loans in New Orleans. Moreover, Applicant has committed to cash, at no charge, U.S. government checks presented by its customers with valid Louisiana identification. Applicant will revise its CRA statement to reflect accurately the loan programs available to all its customers.

Applicant will advertise on a regular basis all of its relevant loan and deposit programs, including its FHA, VA, and SBA loans and its low-cost economy checking account, in newspapers and other media

5. *See* 12 C.F.R. § 262.25(c).

designed to reach low- and moderate-income and minority persons.

Applicant also relies strongly on its commitment to a widely dispersed, evenhanded, consumer lending program. Bank has consumer loans outstanding in 147 of the 149 low- and moderate-income census tracts in the city of New Orleans,[6] and Bank approves and declines approximately the same percentage of consumer loan applications in those low- and moderate-income census tracts that have predominately a minority population (minority composition in excess of 80 percent of total population) as in all such low- and moderate-income census tracts. This program is to be continued in the future.

Finally, Applicant will promptly develop a detailed plan to reassess the credit needs of the low- and moderate-income communities in New Orleans through meetings with community groups, including ACORN. Thereafter, Applicant will submit this plan to the Federal Reserve Bank of Atlanta for approval as soon as possible, but in no event later than 90 days following the date of this Order. Applicant will furnish written reports, as required by the Reserve Bank, detailing its progress in implementing its programs to assess and service the convenience and needs of the community.

Despite the commitments now advanced by Applicant, Protestants continue to oppose the applications, in principal part because Protestants believe Applicant's pilot mortgage lending program should include conventional mortgage loans at below market rates with the waiver of a number of requirements, such as the assessment of points and fees. While the Board may in some circumstances give appropriate weight to commitments for future actions to improve service to the community,[7] the Board does not believe the CRA or the BHC Act requires the Board to establish the terms and conditions on which lending activities must be conducted to meet community needs. The Board has previously stated that it "finds nothing in the BHC Act that requires or authorizes the Board to dictate a bank's product mix (which credit or deposit services a bank should emphasize) or to dictate what proportion or amount of an institution's funds must, or even should be allocated to any particular credit need, borrower or neighborhood, or on what specific terms credit should be extended." *Commerce Bancshares, Inc.*, 64 FEDERAL RESERVE BULLETIN 576, 579 (1978). *See also, NBD Bancorp, Inc.*, 68 FEDERAL RESERVE BULLETIN 306, 308 (1982); *F&M Bankshares, Inc.*, 66 FEDERAL RESERVE BULLETIN 508, 509 (1980); and *Michigan National Corporation*, 66 FEDERAL RESERVE BULLETIN 247, 249 (1980).

Finally, Protestants allege that Applicant engages in a pattern or practice of racial discrimination in granting credit in New Orleans. The Board has carefully considered the record on this issue, analyzing the information submitted at the public meeting and relevant loan documentation. Based upon this review, the Board cannot find that individuals were denied credit on the basis of their race or the character of the area where they reside.

Accordingly, based upon all of the evidence, including the programs and measures that Applicant has undertaken to serve the convenience and needs of the community, including low- and moderate-income segments of that community, as well as Bank's record of consumer lending,[8] and the additional monitoring of Applicant's programs by the Reserve Bank, the Board concludes that convenience and needs considerations are consistent with approval of these applications.

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved.[9] This 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

6. For purposes of this discussion, a low-income census tract has a median family income of less than 80 percent of the median family income in the metropolitan area and moderate-income census tract has a median family income between 80 percent and 125 percent of the median family income of the metropolitan area.

7. *See* Board statement of January 3, 1980, Federal Reserve Regulatory Service, § 6–1312.

8. Bank's consumer lending record must be considered in conjunction with its limited mortgage lending record because the Board has found that focusing solely on mortgage lending "does not give a meaningful picture of a bank's overall service to the community." *Marine Midland Banks, Inc.*, 61 FEDERAL RESERVE BULLETIN 890, 892 (1975). *See also American Security & Trust*, 62 FEDERAL RESERVE BULLETIN 258 (1976); *Manchester Financial Corporation*, 63 FEDERAL RESERVE BULLETIN 849–850 (1977).

9. The Board has also considered the petition of Protestants to consider this matter at an open meeting, or, in the alternative, to maintain a complete transcript of the discussion of this application at the closed meeting and to provide one week's advance notice of the closed meeting. The Government in the Sunshine Act, 5 U.S.C. § 552b, provides specific exemptions from its general requirement of open meetings where, as here, the discussion of a particular item is likely to result in the disclosure to the public of financial institution examination data and ratings or confidential financial information of the applicant. In addition, the Sunshine Act does not require a transcript of any portion of an agency meeting that is closed because discussion of a particular item is likely to involve disclosure of examination data. 12 U.S.C. 552b(f)(1).

Finally, the Sunshine Act provides an exception to the one-week notice requirement of agency meetings in the case of an agency that properly closes a majority of its meetings under the financial institutions examination and certain other exemptions. The Board is such an agency and has adopted a regulation to that effect. Therefore, the Board is required to provide notice of a meeting at the earliest practicable time, a requirement the Board met in this case by actual notice to Protestants two days before the meeting at which this application was considered.

For these reasons, the Board has denied Protestants' petition.

Board or by the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors, effective July 17, 1986.

Voting for this action: Chairman Volcker and Governors Wallich, Rice, Seger, Angell, and Johnson.

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

InterFirst Corporation
Dallas, Texas

Order Approving Acquisition of a Bank

InterFirst Corporation, Dallas, Texas, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares of InterFirst Bank Delaware, New Castle, Delaware ("Bank"), a proposed new bank chartered under Delaware law that will engage in credit card operations and accept time deposits.

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

Applicant is the second largest banking organization in Texas, operating 68 subsidiary banks with total deposits of $14.2 billion. Bank is a newly chartered state bank that will be located in Delaware.[1] Upon consummation of this proposal, Applicant would transfer the credit card operations of Applicant's lead bank, InterFirst Bank Dallas, to Bank. Because Bank's activities are limited by state law, the proposed transaction would have no significant effect on the concentration of banking resources in Delaware.

Under section 3(d) of the Act, the Douglas Amendment, 12 U.S.C. § 1842(d), the Board is prohibited from approving any application by a bank holding company to acquire any bank located outside the state in which the operations of the bank holding company's banking subsidiaries are principally conducted unless the acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication." On February 19, 1981, and on August 13, 1984, the State of Delaware amended its banking law to permit an out-of-state bank holding company to acquire not more than two *de novo* banks that will be "operated in a manner and at a location that is not likely to attract customers from the general public in [Delaware] to the substantial detriment of existing banking institutions in this state."[2]

The proposed acquisition under the Delaware law is subject to approval by the State Bank Commissioner. On January 27, 1986, the State Bank Commissioner of Delaware preliminarily approved Applicant's formation and acquisition of Bank. Based on the foregoing, the Board has determined, as required by section 3(d) of the Act, that the proposed acquisition conforms to Delaware law and is specifically authorized by the statute laws of Delaware.

Although Bank is located in the Wilmington banking market,[3] under the limitations imposed by Delaware law on Bank's operations, Bank is not likely to become a significant competitor in that banking market. The Board notes that this proposal represents a reorganization of Applicant's existing credit card operations and that Bank will engage primarily in consumer lending through its credit card operations. Bank will provide consumer credit card services in Texas and Oklahoma and intends in the near future to offer such credit card services in New Mexico, Arizona, Colorado, Kansas, Missouri, Arkansas, and Louisiana. The Board concludes that the proposal will not have adverse effects on competition or the concentration of banking resources in any relevant area, and that the overall competitive effects of the proposal are consistent with approval of the application.

In evaluating this application, the Board has considered the financial and managerial resources and future prospects of Applicant and the effect of this proposal on these resources. In its evaluation of the financial aspects of this proposal, the Board has given particular consideration to the fact that this is an internal reorganization designed to improve operational efficiencies. This proposal is *de minimis* and will not have a material effect on Applicant. Although Bank has no financial or operating history, its financial and managerial resources and future prospects are favorable.

In its evaluation of InterFirst's managerial resources, the Board has considered certain violations by InterFirst's subsidiary banks of the Currency and

1. Banking data are as of December 31, 1985.

2. Del. Code. Ann. tit. 5 § 803 (Supp. 1984). The law provides, however, that each such bank may be operated to attract and retain customers with whom that bank, the out-of-state holding company, or the holding company's banking and nonbanking subsidiaries have or have had business relations.

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

Foreign Transactions Reporting Act[4] ("CFTRA") and the regulations thereunder. The Board notes that InterFirst brought these matters to the attention of the appropriate supervisory authorities after the violations were discovered through an internal audit and has cooperated with law enforcement agencies.

In addition, InterFirst and its subsidiaries have implemented a comprehensive remedial program to correct these violations and to prevent violations from occurring in the future. Applicant has advised the Board that it has filed corrective currency transaction reports; implemented procedures requiring senior officers to monitor compliance with the CFTRA reporting requirements; and established an automated software program at teller windows to help ensure that reportable currency transactions are automatically identified for proper reporting. Applicant also has instituted an intensive internal training program for bank personnel regarding compliance with the CFTRA.

The sufficiency of the compliance procedures adopted to address this matter and the efficacy in correcting the deficiencies have been reviewed by the primary supervisors of the banks involved. The Board also has consulted with appropriate enforcement agencies with respect to this matter, and has considered InterFirst's past record of compliance with the law. For the foregoing reasons, and based upon a review of all of the facts of record, including the nature of this proposal, the Board finds that the financial and managerial resources and future prospects of Applicant are consistent with approval.

Upon consummation of this proposal, Applicant plans to offer Bank's customers new products and services not currently available to them, such as a premium service credit card and credit card registration. The Board concludes that factors relating to the convenience and needs of the community to be served are consistent with approval of the application.

Even though this application is being approved, the Board expresses its concern about the proliferation of statutes of this type which permit the entry of out-of-state bank holding companies in order to shift jobs and revenues from other states, while limiting the in-state activities of out-of-state owned banks so as to avoid competition with in-state banking organizations.[5] These statutes do not appear to be based on appropriate public policy considerations for assuring a stable and sound banking system locally and nationwide, and the end result of their adoption by other states can only be a serious impairment of banking standards and no net gains in jobs or revenues because of the proliferation.

Based on the foregoing and other facts of record, the Board has determined that approval of the application would be consistent with the public interest and that the application should be and hereby is approved. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, and Bank shall be opened for business not later than six months after the effective date of this Order. The latter two periods may be extended for good cause by the Board or by the Federal Reserve Bank of Dallas, acting pursuant to delegated authority.

By order of the Board of Governors, effective July 21, 1986.

Voting for this action: Chairman Volcker and Governors Wallich, Rice, Seger, Angell, and Johnson.

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

Orders Issued Under Section 4 of the Bank Holding Company Act

First Bank System, Inc.
Minneapolis, Minnesota

Order Approving Application to Engage in the Activity of Making and Servicing Loans

First Bank System, Inc., Minneapolis, Minnesota, a bank holding company within the meaning of the Bank Holding Company Act ("Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to engage *de novo* through its subsidiary, FBS Credit Services, Inc. ("Company"), Minneapolis, Minnesota, in acquiring low-quality assets in connection with the sale of some of Applicant's subsidiary banks.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (51 *Federal Register* 17,408 (1986)). 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 total consolidated assets of $25.7 billion,[1] has two lead banks, First National Bank of

4. 31 U.S.C. § 5311, *et seq.*; 31 C.F.R. § 103.
5. *See*, Citicorp, 71 FEDERAL RESERVE BULLETIN 101 (1985).

1. All banking data are as of December 31, 1985, unless otherwise specified.

Minneapolis ("First Minneapolis"), Minneapolis, Minnesota, and First National Bank of Saint Paul ("First St. Paul"), St. Paul, Minnesota.

Applicant proposes to engage *de novo* in the administration, management, collection, and liquidation of low-quality assets transferred from some of its affiliated banks that it intends to divest. These activities are permissible for bank holding companies under section 225.25(b)(1) of Regulation Y (12 U.S.C. § 1843(b)(3)).[2]

In every case involving an acquisition by a bank holding company under section 4 of the Act, the Board considers the effect of the acquisition on the financial condition and resources of the applicant. In this connection, the Board has taken into consideration that the subsidiary would be capitalized at a level commensurate with the quality of the specific low-quality assets. Further, the Board also considered that funding would be provided by sophisticated investors and would be on terms which do not expose the subsidiary to liquidity or interest rate risks. After reviewing all the facts of record relating to the overall financial condition of Applicant, the Board has determined that the financial factors relating to this application are consistent with approval, particularly in light of certain commitments made by Applicant in connection with this proposal.

In its evaluation of Applicant's managerial resources, the Board has considered certain violations by Applicant of the Currency and Foreign Transactions Reporting Act ("CFTRA"), and the regulations thereunder.[3] The Board notes that Applicant brought the CFTRA matters to the attention of the appropriate supervisory authorities after the violations were discovered through its internal audit and has cooperated with various regulatory agencies.

Applicant has advised the Board that it has taken numerous steps to prevent recurrence of violations of CFTRA, including the following:

(1) a revision of internal audit procedures to ensure effective auditing for compliance with the CFTRA, including a review of employees' understanding of the regulations through training; testing of samples of transactions to determine if appropriate reports have been made when required; and a review of the exempted customer list;

(2) a review of all exempt lists and identification of prior transactions which must be reported;

(3) a review by Applicant's Legal and Compliance Department of current CFTRA Regulations; a revision of procedures to ensure compliance, including reporting, recordkeeping, and retention requirements; and procedural guidelines to assure compliance;

(4) the development by each bank of specific procedures to ensure compliance with CFTRA in view of Applicant's revised compliance procedures; and

(5) the designation of a compliance officer at each bank who will be responsible for reviewing the CFTRA requirements with all personnel involved in transactions where violations may occur, and ongoing training of affected personnel in conjunction with periodic reviews of the CFTRA requirements.

The sufficiency of the compliance procedures to address this matter and their efficacy in correcting the deficiencies have been reviewed by Office of the Comptroller of the Currency examiners. The Board has also consulted with appropriate enforcement agencies and has considered Applicant's past record of compliance with the law. For the foregoing reasons and based upon a review of all the facts of record, the Board concludes that the managerial resources of Applicant are consistent with approval.

Before approving an application under section 4 of the Act that the Board has determined is closely related to banking, the Board must consider whether Applicant's performance of the proposed activities "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

Consummation of Applicant's proposal will have no adverse effect on competition, as this proposal is viewed as an internal reorganization. Based upon the facts of record, the Board concludes that performance of the proposed activities by Applicant can reasonably be expected to provide benefits to the public.

Based upon the foregoing and all the facts of record, the Board has determined that the balance of public interest factors it is required to consider under section 4(c)(8) is favorable. Accordingly, the application is hereby approved. This determination is subject to all of the conditions set forth in 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 modification or termination of the activities of the holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and

2. Company also proposes to manage and liquidate certain low-quality assets on behalf of banks retained by Applicant. This activity is permissible without the prior approval of the Board under section 4(c)(1)(C) of the Act and under section 225.22(a) of Regulation Y.

3. 31 U.S.C. § 5311 *et seq.*; 31 C.F.R. § 103.

the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

By order of the Board of Governors, effective July 29, 1986.

Voting for this action: Chairman Volcker and Governors Wallich, Rice, Seger, Angell, and Johnson.

JAMES MCAFEE
Associate Secretary of the Board

[SEAL]

FirstBank Holding Company of Colorado Lakewood, Colorado

Order Approving the Issuance and Sale of Variably Denominated Payment Instruments

FirstBank Holding Company of Colorado ("Applicant" or "FirstBank"), Lakewood, Colorado, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(3) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(3)), to engage *de novo* in the issuance and sale of payment instruments, as follows: (1) domestic money orders, up to a maximum face value of $10,000; and (2) official checks, with no limitation on the maximum face amount, but subject to certain conditions. These instruments would be sold throughout Colorado through branches of Applicant's subsidiary banks and one nonbank subsidiary.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (51 *Federal Register* 15,835 (1986)). 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.

FirstBank controls total consolidated assets of $763.9 million[1] and is the seventh largest banking organization in the state. FirstBank controls 26 subsidiary banks, with $639.4 million in total deposits,[2] representing 3 percent of aggregate state deposits. FirstBank also engages in a number of nonbanking activities.

Regulation Y includes on the list of permissible nonbanking activities the issuance and sale of money orders and other similar consumer-type payment instruments with a face value not exceeding $1,000.[3] The Board previously has approved by order applications to engage in the issuance of payment instruments with a maximum face value of $10,000.[4] In its orders, the Board found that an increase in the denomination of such instruments would not affect the fundamental nature of the payment instruments, and the Board concluded that the issuance and sale of the proposed instruments in increased denominations was closely related to banking. In addition, the Board has previously approved by order the direct sale and issuance of official checks with no maximum face value, subject to certain conditions.[5]

In order to approve this application, the Board must also find that the performance of the proposed activity by FirstBank "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

Consumer-type payment instruments, such as traditional money orders, are marketed nationally on the wholesale level by a few large organizations and locally on the retail level by a wide variety of financial and nonfinancial institutions.[6] On the national scale, the market is highly concentrated, being dominated by a few large organizations. Entry into this business on a national or regional scale in a substantial manner involves overcoming significant barriers because a potential entrant must possess the capability for managing the extensive sales and servicing operation necessary for handling a low unit-price, high volume product. Such capabilities frequently are associated with banking organizations with both a moderate size and a significant branch or subsidiary bank system,

1. All banking data are as of March 31, 1986, unless otherwise noted.
2. Deposit data are as of December 31, 1985.

3. 12 C.F.R. § 225.25(b)(12).
4. *BankAmerica Corporation*, 70 FEDERAL RESERVE BULLETIN 364 (1984); *see also The Chase Manhattan Corporation*, 71 FEDERAL RESERVE BULLETIN 905 (1985); and *Citicorp*, 71 FEDERAL RESERVE BULLETIN 58 (1985).
5. *Wells Fargo & Company*, 72 FEDERAL RESERVE BULLETIN 148 (1986).
6. Money orders are primarily used to transmit money by consumers who do not maintain checking accounts. Traditionally, money orders have a maximum face value printed on the instrument, which is generally at or lower than the limit set by Regulation Y. Official checks can be used as a substitute for a variety of payment instruments, such as cashier's checks, and could be used by businesses as part of their cash management strategy.

such as FirstBank. FirstBank's entry into this market would result in increased competition in an industry that currently is concentrated. Accordingly, the Board views FirstBank's proposal as procompetitive and in the public interest.

Applicant proposes to issue and sell domestic money orders with a maximum face value of $10,000, and official checks with no limitation on the maximum face amount. In its *BankAmerica* and *Wells Fargo* orders,[7] the Board noted its concern that the issuance of such instruments with a face value over $1,000 could result in an adverse effect on the reserve base because such instruments are not subject to transaction account reserve requirements. Because reserve requirements serve as an essential tool of monetary policy, the Board has expressed concern that proposals like that of Applicant might result in adverse effects on monetary policy.

In order to assess the effects of such proposals on the reserve base, the Board has determined that it should closely monitor the effects of such proposals on its conduct of monetary policy. To that end, the Board has approved proposals to issue domestic money orders with a face value of up to $10,000, but also has required the filing with the Board of weekly reports of daily data on this activity. If it appears that the activity causes a significant reduction in the reserve base or other adverse effect on the conduct of monetary policy, the Board has stated that it might impose reserve requirements on such transactions, pursuant to section 19 of the Federal Reserve Act (12 U.S.C. § 461(a)) and the Board's Regulation D (12 C.F.R. Part 204).

To address the monetary policy concerns expressed in the Board's prior orders, FirstBank has committed that it will deposit to a demand deposit account at its subsidiary in Lakewood, FirstBank of Villa Italia, subject to the reserve requirements of that bank, all the proceeds of any official check having a face value in excess of $10,000. The proceeds of each item will remain in the demand account until the respective payment instrument is paid in full. FirstBank has also committed to submit weekly reports of daily data showing separately the aggregate value of all outstanding instruments (including money orders and official checks) with a face value of up to $10,000, and the aggregate value of all official checks with a face value exceeding $10,000.

Applicant contends that implementation of the foregoing commitments and procedures will maintain reserves at the same level as would be the case if the Board were to approve an application to increase the denomination of official checks available for sale by FirstBank from $1,000 to $10,000 (as previously approved by order for other bank holding companies), but at the same time will permit FirstBank to increase the efficiency and reduce the overall cost of its payment instrument activities. Having reviewed the proposal, the Board has determined that the commitments and procedures outlined therein sufficiently mitigate the Board's concerns regarding potential adverse effects on the reserve base to allow Applicant to commence the activity as proposed. The Board's approval for Applicant to engage in this activity, of course, is subject to the continued evaluation of its potential adverse effects on monetary policy. If the Board discerns such effects in the future, the Board would require appropriate modification of the activity and/or imposition of additional reserve requirements.

The record shows that the sale of these large-denominated money orders by FirstBank would increase competition in this field and enhance the convenience of purchasers. The Board finds that these instruments, which will be issued by a substantial financial organization and will enjoy ready acceptability, will provide benefits to the public. Moreover, there is no evidence in the record that consummation of this proposal would result in adverse effects, such as unsound banking practices, unfair competition, conflicts of interests, or undue concentration of resources.

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

The activity shall be commenced no later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors, effective July 17, 1986.

Voting for this action: Chairman Volcker and Governors Wallich, Rice, Seger, Angell, and Johnson.

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

7. *See* notes 4 & 5, *supra*.

Independent Bankers Financial Corporation Dallas, Texas

Order Approving Rentention of Interest in Joint Venture with Mills & Allen International PLC

Independent Bankers Financial Corporation, Dallas, Texas, a bank holding company by virtue of its control of Texas Independent Bank, Dallas, Texas, has applied for the Board's approval to retain its interest in GIMB ("Company"), New York, New York, a joint venture partnership with Mills & Allen International PLC, London, England.

The application to retain the joint venture is required under the commitments made by Applicant and Mills & Allen to notify the Board, and apply to retain the joint venture, in the event of changes in the securities activities of Mills & Allen. The Board approved the joint venture on June 26, 1985.[1] Subsequently, Mills & Allen acquired Ginteleo, New York, New York, a broker of corporate debt securities that engages to a limited extent in dealing in such securities.

Company engages in the activity of acting as a municipal securities "brokers' broker," as defined by Rule 15c3-1 implementing section 15(c)(3) of the Securities Exchange Act of 1934. Applicant holds a 49 percent interest in Company through its securities brokerage subsidiary, Independent Brokerage of America. The remaining 51 percent interest in Company is held by Mills & Allen through its wholly owned subsidiary GGB Holding, Inc., New York, New York.

Applicant, with total deposits of $97.4 million,[2] is a one-bank holding company with a bankers' bank as a subsidiary. The shareholders of Applicant are 360 banks in Texas. Mills & Allen is a publicly held corporation based in the United Kingdom that engages in insurance, advertising and securities activities throughout the world.

In evaluating an application to retain a nonbanking activity, the Board applies the same standards it would apply to an application to commence such activities initially. Section 4(c)(8) of the Bank Holding Company Act ("Act") requires the Board to consider whether Applicant's performance of the proposed activities can "reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

The Board has on previous occasions expressed concerns about joint ventures, particularly those between bank holding companies and securities firms. The Board is concerned that joint ventures not lead to a matrix of relationships between co-venturers that could break down the legally mandated separation of banking and commerce, create the possibility of conflicts of interests and concentration of resources the Act was designed to prevent, or impair or give the appearance of impairing the ability of the banking organization to function effectively as an independent and impartial provider of credit.[3] In addition, joint ventures must be carefully analyzed for any possible adverse effects on competition and on the financial condition of the banking organization involved in the proposal. The Board believes that these concerns are exacerbated where, as here, the joint venture involves a relationship between a bank holding company and a securities firm that is more than a passive investor, because such arrangements create the potential for the mingling of permissible and impermissible securities activities.

In its analysis of previous joint ventures, the Board has carefully evaluated the activities of the nonbanking partner in order to assure that an impermissible matrix of relationships with the securities company was unlikely to develop. The Board has also relied on representations and commitments of the companies involved to address possible adverse effects that may arise from the formation of the joint venture.

Company engages exclusively and Mills & Allen engages predominately in brokerage activities that are permissible for a state member bank under section 16 of the Glass-Steagall Act (12 U.S.C. § 24 Seventh).[4] However, Mills & Allen also engages through Gintelco in a limited amount of dealing in corporate debt issues for its own account.[5] Were this activity conducted by a member bank or its affiliate, a question would be presented as to whether the activity was consistent with the restrictions in the Glass-Steagall Act on

1. *Independent Bankers Financial Corporation*, 71 FEDERAL RESERVE BULLETIN 651 (1985).

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

3. *E.g.*, *Independent Bankers Financial Corporation*, 71 FEDERAL RESERVE BULLETIN 651, 653 (1985); *Amsterdam-Rotterdam Bank, N.V.*, 70 FEDERAL RESERVE BULLETIN 835, 836 (1984); *The Maybaco Company and Equitable Bancorporation*, 69 FEDERAL RESERVE BULLETIN 375 (1983); *Deutsche Bank AG*, 67 FEDERAL RESERVE BULLETIN 449 (1981).

4. *Securities Industry Ass'n v. Board of Governors/Schwab*, 468 U.S. —— (1984).

5. Mills & Allen acquired Gintelco on the day following the Board's approval of the joint venture. The circumstances surrounding the acquisition of Gintelco suggest that Mills & Allen may have misled the Board concerning its plans to expand its securities activities in the United States by failing to disclose information that it had been advised was material to the Board's consideration of the application to form the joint venture.

securities activities of member banks and their affiliates.[6] Although the Glass–Steagall Act would not prohibit the continuation of the joint venture,[7] Mills & Allen's expansion of its securities activities presents the possibility of mingling permissible securities activities with securities activities that are impermissible for a member bank under the Glass–Steagall Act.

In the Board's view, the possible adverse effects of Applicant's continued association with Mills & Allen are substantially reduced by certain additional representations provided by the parties in connection with this application to retain Company. Mills & Allen has represented that Gintelco's market-making activity will not exceed existing levels, representing a total of approximately $3.5 million at any one time or $250,000 in any one issue.[8] This representation limits the dealing activity of Gintelco so that dealing will not be more than a minor and ancillary part of Gintelco's business so long as Mills & Allen retains its interest in the joint venture.

In addition, to avoid the problems which arose from Mills & Allen's acquisition of Gintelco and required this application to retain the joint venture, Applicant and Mills & Allen have represented as follows:

1) Mills & Allen does not engage in, nor intend to acquire any other company engaged in, any activity in the United States that would be impermissible for a state member bank under section 16 of the Glass–Steagall Act (12 U.S.C. § 24 Seventh) nor will it engage in, or acquire a company engaged in, any such activity in the United States.

2) If at any time Mills & Allen is either unable or unwilling to observe the foregoing representations due to a change in economic or commercial circumstances, or for any other reason, Mills & Allen and Independent Bankers agree that: Mills & Allen will at such time immediately notify the Board; the approval of the Board for Independent Bankers to continue to participate in GIMB with Mills & Allen shall be revoked automatically without any further action by the Board; and Independent Bankers will terminate its business relationship with Mills & Allen with respect to GIMB immediately.

Under these representations, any change in Mills & Allen's securities activities to include any activity that would be impermissible for a state member bank in the United States will result in automatic termination of the joint venture and revocation of the Board's approval for the joint venture, and the Board hereby so conditions its approval of the retention of the joint venture.

In addition, the Board is of the view that potential for commingling the business of Applicant and Company with that of Gintelco is reduced by the commitments previously offered by Mills & Allen and the Applicant concerning separation of offices and personnel, non-referral of customers, the use of the business name GIMB only (on the basis that the name is not readily identifiable with Mills & Allen or any of its subsidiaries), and other commitments.[9] The Board's approval is conditioned upon the joint venturers' adherence to those commitments and the additional representations provided in connection with this application to retain Company.

With respect to the other factors the Board is required to consider, the Board finds no evidence in the record indicating that Applicant's brokerage activities have resulted in, or would result in, any undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices or other adverse effects.

Based upon the foregoing and all the facts of record, the Board has determined that the balance of public interest factors it is required to consider under section 4(c)(8) is favorable. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in sections 225.4(d) and 225.23(b)(3) of the Board's Regulation Y, 12 C.F.R. §§ 225.4(d) and 225.23(b)(3). The approval is also subject to the Board's authority to require modification or termination of the activities of the holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective July 24, 1986.

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

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

6. 12 U.S.C. §§ 24 (Seventh), 78, 377 and 378.

7. Mills & Allen and Gintelco are not member banks and do not meet the definition of an "affiliate" of Independent Bankers' member bank subsidiary under section 2(b) of the Glass–Steagall Act. 12 U.S.C. § 221(b).

8. These amounts represent approximately 6 percent of Gintelco's revenues and 3.6 percent of its total assets.

9. *See Independent Bankers Financial Corporation*, 71 FEDERAL RESERVE BULLETIN 653–654 (1985).

Rainier Bancorporation
Seattle, Washington

Order Approving Acquisition of a Federal Savings Bank

Rainier Bancorporation, Seattle, Washington, a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act" or "Act"), has applied under section 4(c)(8) of the BHC Act, 12 U.S.C. § 1843(c)(8), and section 225.23(a)(3) of the Board's Regulation Y, 12 C.F.R. § 225.23(a)(3), to acquire all of the voting shares of Rainier Bank Oregon, a Federal Savings Bank, Portland, Oregon ("Rainier Savings"). Rainier Savings is a newly established federal savings bank formed to assume the liabilities and acquire substantially all of the assets of Lincoln Savings and Loan Association, Portland, Oregon ("Lincoln"), a state savings and loan association, whose deposits are insured by the Federal Savings and Loan Insurance Corporation ("FSLIC").

Rainier Savings would operate as a federal savings bank in Oregon. It would not be a "bank" within the meaning of the BHC Act because its accounts would be insured by the FSLIC. 12 U.S.C. § 1841(c). Although the Board has not added the operation of a federal savings bank to the list of activities generally permissible for bank holding companies, 12 C.F.R. § 225.25(b), the Board has previously determined by order that the operation of a federal savings bank or other thrift institution is closely related to banking.[1]

By acquiring Rainier Savings, Applicant would indirectly acquire Retirement Benefit Services, Inc., Portland, Oregon ("RBS"), a wholly owned subsidiary of Lincoln which provides discount brokerage services and engages in certain other activities. The Board has previously determined discount brokerage to be closely related to banking and permissible for bank holding companies. 12 C.F.R. § 225.25(b)(15).

The Federal Home Loan Bank Board ("Bank Board"), with the concurrence of the Oregon Supervisor of Savings and Loans, has appointed the FSLIC as Lincoln's receiver, effective July 14, pursuant to 12 U.S.C. § 1729(c)(1)(B). The Bank Board has authorized the FSLIC to transfer Lincoln's assets and liabilities to Rainier Savings pursuant to 12 U.S.C. § 1729(a)-(b). In addition, the Bank Board has selected Applicant as the winning bidder for Lincoln under the emergency provisions of section 123 of the Garn–St Germain Depository Institutions Act of 1982 ("Garn–St Germain Act"). 12 U.S.C. § 1730a(m).

By letter dated July 14, 1986, the Bank Board urged the Board to act on this application immediately in view of Lincoln's weak and deteriorating financial condition and in view of adverse economic conditions in Oregon. The Bank Board found that Lincoln had a negative regulatory net worth of $16.9 million as of May 31, 1986; has had large and accelerating monthly losses, and a declining deposit base; has had difficulty retaining its staff; and would continue to suffer large losses unless acquired by a stronger institution, such as Rainier. According to the Bank Board, the proposed acquisition would restore public confidence in Lincoln, help to maintain confidence in the savings and loan industry generally, and limit the daily increasing potential cost to the FSLIC.

On July 14, 1986, after considering those and other facts of record, the Board concluded that there is an emergency at Lincoln that requires the Board to act on this application immediately, and the Bank Board concurred in that finding. That same day, acting pursuant to section 118 of the Garn–St Germain Act, the Board accordingly dispensed with the hearing requirement of section 4(c)(8) and shortened to seven days the period for filing comments.[2] Notice of the application was promptly published in the *Federal Register*, 51 *Federal Register* 25,746 (1986), and in newspapers of general circulation in Portland and Seattle. 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 4(c)(8).

Section 4(c)(8) of the BHC Act authorizes a bank holding company to engage in nonbanking activities and to acquire shares of a nonbanking company that engages in activities that the Board determines to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto." The Act authorizes the Board to make such determinations by order or by regulation. The Board has previously determined that operating a thrift institution is closely related to banking,[3] and it reaffirms that determination in this Order.

With respect to the "proper incident" requirement, section 4(c)(8) requires the Board to consider whether the performance of the activity by an affiliate of a bank holding company "can reasonably be expected to

1. *E.g.*, *First Pacific Investments Limited*, 72 FEDERAL RESERVE BULLETIN 342 (1986); *F.N.B. Corporation*, 71 FEDERAL RESERVE BULLETIN 340 (1985); *Old Stone Corporation*, 69 FEDERAL RESERVE BULLETIN 812 (1983); *Citicorp*, 68 FEDERAL RESERVE BULLETIN 656 (1982).

2. The Board has dispensed with the notice and hearing requirements of section 4(c)(8) in similar circumstances. *First Pacific Investments Limited*, 72 FEDERAL RESERVE BULLETIN 342 (1986); *F.N.B. Corporation*, 71 FEDERAL RESERVE BULLETIN 340 (1985).

Although section 118 of the Garn–St Germain Act expired on July 15, 1986, the Board's action remains effective.

3. *See* note 1 *supra*.

produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."

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

Because of the considerations elaborated in *D.H. Baldwin*, the Board has not been willing to permit bank holding companies to acquire thrift institutions on a general basis. The Board has, however, consistently regarded the BHC Act as authorizing the Board to permit such an acquisition, and the Board has approved several such proposals involving failing thrift institutions because any adverse effects of bank/thrift affiliations would be overcome by the public benefits of preserving the failing thrift institutions.[4]

The Board approved acquisitions of failing thrift institutions by bank holding companies both before and after the enactment of the Garn–St Germain Act. That Act recognized the Board's authority under section 4(c)(8) of the BHC Act to approve such acquisitions by authorizing the Board in such cases to dispense with the notice and hearing requirements of section 4(c)(8) under appropriate emergency circumstances. Although the Garn–St Germain Act expired on July 15, 1986, the Board's underlying authority to permit a bank holding company to acquire a failing thrift under the net public benefits test of section 4(c)(8) remains unaffected.

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

Based upon its review of the record, the Board has determined that the proposed acquisition would yield substantial and compelling public benefits that would be sufficient to outweigh the generalized adverse effects identified in *D.H. Baldwin*. The acquisition would preserve Lincoln as a competitor, restore public confidence in Lincoln, help to maintain confidence in the savings and loan industry generally, and limit the potential cost to the FSLIC. Applicant would provide Lincoln with significant new capital, sufficient to enable it to achieve a primary capital ratio in compliance with the Board's Capital Adequacy Guidelines.

The record establishes that Applicant has the financial and managerial resources to achieve that result. In evaluating the proposed acquisition, the Board has placed considerable weight on the assistance to be provided by the FSLIC pursuant to its assistance agreement with Applicant, and has relied on Applicant's commitment regarding the capitalization of Rainier Savings.

The proposed acquisition would not substantially lessen in any relevant market or otherwise decrease competition. On the contrary, the acquisition would have a substantial beneficial effect on competition by preserving Lincoln as an effective competitor. Applicant, with deposits of $4.8 billion, is the second largest banking organization in the State of Washington, with 21.2 percent of all deposits in commercial banks in the state.[5] Lincoln, with deposits of $251 million, is the twelfth largest depository institution in Oregon, with 1.2 percent of all deposits in depository institutions in the state.

Applicant and Lincoln compete in the Portland, Oregon, banking market.[6] Applicant is the nineteenth largest of 43 depository institutions in the market, with 0.6 percent of all deposits in depository institutions in the market. Lincoln is the tenth largest depository institution in the market, with 1.2 percent of all deposits in depository institutions in the market. In view of the small market shares involved, the weak condition of Lincoln, and the large number of banks and thrift institutions that would remain in the market, the acquisition would have no substantial adverse effect on existing competition in the market.

As numerous other institutions provide brokerage services, the acquisition would have no substantial

4. *See, e.g., F.N.B. Corporation, supra; The Chase Manhattan Corporation*, 71 FEDERAL RESERVE BULLETIN 462 (1985); *Interstate Financial Corp* 1, 68 FEDERAL RESERVE BULLETIN 316 (1982).

5. All data are as of June 30, 1985.

6. The Portland, Oregon, banking market is coextensive with the Portland, Oregon, RMA: it includes Longview, Washington, where Applicant has a branch.

Lincoln's only branch outside of the Portland market is in Tillamook, Oregon, which is in the Tillamook County banking market. Applicant does not operate in that market. The Board has determined that the proposed acquisition would have no substantial adverse effect on potential competition in that market.

adverse effect on existing or potential competition in the market for those services.

To guard against possible adverse effects of affiliation between a banking organization and a savings bank, including the potential for unfair competition and diversion of funds, the Board has conditioned its approval as follows:

1. Applicant shall operate Rainier Savings as a federal savings bank having as its primary purpose the provision of residential housing credit. Rainier Savings shall limit its activities to those currently permitted to thrift institutions under the Home Owners' Loan Act, but shall not engage in any activity prohibited to bank holding companies and their subsidiaries under section 4(c)(8) of the BHC Act. As discussed below, these limitations shall apply to RBS.
2. Rainier Savings shall not establish or operate a remote service unit at any location outside Oregon.
3. Rainier Savings shall not establish or operate branches at locations not permissible for national or state banks located in Oregon.
4. Rainier Savings shall be operated as a separate, independent, profit-oriented corporate entity and shall not be operated in tandem with any other subsidiary of Applicant. Applicant and Rainier Savings shall limit their operations so as to comply with this condition, and shall observe the following conditions:
   a. No banking or other subsidiary of Applicant shall link its deposit-taking activities to accounts at Rainier Savings in a sweeping arrangement or similar arrangement.
   b. Neither Applicant nor any of its subsidiaries shall solicit deposits or loans for Rainier Savings nor shall Rainier Savings solicit deposits or loans for any other subsidiary of Applicant.
5. Applicant shall not change the name of Rainier Savings such that the public might be confused about the status of Rainier Savings as a nonbank thrift institution.
6. Rainier Savings shall not convert its charter to that of a national or state commercial bank without the Board's prior approval.[7]
7. To the extent necessary to ensure independent operation of Rainier Savings and prevent the improper diversion of funds, there shall be no transactions between Rainier Savings and Applicant or any of its subsidiaries without the prior approval of the Federal Reserve Bank of San Francisco. This limitation encompasses the transfer, purchase, sale, or loan of any assets or liabilities, but does not include infusions of capital from Applicant, the payment of dividends by Rainier Savings to Applicant, or the sale of residential real estate loans from Rainier Savings to any subsidiary of Applicant.

When a bank holding company applies to acquire a nonbanking organization, the nonbanking organization would ordinarily be required to divest any impermissible assets, or to cease to engage in any impermissible activities, before the acquisition is consummated. As this is an emergency acquisition and provides substantial public benefits, the Board has granted Applicant's request for additional time in which to divest nonconforming assets of Lincoln or RBS. Any such assets of Lincoln shall be divested within one year after consummation; any such assets of RBS shall be divested within six months after consummation. The additional time will allow for an orderly divestiture of any such assets. Any activities of Lincoln or RBS that are not permissible for bank holding companies shall cease once the acquisition is consummated.

The Board concludes that, under the conditions set forth above, the proposed acquisition may reasonably be expected not to result in conflicts of interests, unsound banking practices, decreased or unfair competition, undue concentration of resources, or other adverse effects.

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

The Board's decision in this case is subject to the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b), 12 C.F.R. §§ 225.25.4(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, or to prevent evasion of, the provisions and purposes of the Act and the Board's regulations and orders issued thereunder. This transaction shall not be consummat-

7. Applicant has filed an application to acquire a bank in Oregon pursuant to the state's interstate banking statute, which became operative July 1, 1986. Or. Rev. Stat. § 715.065. If that application is approved and the acquisition is consummated, Applicant intends thereafter to merge Rainier Savings with the newly acquired bank. Applicant has requested the Board's approval under condition 6 above for that transaction. Subject to Applicant's obtaining all necessary regulatory approvals for the transaction, the Board hereby grants Applicant the approval required by condition 6, since, upon obtaining those approvals, Applicant would have acquired the bank and be authorized to operate the bank in Oregon under express provisions of Oregon law and consistent with section 3(d) of the BHC Act.

ed later than three months after the effective date of this Order, unless that period is extended for good cause by the Federal Reserve Bank of San Francisco, pursuant to authority hereby delegated, or by the Board.

By order of the Board of Governors, effective July 23, 1986.

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

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

Reagan Bancshares, Inc.
Big Lake, Texas

Order Approving Acquisition of a Company Engaged in Credit Bureau and Collection Agency Activities

Reagan Bancshares, Inc., Big Lake, Texas, a bank holding company within the meaning of the Bank Holding Company Act, 12 U.S.C. § 1841 *et seq.* ("Act"), has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(3) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(3)), to acquire Credit Bureau of Big Lake, Inc. ("Company"), Big Lake, Texas, and engage in credit bureau and collection agency activities.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published, 51 *Federal Register* 2433 (1986). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.

Applicant is one of the smaller commercial banking organizations in the state of Texas, controlling deposits of $33.2 million, representing less than 0.1 percent of total deposits in commercial banking organizations in the state.[1] Applicant controls one banking subsidiary, Reagan State Bank, Big Lake, Texas ("Bank"). Company is presently owned by principals of Applicant; this proposal is merely a restructuring of ownership. Both Bank and Company operate in the Reagan County banking market, which consists of Reagan County, Texas. Bank is the only banking organization and Company is the only credit bureau or collection agency in the market. Reagan County is sparsely populated; Big Lake, Texas, with a population of 3,500, is the only town in the banking market.

Credit bureau services to be offered by Applicant include the gathering and reporting of credit information. Company will offer membership to any business that extends credit to customers on a regular basis. For a monthly fee of $15, members will receive monthly recorded information compiled by Company concerning title, deed, property transfer, security interest and other filings from the Reagan County clerk's office. In addition, Company will perform credit checks on members' customers for a fee which will depend upon the costs to Company in obtaining the credit information. Company will obtain access to nationwide credit information through its membership in one of the five national credit bureau services. Company also will provide information on customers in its area to other credit bureaus and nationwide reporting services for a fee. Collection agency services to be offered include the collection of past due trade accounts and bad checks.

On June 25, 1986, the Board approved adding credit bureau and collection agency activities to the list of permissible nonbanking activities in the Board's Regulation Y.

In order to approve this application under section 4(c)(8) of the Act, the Board must determine that the proposed activities are "so closely related to banking . . . as to be a proper incident thereto. . . ." 12 U.S.C. § 1843(c)(8).

With regard to whether the proposed activities are closely related to banking, the traditional tests for determining whether a nonbanking activity is closely related to banking, and, therefore, permissible for bank holding companies, are set forth in *National Courier Association v. Board of Governors of the Federal Reserve System*.[2] The *National Courier* tests are:

(1) Banks generally have in fact provided the proposed services.

(2) Banks generally provide services that are operationally and functionally so similar to the proposed services as to equip them particularly well to provide the proposed service.

(3) Banks generally provide services that are so integrally related to the proposed services as to require their provision in a specialized form.

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

2. 516 F.2d 1229 (D.C. Cir. 1975); *accord*, *Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, ——— U.S. ———, 104 S. Ct. 3003, 3008 (1984).

Regarding the operation of a credit bureau, banks frequently report information to credit bureaus and are the source of much of the credit information held by credit bureaus. In addition, banks must, in the normal course of their lending activities, obtain a great deal of credit information about individuals and companies. Banks also use information prepared by such organizations when they receive a loan request from a customer. Finally, the Board notes that the Comptroller of the Currency has issued an interpretive ruling, 12 C.F.R. 5.34 (48 *Federal Register* 48454 (Oct. 19, 1983)), which specifies that the operation of a credit bureau is a permissible activity for an operating subsidiary of a national bank. Thus, banks either perform the functions of, or in some instances, perform functions which are operationally or functionally similar to the basic elements of a credit bureau.

Concerning the operation of a collection agency, banks, in the normal course of business, engage in debt collection for loans they originate and for loans that they service for others. Banks are regarded as debt collectors under the Fair Debt Collection Practices Act, 15 U.S.C. 1692, when they collect debts from other unrelated entities.

Based upon the above considerations, the Board concludes that Applicant's proposal to engage in credit bureau and debt collection activities is closely related to banking.

Before approving a bank holding company's application to engage in an activity that the Board determines is closely related to banking, the Board also must find that consummation of the proposal can reasonably be expected to produce benefits to the public that outweigh possible adverse effects. 12 U.S.C. § 1843(c)(8). With respect to Applicant's proposal to engage in credit bureau and debt collection activities, it appears that the balance of public benefits considerations is favorable.

Potential conflicts of interests could arise from bank holding company ownership of a credit bureau and collection agency: for instance, in the provision of credit information by Company to financial institutions that compete with Applicant's subsidiary bank(s), or in the use of Company to collect a claim from a debtor who is also indebted to Applicant's subsidiary bank(s), which also seek collection. In order to reduce the likelihood of conflicts of interests, the Board has sought and Applicant has made the following commitments in connection with this application:

(1) Applicant's subsidiary bank(s) will not provide Company with the names of customers of competing collection agencies in instances where the affiliated bank is a depository for a trust account maintained by competing collection agencies; and

(2) Company shall not provide preferential treatment to a customer of any affiliated bank.

These commitments closely track the conditions that the Board has determined to impose upon these activities when they are added to the list of permissible activities in Regulation Y.

In addition, there is no evidence in the record, and specifically no comments in opposition to this application, to indicate that Applicant's engaging in the proposed activity would result in undue concentration of resources, decreased or unfair competition, unsound banking practices, or other adverse effects. Applicant has assured the Board that there will be no tying arrangements involving services offered by Company or services offered by Company and Bank. The Board has, by regulation, applied to bank holding companies section 106 of the Act (12 U.S.C. § 1972), which prohibits the tying of services by banks, "in order to provide specific statutory assurance that the use of the economic power of a bank will not lead to a lessening of competition or other unfair practices."[3] Section 225.4(d) of the Board's Regulation Y (12 C.F.R. 225.4(d)), specifically prohibits a "bank holding company and any nonbanking subsidiary" from extending credit or providing any service from fixing or varying the consideration for such services "subject to any condition or requirement that, if imposed by a bank, would constitute an unlawful tie-in arrangement under section 106 of the Bank Holding Company Act . . . ."

Finally, Applicant has assured the Board that it will conduct Company's collection bureau functions in accordance with the requirements of the Fair Credit Reporting Act, 15 U.S.C. § 1681, which requires that such activities be conducted in a manner which is fair and equitable to the consumer, with regard to the confidentiality, accuracy, relevancy, and proper utilization of credit information. Similarly, Applicant states it will conduct its debt collection activities consistent with the requirements of the Fair Debt Collection Practices Act, 15 U.S.C. § 1692, which seeks to eliminate abusive debt collection practices and promote protection of consumers against debt collection abuses.

Although there are hundreds of local and regional independently operated credit bureaus, the national credit reporting industry consists of only five firms and thus is highly concentrated. While the national market for credit bureau information may be concentrated, this proposal does not involve the acquisition of one of

3. S. Rep. 91-1084, 91st Cong. 2nd Sess. (1970), reprinted in 1970 U.S. Code Cong. & Ad. News 5519, 5535.

the five top-tier credit bureaus. Rather, Company is small and serves a rural, sparsely populated market. Company furnishes information primarily about local residents to local businesses. Company will furnish some information to national credit bureaus or obtain information from national credit bureaus, but anticipates that the overwhelming majority of its credit information requests will be either local in origin or will be credit checks on local residents from outside of the trade area. Based upon these and other facts of record, the Board concludes that the credit bureau and debt collection activities of Company are closely related to banking and the possible adverse effects of this acquisition are outweighed by greater convenience to the public.

With regard to competitive factors, although Bank provides some services similar to those offered by Company, Applicant's proposed acquisition of Company would eliminate little existing competition. Accordingly, the Board finds that competitive factors are consistent with approval.

With regard to financial factors, the Board notes that neither Applicant nor Company will incur any debt in connection with this proposal. The Board concludes that financial and managerial considerations are also consistent with approval of this proposal.

Based upon the foregoing and all the facts of record, the Board has determined that the balance of public interest factors it is required to consider under section 4(c)(8) is favorable. Accordingly, the application is hereby approved.

This determination is also subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require 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 Dallas pursuant to delegated authority.

By order of the Board of Governors, effective July 1, 1986.

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

JAMES MCAFEE
Associate Secretary of the Board

[SEAL]

Security Pacific Corporation
Los Angeles, California

Order Approving Application to Engage in Underwriting and Reinsuring Home Mortgage Redemption Insurance

Security Pacific Corporation, Los Angeles, California, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. §§ 1841 *et seq.*) ("BHC Act" or "Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to engage indirectly through its wholly owned subsidiaries, Chartered Protective Life Insurance Company, San Diego, California; General Fidelity Life Insurance Company, San Diego, California; and Central Plains Insurance Company, San Diego, California, in the underwriting and reinsuring of home mortgage redemption insurance, that is, insurance that assures repayment of loans secured by first mortgages on residential real estate made by Applicant or its subsidiaries in the event of the death or disability of the mortgagor.

Notice of the application, affording an opportunity for interested persons to submit comments, has been duly published (51 *Federal Register* 18,379 (1986)). 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 total consolidated assets of $53.5 billion, is the second largest banking organization in California.[1] It presently operates two banking subsidiaries, Security Pacific National Bank, Los Angeles, California, and Security Pacific State Bank, Irvine, California. Applicant also engages, directly and through subsidiaries, in a variety of nonbanking activities. Applicant's three insurance subsidiaries are admitted in 46 states to underwrite credit life insurance. They had a combined total of approximately $1.6 billion of credit life insurance in force as of December 31, 1985.

Applicant proposes to engage on a nationwide basis in the underwriting and reinsuring of home mortgage redemption insurance in connection with extensions of credit made or purchased by Applicant and its affiliates, where such extensions of credit are secured by first mortgages on residential real estate. The proposed insurance would assure repayment of an outstanding residential mortgage loan in the event of the death or disability of the mortgagor. The face amount of the proposed insurance would never exceed the

1. Banking data are as of December 31, 1985.

outstanding balance of the mortgage loan and the insurance would terminate upon repayment of the loan. Applicant would underwrite the proposed insurance primarily as group insurance without strict age-based premiums, and would offer the proposed insurance at the time the loan is made.

The Board has recently determined that the activities of underwriting and reinsuring home mortgage redemption insurance are permissible for bank holding companies under the Garn-St Germain Depository Institutions Act of 1982 ("Garn-St Germain Act"), and that such activities are closely related to banking.[2] *Citicorp*, 72 FEDERAL RESERVE BULLETIN 339 (1986). Applicant's proposal to underwrite and reinsure home mortgage redemption insurance is essentially identical to the proposal previously approved by the Board in *Citicorp*. Thus, the Board concludes that Applicant's proposal to engage in the underwriting and reinsurance of home mortgage redemption insurance is permissible under the Garn-St Germain Act and is closely related to banking.

In order to approve this application, the Board is also required to determine that consummation of the proposal can reasonably be expected to produce benefits to the public that outweigh possible adverse effects (12 U.S.C. § 1843(c)(8)). With respect to Applicant's proposal to underwrite home mortgage redemption insurance, it appears that the balance of public benefits considerations is favorable.

Applicant's *de novo* entry into the underwriting of home mortgage redemption insurance will result in an additional competitor in the home mortgage redemption insurance underwriting market. Applicant's entry into the business is also likely to result in the availability of a greater variety of product features related to home mortgage redemption insurance. For example, Applicant has proposed to offer customers the ability to pay home mortgage redemption insurance premiums as part of customers' periodic mortgage payments.

Applicant proposes to charge rates for home mortgage redemption insurance policies that are generally lower than rates charged by many companies competing in the underwriting of such insurance. Thus, Applicant's proposal is likely to result in some additional rate competition. The availability of these lower rates and the feature described above in home mortgage redemption insurance policies is likely to result in net public benefits.[3]

There is no evidence in the record to indicate that Applicant's engaging in the proposed activity would result in undue concentration of resources, decreased or unfair competition, unsound banking practices, or other adverse effects. The Board has, by regulation, applied to bank holding companies section 106 of the BHC Act (12 U.S.C. § 1972), which prohibits the tying of services by banks, "in order to provide specific statutory assurance that the use of the economic power of a bank will not lead to a lessening of competition or other unfair competitive practices."[4] Section 225.4(d) of the Board's Regulation Y (12 C.F.R. § 225.4(d)) specifically prohibits a "bank holding company and any nonbanking subsidiary" from extending credit or providing any service or from fixing or varying the consideration for such services "subject to any condition or requirement that, if imposed by a bank, would constitute an unlawful tie-in arrangement under section 106 of the Bank Holding Company Act. . . . "

Where insurance, such as home mortgage redemption insurance, is closely related to the lending transaction, it is important that Applicant provide safeguards to prevent the tying of such insurance to an extension of credit or to any other service offered by Applicant or its subsidiaries. In this regard, Applicant has specifically agreed to provide safeguards identical to those approved by the Board in *Citicorp*, to assure that it would not tie the provision of home mortgage redemption insurance to any other product or service of Applicant. Applicant has agreed to inform borrowers in writing that home mortgage redemption insurance is not required and that, if desired, it may be purchased from other sources.[5] Borrowers will also be notified in writing of the right to rescind the insurance contract at any time after the loan commitment is made and prior to closing. In addition, Applicant has proposed to offer an extended rescission feature, under which a customer may rescind, without any obligation to pay a premium, coverage by a home mortgage redemption insurance policy during the first thirty days that the policy is in effect. Finally, premiums that

2. The Board has recently adopted an amendment to its Regulation Y to add the underwriting and reinsurance of home mortgage redemption insurance to the list of permissible nonbanking activities for bank holding companies. The amended regulation will be effective thirty days after publication in the *Federal Register*.

3. In *Citicorp*, the Board found that because states had not generally promulgated *prima facie* ceilings for home mortgage redemption insurance, and since other types of life insurance would serve as substitutes for home mortgage redemption insurance, such insurance did not appear to present the concerns that had prompted the Board to require bank holding companies to offer credit life insurance at rates below the established state ceilings for such insurance (12 C.F.R. 225.25(b)(9) n. 7).

4. S. Rep. 91-1084, 91 Cong. 2nd Sess. (1970), reprinted in 1970 *U.S. Code Cong. & Ad. News* 5519, 5535.

5. These requirements are contained, in part, in the Board's Regulation Z (12 C.F.R. 226.4(d)).

Applicant charges for home mortgage redemption insurance will be payable on a monthly basis, thus permitting the borrower to rescind the insurance at the end of any month for which a premium has been paid and eliminating premium financing by Applicant as an incentive to sell the insurance. As it did in *Citicorp*, the Board has made these commitments a condition of its approval of this application.

For the reasons set forth in *Citicorp*, the Board finds that the risks presented to bank holding companies from underwriting home mortgage redemption insurance are manageable. In addition, the Board notes that bank holding companies, such as Applicant, have acquired experience through the underwriting of credit life insurance in operating an actuarially sound insurance program.

With respect to managerial resources, the Board has considered certain violations by Applicant of the Currency and Foreign Transactions Reporting Act ("CFTRA") and the regulations thereunder.[6] In this regard, the Board notes that Applicant brought these matters to the attention of the appropriate supervisory authorities after the violations were discovered through an internal audit. Applicant has cooperated fully with law enforcement agencies. In addition, Applicant and its subsidiaries have implemented a comprehensive remedial program to correct these violations and to prevent violations from occurring in the future. Applicant has advised the Board that it has established a compliance unit to ensure the central review of transactions considered exempt from reporting under CFTRA; developed a comprehensive audit program to ensure compliance with CFTRA and with internal bank policy and procedures; and filed corrective currency transaction reports. The Board also has consulted with appropriate enforcement agencies with respect to this matter, and has considered Applicant's past record of compliance with the law.

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

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 San Francisco pursuant to delegated authority.

By order of the Board of Governors, effective July 24, 1986.

Voting for this action: Governors Rice, Seger, and Johnson. Abstaining for this action: Governor Wallich. Absent and not voting: Chairman Volcker and Governor Angell.

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

6. 31 U.S.C. § 311 *et seq.*; 31 C.F.R. § 103.

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

WM Bancorp
Cumberland, Maryland

Order Approving Consolidation of Bank Holding Companies and Acquisition of a Company Engaged in Finance and Insurance Activities

WM Bancorp, Cumberland, Maryland, has applied for the Board's approval under section 3(a)(5) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(5)) ("Act") for the consolidation of LTC Bancorp, Cumberland, Maryland ("LTC"), and GNB Bankshares, Inc., Oakland, Maryland ("GNB"), both registered bank holding companies under the Act. Applicant would be the successor corporation and would thereby become a bank holding company.

Applicant has also applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to acquire Community Finance, Inc., Cumberland, Maryland ("Community"), an existing subsidiary of LTC, that engages in consumer and commercial finance activities and acts as agent for the sale of life, accident, and health insurance directly related to extensions of credit made by LTC subsidiaries. The Board has determined that these activities are closely related to banking and permissible for bank holding companies (12 C.F.R. §§ 225.25(b)(1) and (8)(i)).

Notice of the applications, affording an opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the Act (51 *Federal Register* 20,349 (1986)). 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.

LTC, the twenty-second largest commercial banking organization in the state, controls Liberty Bank of Maryland ("Liberty"), with total deposits of $113.4 million representing 0.5 percent of the total deposits in commercial banks in the state.[1] GNB, the twenty-sixth largest commercial banking organization in Maryland, controls one bank, Garrett National Bank ("Garrett"), with total deposits of $93.4 million, representing 0.4 percent of the total deposits in commercial banks in the state. Upon consolidation, Applicant would become the fifteenth largest banking organization in the state, with total deposits of $206.8 million, representing 0.8 percent of total deposits in the state.

Liberty and Garrett compete directly in the Cumberland banking market.[2] Liberty is the third largest commercial banking organization in the market and controls 15.4 percent of the total deposits in commercial banks in the market.[3] Garrett is the fourth largest commercial banking organization in the market and controls 12.5 percent of total deposits in commercial banks in the market. Upon consummation of the proposal, Applicant's share of the deposits in the market would be 27.9 percent. The Cumberland market is considered to be highly concentrated, with the four largest banks controlling 79.1 percent of the deposits in commercial banks in the market. The Herfindahl-Hirschman Index ("HHI") for the market is 1829 and would increase by 384 points to 2213 upon consummation of the proposal.[4]

Although consummation of the proposal would eliminate some existing competition between Garrett and Liberty in the Cumberland banking market, numerous other commercial banking organizations would remain. In addition, the Board has considered the presence and competition afforded by thrift institutions in its analysis of this proposal.[5] Two thrift institutions compete with commercial banks in the Cumberland banking market and control approximately 29 percent of the total deposits in the market. These thrift institutions exert a considerable competitive influence in the market as providers of NOW accounts and consumer loans. Based upon the above considerations, the Board concludes that consummation of the proposal is not likely to substantially lessen competition in the Cumberland banking market.[6]

The financial and managerial resources of Applicant, LTC, GNB, and their respective subsidiaries are consistent with approval. Considerations relating to the convenience and needs of the community to be served are also consistent with approval.

Applicant has also applied, pursuant to section 4(c)(8) of the Act, to acquire Community, the nonbanking subsidiary of LTC, and thereby engage in the provision of direct cash consumer loans and sales finance activities and act as an agent for the sale of life, accident, and health insurance directly related to the extension of credit by Applicant. Community was established in 1985 as a subsidiary of LTC, and may be viewed as a *de minimis* participant in the market for direct cash loans. In addition, because Community only sells insurance related to extensions of credit in connection with its loan activities, consummation of this proposal would not result in the elimination of any competition. Accordingly, Applicant's proposal would not have any significant adverse effect on competition in the Cumberland banking market. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the Act is consistent with approval of the application.

Based on the foregoing and other facts of record, the Board has determined that the applications under

1. All deposit data are as of December 31, 1985, unless otherwise specified.

2. The Cumberland banking market is approximated by the Cumberland, Maryland Ranally Metropolitan Area ("RMA"); the remainder of Allegany County, Maryland; Garrett County, Maryland; and Mineral County, West Virginia.

3. Market data are as of June 30, 1985.

4. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), a market in which the post-merger HHI is above 1800 is considered highly concentrated. In such markets, the Department is likely to challenge a merger that increases the HHI by more than 50 points. 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 effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points.

5. The Board has previously indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743 (1984); *NCNB Bancorporation*, 70 FEDERAL RESERVE BULLETIN 225 (1984); *General Bancshares Corporation*, 69 FEDERAL RESERVE BULLETIN 802 (1983); *First Tennessee National Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

6. If 50 percent of deposits held by thrift institutions in the Cumberland banking market were included in the calculation of market concentration, the share of total deposits held by the four largest organizations in the market would be 71.2 percent. Liberty would control 12.8 percent of the market's deposits and Garrett would control 10.4 percent of the market's deposits. The HHI would increase by 265 points to 1778.

sections 3 and 4 of the Act should be and hereby are approved. The consolidation shall not be consummated before the thirtieth calendar day following the effective date of this Order, and neither the consolidation nor the acquisition of the nonbanking subsidiary shall be made 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 Richmond, pursuant to delegated authority. The determination as to Applicant's acquisition of the nonbank subsidiary is subject to the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b) (12 C.F.R. §§ 225.4(d) and 225.23(b)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective July 31, 1986.

Voting for this action: Governors Wallich, Rice, Seger, Angell, and Johnson. Absent and not voting: Chairman Volcker. Governor Wallich abstained from the insurance portion of this action.

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

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

By Federal Reserve Banks

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

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
American Fletcher Corporation, Indianapolis, Indiana	Carmel Bank and Trust Company, Carmel, Indiana	Chicago	July 2, 1986
American Fletcher Corporation, Indianapolis, Indiana	Citizens Northern Company, Inc., Elkhart, Indiana	Chicago	July 14, 1986
AmeriTrust Corporation, Cleveland, Ohio	American State Bank, Ligonier, Indiana	Cleveland	July 25, 1986
Arthur State Bancshares, Inc., Union, South Carolina	Arthur State Bank, Union, South Carolina	Richmond	July 2, 1986
Atrium Capital Corporation, Boca Raton, Florida	Landmark Bank of Palm Beach County, Boca Raton, Florida	Atlanta	July 9, 1986
Banc One Corporation, Columbus, Ohio	First Crawfordsville Financial Corporation, Crawfordsville, Indiana	Cleveland	July 14, 1986
Barclays PLC, London, England Barclays Bank PLC, London, England Barclays USA Inc., Wilmington, Delaware Barclays U.S. Holdings Inc., New York, New York BarclaysAmericanCorporation, Charlotte, North Carolina	Barclays Bank of North Carolina, Greenville, North Carolina	New York	July 18, 1986

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Bellwood Bancorporation, Inc., Bellwood, Illinois	First National Bank of Wheaton, Wheaton, Illinois	Chicago	July 3, 1986
Benson Financial Corporation, San Antonio, Texas	Commercial National Bank, San Antonio, Texas	Dallas	July 25, 1986
Bonifay Holding Company, Inc., Bonifay, Florida	The Bank of Bonifay, Bonifay, Florida	Atlanta	June 27, 1986
BT Financial Corporation, Johnstown, Pennsylvania	Fayette Bank and Trust Company, Uniontown, Pennsylvania	Philadelphia	July 17, 1986
Capital Reserves Group, Inc., College Station, Texas	Unitedbank-College Station, N.A., College Station, Texas	Dallas	July 3, 1986
CB&T Financial Corp., Fairmont, West Virginia	The Oak Mound Bank, Clarksburg, West Virginia	Richmond	July 7, 1986
Chesnee State Bancshares, Inc., Chesnee, South Carolina	Chesnee State Bank, Chesnee, South Carolina	Richmond	July 2, 1986
The Citizens and Southern Corporation, Atlanta, Georgia	Citizens and Southern Florida Corporation, Fort Lauderdale, Florida Landmark Bank of Seminole County, Casselberry, Florida	Atlanta	July 15, 1986
Clin-Ark Bankshares, Inc., Clinton, Arkansas	First National Bank, Clinton, Arkansas	St. Louis	July 9, 1986
CNB Holding Company, Daytona Beach, Florida	Commercial National Bank, Daytona Beach, Florida	Atlanta	July 1, 1986
Commonwealth Bancshares Corporation, Williamsport, Pennsylvania	Heritage Financial Services Corporation, Lewistown, Pennsylvania	Philadelphia	July 11, 1986
Crown Park Bancshares, Inc., Lubbock, Texas	Western National Bank, Lubbock, Texas	Dallas	July 3, 1986
Dakota Bankshares, Inc., Fargo, North Dakota	Bankers Financial Corporation, Drake, North Dakota	Minneapolis	July 14, 1986
F & M Financial Services Corporation, Menomonee Falls, Wisconsin	Rural Financial Services, Inc., Dousman, Wisconsin	Chicago	July 14, 1986
Farmers & Merchants Corporation, Forest, Mississippi	First Mississippi National Corporation, Hattiesburg, Mississippi	Atlanta	July 23, 1986
First American Bank Corporation, Elk Grove Village, Illinois	Northern Illinois Bancorp, Inc., Joliet, Illinois	Chicago	July 7, 1986
First Brundidge Bancshares, Inc., Brundidge, Alabama	The First National Bank of Brundidge, Brundidge, Alabama	Atlanta	June 30, 1986
First Canon Bancorp, Inc., Canon City, Colorado	The First National Bank of Canon City, Canon City, Colorado	Kansas City	July 2, 1986

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
First Colonial Bankshares Corporation, Chicago, Illinois	Avenue Bank and Trust Company of Oak Park, Oak Park, Illinois Avenue Bank Northwest, Niles, Illinois Avenue Bank of Elk Grove, Elk Grove Village, Illinois The Northlake Bank, Northlake, Illinois	Chicago	June 20, 1986
First Indiana Bancorp, Elkhart, Indiana	First National Bank & Trust Company, Sturgis, Michigan	Cleveland	July 25, 1986
First Pennsylvania Corporation, Philadelphia, Pennsylvania	First Pennsylvania Bank (Del.), Wilmington, Delaware	Philadelphia	July 25, 1986
First St. Charles Bancshares, Inc., Boutte, Louisiana	The First National Bank of St. Charles Parish, Boutte, Louisiana	Atlanta	July 17, 1986
FIRST SUBURBAN BANCORP CORPORATION, Maywood, Illinois	First Suburban National Bank, Maywood, Illinois	Chicago	July 10, 1986
First TexCorp, Inc., Dallas, Texas	First Texas Bank-Irving, N.A., Irving, Texas	Dallas	July 18, 1986
First Wisconsin Corporation, Milwaukee, Wisconsin	City Bankshares, Inc., Portage, Wisconsin	Chicago	July 18, 1986
Friendship Bancshares, Inc., Friendship, Tennessee	Bank of Friendship, Friendship, Tennessee	St. Louis	July 1, 1986
Gateway Bancshares, Inc., Dallas, Texas	Gateway National Bank, Dallas, Texas	Dallas	July 21, 1986
Granite State Bankshares, Inc., Keene, New Hampshire	Keene Savings Bank, Keene, New Hampshire	Boston	July 3, 1986
Hartford National Corporation, Hartford, Connecticut	First Bancorporation, Vineyard Haven, Massachusetts	Boston	July 25, 1986
Hibernia Corporation, New Orleans, Louisiana	South Louisiana Financial Corporation, Houma, Louisiana	Atlanta	July 21, 1986
Hooker National Bancshares, Inc., Hooker, Oklahoma	The First National Bank of Hooker, Hooker, Oklahoma	Kansas City	July 8, 1986
Independent Community Financial Corporation, Dallas, Texas	Independent Bank, N.A., Dallas, Texas Coppell Financial Corporation, Dallas, Texas	Dallas	July 21, 1986

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Katahdin Bankshares Corp., Patten, Maine	Katahdin Trust Company, Patten, Maine	Boston	June 30, 1986
Kosman, Inc., Scottsbluff, Nebraska	Scottsbluff National Corporation, Scottsbluff, Nebraska Western National Bank, Scottsbluff, Nebraska	Kansas City	July 7, 1986
Leeds Bancgroup, Inc., Birmingham, Alabama	The Fort Deposit Bank, Fort Deposit, Alabama	Atlanta	July 15, 1986
Liberty BanCorporation, Longwood, Florida	Liberty National Bank of Orlando, Orlando, Florida	Atlanta	July 8, 1986
Liberty County Bancshares, Inc., Houston, Texas	First State Bank, Liberty, Texas	Dallas	June 26, 1986
M & M Holding Company, Marianna, Arkansas	Farmers and Merchants Bank, Marianna, Arkansas	St. Louis	July 23, 1986
National City Bancshares, Inc., Evansville, Indiana	Chandler State Bank, Chandler, Indiana	St. Louis	July 16, 1986
NBC Bancshares, Inc., Pampa, Texas	National Bank of Commerce, Pampa, Texas	Dallas	June 30, 1986
Neffs Bancorp, Inc., Neffs, Pennsylvania	The Neffs National Bank, Neffs, Pennsylvania	Philadelphia	July 3, 1986
Newell Bancshares, Inc., Wells, Texas	First State Bank, Wells, Texas	Dallas	July 24, 1986
Old National Bancorp, Evansville, Indiana	The Rockville National Bank, Rockville, Indiana	St. Louis	July 18, 1986
Ozark Bankshares, Inc., Ozark, Arkansas	Bankstock Two, Inc., Dardanelle, Arkansas Newco Corporation, Jasper, Arkansas	St. Louis	July 11, 1986
Parker Bank Holding Corporation, Muncie, Indiana	The Parker Banking Company, Parker City, Indiana	Chicago	July 3, 1986
Peoples Exchange Bancshares, Inc., Beatrice, Alabama	People Exchange Bank of Monroe County, Beatrice, Alabama	Atlanta	July 21, 1986
Republic Bancorp, Inc., Flint, Michigan	Bellaire State Bank, Bellaire, Michigan	Chicago	July 23, 1986
St. Joseph Bancorporation, Inc., South Bend, Indiana	First National Bank of Angola, Angola, Indiana	Chicago	July 1, 1986
St. Joseph Bancorp, Inc., Saint Joseph, Illinois	The State Bank of St. Joseph, Saint Joseph, Illinois	Chicago	July 21, 1986
SBT Bancshares, Inc., Selmer, Tennessee	Selmer Bank and Trust Company, Selmer, Tennessee	St. Louis	July 22, 1986

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Security National Corporation, Omaha, Nebraska	Security National Bank of Omaha, Omaha, Nebraska	Kansas City	July 22, 1986
Signet Banking Corporation, Richmond, Virginia	Security National Corporation, Washington, D.C.	Richmond	July 25, 1986
Stone City Bancshares, Inc., Bedford, Indiana	First National Bank of Paoli, Paoli, Indiana	St. Louis	July 11, 1986
Treasure Bancorp., Inc., Plentywood, Montana	Reserve Enterprises, Inc., Plentywood, Montana	Minneapolis	July 14, 1986
The Tysan Corporation, Minneapolis, Minnesota	Miltona State Bank, Miltona, Minnesota	Minneapolis	July 3, 1986
United Banks of Colorado, Inc., Denver, Colorado	American National Bank of Aurora, Aurora, Colorado	Kansas City	July 22, 1986
United Vermont Bancorporation, Rutland, Vermont	The Green Mountain Bank, Winhall Township, Vermont	Boston	July 3, 1986
Villa Park Trust & Savings Bank Employees' Stock Ownership Plan, Villa Park, Illinois	Edville Bankcorp, Inc., Villa Park, Illinois	Chicago	July 17, 1986
Villa Rica Bancorp, Inc., Villa Rica, Georgia	Bank of Villa Rica, Villa Rica, Georgia	Atlanta	July 21, 1986
WFNB Bankshares, Inc., Kingstree, South Carolina	Williamsburg First National Bank, Kingstree, South Carolina	Richmond	July 8, 1986
Woodruff State Bancshares, Inc., Woodruff, South Carolina	Woodruff State Bank, Woodruff, South Carolina	Richmond	July 2, 1986

Section 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
The Bank of New York, New York, New York	purchase certain assets and assume certain liabilities of three branches of The Home Savings Bank, Hicksville, Port Washington, and Massapequa, New York	New York	July 2, 1986
Delaware National Bankshares Corp., Georgetown, Delaware	The Insurance Place, Inc., Bethany Beach, Delaware	Philadelphia	July 8, 1986

Section 4—Continued

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Johnston County Bancshares, Inc., Tishomingo, Oklahoma	Johnston County Insurance Agency, Inc., Tishomingo, Oklahoma	Kansas City	July 18, 1986
Metro Bancorp, Inc., Phoenix, Arizona	Mesa Mortgage Company, Phoenix, Arizona	San Francisco	July 10, 1986
Norwest Corporation, Minneapolis, Minnesota	three offices of Household Finance Corporation II and Household Retail Services, Inc., in Alaska	Minneapolis	June 27, 1986
The Sanwa Bank, Limited, Osaka, Japan	Division LE of Continental Illinois National Bank and Trust Company, Chicago, Illinois	San Francisco	July 2, 1986
Standard Chartered PLC, London, England	Mocatta Metals Corporation, New York, New York	San Francisco	July 3, 1986

Sections 3 and 4

Applicant	Bank(s)	Reserve Bank	Effective date
Iowa State Bank Holding Company, Des Moines, Iowa	Iowa State Bank, Des Moines, Iowa Bankers Leasing Company, Des Moines, Iowa	Chicago	June 30, 1986

ORDERS APPROVED UNDER BANK MERGER ACT

By Federal Reserve Banks

Applicant	Bank(s)	Reserve Bank	Effective date
Ohio Citizens Bank, Toledo, Ohio	The Citizens National Bank, Bryan, Ohio	Cleveland	July 8, 1986

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.

Optical Coating Laboratory, Inc. v. United States, No. 288–86C (U.S. Claims Ct., filed May 6, 1986).
Adkins v. Board of Governors, No. 86–3853 (4th Cir., filed May 14, 1986).
Securities Industry Association v. Board of Governors, No. 86–1412 (D.C. Cir., filed July 14, 1986).
Jenkins v. Board of Governors, No. 86–1419 (D.C. Cir., filed July 18, 1986).
CBC, Inc v. Board of Governors, No. 86–1001 (10th Cir., filed Jan. 2, 1986).
Howe v. United States, et al., No. 85–4504-C (D. Mass., filed Dec. 6, 1985).
Myers, et al. v. Federal Reserve Board, No. 85–1427 (D. Idaho, filed Nov. 18, 1985).
Souser, et al. v. Volcker, et al., No. 85-C-2370, *et al.* (D. Colo., filed Nov. 1, 1985).
Podolak v. Volcker, No. C85–0456, *et al.* (D. Wyo., filed Oct. 28, 1985).
Kolb v. Wilkinson, et al., No. C85–4184 (N.D. Iowa, filed Oct. 22, 1985).
Farmer v. Wilkinson, et al., No. 4–85-CIVIL-1448 (D. Minn., filed Oct. 21, 1985).
Kurkowski v. Wilkinson, et al., No. CV-85–0-916 (D. Neb., filed Oct. 16, 1985).
Jensen v. Wilkinson, et al., No. 85–4436-S, *et al.* (D. Kan., filed Oct. 10, 1985).
Alfson v. Wilkinson, et al., No. A1–85–267 (D. N.D., filed Oct. 8, 1985).
First National Bank of Blue Island Employee Stock Ownership Plan v. Board of Governors, No. 85–2615 (7th Cir., filed Sept. 23, 1985).
First National Bancshares II v. Board of Governors, No. 85–3702 (6th Cir., filed Sept. 4, 1985).
McIluin v. Volcker, et al., No. 85–2170 WARB (W.D. Okl., filed Aug. 29, 1985).
Independent Community Bankers Associaton of South Dakota v. Board of Governors, No. 84–1496 (D.C. Cir., filed Aug. 7, 1985).
Florida Bankers Association, et al. v. Board of Governors, No. 85–193 (U.S., filed Aug. 5, 1985).
Urwyler, et al. v. Internal Revenue Service, et al., No. CV-F-85–402 REC (E.D. Cal., filed July 18, 1985).
Johnson v. Federal Reserve System, et al., No. S85–0958(R) and S85–1269(N) (S.D. Miss., filed July 16, 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).
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).
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).
Melcher v. Federal Open Market Committee, No. 84–1335 (D.D.C., filed Apr. 30, 1984).
Securities Industry Association v. Board of Governors, No. 80–2614 (D.C. Cir., filed Oct. 24., 1980), and No. 80–2730 (D.C. Cir., filed Oct. 24, 1980).

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

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
	1985		1986		1986				
	Q3	Q4	Q1	Q2	Feb.	Mar.	Apr.	May[r]	June
Reserves of depository institutions[2]									
1 Total	15.7	12.5	13.1	17.8	12.8	12.8	10.5	33.0	21.9
2 Required	16.4	11.5	12.3	19.7	13.4	18.4	13.2	32.7	19.5
3 Nonborrowed	17.5	10.4	19.1	17.7	10.0	16.3	7.3	34.1	24.1
4 Monetary base[3]	9.6	8.2	8.6	8.8	7.6	8.0	5.9	13.7	9.3
Concepts of money, liquid assets, and debt[4]									
5 M1	14.5	10.7	7.7	15.8	7.3	14.1	14.5	23.2	14.6
6 M2	9.5	6.0	4.3	10.3	3.5	6.8	13.7[r]	12.0	9.2
7 M3	7.6[r]	6.5[r]	7.4[r]	7.8	6.2[r]	7.7[r]	10.6[r]	5.3	6.4
8 L	7.8[r]	9.4[r]	8.1	n.a.	5.7[r]	4.1[r]	7.0	9.8	n.a.
9 Debt	12.9	14.6	16.1	9.6	8.7[r]	8.3	9.8[r]	10.2	n.a.
Nontransaction components									
10 In M2[5]	8.0	4.6	3.2	8.5	2.3	4.4	13.5	8.3	7.5
11 In M3 only[6]	-.3[r]	8.3[r]	20.3[r]	-1.5	16.7[r]	11.0[r]	-1.6[r]	-21.0	-5.1
Time and savings deposits									
Commercial banks									
12 Savings[7]	7.6	3.2	1.9	11.8	2.9	5.8[r]	9.6[r]	21.8	18.6
13 Small-denomination time[8]	-3.3	-1.6	5.3	-3.2	4.7	2.8	-3.4	-9.6	-10.0
14 Large-denomination time[9,10]	-3.6	14.1	18.5	-8.7	7.5	-18.1[r]	-.4[r]	-23.4	-2.6
Thrift institutions									
15 Savings[7]	12.9	7.5	3.1	21.3	4.0	8.7	24.5	31.2	29.7
16 Small-denomination time	-2.8	-2.9	6.6	2.9	8.4	6.7	5.9[r]	-4.3	-5.0
17 Large-denomination time[9]	-1.0	5.2	10.0	11.0	11.4	27.8	11.7	-1.5	-2.2
Debt components[4]									
18 Federal	14.6	15.2	17.5	9.5	9.8	5.3	7.8	12.7	n.a.
19 Nonfederal	12.4	14.4	15.7	9.6	8.4[r]	9.3[r]	10.4[r]	9.4	n.a.
20 Total loans and securities at commercial banks[11]	9.6	9.4[r]	12.7	4.1	3.4[r]	5.6	2.0	5.9	3.9

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

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

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

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

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

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

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all commercial banks and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, Money Market Deposit Accounts (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 based on monthly averages. 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						
	1986			1986						
	Apr.	May	June	May 14	May 21	May 28	June 4	June 11	June 18	June 25
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**203,014**	**205,800**	**207,619**	**205,101**	**204,581**	**204,387**	**206,484**	**206,389**	**209,481**	**207,270**
2 U.S. government securities[1]	177,563	180,195	182,611	178,663	179,929	179,449	181,977	181,811	183,442	182,145
3 Bought outright	176,389	179,287	182,086	178,663	178,865	179,449	181,977	181,811	181,194	182,145
4 Held under repurchase agreements	1,174	908	525	0	1,064	0	0	0	2,248	0
5 Federal agency obligations	8,384	8,366	8,309	8,166	8,430	8,137	8,137	8,137	8,876	8,137
6 Bought outright	8,187	8,155	8,137	8,166	8,137	8,137	8,137	8,137	8,137	8,137
7 Held under repurchase agreements	197	211	172	0	293	0	0	0	739	0
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	919	858	780	806	848	890	852	703	734	784
10 Float	432	638	586	813	421	924	458	761	1,109	771
11 Other Federal Reserve assets	15,716	15,743	15,334	16,654	14,954	14,988	15,060	14,978	15,320	15,433
12 Gold stock	11,090	11,086	11,085	11,085	11,085	11,085	11,085	11,085	11,085	11,084
13 Special drawing rights certificate account	4,718	4,776	4,818	4,732	4,818	4,818	4,818	4,818	4,818	4,818
14 Treasury currency outstanding	17,229	17,273	17,314	17,265	17,276	17,287	17,297	17,305	17,313	17,322
ABSORBING RESERVE FUNDS										
15 Currency in circulation	194,372	196,431	198,603	196,350	196,414	197,175	198,034	198,627	198,855	198,410
16 Treasury cash holdings	607	637	636	639	638	636	636	636	636	636
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	3,870	4,679	2,824	4,591	3,972	3,580	2,687	2,475	3,075	3,428
18 Foreign	247	212	229	206	221	218	240	216	209	241
19 Service-related balances and adjustments	1,818	1,841	1,882	1,747	1,815	1,891	1,860	1,779	1,960	1,931
20 Other	448	482	477	455	531	395	449	420	533	508
21 Other Federal Reserve liabilities and capital	6,254	6,384	6,289	6,262	6,332	6,269	6,144	6,091	6,456	6,382
22 Reserve balances with Federal Reserve Banks[2]	28,435	28,269	29,895	27,933	27,838	27,413	29,635	29,352	30,972	28,957
	End-of-month figures			Wednesday figures						
	1986			1986						
	Apr.	May	June	May 14	May 21	May 28	June 4	June 11	June 18	June 25
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**210,494**	**206,437**	**209,021**	**205,636**	**209,592**	**209,431**	**208,453**	**205,705**	**210,579**	**207,102**
24 U.S. government securities[1]	181,834	181,992	183,849	178,869	183,054	181,499	182,690	181,150	184,450	181,893
25 Bought outright	174,312	181,992	183,849	178,869	178,296	181,499	182,690	181,150	183,555	181,893
26 Held under repurchase agreements	7,522	0	0	0	4,758	0	0	0	895	0
27 Federal agency obligations	9,620	8,137	8,137	8,137	9,506	8,137	8,137	8,137	8,917	8,137
28 Bought outright	8,187	8,137	8,137	8,137	8,137	8,137	8,137	8,137	8,137	8,137
29 Held under repurchase agreements	1,433	0	0	0	1,369	0	0	0	780	0
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	954	850	952	812	1,233	812	1,059	750	872	797
32 Float	851	132	283	1,046	276	3,744	935	429	632	363
33 Other Federal Reserve assets	17,235	15,326	15,800	16,772	15,523	15,239	15,632	15,239	15,708	15,912
34 Gold stock	11,089	11,085	11,084	11,085	11,085	11,085	11,085	11,085	11,084	11,084
35 Special drawing rights certificate account	4,718	4,818	4,818	4,818	4,818	4,818	4,818	4,818	4,818	4,818
36 Treasury currency outstanding	17,252	17,296	17,329	17,274	17,285	17,296	17,304	17,312	17,321	17,329
ABSORBING RESERVE FUNDS										
37 Currency in circulation	194,503	197,807	199,244	196,557	196,680	198,020	198,346	198,878	198,733	198,493
38 Treasury cash holdings	638	636	636	638	636	636	636	636	636	636
Deposits, other than reserve balances with Federal Reserve Banks										
39 Treasury	11,550	3,083	3,143	2,604	4,186	4,098	1,352	2,996	4,622	2,846
40 Foreign	326	254	354	237	205	279	212	208	181	240
41 Service-related balances and adjustments	1,590	1,596	1,593	1,609	1,609	1,580	1,582	1,580	1,579	1,591
42 Other	441	417	450	561	401	497	425	445	517	463
43 Other Federal Reserve liabilities and capital	6,680	6,110	6,484	6,057	6,235	6,134	5,892	6,174	6,271	6,184
44 Reserve balances with Federal Reserve Banks[2]	27,826	29,733	30,347	30,550	32,828	31,386	33,215	28,003	31,262	29,879

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]									
	1983	1984	1985	1985		1986				
	Dec.	Dec.	Dec.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
1 Reserve balances with Reserve Banks[1]	21,138	21,738	27,620	26,385	27,620	26,373	24,700	27,114	28,892	28,279
2 Total vault cash[2]	20,755	22,316	22,956	22,457	22,956	24,245	24,962	22,688	22,231	22,474
3 Vault cash used to satisfy reserve requirements[3]	17,908	18,958	20,522	19,997	20,522	21,687	21,952	20,160	19,990	20,140
4 Surplus vault cash[4]	2,847	3,358	2,434	2,460	2,434	2,559	3,010	2,528	2,241	2,334
5 Total reserves[5]	38,894	40,696	48,142	46,382	48,142	48,060	46,652	47,274	48,882	48,419
6 Required reserves	38,333	39,843	47,085	45,454	47,085	46,949	45,555	46,378	48,081	47,581
7 Excess reserve balances at Reserve Banks[6]	561	853	1,058	928	1,058	1,111	1,097	896	801	838
8 Total borrowings at Reserve Banks	774	3,186	1,318	1,741	1,318	770	884	761	893	876
9 Seasonal borrowings at Reserve Banks	96	113	56	107	56	36	56	68	73	94
10 Extended credit at Reserve Banks[7]	2	2,604	499	530	499	497	492	518	634	584
	Biweekly averages of daily figures for weeks ending									
	1986									
	Feb. 26	Mar. 12	Mar. 26	Apr. 9	Apr. 23	May 7	May 21	June 4r	June 18	July 2
11 Reserve balances with Reserve Banks[1]	25,021	27,102	26,704	28,292	29,385	28,676	27,875	28,568	30,156	29,089
12 Total vault cash[2]	24,348	22,577	22,986	22,121	22,369	22,100	22,700	22,422	22,250	23,580
13 Vault cash used to satisfy reserve requirements[3]	21,424	20,016	20,409	19,809	20,190	19,824	20,366	20,045	20,106	20,956
14 Surplus vault cash[4]	2,924	2,561	2,577	2,312	2,179	2,276	2,334	2,377	2,144	2,624
15 Total reserves[5]	46,445	47,118	47,113	48,101	49,575	48,500	48,241	48,613	50,262	50,045
16 Required reserves	45,408	46,142	46,187	47,479	48,703	47,612	47,554	47,600	49,627	48,754
17 Excess reserve balances at Reserve Banks[6]	1,038	976	926	622	873	888	688	1,014	636	1,292
18 Total borrowings at Reserve Banks	1,100	704	769	874	861	981	827	871	719	879
19 Seasonal borrowings at Reserve Banks	66	65	69	76	64	89	92	101	102	119
20 Extended credit at Reserve Banks[7]	506	475	535	576	671	637	571	566	526	525

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	1986 week ending Monday								
	May 19	May 26	June 2r	June 9	June 16r	June 23	June 30	July 7	July 14
One day and continuing contract									
1 Commercial banks in United States	69,536	67,481	68,191	75,063	72,971	69,752	67,656	79,240	76,556
2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	36,494	37,095	37,738	38,033	38,556	35,998	34,418	37,560	41,305
3 Nonbank securities dealers	9,938	11,296	13,301	8,136	8,424	9,087	8,606	8,871	10,607
4 All other	26,337	25,333	26,068	24,724	24,881	24,494	26,253	26,244	27,606
All other maturities									
5 Commercial banks in United States	9,394	9,361	9,243	9,258r	9,817	9,769	9,551	8,708	8,477
6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	6,632	7,706	7,198	6,800	6,714	6,538	6,852	6,466	6,420
7 Nonbank securities dealers	10,180	10,079	9,572	9,207	9,493	9,077	8,813	8,099	8,046
8 All other	10,523	10,531	9,692	9,077	9,651	10,489	10,536	9,706	9,886
MEMO: Federal funds and resale agreement loans in maturities of one day or continuing contract									
9 Commercial banks in United States	26,736	24,605	27,383	27,391	27,076	26,363	26,351	34,230	30,912
10 Nonbank securities dealers	8,946	10,149	9,328	9,015	8,784	8,949	8,061	9,098	9,392

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]						Effective date for current rates
				First 60 days of borrowing		Next 90 days of borrowing		After 150 days		
	Rate on 7/11/86	Effective date	Previous rate	Rate on 7/11/86	Previous rate	Rate on 7/11/86	Previous rate	Rate on 7/11/86	Previous rate	
Boston	6	7/11/86	6½	6	6½	7	7½	8	8½	7/11/86
New York		7/11/86								7/11/86
Philadelphia		7/11/86								7/11/86
Cleveland		7/11/86								7/11/86
Richmond		7/11/86								7/11/86
Atlanta		7/11/86								7/11/86
Chicago		7/11/86								7/11/86
St. Louis		7/11/86								7/11/86
Minneapolis		7/11/86								7/11/86
Kansas City		7/11/86								7/11/86
Dallas		7/11/86								7/11/86
San Francisco	6	7/11/86	6½	6	6½	7	7½	8	8½	7/11/86

Range of rates in recent years[3]

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1973	7½	7½	1978— Aug. 21	7¾	7¾	1981— Dec. 4	12	12
1974— Apr. 25	7½–8	8	Sept. 22	8	8			
30	8	8	Oct. 16	8–8½	8½	1982— July 20	11½–12	11½
Dec. 9	7¾–8	7¾	20	8½	8½	23	11½	11½
16	7¾	7¾	Nov. 1	8½–9½	9½	Aug. 2	11–11½	11
			3	9½	9½	3	11	11
1975— Jan. 6	7¼–7¾	7¾				16	10½	10½
10	7¼–7¾	7¼	1979— July 20	10	10	27	10–10½	10
24	7¼	7¼	Aug. 17	10–10½	10½	30	10	10
Feb. 5	6¾–7¼	6¾	20	10½	10½	Oct. 12	9½–10	9½
7	6¾	6¾	Sept. 19	10½–11	11	13	9½	9½
Mar. 10	6¼–6¾	6¼	21	11	11	Nov. 22	9–9½	9
14	6¼	6¼	Oct. 8	11–12	12	26	9	9
May 16	6–6¼	6	10	12	12	Dec. 14	8½–9	9
23	6	6				15	8½–9	8½
			1980— Feb. 15	12–13	13	17	8½	8½
1976— Jan. 19	5½–6	5½	19	13	13			
23	5½	5½	May 29	12–13	13	1984— Apr. 9	8½–9	9
Nov. 22	5¼–5½	5¼	30	12	12	13	9	9
26	5¼	5¼	June 13	11–12	11	Nov. 21	8½–9	8½
			16	11	11	26	8½	8½
1977— Aug. 30	5¼–5¾	5¼	July 28	10–11	10	Dec. 24	8	8
31	5¼–5¾	5¾	29	10	10			
Sept. 2	5¾	5¾	Sept. 26	11	11	1985— May 20	7½–8	7½
Oct. 26	6	6	Nov. 17	12	12	24	7½	7½
			Dec. 5	12–13	13			
1978— Jan. 9	6–6½	6½	8	13	13	1986— Mar. 7	7–7½	7
20	6½	6½				10	7	7
May 11	6½–7	7	1981— May 5	13–14	14	Apr. 21	6½–7	6½
12	7	7	8	14	14	23	6½	6½
July 3	7–7¼	7¼	Nov. 2	13–14	13	July 11	6	6
July 10	7¼	7¼	6	13	13			
						In effect July 28, 1986	6	6

1. After May 19, 1986, the highest rate within the structure of discount rates may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

A temporary simplified seasonal program was established on Mar. 8, 1985, and the interest rate was a fixed rate ½ percent above the rate on adjustment credit. The program was re-established on Feb. 18, 1986; the rate may be either the same as that for adjustment credit or a fixed rate ½ percent higher.

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–\$31.7 million	3	12/31/85
\$2 million–\$10 million	9½	12/30/76	Over \$31.7 million	12	12/31/85
\$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. Effective with the reserve computation period beginning Dec. 31, 1985, the amount of the exemption is \$2.6 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 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; effective Jan. 1, 1985, to \$29.8 million; and effective Dec. 31, 1985, to \$31.7 million.

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

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

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

Percent per annum

Type of deposit	Commercial banks		Savings and loan associations and mutual savings banks (thrift institutions)[1]	
	In effect July 31, 1986		In effect July 31, 1986	
	Percent	Effective date	Percent	Effective date
1 Savings	(2)	4/1/86	(2)	4/1/86
2 Negotiable order of withdrawal accounts	(3)	1/1/86	(3)	1/1/86
3 Money market deposit account	(4)	12/14/82	(4)	12/14/82
Time accounts				
4 7–31 days	(5)	1/1/86	(5)	9/1/86
5 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 Apr. 1, 1986, the interest rate ceiling on savings deposits was removed. Before Apr. 1, 1986, savings deposits were subject to an interest rate ceiling of 5½ percent.
3. Before Jan. 1, 1986, NOW accounts with minimum denomination requirements of less than $1,000 were subject to an interest rate ceiling of 5¼ percent. NOW accounts with minimum required denominations of $1,000 or more and IRA/Keough (HR10) Plan accounts were not subject to interest rate ceilings. Effective Jan. 1, 1986, the minimum denomination requirement was removed.
4. 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 balance maintenance requirements was lowered to $1,000. Effective Jan. 1, 1986, the minimum denomination and average balance maintenance requirements were removed. No minimum maturity period is required for this account, but depository institutions must reserve the right to require seven days, notice before withdrawals.
5. Before Jan. 1, 1986, deposits of less than $1,000 were subject to an interest rate ceiling of 5½ percent. Deposits of less than $1,000 issued to governmental units were subject to an interest rate ceiling of 8 percent. Effective Jan. 1, 1986, the minimum denomination requirement was removed.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

	Type of transaction	1983	1984	1985	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.	1986 May
	U.S. GOVERNMENT SECURITIES										
	Outright transactions (excluding matched transactions)										
	Treasury bills										
1	Gross purchases	18,888	20,036	22,214	1,180	4,515	286	0	396	2,988	3,196
2	Gross sales	3,420	8,557	4,118	0	0	225	2,277	0	0	0
3	Exchange	0	0	0	-350	0	0	0	0	0	0
4	Redemptions	2,400	7,700	3,500	0	0	0	1,000	0	0	0
	Others within 1 year										
5	Gross purchases	484	1,126	1,349	0	143	0	0	0	0	0
6	Gross sales	0	0	0	0	0	0	0	0	0	0
7	Maturity shift	18,887	16,354	19,763	2,363	943	725	4,776	1,152	447	1,847
8	Exchange	-16,553	-20,840	-17,717	-615	-1,529	-596	-2,148	-1,458	-1,129	-1,819
9	Redemptions	87	0	0	0	0	0	0	0	0	0
	1 to 5 years										
10	Gross purchases	1,896	1,638	2,185	0	868	0	0	0	0	0
11	Gross sales	0	0	0	0	0	0	0	0	0	0
12	Maturity shift	-15,533	-13,709	-17,459	-1,731	-943	-703	-4,776	-1,152	-447	-1,532
13	Exchange	11,641	16,039	13,853	650	1,529	596	1,548	1,458	1,134	1,019
	5 to 10 years										
14	Gross purchases	890	536	458	0	345	0	0	0	0	0
15	Gross sales	0	300	100	0	0	0	0	0	0	0
16	Maturity shift	-2,450	-2,371	-1,857	-600	0	-22	0	0	-5	-315
17	Exchange	2,950	2,750	2,184	184	0	0	350	0	0	500
	Over 10 years										
18	Gross purchases	383	441	293	0	197	0	0	0	0	0
19	Gross sales	0	0	0	0	0	0	0	0	0	0
20	Maturity shift	-904	-275	-447	-32	0	0	0	0	0	0
21	Exchange	1,962	2,052	1,679	131	0	0	250	0	0	300
	All maturities										
22	Gross purchases	22,540	23,776	26,499	1,180	6,068	286	0	396	2,988	3,196
23	Gross sales	3,420	8,857	4,218	0	0	225	2,277	0	0	0
24	Redemptions	2,487	7,700	3,500	0	0	0	1,000	0	0	0
	Matched transactions										
25	Gross sales	578,591	808,986	866,175	85,486	76,399	63,109	90,459	88,917	109,253	62,663
26	Gross purchases	576,908	810,432	865,968	84,769	78,962	61,156	94,368	88,604	103,957	67,147
	Repurchase agreements										
27	Gross purchases	105,971	127,933	134,253	3,684	23,338	24,257	0	6,748	21,156	12,395
28	Gross sales	108,291	127,690	132,351	3,684	19,809	24,699	3,087	6,748	13,634	19,917
29	Net change in U.S. government securities	12,631	8,908	20,477	463	12,159	-2,335	-2,456	83	5,214	158
	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	292	256	162	0	0	0	40	0	0	50
	Repurchase agreements										
33	Gross purchases	8,833	11,509	22,183	1,454	7,640	5,384	0	1,821	3,369	3,135
34	Gross sales	9,213	11,328	20,877	1,454	5,947	6,454	623	1,821	1,955	4,567
35	Net change in federal agency obligations	-672	-76	1,144	0	1,693	-1,070	-663	0	1,432	-1,482
	BANKERS ACCEPTANCES										
36	Repurchase agreements, net	-1,062	-418	0	0	0	0	0	0	0	0
37	**Total net change in System Open Market Account**	**10,897**	**8,414**	**21,621**	**463**	**13,853**	**-3,405**	**-3,119**	**83**	**6,647**	**-1,324**

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 1986 May 28	June 4	June 11	June 18	June 25	End of month 1986 Apr.	May	June
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,085	11,085	11,085	11,084	11,084	11,089	11,085	11,084
2 Special drawing rights certificate account	4,818	4,818	4,818	4,818	4,818	4,718	4,818	4,818
3 Coin	491	482	495	487	492	530	487	488
Loans								
4 To depository institutions	812	1,059	750	872	797	954	850	952
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	8,137	8,137	8,137	8,137	8,137	8,187	8,137	8,137
8 Held under repurchase agreements	0	0	0	780	0	1,433	0	0
U.S. government securities								
Bought outright								
9 Bills	89,126	90,317	88,777	91,182	89,520	81,939	89,619	91,476
10 Notes	67,097	67,097	67,097	67,097	67,097	67,397	67,097	67,097
11 Bonds	25,276	25,276	25,276	25,276	25,276	24,976	25,276	25,276
12 Total bought outright[1]	181,499	182,690	181,150	183,555	181,893	174,312	181,992	183,849
13 Held under repurchase agreements	0	0	0	895	0	7,522	0	0
14 Total U.S. government securities	181,499	182,690	181,150	184,450	181,893	181,834	181,992	183,849
15 **Total loans and securities**	**190,448**	**191,886**	**190,037**	**194,239**	**190,827**	**192,408**	**190,979**	**192,938**
16 Items in process of collection	11,852	7,706	6,453	7,648	6,078	7,798	5,836	4,959
17 Bank premises	629	632	632	634	634	623	629	634
Other assets								
18 Denominated in foreign currencies[2]	8,290	8,003	8,007	8,016	8,029	8,260	8,002	8,200
19 All other[3]	6,320	6,997	6,600	7,058	7,249	8,352	6,695	6,966
20 **Total assets**	**233,933**	**231,609**	**228,127**	**233,984**	**229,211**	**233,778**	**228,531**	**230,087**
LIABILITIES								
21 Federal Reserve notes	181,851	182,160	182,697	182,536	182,293	178,418	181,634	183,040
Deposits								
22 To depository institutions	32,966	34,797	29,583	32,841	31,470	29,416	31,329	31,940
23 U.S. Treasury—General account	4,098	1,352	2,996	4,622	2,846	11,550	3,083	3,143
24 Foreign—Official accounts	279	212	208	181	240	326	254	354
25 Other	497	425	445	517	463	441	417	450
26 **Total deposits**	**37,840**	**36,786**	**33,232**	**38,161**	**35,019**	**41,733**	**35,083**	**35,887**
27 Deferred credit items	8,108	6,771	6,024	7,016	5,715	6,947	5,704	4,676
28 Other liabilities and accrued dividends[4]	2,160	2,178	2,248	2,316	2,236	2,217	2,249	2,190
29 **Total liabilities**	**229,959**	**227,895**	**224,201**	**230,029**	**225,263**	**229,315**	**224,670**	**225,793**
CAPITAL ACCOUNTS								
30 Capital paid in	1,834	1,806	1,807	1,806	1,807	1,828	1,839	1,807
31 Surplus	1,781	1,770	1,780	1,781	1,781	1,781	1,778	1,781
32 Other capital accounts	359	138	339	368	360	854	244	706
33 **Total liabilities and capital accounts**	**233,933**	**231,609**	**228,127**	**233,984**	**229,211**	**233,778**	**228,531**	**230,087**
34 MEMO: Marketable U.S. government securities held in custody for foreign and international account	147,068	147,642	146,990	148,407	145,959	146,001	147,103	146,909
	Federal Reserve note statement							
35 Federal Reserve notes outstanding	213,981	214,419	214,779	215,486	215,943	211,992	213,923	215,965
36 LESS: Held by bank	32,130	32,259	32,082	32,950	33,650	33,574	32,289	32,925
37 Federal Reserve notes, net	181,851	182,160	182,697	182,536	182,293	178,418	181,634	183,040
Collateral held against notes net:								
38 Gold certificate account	11,085	11,085	11,085	11,084	11,084	11,089	11,085	11,084
39 Special drawing rights certificate account	4,818	4,818	4,818	4,818	4,818	4,718	4,818	4,818
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. government and agency securities	165,948	166,257	166,794	166,634	166,391	162,611	165,731	167,138
42 **Total collateral**	**181,851**	**182,160**	**182,697**	**182,536**	**182,293**	**178,418**	**181,634**	**183,040**

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 1986					End of month 1986		
	May 28	June 4	June 11	June 18	June 25	Apr. 30	May 30	June 30
1 Loans—Total	812	1,059	750	872	797	954	850	952
2 Within 15 days	805	1,030	718	867	787	936	823	922
3 16 days to 90 days	7	29	32	5	10	18	27	30
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	181,499	182,690	181,150	184,450	181,893	181,834	181,992	183,849
10 Within 15 days[1]	12,275	10,264	7,839	10,255	9,129	13,456	6,711	6,428
11 16 days to 90 days	43,197	45,039	47,654	46,334	44,753	39,760	47,713	48,118
12 91 days to 1 year	55,039	56,345	54,615	56,819	56,969	58,193	56,580	58,100
13 Over 1 year to 5 years	33,385	33,439	33,439	33,439	33,439	33,308	33,385	33,600
14 Over 5 years to 10 years	15,294	15,294	15,294	15,294	15,294	15,108	15,294	15,294
15 Over 10 years	22,309	22,309	22,309	22,309	22,309	22,009	22,309	22,309
16 Federal agency obligations—Total	8,137	8,137	8,137	8,917	8,137	9,620	8,137	8,137
17 Within 15 days[1]	221	40	0	922	164	1,591	221	164
18 16 days to 90 days	504	707	707	613	591	617	504	601
19 91 days to 1 year	1,800	1,823	1,896	1,848	1,866	1,795	1,800	1,856
20 Over 1 year to 5 years	3,871	3,826	3,783	3,783	3,765	3,902	3,871	3,765
21 Over 5 years to 10 years	1,317	1,317	1,327	1,327	1,327	1,291	1,317	1,327
22 Over 10 years	424	424	424	424	424	424	424	424

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	1982 Dec.	1983 Dec.	1984 Dec.r	1985 Dec.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.	1986 May r	1986 June
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[1]	Seasonally adjusted											
1 **Total reserves**[2]	**34.28**	**36.14**	**39.51**	**45.61**	**44.85**	**45.61**	**45.88**	**46.37**	**46.87r**	**47.28**	**48.58**	**49.46**
2 Nonborrowed reserves	33.65	35.36	36.32	44.29	43.11	44.29	45.11	45.49	46.10	46.38	47.70	48.66
3 Nonborrowed reserves plus extended credit[3]	33.83	35.37	38.93	44.79	43.64	44.79	45.61	45.98	46.62	47.02	48.29	49.19
4 Required reserves	33.78	35.58	38.66	44.55	43.92	44.55	44.77	45.27	45.97	46.47	47.74	48.51
5 Monetary base[4]	170.04	185.39	199.17	216.72	215.25	216.72	218.40	219.79	221.26	222.36	224.90	226.64
	Not seasonally adjusted											
6 **Total reserves**[2]	**35.01**	**36.86**	**40.57**	**46.84**	**45.08**	**46.84**	**47.11**	**45.68**	**46.34**	**47.94**	**47.71**	**49.22**
7 Nonborrowed reserves	34.37	36.09	37.38	45.52	43.34	45.52	46.34	44.80	45.58	47.04	46.84	48.41
8 Nonborrowed reserves plus extended credit[3]	34.56	36.09	39.98	46.02	43.87	46.02	46.84	45.29	46.10	47.68	47.42	48.94
9 Required reserves	34.51	36.30	39.71	45.78	44.15	45.78	46.00	44.59	45.44	47.14	46.87	48.27
10 Monetary base[4]	173.07	188.66	202.34	220.36	216.04	220.36	218.74	216.78	218.99r	222.13	223.61	227.05
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[5]												
11 **Total reserves**[2]	**41.85**	**38.89**	**40.70**	**48.14**	**46.38**	**48.14**	**48.06**	**46.65**	**47.27**	**48.88**	**48.42**	**49.96**
12 Nonborrowed reserves	41.22	38.12	37.51	46.82	44.64	46.82	47.29	45.77	46.51	47.99	47.54	49.15
13 Nonborrowed reserves plus extended credit[3]	41.41	38.12	40.09	47.41	45.07	47.41	47.79	46.22	47.17	48.22	48.24	49.83
14 Required reserves	41.35	38.33	39.84	47.09	45.45	47.09r	46.95	45.55	46.38	48.08	47.58	49.01
15 Monetary base[4]	180.42	192.26	204.18	223.53	218.96	223.53	221.59	219.57	221.70	224.88	226.12	229.69

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]	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.	1986 Mar.	1986 Apr.	1986 May	1986 June
	Seasonally adjusted							
1 M1	479.9	527.1	558.5	626.6	638.4	646.1	658.6	666.6
2 M2	1,952.6	2,186.0	2,373.8	2,565.8	2,591.2	2,620.8r	2,647.0	2,667.4
3 M3	2,443.5	2,697.3	2,986.5	3,199.9r	3,260.3r	3,289.0r	3,303.5r	3,321.1
4 L	2,850.1	3,163.5	3,532.3	3,837.0r	3,890.5r	3,913.1r	3,945.0	n.a.
5 Debt	4,661.3	5,192.0	5,952.0	6,809.8	7,012.3r	7,069.4r	7,129.5	n.a.
M1 components								
6 Currency[2]	134.3	148.3	158.5	170.6	173.9	174.4	175.8	176.6
7 Travelers checks[3]	4.3	4.9	5.2	5.9	6.1	6.1	6.1	6.2
8 Demand deposits[4]	237.9	242.7	248.4	271.5	273.2	275.6r	281.6	284.8
9 Other checkable deposits[5]	103.4	131.3	146.3	178.6	185.2	189.9	195.1	198.9
Nontransactions components								
10 In M2[6]	1,472.7	1,658.9	1,815.4	1,939.2	1,952.8	1,974.7r	1,988.4	2,000.8
11 In M3 only[7]	490.9	511.3	612.7	634.1r	669.1r	668.2r	656.5r	653.7
Savings deposits[9]								
12 Commercial Banks	163.7	133.4	122.3	124.5	125.6r	126.6	128.9r	130.9
13 Thrift institutions	194.2	173.2	167.3	179.1	181.2	184.9	189.7r	194.4
Small denomination time deposits[9]								
14 Commercial Banks	380.4	351.1	387.2	384.1	389.0	387.9	384.8	381.6
15 Thrift institutions	472.4	434.1	500.3	496.2	505.7	508.2r	506.4r	504.3
Money market mutual funds								
16 General purpose and broker/dealer	185.2	138.2	167.5	176.5	186.2	191.4	193.4	197.7
17 Institution-only	51.1	43.2	62.7	64.6	70.2	74.1	76.1	75.0
Large denomination time deposits[10]								
18 Commercial Banks[11]	262.1	228.7	263.7	279.1	287.1r	287.0	281.4	280.8
19 Thrift institutions	65.8	101.1	150.2	157.3	163.4	165.0	164.8r	164.5
Debt components								
20 Federal debt	979.2	1,173.0	1,367.3	1,586.3	1,628.2	1,638.8	1,656.2	n.a.
21 Non-federal debt	3,682.1	4,019.0	4,584.7	5,223.5	5,384.1r	5,430.6	5,473.3	n.a.
	Not seasonally adjusted							
22 M1	490.9	538.8	570.5	639.9	630.5	652.8	651.7	669.0
23 M2	1,958.6	2,192.8	2,380.8	2,573.9	2,593.2	2,630.4r	2,637.9	2,669.7r
24 M3	2,453.3	2,707.9	2,997.9	3,212.6r	3,260.6r	3,295.4r	3,296.7r	3,321.8
25 L	2,856.4	3,170.1	3,537.5	3,843.2r	3,894.6r	3,923.2r	3,931.7	n.a.
26 Debt	4,655.7	5,186.5	5,946.3	6,803.9	6,985.2r	7,040.8r	7,103.8r	n.a.
M1 components								
27 Currency[2]	136.5	150.5	160.9	173.1	172.3	173.6	175.8	177.4
28 Travelers checks[3]	4.1	4.6	4.9	5.5	5.8	5.8	5.9	6.5
29 Demand deposits[4]	246.2	251.3	257.3	281.3	267.1	278.6	276.7	285.5
30 Other checkable deposits[5]	104.1	132.4	147.5	180.1	185.3	194.7	193.3r	199.6
Nontransactions components								
31 M2[6]	1,467.7	1,654.0	1,810.3	1,934.0	1,962.7	1,977.6r	1,986.3r	2,000.7
32 M3 only[7]	494.7	515.1	617.0	638.7r	667.4r	665.0r	658.8r	652.2
Money market deposit accounts								
33 Commercial banks	26.3	230.5	267.2	332.4	340.4r	344.7	348.5	355.0
34 Thrift institutions	16.9	148.7	149.7	179.6	180.2	180.4	182.1	185.2
Savings deposits[8]								
35 Commercial Banks	162.1	132.2	121.4	123.5	124.9	127.2	129.5	132.1
36 Thrift institutions	193.1	172.3	166.5	178.3	181.6	185.8	190.5r	195.0
Small denomination time deposits[9]								
37 Commercial Banks	380.1	351.1	387.6	384.8	387.2	384.4	382.2r	380.5
38 Thrift institutions	471.7	434.2	501.2	497.6	504.6	505.4	502.5r	501.4
Money market mutual funds								
39 General purpose and broker/dealer	185.2	138.2	167.5	176.5	186.2	191.4	193.4	197.7
40 Institution-only	51.1	43.2	62.7	64.6	70.2	74.1	76.1	75.0
Large denomination time deposits[10]								
41 Commercial Banks[11]	265.2	230.8	265.5	280.9	287.7r	283.5	280.7	279.1
42 Thrift institutions	65.8	101.4	150.6	157.8	163.2	164.0	164.3r	164.0
Debt components								
43 Federal debt	976.4	1,170.2	1,364.7	1,583.7	1,633.3	1,644.6	1,660.6	n.a.
44 Non-federal debt	3,679.3	4,016.3	4,581.6	5,220.2	5,352.0r	5,396.1r	5,443.2	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 based on monthly averages.

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	1983[1]	1984[1]	1985[1]	1985	1986				
				Dec.	Jan.	Feb.	Mar.	Apr.	May
	Seasonally adjusted								
DEBITS TO									
Demand deposits[2]									
1 All insured banks	109,642.3	128,440.8	154,556.0	189,203.0	169,894.2	179,139.6	182,841.8	192,847.2	189,819.7
2 Major New York City banks	47,769.4	57,392.7	70,445.1	89,415.1	79,324.3	85,298.6	89,350.3	95,699.5	87,846.7
3 Other banks	61,873.1	71,048.1	84,110.9	99,787.9	90,569.9	93,841.0	93,491.5	97,147.7	101,973.0
4 ATS-NOW accounts[3]	1,405.5	1,588.7	1,920.8	2,452.5	2,027.5	2,193.5	2,266.0	2,088.7	2,255.6
5 Savings deposits[4]	741.4	633.1	539.0	418.6	362.4	364.6	356.7	385.2	389.7
DEPOSIT TURNOVER									
Demand deposits[2]									
6 All insured banks	379.7	434.4	496.5	581.9	531.8	560.8	566.0	593.6	569.7
7 Major New York City banks	1,528.0	1,843.0	2,168.9	2,567.0	2,306.3	2,473.8	2,517.7	2,635.1	2,457.8
8 Other banks	240.9	268.6	301.8	343.7	317.7	329.3	325.1	336.6	342.8
9 ATS-NOW accounts[3]	15.6	15.8	16.7	19.8	16.1	17.2	17.7	16.0	17.0
10 Savings deposits[4]	5.4	5.0	4.5	3.4	2.9	3.0	2.9	3.1	3.1
	Not seasonally adjusted								
DEBITS TO									
Demand deposits[2]									
11 All insured banks	109,517.6	128,059.1	154,108.4	192,060.0	180,495.6	161,655.6	179,715.2	195,373.5	184,827.4
12 Major New York City banks	47,707.4	57,282.4	70,400.9	92,551.5	84,880.9	77,376.9	87,757.0	95,408.5	85,189.6
13 Other banks	64,310.2	70,776.9	83,707.8	99,508.5	95,614.7	84,278.6	91,958.3	99,965.0	99,637.8
14 ATS-NOW accounts[3]	1,397.0	1,579.5	1,903.4	2,354.4	2,406.1	2,065.3	2,349.0	2,393.2	2,256.6
15 MMDA[5]	567.4	848.8	1,179.0	1,493.2	1,543.8	1,334.9	1,600.4	1,638.8	1,557.9
16 Savings deposits[4]	742.0	632.9	538.7	405.3	392.4	331.1	362.3	418.7	377.8
DEPOSIT TURNOVER									
Demand deposits[2]									
17 All insured banks	379.9	433.5	497.4	574.9	554.2	520.0	569.5	600.1	569.4
18 Major New York City banks	1,510.0	1,838.6	2,191.1	2,594.1	2,393.7	2,314.0	2,494.1	2,661.7	2,487.0
19 Other banks	240.5	267.9	301.6	333.4	329.4	303.8	328.0	345.0	343.2
20 ATS-NOW accounts[3]	15.5	15.7	16.6	18.8	18.9	16.4	18.3	17.9	17.1
21 MMDA[5]	2.8	3.5	3.8	4.5	4.6	4.0	4.7	4.8	4.5
22 Savings deposits[4]	5.4	5.0	4.5	3.3	3.2	2.7	3.0	3.4	3.0

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	1985						1986					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May^r	June
	Seasonally adjusted											
1 **Total loans and securities**[2]	1,822.2	1,833.9	1,847.2	1,855.5	1,876.0	1,900.4	1,930.0	1,935.5	1,944.6	1,947.9	1,957.5	1,963.8
2 U.S. government securities	275.4	275.1	275.5	274.2	276.0	273.1	268.2	273.6	269.5	270.0	274.1	274.9
3 Other securities	148.5	150.7	153.6	157.3	163.3	177.6	192.5	188.1	183.3	182.1	181.9	183.6
4 Total loans and leases[2]	1,398.2	1,408.0	1,418.0	1,424.0	1,436.8	1,449.7	1,469.3	1,473.7	1,491.8	1,495.8	1,501.5	1,505.4
5 Commercial and industrial	488.5	489.7	492.1	492.7	495.7	499.5	502.1	502.4	506.1	507.8	506.7	508.7
6 Bankers acceptances held[3]	5.2	5.1	4.9	4.9	4.9	4.9	4.9	4.8	4.9	5.2	5.6	6.1
7 Other commercial and industrial	483.4	484.6	487.1	487.8	490.7	494.7	497.2	497.6	501.2	502.6	501.0	502.7
8 U.S. addressees[4]	474.4	475.6	478.3	479.4	482.4	486.0	488.0	488.4	491.3	492.7	490.6	493.1
9 Non-U.S. addressees[4]	9.0	9.0	8.8	8.4	8.3	8.7	9.3	9.2	9.9	9.8	10.5	9.5
10 Real estate	402.2	405.9	409.5	414.0	418.0	422.4	427.1	431.4	436.1	440.7	446.4	450.6
11 Individual	280.0	282.9	285.4	287.5	289.7	291.5	294.6	297.4	299.5	301.1	303.0	304.5
12 Security	40.9	39.0	39.7	39.2	39.8	40.1	44.1	43.4	50.3	47.9	46.3	42.4
13 Nonbank financial institutions	30.8	31.4	31.5	31.3	32.0	32.6	32.6	31.9	32.3	32.4	33.3	34.7
14 Agricultural	38.9	38.6	38.3	37.9	37.1	36.3	35.9^r	35.4^r	34.9^r	34.7^r	34.6	34.4
15 State and political subdivisions	47.9	48.8	48.8	49.3	50.0	52.8	60.5	60.3	60.2	59.8	59.5	59.4
16 Foreign banks	9.9	9.7	9.6	9.3	9.0	9.1	9.1	9.2	9.2	9.2	9.4	9.5
17 Foreign official institutions	6.5	6.2	6.5	6.6	6.7	6.9	7.0	7.0	6.8	5.3	5.1	6.4
18 Lease financing receivables	17.8	18.0	18.1	18.3	18.4	18.8	19.4	19.6	19.8	19.9	19.8	20.0
19 All other loans	34.8	37.7	38.5	38.0	40.3	39.6	36.8^r	35.7^r	36.6^r	37.2^r	37.4	34.7
	Not seasonally adjusted											
20 **Total loans and securities**[2]	1,819.0	1,826.9	1,845.4	1,851.8	1,875.7	1,912.6	1,934.8	1,932.4	1,944.1	1,950.5	1,956.7	1,965.5
21 U.S. government securities	275.2	273.4	274.1	270.3	273.7	271.0	267.7	275.0	273.2	274.0	275.4	276.2
22 Other securities	146.7	150.5	153.6	156.8	163.3	178.7	193.8	188.9	183.9	181.8	182.2	182.5
23 Total loans and leases[2]	1,397.0	1,402.9	1,417.7	1,424.7	1,438.7	1,462.9	1,473.3	1,468.5	1,487.1	1,494.7	1,499.0	1,506.7
24 Commercial and industrial	488.6	487.9	491.4	492.0	494.8	501.5	501.4	500.1	506.9	510.0	508.5	509.5
25 Bankers acceptances held[3]	5.2	5.0	4.8	4.8	5.0	5.2	4.9	4.7	5.0	5.2	5.5	6.0
26 Other commercial and industrial	483.3	482.8	486.6	487.2	489.7	496.4	496.5	495.4	501.9	504.9	503.0	503.5
27 U.S. addressees[4]	474.1	473.6	477.5	478.4	481.0	487.3	487.3	486.3	492.7	495.4	493.3	494.0
28 Non-U.S. addressees[4]	9.2	9.3	9.1	8.8	8.8	9.0	9.2	9.1	9.2	9.5	9.7	9.4
29 Real estate	402.1	406.1	410.5	415.2	419.2	423.3	427.3	430.6	434.9	439.5	445.2	450.2
30 Individual	279.2	283.2	286.7	289.0	291.0	294.8	297.0	296.3	296.8	298.6	301.1	303.1
31 Security	39.2	36.6	37.5	38.6	41.0	45.4	46.8	42.6	49.4	48.4	45.6	42.5
32 Nonbank financial institutions	30.9	31.6	31.7	31.1	32.1	33.4	32.9	31.3	31.7	32.2	33.1	34.6
33 Agricultural	39.7	39.5	39.2	38.5	37.2	36.0	35.2^r	34.5^r	34.0^r	34.1^r	34.5	34.9
34 State and political subdivisions	47.9	48.8	48.8	49.3	50.0	52.8	60.5	60.3	60.2	59.8	59.5	59.4
35 Foreign banks	9.9	9.4	9.7	9.5	9.3	9.5	9.3	9.3	9.1	9.0	9.1	9.2
36 Foreign official institutions	6.5	6.2	6.5	6.6	6.7	6.9	7.0	7.0	6.8	5.3	5.1	6.4
37 Lease financing receivables	17.8	17.9	18.1	18.2	18.3	18.8	19.6	19.8	19.8	19.9	19.9	20.0
38 All other loans	35.2	35.7	37.8	36.7	39.1	40.5^r	36.3^r	36.5^r	37.4^r	38.0^r	37.5	37.0

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	1985						1986					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May r	June
Total nondeposit funds												
1 Seasonally adjusted[2]	108.7r	112.2r	114.0r	117.6r	120.8r	126.2r	129.5r	130.0r	139.2r	131.3r	132.5	129.3
2 Not seasonally adjusted	105.4	111.4	112.4	116.2	121.9	125.9	129.6	132.5	141.6	132.1	134.6	128.1
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	145.8r	142.2r	143.0r	143.4r	148.4r	152.8r	150.1r	151.0r	158.7r	157.7r	154.8	153.7
4 Not seasonally adjusted	142.4	141.5	141.4	142.0	149.4	152.4	150.1	153.6	161.2	158.6	156.8	152.5
5 Net balances due to foreign-related institutions, not seasonally adjusted	−37.1	−30.0	−29.0	−25.8	−27.6	−26.6	−20.5	−21.0	−19.5	−26.4	−22.3	−24.3
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[4]	−38.3	−32.8	−30.7	−28.7	−30.3	−31.6	−28.0	−25.8	−26.5	30.2	−29.3	−30.4
7 Gross due from balances	79.2	75.8	74.7	74.2	74.1	76.1	74.4	69.5	71.7	75.3	72.9	72.2
8 Gross due to balances	40.8	43.0	44.0	45.4	43.8	44.5	46.5	43.7	45.2	45.1	43.6	41.7
9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[5]	1.3	2.8	1.7	2.9	2.7	5.1	7.4	4.7	7.0	3.8r	7.1	6.1
10 Gross due from balances	54.6	55.1	56.0	55.4	56.1	56.8	57.7	60.0	60.7	62.5r	60.0	62.7
11 Gross due to balances	55.9	57.9	57.8	58.3	58.8	61.9	65.1	64.8	67.7	66.3	67.0	68.8
Security RP borrowings												
12 Seasonally adjusted[6]	83.7	83.3	85.3	84.7	84.8	88.0	86.1	87.8	87.8	87.2	86.0	85.4
13 Not seasonally adjusted	80.4	82.6	83.7	83.4	85.9	87.7	86.1	90.4	90.2	88.1	88.0	84.2
U.S. Treasury demand balances[7]												
14 Seasonally adjusted	20.5	16.1	14.9	4.7	13.5	17.5	19.0	21.1	15.7	17.4	21.3	15.1
15 Not seasonally adjusted	23.1	13.4	16.8	5.4	7.9	14.6	24.0	24.2	15.7	17.8	21.8	13.1
Time deposits, $100,000 or more[8]												
16 Seasonally adjusted	324.2	327.2	330.8	333.9	335.9	337.6	349.4	351.8	347.7	346.9	340.3	339.8
17 Not seasonally adjusted	323.2	327.7	332.7	336.3	337.5	339.4	348.3	350.7	348.3	343.4	339.6	338.1

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

Data for lines 1–4 and 12–17 have been revised in light of benchmarking and revised seasonal adjustment.

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. The seasonally adjusted series for total nondeposit funds (line 1) and federal funds, RPs, and other borrowings from nonbanks (line 3) have been revised back to November 1980. The revised 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.

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

Billions of dollars

Account	1985					1986					
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
ALL COMMERCIAL BANKING INSTITUTIONS[1]											
1 Loans and securities	1,958.2	1,976.4	1,985.8	2,035.6	2,068.7	2,065.2	2,078.8	2,091.4	2,113.4	2,101.3	2,105.5
2 Investment securities	400.3	403.8	402.4	410.5	420.4	432.5	432.8	427.2	429.5	430.9	432.6
3 U.S. government securities	257.8	258.1	252.9	254.9	253.9	251.9	255.1	253.7	255.8	257.7	259.6
4 Other	142.5	145.7	149.6	155.6	166.5	180.6	177.7	173.5	173.6	173.2	173.0
5 Trading account assets	24.2	26.4	25.0	32.0	31.1	30.1	34.0	30.1	27.8	27.0	27.4
6 Total loans	1,533.6	1,546.2	1,558.4	1,593.1	1,617.2	1,602.6	1,612.0	1,634.2	1,656.1	1,643.5[r]	1,645.5
7 Interbank loans	129.4	128.6	132.4	149.0	150.6	140.4	143.5	146.0	155.7	146.2[r]	139.2
8 Loans excluding interbank	1,404.3	1,417.6	1,425.9	1,444.2	1,466.7	1,462.2	1,468.5	1,488.1	1,500.4	1,497.2	1,506.3
9 Commercial and industrial	487.8	492.3	491.7	495.8	500.2	496.7	501.8	508.5	510.5	506.2[r]	512.3
10 Real estate	407.4	411.5	416.7	420.2	423.7	428.7	431.5	435.9	441.7	446.4	451.4
11 Individual	284.9	287.4	290.3	292.0	296.0	297.4	296.4	296.9	300.4	301.1[r]	304.0
12 All other	224.2	226.3	227.2	236.2	246.7	239.4	238.7	246.9	247.8	243.6[r]	238.7
13 Total cash assets	190.2	189.6	191.5	209.0	213.3	187.3	193.7	198.1	209.9	221.0	196.0
14 Reserves with Federal Reserve Banks	24.6	24.8	19.5	20.4	27.6	21.9	26.2	29.1	25.5	30.2	27.9
15 Cash in vault	22.7	22.1	22.6	21.4	22.2	23.0	22.7	21.8	22.3	23.9	23.0
16 Cash items in process of collection	62.6	61.6	68.1	82.1	79.5	64.2	66.9	68.8	80.7	84.6	67.3
17 Demand balances at U.S. depository institutions	30.7	30.6	31.5	35.8	36.0	31.3	31.8	31.1	34.7	36.8	32.0
18 Other cash assets	49.6	50.6	49.8	49.4	48.0	47.0	46.1	47.4	46.7	45.5	45.8
19 Other assets	190.7	196.2	189.2	197.1	201.9	187.0	186.5	195.3	207.0	195.9[r]	196.6
20 Total assets/total liabilities and capital	**2,339.1**	**2,362.2**	**2,366.5**	**2,441.8**	**2,483.8**	**2,439.6**	**2,458.9**	**2,484.8**	**2,530.3**	**2,518.3[r]**	**2,498.1**
21 Deposits	1,684.3	1,690.5	1,713.6	1,751.7	1,772.5	1,739.5	1,746.4	1,762.8	1,798.4	1,807.4[r]	1,791.9
22 Transaction deposits	476.3	475.2	491.7	522.2	536.9	488.8	492.1	502.5	540.7	542.7	523.3
23 Savings deposits	438.3	440.1	445.8	450.4	452.0	454.2	457.2	462.0	467.8	477.3[r]	482.4
24 Time deposits	769.7	775.3	776.2	779.1	783.6	796.5	797.1	798.3	789.9	787.5[r]	786.3
25 Borrowings	313.7	328.3	313.6	356.1	367.8	364.4	374.7	373.1	390.7	367.4	366.8
26 Other liabilities	177.3	179.0	173.7	167.9	175.8	167.6	169.1	179.3	170.4	173.1	168.5
27 Residual (assets less liabilities)	163.8	164.4	165.5	166.0	167.7	168.2	168.8	169.7	170.8	170.3[r]	170.9
MEMO											
28 U.S. government securities (including trading account)	271.9	275.2	268.6	274.8	269.7	269.8	278.4	273.7	274.0	275.1	276.5
29 Other securities (including trading account)	152.6	155.1	158.8	167.7	181.8	192.8	188.4	183.6	183.3	182.8	183.5
DOMESTICALLY CHARTERED COMMERCIAL BANKS[2]											
30 Loans and securities	1,856.8	1,869.9	1,879.5	1,926.0	1,954.3	1,954.3	1,964.0	1,972.4	1,993.3	1,985.3	1,990.0
31 Investment securities	390.2	392.9	391.1	399.5	409.9	421.1	420.8	416.0	416.1	417.1	419.6
32 U.S. government securities	253.1	253.1	247.4	250.1	249.0	247.0	249.6	248.5	248.8	250.2	253.1
33 Other	137.1	139.7	143.8	149.4	160.9	174.1	171.2	167.5	167.2	166.9	166.5
34 Trading account assets	24.2	26.4	25.0	32.0	31.1	30.1	34.0	30.1	27.8	27.0	27.4
35 Total loans	1,442.4	1,450.6	1,463.4	1,494.5	1,513.4	1,503.1	1,509.2	1,526.3	1,549.4	1,541.3[r]	1,543.0
36 Interbank loans	106.0	104.2	108.7	124.1	123.8	115.8	115.8	120.2	129.3	123.3	117.3
37 Loans excluding interbank	1,336.4	1,346.4	1,354.6	1,370.4	1,389.5	1,387.3	1,393.5	1,406.1	1,420.1	1,418.0[r]	1,425.8
38 Commercial and industrial	438.0	440.2	439.3	441.8	445.3	442.5	446.2	448.2	452.3	449.8[r]	452.5
39 Real estate	402.1	406.1	411.5	415.0	418.4	423.6	426.4	430.7	436.3	440.7	445.8
40 Individual	284.6	287.1	290.0	291.7	295.7	297.1	296.2	296.6	300.1	300.8[r]	303.6
41 All other	211.7	213.1	213.8	222.0	230.1	224.1	224.7	230.7	231.4	226.7[r]	223.9
42 Total cash assets	174.1	173.5	175.7	193.4	197.2	171.1	179.1	182.7	194.3	205.8	180.1
43 Reserves with Federal Reserve Banks	23.6	24.2	18.3	19.2	25.8	21.0	25.5	28.4	24.4	28.7	26.3
44 Cash in vault	22.7	22.0	22.6	21.4	22.2	23.0	22.6	21.7	22.2	23.8	22.9
45 Cash items in process of collection	62.3	61.3	67.9	81.8	79.3	63.8	66.5	68.4	80.3	84.2	66.7
46 Demand balances at U.S. depository institutions	29.0	29.1	30.1	33.9	34.3	29.4	30.1	29.4	33.0	35.1	30.2
47 Other cash assets	36.4	36.8	36.8	37.1	35.7	34.0	34.3	34.7	34.3	34.0	34.0
48 Other assets	141.9	142.8	141.1	146.2	150.0	137.8	134.6	144.0	150.3	142.8	144.1
49 Total assets/total liabilities and capital	**2,172.8**	**2,186.1**	**2,196.3**	**2,265.6**	**2,301.6**	**2,263.1**	**2,277.8**	**2,299.1**	**2,337.9**	**2,334.0**	**2,314.1**
50 Deposits	1,638.4	1,643.1	1,666.4	1,704.6	1,724.4	1,689.6	1,698.2	1,713.1	1,749.1	1,758.7[r]	1,741.4
51 Transaction deposits	469.5	468.3	485.0	515.3	529.5	481.6	484.8	495.0	533.1	535.3[r]	515.5
52 Savings deposits	436.7	438.5	444.1	448.6	450.3	452.4	455.3	460.1	465.8	475.2[r]	480.3
53 Time deposits	732.2	736.3	737.3	740.7	744.7	755.7	758.1	758.1	750.1	748.1[r]	745.6
54 Borrowings	254.2	263.8	252.2	285.0	295.7	298.0	304.9	304.8	309.1	294.2	293.5
55 Other liabilities	119.5	117.9	115.4	113.0	116.9	110.5	109.0	114.6	112.0	113.9	111.5
56 Residual (assets less liabilities)	160.7	161.3	162.4	162.9	164.6	165.0	165.6	166.5	167.7	167.2[r]	167.8

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. 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	1986								
	Apr. 30	May 7	May 14	May 21	May 28r	June 4	June 11	June 18	June 25
1 Cash and balances due from depository institutions	101,565	94,666r	97,035r	96,703r	111,801	103,270	93,824	95,853	93,038
2 **Total loans, leases and securities, net**	**943,308r**	**933,265r**	**926,110r**	**934,016**	**930,101**	**938,639**	**927,386**	**933,286**	**929,040**
3 U.S. Treasury and government agency	92,541	93,772r	93,671	93,603	92,750	93,194	91,576	93,060	93,736
4 Trading account	21,505	21,908r	22,805	22,004	20,719	21,410	19,220	20,204	20,233
5 Investment account, by maturity	71,036	71,864	70,866	71,599	72,031	71,784	72,356	72,856	73,503
6 One year or less	19,229r	19,248r	19,099r	18,747r	19,062	19,468	19,181	19,114	18,772
7 Over one through five years	33,343r	35,403r	34,144r	34,953r	35,206	33,589	34,530	34,443	34,447
8 Over five years	18,464r	17,213r	17,623r	17,899r	17,763	18,727	18,644	19,299	20,284
9 Other securities	69,254	68,300	67,586	67,470	68,003	67,617	67,037	67,268	68,279
10 Trading account	5,192	4,738	4,001	3,934	4,535	4,148	4,098	4,397	5,251
11 Investment account	64,062	63,562	63,585	63,536	63,468	63,469	62,938	62,871	63,028
12 States and political subdivisions, by maturity	56,912	56,466	56,548	56,508	56,396	56,212	55,894	55,834	55,882
13 One year or less	9,648	9,379	9,345	9,194r	9,035	8,809	8,704	8,696	8,601
14 Over one year	47,264	47,087r	47,202	47,314r	47,362	47,403	47,190	47,138	47,281
15 Other bonds, corporate stocks, and securities	7,149	7,096	7,037	7,028	7,071	7,256	7,044	7,037	7,146
16 Other trading account assets	4,830	5,051	4,870	4,851	5,422	5,391	5,190	5,192	5,577
17 Federal funds sold[1]	70,081	62,694	56,024	61,542	59,868	65,473	59,944	61,116	54,003
18 To commercial banks	43,878	37,729	32,271	35,034	35,709	39,653	34,587	36,426	31,724
19 To nonbank brokers and dealers in securities	17,391	16,636	15,819	17,718	15,960	16,373	15,644	15,462	14,851
20 To others	8,812	8,329	7,934	8,790	8,200	9,447	9,714	9,228	7,428
21 Other loans and leases, gross[2]	726,525	723,399r	723,937	726,544	724,066	727,157	723,870	726,904	727,621
22 Other loans, gross[2]	710,631	707,491r	708,036	710,637	708,160	711,151	707,846	710,856	711,565
23 Commercial and industrial[2]	260,976	261,411	260,914	258,845	258,091	259,433	259,208	258,809	259,818
24 Bankers acceptances and commercial paper	2,156	2,295	2,514	2,427	2,395	2,633	2,531	2,692	2,605
25 All other	258,821	259,116	258,400	256,417	255,696	256,800	256,677	256,117	257,213
26 U.S. addressees	254,277	254,575	253,897	251,951	251,295	252,661	252,474	251,998	253,271
27 Non-U.S. addressees	4,543	4,541	4,502	4,466	4,401	4,138	4,203	4,119	3,942
28 Real estate loans[2]	187,521	188,036r	189,181	190,106	189,828	189,828	190,485	191,456	191,381
29 To individuals for personal expenditures	134,186r	134,110r	134,407r	134,447r	134,737	135,056	135,117	135,589	136,011
30 To depository and financial institutions	43,639	44,062	43,692	45,324	44,815	46,490	45,483	46,219	45,453
31 Commercial banks in the United States	13,892	14,556	13,901	14,705	14,385	15,216	14,064	14,483	14,224
32 Banks in foreign countries	5,420	5,218	4,860	5,550	5,618	5,655	5,331	5,519	5,369
33 Nonbank depository and other financial institutions	24,326	24,288	24,932	25,069	24,812	25,619	26,088	26,217	25,860
34 For purchasing and carrying securities	21,958	18,170	18,257	20,540	18,625	18,293	17,011	16,767	16,610
35 To finance agricultural production	6,226	6,251	6,290	6,308	6,276	6,209	6,224	6,222	6,233
36 To states and political subdivisions	36,418	36,318	36,260	36,309	36,213	36,148	36,097	36,261	36,371
37 To foreign governments and official institutions	3,307	3,405	3,354	3,322	3,439	3,184	3,208	3,292	3,212
38 All other	16,399r	15,727r	15,681r	15,436r	16,136	16,509	15,013	16,239	16,476
39 Lease financing receivables	15,894	15,908	15,900	15,907	15,906	16,006	16,024	16,048	16,056
40 LESS: Unearned income	4,970r	4,934	4,939	4,935	4,940	4,914	4,921	4,937	4,945
41 Loan and lease reserve[2]	14,952r	15,018	15,039	15,060	15,069	15,279	15,310	15,316	15,230
42 Other loans and leases, net[2]	706,603r	703,447r	703,959	706,550	704,057	706,963	703,639	706,651	707,446
43 All other assets	131,896r	131,118	129,324	127,990	124,619	130,660	128,056	127,664	125,730
44 **Total assets**	**1,176,769r**	**1,159,049r**	**1,152,470r**	**1,158,709r**	**1,166,520**	**1,172,569**	**1,149,266**	**1,156,804**	**1,147,809**
45 Demand deposits	222,137r	207,079r	208,639r	203,902r	223,193	225,299	211,345	215,386	208,226
46 Individuals, partnerships, and corporations	166,992r	158,424r	161,814r	155,894r	166,907	172,054	163,241	163,343	158,800
47 States and political subdivisions	6,036	5,151	4,640	5,056	5,055	4,893	4,382	5,589	5,868
48 U.S. government	4,767	2,925	2,437	1,132	1,862	4,505	2,673	4,624	1,898
49 Depository institutions in United States	24,632	23,746r	23,167r	23,841r	27,054	25,543	23,453	24,715	23,940
50 Banks in foreign countries	6,451	5,990	6,319	6,209	6,613	6,260	6,099	6,448	6,472
51 Foreign governments and official institutions	878	809	800	796	952	846	795	926	804
52 Certified and officers' checks	12,381	10,033	9,460	10,974	14,750	11,198	10,701	9,741	10,443
53 Transaction balances other than demand deposits	44,278r	45,080r	44,426r	44,500r	44,434	47,115	46,709	46,219	45,124
54 Nontransaction balances	490,134	490,863r	491,108r	492,425	492,198	494,071	494,482	492,482	492,219
55 Individuals, partnerships and corporations	451,872	452,342r	452,557	453,659	453,484	455,779	456,054	454,391	453,970
56 States and political subdivisions	25,753	25,795	26,052	26,315	26,318	25,658	25,801	25,466	25,616
57 U.S. government	683	671	674	762	761	790	844	866	854
58 Depository institutions in the United States	10,258	10,488	10,305	10,190	10,223	10,427	10,423	10,402	10,498
59 Foreign governments, official institutions and banks	1,567	1,566	1,520	1,498	1,412	1,416	1,359	1,357	1,282
60 Liabilities for borrowed money	252,508	250,943	242,378	246,116	238,390	240,155	231,871	239,441	236,846
61 Borrowings from Federal Reserve Banks	305	397	339	677	269	531	391	445	268
62 Treasury tax-and-loan notes	17,532	17,739	15,580	11,164	7,912	5,294	1,070	12,736	18,341
63 All other liabilities for borrowed money[3]	234,671	232,807	226,458	234,275	230,209	234,330	230,410	226,260	218,236
64 Other liabilities and subordinated note and debentures	85,843r	83,128	83,826	89,811	86,359	83,972	82,592	81,427	83,140
65 **Total liabilities**	**1,094,901r**	**1,077,093r**	**1,070,377r**	**1,076,755r**	**1,084,574**	**1,090,614**	**1,067,000**	**1,074,955**	**1,065,555**
66 Residual (total assets minus total liabilities)[4]	81,868	81,956	82,092	81,954	81,947	81,956	82,266	81,849	82,254
MEMO									
67 Total loans and leases (gross) and investments adjusted[5]	905,460	900,932r	899,916	904,272	900,017	903,963	898,967	902,630	903,267
68 Total loans and leases (gross) adjusted[2,5]	738,836	733,808r	733,789	738,348	733,841	737,761	735,164	737,110	735,676
69 Time deposits in amounts of $100,000 or more	155,906r	155,978r	155,921r	155,760r	155,436	155,395	155,083	154,362	153,897
70 Loans sold outright to affiliates—total[6]	1,701r	1,685r	1,685r	1,533r	1,504	1,458	1,431	1,463	1,405
71 Commercial and industrial	1,038	1,049	1,057	958	950	913	905	939	855
72 Other	662r	636r	628r	575r	554	545	526	524	549
73 Nontransaction savings deposits (including MMDAs)	200,603r	201,529r	202,226r	204,066r	204,081	206,017	206,867	206,323	206,377

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.

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

Millions of dollars, Wednesday figures except as noted

Account	1986								
	Apr. 30	May 7	May 14	May 21	May 28	June 4	June 11	June 18	June 25
1 Cash and balances due from depository institutions	26,606	23,896	23,601	25,982	31,236	26,129	22,984	22,613	24,072
2 **Total loans, leases and securities, net**[1]	**204,196r**	**197,328**	**194,687**	**200,641**	**198,991**	**201,936**	**197,436**	**199,959**	**195,545**
Securities									
3 U.S. Treasury and government agency[2]	0	0	0	0	0	0	0	0	0
4 Trading account[2]	0	0	0	0	0	0	0	0	0
5 Investment account, by maturity	10,673	10,674	10,096	9,983	9,601	10,120	9,892	9,717	9,543
6 One year or less	1,375	1,394	1,382	1,306	1,114	1,226	1,072	1,056	1,020
7 Over one through five years	6,087	6,470	5,383	5,215	5,214	4,959	4,919	4,626	4,722
8 Over five years	3,210	2,810	3,332	3,462	3,272	3,935	3,901	4,034	3,801
9 Other securities[2]	0	0	0	0	0	0	0	0	0
10 Trading account[2]	0	0	0	0	0	0	0	0	0
11 Investment account	15,462	15,439	15,447	15,324	15,310	15,217	15,035	15,008	15,118
12 States and political subdivisions, by maturity	13,262	13,254	13,299	13,234	13,232	13,226	13,203	13,175	13,133
13 One year or less	1,706	1,715	1,712	1,694	1,685	1,712	1,714	1,678	1,618
14 Over one year	11,557	11,539	11,587	11,540	11,546	11,514	11,489	11,498	11,515
15 Other bonds, corporate stocks and securities	2,200	2,184	2,148	2,091	2,078	1,990	1,832	1,833	1,985
16 Other trading account assets[2]	0	0	0	0	0	0	0	0	0
Loans and leases									
17 Federal funds sold[3]	31,808	27,241	25,643	29,556	28,608	30,682	29,213	30,598	25,733
18 To commercial banks	16,289	12,260	11,630	13,954	13,989	14,504	12,382	14,669	12,114
19 To nonbank brokers and dealers in securities	8,800	8,447	8,063	8,939	8,207	8,642	8,882	8,655	7,740
20 To others	6,719	6,534	5,949	6,662	6,412	7,535	7,948	7,273	5,880
21 Other loans and leases, gross	151,907	149,645	149,232	151,522	151,218	151,716	149,154	150,506	150,958
22 Other loans, gross	148,870	146,600r	146,236	148,517	148,206	148,687	146,113	147,451	147,895
23 Commercial and industrial	57,988	57,977	58,087	56,638	56,696	56,742	56,603	56,251	57,108
24 Bankers acceptances and commercial paper	488	512	618	666	542	592	549	511	580
25 All other	57,500	57,465	57,469	55,972	56,154	56,150	56,054	55,740	56,528
26 U.S. addressees	56,738	56,702	56,707	55,246	55,478	55,718	55,619	55,328	56,093
27 Non-U.S. addressees	762	763	762	725	675	432	435	412	435
28 Real estate loans	31,286	31,355	31,683	31,925	32,005	31,808	31,885	32,113	32,159
29 To individuals for personal expenditures	17,926	17,956	18,094	18,116	18,167	18,237	18,297	18,348	18,442
30 To depository and financial institutions	14,849	14,934	14,119	15,402	15,587	16,638	16,075	16,611	16,249
31 Commercial banks in the United States	5,880	6,194	5,667	6,548	6,459	7,314	6,747	7,229	7,008
32 Banks in foreign countries	2,293	2,200	1,827	2,130	2,397	2,336	2,125	2,373	2,284
33 Nonbank depository and other financial institutions	6,676	6,540	6,626	6,724	6,731	6,987	7,203	7,008	6,958
34 For purchasing and carrying securities	11,664	9,294	9,264	11,578	10,091	9,894	8,689	8,707	8,432
35 To finance agricultural production	319	311	295	300	301	296	285	285	279
36 To states and political subdivisions	9,259	9,248	9,258	9,307	9,211	9,186	9,191	9,278	9,326
37 To foreign governments and official institutions	856	959	879	857	963	776	823	888	811
38 All other	4,722	4,568r	4,556	4,396	5,185	5,111	4,264	4,970	5,089
39 Lease financing receivables	3,037	3,045	2,996	3,005	3,012	3,030	3,041	3,055	3,063
40 LESS: Unearned income	1,443	1,435	1,434	1,438	1,440	1,447	1,449	1,460	1,473
41 Loan and lease reserve	4,211	4,242	4,297	4,306	4,306	4,353	4,409	4,409	4,335
42 Other loans and leases, net	146,253r	143,969r	143,501	145,778	145,472	145,917	143,296	144,637	145,150
43 All other assets[4]	73,456	74,334	73,336	72,672	71,611	76,256	72,726	71,979	71,903
44 **Total assets**	**304,258r**	**295,554r**	**291,624**	**299,295**	**301,838**	**304,321**	**293,146**	**294,552**	**291,519**
Deposits									
45 Demand deposits	58,576	53,619r	52,385	53,883	61,506	59,756	52,544	55,605	55,552
46 Individuals, partnerships, and corporations	39,112	35,962r	35,826	35,823	39,514	41,649	35,308	37,458	36,705
47 States and political subdivisions	688	589	594	584	614	664	546	734	1,262
48 U.S. government	715	556	486	143	332	892	514	867	264
49 Depository institutions in the United States	6,167	6,033	5,410	5,832	5,863	5,877	5,292	6,217	6,382
50 Banks in foreign countries	5,127	4,818	5,070	4,989	5,225	4,956	4,981	5,273	5,151
51 Foreign governments and official institutions	684	646	642	640	784	708	665	769	658
52 Certified and officers' checks	6,082	5,014	4,358	5,872	9,175	5,009	5,238	4,286	5,129
53 Transaction balances other than demand deposits ATS, NOW, Super NOW, telephone transfers)	4,785	4,903	4,837	4,884	4,909	5,169	5,201	5,279	5,248
54 Nontransaction balances	91,402	91,423r	91,469	92,083	91,576	92,290	92,466	91,602	91,198
55 Individuals, partnerships and corporations	82,136	82,103r	82,334	82,664	82,490	83,124	83,126	82,448	82,196
56 States and political subdivisions	5,876	5,939	5,976	6,162	6,095	5,999	6,101	5,997	6,033
57 U.S. government	48	47	47	125	120	119	174	174	78
58 Depository institutions in the United States	2,496	2,488	2,249	2,273	2,097	2,267	2,295	2,221	2,202
59 Foreign governments, official institutions and banks	846	846	863	859	774	781	768	763	688
60 Liabilities for borrowed money	87,809	84,546	82,235	84,163	81,933	85,562	82,028	81,962	78,532
61 Borrowings from Federal Reserve Banks	0	0	0	0	0	0	0	0	0
62 Treasury tax-and-loan notes	4,894	4,895	4,167	2,850	2,073	2,122	194	3,309	4,592
63 All other liabilities for borrowed money[5]	82,914	79,651	78,068	81,312	79,860	83,440	81,834	78,653	73,940
64 Other liabilities and subordinated note and debentures	35,368	34,597	34,256	37,871	35,556	35,081	34,359	33,792	34,346
65 **Total liabilities**	**277,941r**	**269,089r**	**265,183**	**272,885**	**275,481**	**277,858**	**266,598**	**268,241**	**264,876**
66 Residual (total assets minus total liabilities)[6]	26,318	26,465	26,441	26,411	26,357	26,463	26,548	26,311	26,643
MEMO									
67 Total loans and leases (gross) and investments adjusted[1,7]	187,681	184,545r	183,121	185,883	184,289	185,917	184,165	183,930	182,232
68 Total loans and leases (gross) adjusted[7]	161,546	158,432r	157,578	160,576	159,378	160,579	159,238	159,205	157,570
69 Time deposits in amounts of $100,000 or more	34,880	34,684	34,476	34,794	34,288	34,779	34,428	34,003	33,456

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[1] Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1986								
	Apr. 30	May 7	May 14	May 21	May 28	June 4	June 11	June 18	June 25
1 Cash and due from depository institutions	9,451r	8,932	9,194	8,705	9,202	10,224	9,149	10,126	9,793
2 Total loans and securities	69,422r	68,394r	67,150r	67,865r	67,036	67,615	66,538	67,739	66,675
3 U.S. Treasury and govt. agency securities	4,946	4,952	4,938	5,089	5,256	5,517	5,066	4,618	4,649
4 Other securities	4,169r	4,167r	4,204r	4,207r	4,384	4,421	4,429	4,445	4,469
5 Federal funds sold[2]	4,318	4,752	3,563	5,105	3,628	3,886	4,146	4,893	3,125
6 To commercial banks in the United States	3,314	3,740	2,492	3,928	2,386	2,746	3,036	4,024	2,457
7 To others	1,004	1,011	1,071	1,177	1,242	1,141	1,110	869	668
8 Other loans, gross	55,988r	54,524r	54,444r	53,464r	53,768	53,790	52,895	53,783	54,432
9 Commercial and industrial	32,148r	32,051r	31,550r	31,028	31,089	32,201	31,882	32,365	33,113
10 Bankers acceptances and commercial paper	2,372r	2,605	2,626	2,659	2,616	2,705	2,604	2,854	2,912
11 All other	29,776r	29,446r	28,924r	28,368	28,473	29,497	29,278	29,511	30,201
12 U.S. addressees	27,511r	27,151r	26,622r	26,065	26,042	26,726	26,996	27,207	27,900
13 Non-U.S. addressees	2,265	2,295	2,302	2,304	2,431	2,770	2,282	2,304	2,301
14 To financial institutions	15,863	15,862	15,347	15,044	15,025	14,486	14,216	14,224	14,056
15 Commercial banks in the United States	12,929	12,628	12,065	11,548	11,604	11,082	10,771	10,720	10,919
16 Banks in foreign countries	953	988	1,004	980	931	962	889	1,034	891
17 Nonbank financial institutions	1,981	2,247	2,278	2,517	2,490	2,442	2,556	2,470	2,247
18 To foreign govts. and official institutions	641	555	550	557	559	559	554	584	609
19 For purchasing and carrying securities	3,428	2,152	3,040	2,831	3,053	2,573	2,221	2,544	2,557
20 All other	3,907r	3,903r	3,957r	4,003r	4,042	3,970	4,022	4,065	4,095
21 Other assets (claims on nonrelated parties)	22,024	22,000	22,088	22,336	21,937	21,576	22,390	21,858	21,802
22 Net due from related institutions	14,744	14,324	12,871	12,342	12,346	11,859	12,136	11,677	12,162
23 Total assets	115,641r	113,650r	111,302r	111,248r	110,522	111,273	110,212	111,399	110,432
24 Deposits or credit balances due to other than directly related institutions	32,821	32,386	32,060	32,059	32,047	31,299	31,256	31,754	33,408
25 Transaction accounts and credit balances[3]	2,961	3,245	2,903	3,057	3,085	3,092	2,866	3,294	3,460
26 Individuals, partnerships, and corporations	1,667	1,789	1,901	1,670	1,614	1,564	1,594	1,609	1,767
27 Other	1,294	1,456	1,002	1,387	1,472	1,529	1,272	1,685	1,694
28 Nontransaction accounts[4]	29,860	29,140	29,157	29,002	28,961	28,207	28,389	28,460	29,947
29 Individuals, partnerships, and corporations	24,626	23,855	23,865	23,726	23,886	23,294	23,420	23,517	24,501
30 Other	5,234	5,286	5,292	5,277	5,076	4,912	4,969	4,943	5,446
31 Borrowings from other than directly related institutions	46,673r	45,810	42,003	42,690	42,132	45,829	43,504	46,421	42,591
32 Federal funds purchased[5]	25,163r	23,930	20,267	20,491	20,416	23,845	21,886	24,276	20,600
33 From commercial banks in the United States	18,224r	16,874	13,964	13,977	13,587	16,033	14,123	17,543	13,820
34 From others	6,939	7,056	6,302	6,514	6,829	7,812	7,762	6,733	6,780
35 Other liabilities for borrowed money	21,510	21,880	21,736	22,199	21,715	21,983	21,618	22,145	21,991
36 To commercial banks in the United States	19,648	20,005	19,726	19,684	19,147	19,519	18,965	19,330	19,002
37 To others	1,863	1,875	2,010	2,515	2,568	2,464	2,653	2,815	2,989
38 Other liabilities to nonrelated parties	23,695r	23,634	23,824	23,396	23,313	23,231	23,828	23,310	23,392
39 Net due to related institutions	12,451r	11,819r	13,415r	13,102r	13,030	10,914	11,624	9,914	11,041
40 Total liabilities	115,641r	113,650r	111,302r	111,248r	110,522	111,273	110,212	111,399	110,432
MEMO									
41 Total loans (gross) and securities adjusted[6]	53,178r	52,026r	52,592r	52,389r	53,047	53,786	52,730	52,994	53,299
42 Total loans (gross) adjusted[6]	44,063r	42,907r	43,450r	43,092r	43,406	43,848	43,235	43,932	44,181

1. Effective Jan. 1, 1986, the reporting panel includes 65 U.S. branches and agencies of foreign banks that include those branches and agencies with assets of $750 million or more on June 30, 1980, plus those branches and agencies that had reached the $750 million asset level on Dec. 31, 1984.
2. Includes securities purchased under agreements to resell.
3. Includes credit balances, demand deposits, and other checkable deposits.
4. Includes savings deposits, money market deposit accounts, and time deposits.
5. Includes securities sold under agreements to repurchase.
6. Exclusive of loans to and federal funds sold to commercial banks in the United States.

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

Billions of dollars, estimated daily-average balances, not seasonally adjusted

Type of holder	Commercial banks									
	1980 Dec.	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.	1985r				1986
						Mar.[3,4]	June	Sept.	Dec.	Mar.
1 **All holders—*Individuals, partnerships, and corporations***	**315.5**	**288.9**	**291.8**	**293.5**	**302.7**	**286.3**	**298.4**	**299.3**	**321.0**	**307.4**
2 Financial business	29.8	28.0	35.4	32.8	31.7	27.3	27.9	28.1	32.3	31.8
3 Nonfinancial business	162.8	154.8	150.5	161.1	166.3	157.9	164.5	167.2	178.5	166.6
4 Consumer	102.4	86.6	85.9	78.5	81.5	78.9	82.8	82.0	85.5	84.0
5 Foreign	3.3	2.9	3.0	3.3	3.6	3.6	3.7	3.5	3.5	3.4
6 Other	17.2	16.7	17.0	17.8	19.7	18.7	19.5	18.5	21.2	21.6
	Weekly reporting banks									
	1980 Dec.	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.[2]	1985r				1986
						Mar.[3,4]	June	Sept.	Dec.	Mar.
7 **All holders—Individuals, partnerships, and corporations**	**147.4**	**137.5**	**144.2**	**146.2**	**157.1**	**147.7**	**151.2**	**153.6**	**168.6**	**159.7**
8 Financial business	21.8	21.0	26.7	24.2	25.3	21.9	22.1	22.7	25.9	25.5
9 Nonfinancial business	78.3	75.2	74.3	79.8	87.1	82.3	83.7	85.5	94.5	86.8
10 Consumer	35.6	30.4	31.9	29.7	30.5	30.2	31.0	31.6	33.2	32.6
11 Foreign	3.1	2.8	2.9	3.1	3.4	3.4	3.5	3.3	3.1	3.3
12 Other	8.6	8.0	8.4	9.3	10.9	9.8	10.9	10.5	12.0	11.5

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. Figures may not add to totals because of rounding.

2. Beginning in March 1984, these data reflect a change in the panel of weekly reporting banks, and are not comparable to earlier data. Estimates in billions of dollars for December 1983 based on the new 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.

4. Historical data back to March 1985 have been revised to account for corrections of bank reporting errors. Historical data before March 1985 have not been revised, and may contain reporting errors. Data for all commercial banks for March 1985 were revised as follows (in billions of dollars): all holders, −.3; financial business, −.8; nonfinancial business, −.4; consumer, .9; foreign, .1; other, −.1. Data for weekly reporting banks for March 1985 were revised as follows (in billions of dollars): all holders, −.1; financial business, −.7; nonfinancial business, −.5; consumer, 1.1; foreign, .1; other, −.2.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.	1985 Dec.	1986 Jan.	Feb.	Mar.	Apr.	May
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 All issuers	**165,829**	**166,436**	**187,658**	**237,586**	**300,899**	**300,899**	**302,160**	**297,862**	**301,110**	**297,108**	**309,843**
Financial companies[3]											
Dealer-placed paper[4]											
2 Total	30,333	34,605	44,455	56,485	78,443	78,443	79,048	78,136	84,071	83,871	87,423
3 Bank-related (not seasonally adjusted)	6,045	2,516	2,441	2,035	1,602	1,602	1,410	1,475	1,348	1,520	1,575
Directly placed paper[5]											
4 Total	81,660	84,393	97,042	110,543	135,504	135,504	134,584	134,443	135,510	135,801	142,252
5 Bank-related (not seasonally adjusted)	26,914	32,034	35,566	42,105	44,778	44,778	37,418	36,948	37,013	37,835	39,009
6 Nonfinancial companies[6]	53,836	47,437	46,161	70,558	86,952	86,952	88,528	85,283	81,529	77,436	80,168
	Bankers dollar acceptances (not seasonally adjusted)[7]										
7 Total	**69,226**	**79,543**	**78,309**	**77,121**	**68,115r**	**68,115**	**68,314**	**67,188**	**66,882**	**66,235**	**66,759**
Holder											
8 Accepting banks	10,857	10,910	9,355	9,811r	11,174	11,174	11,145	12,331	13,061	12,287	12,216
9 Own bills	9,743	9,471	8,125	8,621	9,448	9,448	9,407	10,105	10,722	10,261	10,254
10 Bills bought	1,115	1,439	1,230	1,191	1,726	1,726	1,738	2,225	2,339	2,026	1,962
Federal Reserve Banks											
11 Own account	195	1,480	418	0	0	0	0	0	0	0	0
12 Foreign correspondents	1,442	949	729	671	937	937	898	874	877	746	664
13 Others	56,731	66,204	67,807	66,639	56,004	56,004	56,271	53,984	52,944	53,202	53,880
Basis											
14 Imports into United States	14,765	17,683	15,649	17,560	15,147	15,147	14,820	14,806	13,595	14,464	15,094
15 Exports from United States	15,400	16,328	16,880	15,859	13,204	13,204	12,951	13,115	13,410	13,473	13,574
16 All other	39,060	45,531	45,781	43,702	39,765r	39,765	40,543r	39,268	39,878	38,299	38,091

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 were 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
1984—Mar. 19	11.50	1985—Jan. 15	10.50	1984—Jan.	11.00	1985—Apr.	10.50
Apr. 5	12.00	May 20	10.00	Feb.	11.00	May	10.31
May 8	12.50	June 18	9.50	Mar.	11.21	June	9.78
June 25	13.00			Apr.	11.93	July	9.50
Sept. 27	12.75	1986—Mar. 7	9.00	May	12.39	Aug.	9.50
Oct. 17	12.50	Apr. 21	8.50	June	12.60	Sept.	9.50
29	12.00			July	13.00	Oct.	9.50
Nov. 9	11.75			Aug.	13.00	Nov.	9.50
28	11.25			Sept.	12.97	Dec.	9.50
Dec. 20	10.75			Oct.	12.58		
				Nov.	11.77	1986—Jan.	9.50
				Dec.	11.06	Feb.	9.50
						Mar.	9.10
				1985—Jan.	10.61	Apr.	8.83
				Feb.	10.50	May	8.50
				Mar.	10.50	June	8.50

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

1.35 INTEREST RATES Money and Capital Markets

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

Instrument	1983	1984	1985	1986				1986, week ending				
				Mar.	Apr.	May	June	May 30	June 6	June 13	June 20	June 27
MONEY MARKET RATES												
1 Federal funds[1,2]	9.09	10.22	8.10	7.48	6.99	6.85	6.92	6.85	6.95	6.89	6.87	6.86
2 Discount window borrowing[1,2,3]	8.50	8.80	7.69	7.10	6.83	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Commercial paper[4,5]												
3 1-month	8.87	10.05	7.94	7.30	6.75	6.72	6.79	6.75	6.83	6.82	6.78	6.74
4 3-month	8.88	10.10	7.95	7.20	6.60	6.62	6.71	6.69	6.78	6.77	6.69	6.64
5 6-month	8.89	10.16	8.01	7.08	6.47	6.53	6.63	6.61	6.75	6.71	6.59	6.51
Finance paper, directly placed[4,5]												
6 1-month	8.80	9.97	7.91	7.24	6.69	6.73	6.80	6.77	6.85	6.85	6.76	6.72
7 3-month	8.70	9.73	7.77	7.15	6.49	6.46	6.61	6.57	6.63	6.68	6.58	6.58
8 6-month	8.69	9.65	7.75	7.10	6.44	6.33	6.53	6.45	6.58	6.58	6.49	6.50
Bankers acceptances[5,6]												
9 3-month	8.90	10.14	7.92	7.09	6.48	6.54	6.60	6.61	6.74	6.64	6.54	6.52
10 6-month	8.91	10.19	7.96	6.94	6.36	6.45	6.49	6.54	6.72	6.60	6.38	6.34
Certificates of deposit, secondary market[7]												
11 1-month	8.96	10.17	7.97	7.33	6.74	6.68	6.79	6.72	6.82	6.82	6.78	6.76
12 3-month	9.07	10.37	8.05	7.24	6.60	6.65	6.73	6.71	6.83	6.81	6.68	6.62
13 6-month	9.27	10.68	8.25	7.23	6.57	6.64	6.72	6.71	6.86	6.82	6.67	6.59
14 Eurodollar deposits, 3-month[8]	9.56	10.73	8.28	7.42	6.80	6.86	6.95	6.91	7.01	7.01	6.94	6.91
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	8.61	9.52	7.48	6.56	6.06	6.15	6.21	6.24	6.42	6.29	6.10	6.07
16 6-month	8.73	9.76	7.65	6.57	6.08	6.19	6.27	6.32	6.48	6.38	6.19	6.08
17 1-year	8.80	9.92	7.81	6.59	6.06	6.25	6.32	6.37	6.55	6.43	6.21	6.14
Auction average[10]												
18 3-month	8.52	9.57	7.47	6.59	6.06	6.12	6.21	6.15	6.33	6.31	6.11	6.09
19 6-month	8.76	9.80	7.64	6.60	6.07	6.16	6.28	6.21	6.41	6.39	6.18	6.13
20 1-year	8.86	9.91	7.83	6.61	5.94	6.17	6.59	n.a.	n.a.	6.59	n.a.	n.a.
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	9.57	10.89	8.43	7.03	6.44	6.65	6.73	6.79	7.00	6.85	6.61	6.54
22 2-year	10.21	11.65	9.27	7.21	6.70	7.07	7.18	7.26	7.49	7.32	7.07	6.93
23 3-year	10.45	11.89	9.64	7.30	6.86	7.27	7.41	7.47	7.74	7.57	7.25	7.14
24 5-year	10.80	12.24	10.13	7.46	7.05	7.52	7.64	7.70	8.02	7.83	7.45	7.33
25 7-year	11.02	12.40	10.51	7.67	7.16	7.65	7.75	7.86	8.16	7.93	7.59	7.42
26 10-year	11.10	12.44	10.62	7.78	7.30	7.71	7.80	7.88	8.23	7.98	7.62	7.45
27 20-year	11.34	12.48	10.97	8.09	7.50	7.81	7.69	7.75	8.05	7.85	7.54	7.40
28 30-year	11.18	12.39	10.79	7.96	7.39	7.52	7.57	7.57	7.84	7.70	7.46	7.36
Composite[13]												
29 Over 10 years (long-term)	10.84	11.99	10.75	8.13	7.59	8.02	8.23	8.19	8.55	8.44	8.10	7.92
State and local notes and bonds												
Moody's series[14]												
30 Aaa	8.80	9.61	8.60	6.73	6.81	7.22	7.49	7.30	7.50	7.70	n.a.	7.25
31 Baa	10.17	10.38	9.58	7.58	7.45	7.84	8.14	7.90	8.10	8.25	n.a.	8.00
32 *Bond Buyer* series[15]	9.51	10.10	9.11	7.08	7.20	7.54	7.87	7.70	7.97	8.08	7.82	7.59
Corporate bonds												
Seasoned issues[16]												
33 All industries	12.78	13.49	12.05	9.79	9.51	9.69	9.73	9.75	9.87	9.82	9.68	9.59
34 Aaa	12.04	12.71	11.37	9.00	8.79	9.09	9.13	9.14	9.29	9.19	9.08	9.01
35 Aa	12.42	13.31	11.82	9.49	9.21	9.43	9.49	9.50	9.60	9.59	9.46	9.35
36 A	13.10	13.74	12.28	10.15	9.83	9.94	9.96	9.99	10.13	10.05	9.89	9.81
37 Baa	13.55	14.19	12.72	10.50	10.19	10.29	10.34	10.37	10.47	10.43	10.29	10.20
38 A-rated, recently-offered utility bonds[17]	12.73	13.81	12.06	9.41	9.26	9.50	9.65	9.60	9.70	9.66	9.70	9.55
MEMO: Dividend/price ratio[19]												
39 Preferred stocks	11.02	11.59	10.49	9.13	8.97	9.00	8.89	8.93	8.98	8.88	8.91	8.79
40 Common stocks	4.40	4.64	4.25	3.50	3.43	3.42	3.36	3.32	3.36	3.40	3.35	3.33

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. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.
14. General obligations based on Thursday figures; Moody's Investors Service.
15. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. 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.
18. 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	1983	1984	1985	1985			1986					
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	92.63	92.46	108.09	107.57	113.93	119.33	120.16	126.43	133.97	137.25	137.37	140.82
2 Industrial	107.45	108.01	123.79	123.65	130.53	136.77	137.13	144.03	152.75	157.35	158.59	163.15
3 Transportation	89.36	85.63	104.11	103.72	108.61	113.52	115.72	124.18	128.66	125.92	122.21	120.65
4 Utility	47.00	46.44	56.75	55.84	59.07	61.69	62.46	65.18	68.06	69.35	68.65	70.69
5 Finance	95.34	89.28	114.21	112.36	122.83	128.86	132.36	142.13	153.94	154.83	151.28	151.73
6 Standard & Poor's Corporation (1941–43 = 10)[1]	160.41	160.50	186.84	186.18	197.45	207.26	208.19	219.37	232.33	237.97	238.46	245.30
7 American Stock Exchange[2] (Aug. 31, 1973 = 50)	216.48	207.96	229.10	225.00	236.53	243.28	245.27	246.09	264.91	270.59	274.22	281.18
Volume of trading (thousands of shares)												
8 New York Stock Exchange	85,418	91,084	109,191	110,569	122,263	133,446	130,872	152,590	160,755	146,330	127,624	126,151
9 American Stock Exchange	8,215	6,107	8,355	7,648	9,183	11,890	11,105	14,057	15,902	13,503	11,870	12,795
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Margin credit at broker–dealers[3]**	**23,000**	**22,470**	**28,390**	**26,350**	**26,400**	**28,390**	**26,810**	**27,450**	**29,090**	**30,760**	**32,370**	**32,480**
Free credit balances at brokers[4]												
11 Margin-account[5]	......	1,755	2,715	1,715	2,080	2,715	2,645	2,545	2,715	3,065	2,405	2,585
12 Cash-account	8,430	10,215	12,840	9,630	10,340	12,840	11,695	12,355	13,920	14,340	12,970	13,570
	Margin-account debt at brokers (percentage distribution, end of period)											
13 **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)[6]												
14 Under 40	22.0	18.0	34.0	37.0	35.0	34.0	32.0	28.0	29.0	29.0	30.0	31.0
15 40–49	22.0	18.0	20.0	22.0	20.0	20.0	21.0	19.0	19.0	20.0	19.0	20.0
16 50–59	16.0	16.0	19.0	17.0	19.0	19.0	19.0	21.0	22.0	20.0	22.0	20.0
17 60–69	9.0	9.0	11.0	10.0	11.0	11.0	11.0	13.0	13.0	13.0	12.0	13.0
18 70–79	6.0	5.0	8.0	7.0	7.0	8.0	8.0	9.0	8.0	9.0	8.0	8.0
19 80 or more	6.0	6.0	8.0	7.0	8.0	8.0	9.0	10.0	9.0	9.0	9.0	8.0
	Special miscellaneous-account balances at brokers (end of period)											
20 **Total balances (millions of dollars)[7]**	**58,329**	**75,840**	**99,310**	**92,250**	**95,240**	**99,310**	**99,290**	**104,228**	**103,450**	**105,790**	**109,620**	**112,401**
Distribution by equity status (percent)												
21 Net credit status	63.0	59.0	58.0	58.0	57.0	58.0	59.0	60.0	61.0	59.0	58.0	59.0
Debt status, equity of												
22 60 percent or more	28.0	29.0	31.0	31.0	32.0	31.0	33.0	32.0	31.0	33.0	33.0	32.0
23 Less than 60 percent	9.0	11.0	11.0	11.0	11.0	11.0	8.0	8.0	8.0	8.0	9.0	9.0

	Margin requirements (percent of market value and effective date)[8]					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
24 Margin stocks	70	80	65	55	65	50
25 Convertible bonds	50	60	50	50	50	50
26 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. New series beginning June 1984.
6. Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.
7. 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.
8. 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	1983	1984	1985 July	1985 Aug.	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.	1986 May
	Savings and loan associations[r]												
1 **Assets**	**773,417**	**902,449**	**919,955**	**928,948**	**929,896**	**935,987**	**945,445**	**952,281**	**942,224**	**946,691**	**951,617**	**957,760**	**966,239**
2 Mortgages	494,789	555,277	570,341	574,220	575,685	580,810	583,290	585,852	580,904	578,945	577,171	577,857	577,616
3 Mortgage-backed securities	......	......	94,836	96,731	100,508	99,093	96,849	96,921	97,380	99,014	99,310	102,736	107,392
4 Cash and investment securities[1]	104,274	125,358	118,381	120,411	116,339	116,083	124,893	127,832	123,967	127,869	132,307	132,747	136,230
5 Other	174,354	221,814	231,236	234,319	237,875	239,096	237,263	238,597	237,355	239,880	242,139	247,154	252,391
6 **Liabilities and net worth**	**773,417**	**902,449**	**919,955**	**928,948**	**929,896**	**935,987**	**945,445**	**952,281**	**942,224**	**946,691**	**951,617**	**957,760**	**966,239**
7 *Savings capital*	634,455	724,301	740,585	743,018	742,292	743,454	746,576	752,259	747,455	749,289	754,836	752,922	753,598
8 Borrowed money	92,127	126,169	734,734	124,289	128,822	131,205	135,454	139,018	131,989	132,028	133,864	139,421	144,268
9 FHLBB	52,626	64,207	683,386	70,584	71,665	72,639	72,370	73,888	71,488	71,199	70,422	73,358	73,504
10 Other	39,501	61,962	51,348	53,705	57,157	58,566	63,084	65,130	60,501	60,829	63,442	66,063	70,764
11 Other	15,968	17,215	21,219	22,919	19,952	22,080	23,640	19,940	21,787	23,907	20,814	22,904	25,661
12 Net worth[2]	30,867	34,764	38,416	38,722	38,871	39,247	39,775	41,065	40,992	41,468	42,083	42,513	42,713
MEMO													
13 Mortgage loan commitments outstanding[3]	54,113	61,800	62,765	60,243	59,310	58,662	58,793	55,834	52,387	54,317	56,110	57,993	60,023
	FSLIC-insured federal savings banks[r]												
14 **Assets**	**64,969**	**98,559**	**118,463**	**121,939**	**127,005**	**128,415**	**130,754**	**131,858**	**141,785**	**146,513**	**152,777**	**155,685**	**164,155**
15 Mortgages	38,698	57,429	66,228	68,601	71,010	72,093	72,852	72,356	78,997	81,645	84,698	86,595	89,164
16 Mortgage-backed securities	7,172	9,949	12,572	13,232	14,323	14,549	15,386	15,675	16,284	16,366	17,853	18,661	19,848
17 Other	6,595	10,971	10,979	11,505	11,591	11,832	11,895	11,724	13,324	13,766	13,931	14,597	15,043
18 ***Liabilities and net worth***	***64,969***	***98,559***	***118,463***	***121,939***	***127,005***	***128,415***	***130,754***	***131,858***	***141,785***	***146,513***	***152,777***	***155,685***	***164,155***
19 Savings capital	53,227	79,572	95,056	97,176	101,330	101,874	102,937	103,464	111,808	114,743	119,402	121,133	126,143
20 Borrowed money	7,477	12,798	15,341	16,296	17,228	17,672	18,606	19,324	20,133	21,248	22,704	23,189	25,679
21 FHLBB	4,640	7,515	9,371	9,547	9,821	9,935	10,353	10,511	11,150	11,283	12,064	12,476	12,830
22 Other	2,837	5,283	5,970	6,749	7,407	7,737	8,253	8,813	8,983	9,965	10,640	10,713	12,849
23 Other	1,157	1,903	2,575	2,890	2,556	2,894	3,113	2,732	2,984	3,403	3,315	3,763	4,346
24 Net worth	3,108	4,286	5,491	5,577	5,891	5,975	6,098	6,338	6,860	7,118	7,355	7,599	7,985
MEMO													
25 Mortgage loan commitments outstanding[3]	2,151	3,234	5,151	5,515	5,832	5,653	5,636	5,355	6,707	7,718	8,333	8,287	8,766
	Savings banks[r]												
26 **Assets**	**193,535**	**203,898**	**213,824**	**215,298**	**215,560**	**215,893**	**216,793**	**216,776**	**216,673**	**218,119**	**221,256**	**222,542**	**226,495**
Loans													
27 Mortgage	97,356	102,895	106,441	107,322	108,842	109,171	109,494	110,371	108,973	109,702	110,271	11,813	112,417
28 Other	19,129	24,954	30,339	30,195	29,672	29,967	31,217	30,876	31,752	32,501	34,873	34,591	35,500
Securities													
29 U.S. government	15,360	14,643	13,960	13,868	13,686	13,734	13,434	13,111	12,568	12,474	12,313	12,013	13,210
30 Mortgage-backed securities	18,205	19,215	19,779	20,101	20,368	20,012	19,828	19,481	21,372	21,525	21,593	21,885	22,546
31 State and local government	2,177	2,077	2,086	2,105	2,107	2,163	2,148	2,323	2,298	2,297	2,306	2,372	2,343
32 Corporate and other	25,375	23,747	23,738	23,735	23,534	23,039	22,816	21,199	20,828	20,707	20,403	20,439	20,260
33 Cash	6,263	4,954	4,544	4,821	4,916	4,893	4,771	6,225	5,645	5,646	5,845	5,570	6,225
34 Other assets	9,670	11,413	12,937	13,151	12,345	12,914	13,085	13,113	13,237	13,267	13,652	13,859	13,994
35 **Liabilities**	**193,535**	**203,898**	**213,824**	**215,298**	**215,560**	**215,893**	**216,793**	**216,776**	**216,673**	**218,119**	**221,256**	**222,542**	**226,495**
36 Deposits	172,665	180,616	186,824	187,207	187,722	187,239	187,552	185,972	186,321	186,777	188,960	189,025	190,310
37 Regular[4]	170,135	177,418	182,881	183,222	183,560	183,296	183,716	181,921	182,399	182,890	184,704	184,580	185,716
38 Ordinary savings	38,554	33,739	33,495	33,398	33,252	33,303	33,638	33,018	32,365	32,693	33,021	33,057	33,577
39 Time	95,129	104,732	104,737	104,448	104,668	104,024	104,116	103,311	104,436	104,588	105,562	105,550	105,146
40 Other	2,530	3,198	3,943	3,985	4,162	3,943	3,836	4,051	3,922	3,887	4,256	4,445	4,594
41 Other liabilities	10,154	12,504	15,137	15,971	15,546	15,996	16,309	17,414	17,086	17,793	18,412	19,074	21,384
42 General reserve accounts	10,368	10,510	11,453	11,704	11,882	12,299	12,567	12,823	12,925	13,211	13,548	14,114	14,519

1.37 Continued

Account	1983	1984	1985 July	1985 Aug.	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.	1986 May
	Credit unions[5r]												
43 **Total assets/liabilities and capital**	**81,961**	**93,036**	**107,991**	**111,150**	**113,016**	**114,783**	**117,029**	**118,010**	**118,933**	**122,623**	**126,653**	**128,229**	n.a.
44 Federal	54,482	63,205	72,932	74,869	75,567	76,415	77,829	77,861	78,619	80,024	82,275	83,543	n.a.
45 State	27,479	29,831	35,059	36,281	37,449	38,368	39,200	40,149	40,314	42,599	44,378	44,686	n.a.
46 Loans outstanding	50,083	62,561	67,662	69,171	70,765	71,811	72,404	73,513	73,513	74,207	75,300	76,385	n.a.
47 Federal	32,930	42,337	44,963	46,036	46,702	47,065	47,538	47,933	48,055	48,059	48,633	49,756	n.a.
48 State	17,153	20,224	22,699	23,135	24,063	24,746	24,866	25,580	25,458	26,148	26,667	26,629	n.a.
49 Savings	74,739	84,348	98,026	99,834	101,318	103,677	105,384	105,963	107,238	110,541	114,579	116,703	n.a.
50 Federal	49,889	57,539	67,070	68,087	68,592	70,063	71,117	70,926	72,166	73,227	75,698	77,112	n.a.
51 State	24,850	26,809	30,956	31,747	32,726	33,614	34,267	35,037	35,072	37,314	38,881	39,591	n.a.
	Life insurance companies[r]												
52 **Assets**	**654,948**	**722,979**	**772,452**	**778,293**	**783,828**	**791,483**	**802,024**	**816,203**	**824,850**	**834,492**	**843,994**	n.a.	n.a.
Securities													
53 Government	50,752	63,899	68,983	69,975	71,095	72,334	73,451	77,230	77,966	78,733	79,574	n.a.	n.a.
54 United States[6]	28,636	42,204	46,514	47,343	48,181	49,300	50,321	53,559	53,979	55,019	55,700	n.a.	n.a.
55 State and local	9,986	8,713	8,980	9,201	9,293	9,475	9,615	10,086	10,373	10,027	10,083	n.a.	n.a.
56 Foreign[7]	12,130	12,982	13,489	13,431	13,621	13,559	13,515	13,585	13,614	13,687	13,791	n.a.	n.a.
57 Business	322,854	359,333	393,386	397,202	399,474	403,832	410,141	414,424	420,835	429,090	434,747	n.a.	n.a.
58 Bonds	257,986	295,998	321,752	325,647	329,133	331,675	335,129	337,205	343,003	347,122	349,314	n.a.	n.a.
59 Stocks	64,868	63,335	71,634	71,555	70,341	72,157	75,012	77,219	77,832	81,968	85,433	n.a.	n.a.
60 Mortgages	150,999	156,699	162,690	163,027	163,929	165,687	167,306	170,460	171,275	171,705	173,418	n.a.	n.a.
61 Real estate	22,234	25,767	28,240	28,450	28,476	28,637	28,844	28,662	28,709	29,069	29,470	n.a.	n.a.
62 Policy loans	54,063	54,505	54,300	54,238	54,225	54,142	54,121	54,200	54,187	54,164	54,158	n.a.	n.a.
63 Other assets	54,046	63,776	64,853	65,401	66,629	57,313	68,161	71,227	56,886	56,237	57,388	n.a.	n.a.

1. Holdings of stock of the Federal Home Loan Banks are in "other assets."
2. Includes net undistributed income accrued by most associations.
3. As of July 1985, data include loans in process.
4. Excludes checking, club, and school accounts.
5. Data include all federally insured credit unions, both federal and state chartered, serving natural persons.
6. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
7. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE. *Savings and loan associations:* Estimates by the FHLBB for all associations in the United States based on annual benchmarks for non-FSLIC-insured associations and the experience of FSLIC-insured associations.

FSLIC-insured federal savings banks: Estimates by the FHLBB for federal savings banks insured by the FSLIC and based on monthly reports of federally insured institutions.

Savings banks: Estimates by the National Council of Savings Institutions for all savings banks in the United States and for FDIC-insured savings banks that have converted to federal savings banks.

Credit unions: Estimates by the National Credit Union Administration for federally chartered and federally insured state-chartered credit unions serving natural persons.

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."

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1983	Fiscal year 1984	Fiscal year 1985	Calendar year 1986					
				Jan.	Feb.	Mar.	Apr.	May	June
U.S. budget[1]									
1 Receipts, total	600,562	666,457	733,996	76,710	53,370	49,557	91,438	46,246	77,024
2 On-budget	n.a.	n.a.	n.a.	57,465	38,417	32,203	69,130	30,004	58,400
3 Off-budget	n.a.	n.a.	n.a.	19,245	14,953	17,355	22,308	16,242	18,624
4 Outlays, total	808,273	851,796	945,927	83,201	77,950	79,700	81,510	85,642	78,034
5 On-budget	n.a.	n.a.	n.a.	68,146	61,963	63,660	67,276	69,611	60,982
6 Off-budget	n.a.	n.a.	n.a.	15,055	15,987	16,040	14,234	16,031	17,052
7 Surplus, or deficit (–), total	–207,711	185,339	–211,931	–6,492	–24,580	–30,142	9,928	–39,396	–1,011
8 On-budget	n.a.	n.a.	n.a.	–10,682	–23,546	–31,457	1,854	–39,607	–2,583
9 Off-budget	n.a.	n.a.	n.a.	4,190	–1,034	1,315	8,074	211	1,572
Source of financing (total)									
10 *Borrowing from the public*	212,424	170,817	197,269	12,660	16,010	8,441	14,213	17,960	18,500
11 Cash and monetary assets (decrease, or increase (–))[2]	–9,889	5,636	10,673	–9,503	12,969	14,093	–22,542	22,774	–13,065
12 Other[3]	5,176	8,885	3,989	3,334	–4,400	7,608	–1,599	–1,338	–4,424
MEMO									
13 Treasury operating balance (level, end of period)	37,057	22,345	17,060	40,215	26,326	12,246	34,417	12,808	24,641
14 Federal Reserve Banks	16,557	3,791	4,174	16,228	5,026	3,280	11,550	3,083	3,143
15 Tax and loan accounts	20,300	18,553	12,886	23,987	21,300	8,966	22,867	9,725	21,498

1. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. The Federal Financing Bank (FFB) activities are now shown as separate accounts under the agencies that use the FFB to finance their programs. The act has also moved two social security trust funds (Federal old-age survivors insurance and Federal disability insurance trust funds) off-budget.

2. Includes U.S. Treasury operating cash accounts; SDRs; reserve position on the U.S. quota in the IMF; loans to International Monetary Fund; and other cash and monetary assets.

3. 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," and the "Daily Treasury Statement."

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1984	Fiscal year 1985	Calendar year						
			1984	1985		1986	1986		
			H2	H1	H2	H1	Apr.	May	June
RECEIPTS									
1 **All sources**	**666,457**	**733,996**	**341,392**	**380,618**	**364,790**	**394,345**	**91,438**	**46,246**	**77,024**
2 Individual income taxes, net	295,960	330,918	157,229	166,783	169,987	169,444	45,120	9,820	36,412
3 Withheld	279,350	298,941	145,210	149,288	155,725	153,919	21,905	28,564	24,868
4 Presidential Election Campaign Fund	35	35	5	29	6	31	10	7	4
5 Nonwithheld	81,346	97,685	19,403	76,155	22,295	78,981	42,555	3,796	13,411
6 Refunds	64,770	65,743	7,387	58,684	8,038	63,488	19,350	22,546	1,871
Corporation income taxes									
7 Gross receipts	74,179	77,413	35,190	42,193	36,528	41,946	11,192	2,813	11,698
8 Refunds	17,286	16,082	6,847	8,370	7,751	9,557	2,476	1,365	1,031
9 Social insurance taxes and contributions, net	241,902	268,805	118,690	144,598	128,017	156,714	31,756	28,745	24,399
10 Employment taxes and contributions[1]	212,180	238,288	105,624	126,038	116,276	139,706	28,391	20,844	23,672
11 Self-employment taxes and contributions[2]	8,709	10,468	1,086	9,482	985	10,581	6,510	643	1,407
12 Unemployment insurance	25,138	25,758	10,706	16,213	9,281	14,674	2,999	7,461	346
13 Other net receipts[3]	4,580	4,759	2,360	2,350	2,458	2,333	366	440	381
14 Excise taxes	37,361	35,865	18,961	17,259	18,470	15,944	2,512	2,669	2,800
15 Customs deposits	11,370	12,079	6,329	5,807	6,354	6,369	1,087	1,040	1,161
16 Estate and gift taxes	6,010	6,422	3,029	3,204	3,323	3,487	680	686	514
17 Miscellaneous receipts[4]	16,965	18,576	8,812	9,144	9,861	10,002	1,568	1,838	1,071
OUTLAYS									
18 **All types**	**851,781**	**946,323**	**446,944**	**463,842**	**487,188r**	**486,039**	**81,510**	**85,642**	**78,034**
19 National defense	227,413	252,748	118,286	124,186	134,675	135,367	22,842	23,765	22,462
20 International affairs	15,876	16,176	8,550	6,675	8,367	5,384	732	1,654	785
21 General science, space, and technology	8,317	8,627	4,473	4,230	4,727	4,191	761	737	615
22 Energy	7,086	5,685	1,423	680	3,305	2,984	358	357	732
23 Natural resources and environment	12,593	13,357	7,370	5,892	7,553	6,245	1,130	1,007	1,216
24 Agriculture	13,613	25,565	8,524	11,705	15,412	14,482	3,489	3,008	1,405
25 Commerce and housing credit	6,917	4,229	2,663	-260	644	860	604	43	893
26 Transportation	23,669	25,838	13,673	11,440	15,360	12,658	2,271	2,201	2,475
27 Community and regional development	7,673	7,680	4,836	3,408	3,901	3,169	638	599	651
28 Education, training, employment, social services	27,579	29,342	13,737	14,149	14,481	14,712	2,440	2,287	2,215
29 Health	30,417	33,542	15,692	16,945	17,237	17,872	3,205	3,021	3,202
30 Social security and medicare	235,764	254,446	119,613	128,351	129,037	135,214	22,234	22,253	24,678
31 Income security	112,668	128,200	61,558	65,246	59,457	60,786	11,113	10,960	6,843
32 Veterans benefits and services	25,614	26,352	13,317	11,956	14,527	12,193	2,340	3,455	914
33 Administration of justice	5,660	6,277	2,992	3,016	3,212	3,352	546	533	549
34 General government	5,053	5,228	2,552	2,857	3,634	3,566	-48	576	1,185
35 General-purpose fiscal assistance	6,768	6,353	3,458	2,659	3,391	2,179	885	-142	40
36 Net interest[5]	111,058	129,436	61,293	65,143	67,448	68,054	10,359	11,766	9,939
37 Undistributed offsetting receipts[6]	-31,957	-32,759	-17,061	-14,436	-17,953	-17,193	4,387	-2,437	-2,765

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. Net interest function includes interest received by trust funds.
6. 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 1987*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1984				1985				1986
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 **Federal debt outstanding**	**1,468.3**	**1,517.2**	**1,576.7**	**1,667.4**	**1,715.1**	**1,779.0**	**1,827.5**	**1,950.3**	**1,991.1**
2 Public debt securities	1,463.7	1,512.7	1,572.3	1,663.0	1,710.7	1,774.6	1,823.1	1,945.9	1,986.8
3 Held by public	1,223.9	1,255.1	1,309.2	1,373.4	1,415.2	1,460.5	1,506.6	1,597.1	1,634.3
4 Held by agencies	239.8	257.6	263.1	289.6	295.5	314.2	316.5	348.9	352.6
5 Agency securities	4.6	4.5	4.5	4.5	4.4	4.4	4.4	4.4	4.3
6 Held by public	3.5	3.4	3.4	3.4	3.3	3.3	3.3	3.3	3.2
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***	***1,464.5***	***1,513.4***	***1,573.0***	***1,663.7***	***1,711.4***	***1,775.3***	***1,823.8***	***1,932.4***	***1,973.3***
9 Public debt securities	1,463.1	1,512.1	1,571.7	1,662.4	1,710.1	1,774.0	1,822.5	1,931.1	1,972.0
10 Other debt[1]	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
11 MEMO: Statutory debt limit	1,490.0	1,520.0	1,573.0	1,823.8	1,823.8	1,823.8	1,823.8	2,078.7	2,078.7

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* and *Daily Treasury Statement* (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	1981	1982	1983	1984	1985			1986
					Q2	Q3	Q4	Q1
1 **Total gross public debt**	**1,028.7**	**1,197.1**	**1,410.7**	**1,663.0**	**1,774.6**	**1,823.1**	**1,945.9**	**1,986.8**
By type								
2 Interest-bearing debt	1,027.3	1,195.5	1,400.9	1,660.6	1,759.8	1,821.0	1,943.4	1,984.2
3 Marketable	720.3	881.5	1,050.9	1,247.4	1,310.7	1,360.2	1,437.7	1,472.8
4 Bills	245.0	311.8	343.8	374.4	381.9	384.2	399.9	393.2
5 Notes	375.3	465.0	573.4	705.1	740.9	776.4	812.5	842.5
6 Bonds	99.9	104.6	133.7	167.9	187.9	199.5	211.1	223.0
7 Nonmarketable[1]	307.0	314.0	350.0	413.2	449.1	460.8	505.7	511.4
8 State and local government series	23.0	25.7	36.7	44.4	53.9	62.8	87.5	88.5
9 Foreign issues[2]	19.0	14.7	10.4	9.1	8.3	6.6	7.5	6.7
10 Government	14.9	13.0	10.4	9.1	8.3	6.6	7.5	6.7
11 Public	4.1	1.7	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	68.1	68.0	70.7	73.1	75.4	77.0	78.1	79.8
13 Government account series[3]	196.7	205.4	231.9	286.2	311.0	313.9	332.2	336.0
14 Non-interest-bearing debt	1.4	1.6	9.8	2.3	14.8	2.1	2.5	2.6
By holder[4]								
15 U.S. government agencies and trust funds	203.3	209.4	236.3	289.6	314.2	316.5	348.9	352.6
16 Federal Reserve Banks	131.0	139.3	151.9	160.9	169.1	169.7	181.3	184.8
17 Private investors	694.5	848.4	1,022.6	1,212.5	1,292.0	1,338.2	1,417.2r	1,458.9
18 Commercial banks	111.4	131.4	188.8	183.4	196.3	196.9	192.2	195.1
19 Money market funds	21.5	42.6	22.8	25.9	24.8	22.7	25.1	29.8
20 Insurance companies	29.0	39.1	56.7	76.4	85.0	88.6	93.2	95.8
21 Other companies	17.9	24.5	39.7	50.1	54.9r	59.0r	59.0r	59.6
22 State and local governments	104.3	127.8	155.1	179.4	198.9	n.a.	n.a.	n.a.
Individuals								
23 Savings bonds	68.1	68.3	71.5	74.5	76.7	78.2	79.8	81.4
24 Other securities	42.7	48.2	61.9	69.3	72.0	73.2	75.0r	75.7
25 *Foreign and international*[5]	136.6	149.5	166.3	192.9	200.7	209.8	214.6	220.2
26 Other miscellaneous investors[6]	163.0	217.0	259.8	360.6	386.9	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[1]

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

	Item	1983	1984	1985	1986			1986 week ending Wednesday					
					Apr.^{r}	May^r	June	May 21^r	May 28^r	June 4	June 11	June 18	June 25
	Immediate delivery[2]												
1	U.S. government securities	42,135	52,778	75,331	99,948	91,721	90,104	97,164	75,911	100,877	87,634	93,304	86,050
	By maturity												
2	Bills	22,393	26,035	32,900	36,359	33,501	32,489	37,599	23,271	38,734	36,732	32,951	25,601
3	Other within 1 year	708	1,305	1,811	1,790	2,046	2,266	1,840	2,063	1,684	1,413	2,503	2,716
4	1–5 years	8,758	11,733	18,361	22,621	23,315	23,226	26,881	24,578	22,980	20,176	23,582	26,585
5	5–10 years	5,279	7,606	12,703	21,640	17,025	20,982	15,254	15,502	24,785	19,496	22,377	20,112
6	Over 10 years	4,997	6,099	9,556	17,538	15,833	11,141	15,590	10,497	12,694	9,817	11,892	11,037
	By type of customer												
7	U.S. government securities dealers	2,257	2,919	3,336	4,078	3,633	3,710	3,501	2,630	4,321	3,374	4,037	3,465
8	U.S. government securities brokers	21,045	25,580	36,222	52,365	47,967	47,415	51,840	37,860	52,099	49,444	48,534	44,740
9	All others[3]	18,833	24,278	35,773	43,506	40,121	38,979	41,824	35,421	44,457	34,816	40,733	37,846
10	Federal agency securities	5,576	7,846	11,640	15,002	14,329	16,390	16,456	12,582	14,539	13,026	19,750	18,760
11	Certificates of deposit	4,333	4,947	4,016	4,881	4,073	4,740	4,706	3,890	4,523	3,955	4,930	4,706
12	Bankers acceptances	2,642	3,243	3,242	3,852	2,963	3,272	3,437	2,678	2,895	2,770	3,662	3,312
13	Commercial paper	8,036	10,018	12,717	16,054	15,269	17,093	16,293	15,250	15,510	16,028	18,021	16,416
	Futures transactions[4]												
14	Treasury bills	6,655	6,947	5,561	4,397	4,308	2,906	6,226	2,174	5,231	3,880	2,489	1,831
15	Treasury coupons	2,501	4,503	6,069	8,372	7,768	7,182	9,853	6,392	10,176	7,881	6,473	5,933
16	Federal agency securities	265	262	240	6	51	17	19	49	24	10	26	4
	Forward transactions[5]												
17	U.S. government securities	1,493	1,364	1,283	1,255	1,520	1,705	1,788	1,377	1,640	493	2,197	2,350
18	Federal agency securities	1,646	2,843	3,857	8,151	6,183	6,730	7,774	5,037	5,664	7,261	9,015	4,925

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers.

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

2. Data for immediate transactions do not include forward transactions.

3. 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.

4. 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.

5. 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.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Averages of daily figures, in millions of dollars

	Item	1983	1984	1985	1986			1986 week ending Wednesday				
					Apr.	May	June	May 28	June 4	June 11	June 18	June 25
		Positions										
	Net immediate[2]											
1	U.S. government securities	14,082	5,429	7,391	18,318r	9,615r	11,981	10,703r	10,213	9,625	10,075	13,111
2	Bills	10,800	5,500	10,075	17,010	9,487r	10,495	9,108r	8,093	10,294	10,772	11,254
3	Other within 1 year	921	63	1,050	5,834	6,280	6,167	6,577	6,458	6,192	6,031	6,317
4	1-5 years	1,912	2,159	5,154	9,352	6,242	6,949	5,178	5,586	5,389	5,343	8,272
5	5-10 years	-78	-1,119	-6,202	-10,195	-9,344	-9,317	-7,825	-7,634	-9,347	-9,865	-10,622
6	Over 10 years	528	-1,174	-2,686	-3,683r	-3,049	-2,314	-2,335	-2,289	-2,902	-2,206	-2,109
7	Federal agency securities	7,313	15,294	22,860	36,164r	38,130r	35,014	36,201	34,499	35,684	37,059	34,014
8	Certificates of deposit	5,838	7,369	9,192	10,738r	10,973	11,530	10,979	11,310	11,266	11,123	11,481
9	Bankers acceptances	3,332	3,874	4,586	5,537	5,460	5,466	4,915	5,231	5,001	5,085	5,716
10	Commercial paper	3,159	3,788	5,570	8,148	7,379	7,989	6,453	7,331	7,828	8,669	7,255
	Futures positions											
11	Treasury bills	-4,125	-4,525	-7,322	-26,431	-19,205r	-14,061	-18,243	-14,708	-12,241	-15,130	-14,432
12	Treasury coupons	-1,033	1,794	4,465	2,763r	2,649	2,331	2,114r	2,542	2,833	2,449	2,027
13	Federal agency securities	171	233	-722	-82	-70	-95	-113	-114	-107	-97	-82
	Forward positions											
14	U.S. government securities	-1,936	-1,643	-911	-1,888	-1,985	-2,633	-1,609	-3,016	-3,698	-2,452	-1,942
15	Federal agency securities	-3,561	-9,205	-9,420	-11,543r	-11,488r	-10,490	-10,809	-9,640	-11,288	-11,455	-9,692
		Financing[3]										
	Reverse repurchase agreements[4]											
16	Overnight and continuing	29,099	44,078	68,035	90,823	94,145	92,366	93,733	96,484	92,254	94,067	88,988
17	Term agreements	52,493	68,357	80,509	109,742	112,611	108,761	111,452	109,192	116,604	106,960	106,733
	Repurchase agreements[5]											
18	Overnight and continuing	57,946	75,717	101,410	141,918	140,171	137,536	138,711	145,160	130,323	141,746	138,596
19	Term agreements	44,410	57,047	77,748	103,705	107,095	102,427	105,526	98,839	112,296	99,536	96,700

1. Data for dealer positions and sources of financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers.

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 net amounts and are shown on a commitment basis. Data for financing are in terms of actual amounts borrowed or lent and are based on Wednesday figures.

2. 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. 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 do not include forward positions.

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

4. 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.

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

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1982	1983	1984	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.	1986 May
1 **Federal and federally sponsored agencies**	**237,787**	**240,068**	**271,220**	**293,905**	**290,596**	**292,043**	**291,525**	**293,336**	**n.a.**
2 Federal agencies	33,055	33,940	35,145	36,390	36,400	36,376	35,927	35,530	36,110
3 Defense Department[1]	354	243	142	71	66	63	59	55	52
4 Export-Import Bank[2,3]	14,218	14,853	15,882	15,678	15,677	15,677	15,257	15,257	15,256
5 Federal Housing Administration[4]	288	194	133	115	113	109	108	114	118
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165
7 Postal Service[6]	1,471	1,404	1,337	1,940	1,940	1,940	1,940	1,940	1,940
8 Tennessee Valley Authority	14,365	14,970	15,435	16,347	16,365	16,348	16,324	15,925	16,505
9 United States Railway Association[6]	194	111	51	74	74	74	74	74	74
10 Federally sponsored agencies[7]	204,732	206,128	236,075	257,515	254,196	255,667	255,598	257,806	n.a.
11 Federal Home Loan Banks	55,967	48,930	65,085	74,447	73,201	73,201	74,778	76,527	78,718
12 Federal Home Loan Mortgage Corporation	4,524	6,793	10,270	11,926	13,044	13,695	12,963	13,492	n.a.
13 Federal National Mortgage Association	70,052	74,594	83,720	93,896	92,658	93,179	92,414	92,401	92,629
14 Farm Credit Banks	73,004	72,816	71,193	68,851	66,600	66,188	65,930	65,188	64,629
15 Student Loan Marketing Association[8]	2,293	3,402	5,745	8,395	8,693	9,404	9,513	10,198	10,400
MEMO									
16 **Federal Financing Bank debt**[9]	**126,424**	**135,791**	**145,217**	**153,373**	**153,709**	**153,418**	**153,455**	**153,508**	**155,076**
Lending to federal and federally sponsored agencies									
17 Export-Import Bank[3]	14,177	14,789	15,852	15,670	15,670	15,670	15,250	15,250	15,250
18 Postal Service[6]	1,221	1,154	1,087	1,690	1,690	1,690	1,690	1,690	1,690
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	14,622	14,690	14,673	14,649	14,250	14,830
21 United States Railway Association[6]	194	111	51	74	74	74	74	74	74
Other Lending[10]									
22 Farmers Home Administration	53,261	55,266	58,971	64,234	64,354	63,774	63,464	63,829	64,544
23 Rural Electrification Administration	17,157	19,766	20,693	20,654	20,678	20,739	20,959	21,061	21,154
24 Other	22,774	26,460	29,853	31,429	31,553	31,798	32,369	32,354	32,534

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. Some data are estimated.
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	1983	1984	1985	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.	1986 May
1 **All issues, new and refunding[1]**	**86,421**	**106,641**	**214,189**	**20,780**	**32,144**	**57,430**	**1,572**	**3,255**	**7,636**	**11,914**	**13,262**
Type of issue											
2 General obligation	21,566	26,485	52,622	5,852	6,695	8,754	751	1,021	2,895	4,815	8,468
3 U.S. government loans[2]	96	16	14	0	0	0	0	0	n.a.	n.a.	n.a.
4 Revenue	64,855	80,156	161,567	14,928	25,449	48,676	821	2,234	4,741	7,099	4,794
5 U.S. government loans[2]	253	17	27	6	7	0	0	0	n.a.	n.a.	n.a.
Type of issuer											
6 State	7,140	9,129	13,004	1,337	1,648	2,146	296	255	n.a.	n.a.	n.a.
7 Special district and statutory authority	51,297	63,550	134,363	12,374	21,563	39,147	579	1,715	n.a.	n.a.	n.a.
8 Municipalities, counties, townships, school districts	27,984	33,962	66,822	6,371	21,563	16,137	697	1,285	n.a.	n.a.	n.a.
9 **Issues for new capital, total**	**72,441**	**94,050**	**156,050**	**13,984**	**21,362**	**46,788**	**1,350**	**1,887**	**2,763**	**6,405**	**6,856**
Use of proceeds											
10 Education	8,099	7,553	16,658	1,518	1,954	3,901	370	422	↑	↑	↑
11 Transportation	4,387	7,552	12,070	1,264	3,734	3,480	246	347			
12 Utilities and conservation	13,588	17,844	26,852	2,924	3,266	7,070	315	212	n.a.	n.a.	n.a.
13 Social welfare	26,910	29,928	63,181	4,305	8,672	22,589	6	110			
14 Industrial aid	7,821	15,415	12,892	1,507	2,029	3,583	0	190			
15 Other purposes	11,637	15,758	24,398	2,466	1,707	6,165	413	606	↓	↓	↓

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	1983	1984	1985	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.	1986 May p
1 **All issues[1]**	**120,299**	**132,531**	**201,501**	**11,595**	**13,568**	**19,429**	**16,981**	**23,901**	**30,341r**	**33,297**	**18,631**
2 **Bonds[2]**	**68,718**	**109,903**	**165,986**	**9,271**	**10,913**	**14,440**	**13,581**	**19,439**	**24,820r**	**27,691**	**13,200**
Type of offering											
3 Public	47,594	73,579	119,789	9,271	10,913	14,440	13,581	19,439	24,820r	27,691	13,200
4 Private placement	21,126	36,326	46,195	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
5 Manufacturing	17,001	24,607	52,278	1,953	4,072	2,704	4,596	3,950	8,895	7,975	3,939
6 Commercial and miscellaneous	7,540	13,726	15,215	898	933	735	624	1,216	790	2,640	1,776
7 Transportation	3,833	4,694	5,743	348	125	187	633	373	303r	614	427
8 Public utility	9,125	10,679	12,957	863	1,114	1,090	820	2,540	2,133	3,330	1,709
9 Communication	3,642	2,997	10,456	690	100	2,318	0	1,200	1,907	3,115	712
10 Real estate and financial	27,577	53,199	69,337	4,519	4,569	7,407	6,908	10,160	10,793	10,017	4,637
11 **Stocks[3]**	**51,579**	**22,628**	**35,515**	**2,324**	**2,655**	**4,989**	**3,400**	**4,462**	**5,521**	**5,606**	**5,431**
Type											
12 Preferred	7,213	4,118	6,505	406	782	908	570	975	1,160	751	781
13 Common	44,366	18,510	29,010	1,918	1,873	4,081	2,830	3,487	4,361	4,855	4,650
Industry group											
14 Manufacturing	14,135	4,054	5,700	279	746	1,045	827	1,269	851	1,434	807
15 Commercial and miscellaneous	13,112	6,277	9,149	403	596	1,220	683	434	607	910	938
16 Transportation	2,729	589	1,544	113	21	200	78	302	355	158	372
17 Public utility	5,001	1,624	1,966	408	12	201	176	153	357	165	346
18 Communication	1,822	419	978	41	5	146	231	282	0	27	71
19 Real estate and financial	14,780	9,665	16,178	1,080	1,275	2,177	1,405	2,022	3,351	2,912	2,897

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.

SOURCES. IDD Information Services, Inc., 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	1984	1985	1985			1986				
			Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.r	May
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	107,480	222,670r	22,099	20,585	23,560	32,466	27,489	33,764	37,656	31,459
2 Redemptions of own shares[3]	77,032	132,440	10,653	11,138	18,337	15,836	11,860	15,085	21,699	16,439
3 Net sales	30,448	90,230r	11,446	9,447	5,223	16,630	15,629	18,679	15,957	15,020
4 Assets[4]	137,126	251,695	218,720	237,410	251,536	265,487	292,002	315,245	329,684	343,773
5 Cash position[5]	12,181	20,607	21,987	21,894	20,590	22,425	23,716	27,639	29,599	29,425
6 Other	124,945	231,088	196,733	215,516	230,946	243,062	268,286	287,606	300,085	314,348

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	1983r	1984r	1985r	1984r			1985r				1986
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1r
1 Corporate profits with inventory valuation and capital consumption adjustment	213.7	264.7	280.6	271.7	259.8	265.0	266.4	274.3	296.3	285.6	296.4
2 Profits before tax	207.6	235.7	223.1	246.5	225.1	221.9	213.8	213.8	229.2	235.8	224.3
3 Profits tax liability	77.2	95.4	91.8	101.6	89.3	87.8	87.8	87.1	95.8	96.4	89.1
4 Profits after tax	130.4	140.3	131.4	144.8	135.8	134.1	126.0	126.7	133.4	139.4	135.2
5 Dividends	71.5	78.3	81.6	78.1	79.0	80.1	80.9	81.4	81.6	82.5	85.2
6 Undistributed profits	58.8	62.0	49.8	66.7	56.8	54.0	45.1	45.3	51.8	57.0	50.0
7 Inventory valuation	-10.9	-5.5	-.6	-4.9	-1.8	-1.6	-.5	1.6	6.1	-9.4	16.5
8 Capital consumption adjustment	17.0	34.5	58.1	30.2	36.5	44.7	53.2	58.9	61.0	59.2	55.6

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 Q4	1985 Q1	1985 Q2	1985 Q3	1985 Q4
1 **Current assets**	**1,214.8**	**1,328.3**	**1,419.6**	**1,437.1**	**1,575.9**	**1,703.0**	**1,718.4**	**1,729.8**	**1,756.7**	**1,778.5**
2 Cash	118.0	127.0	135.6	147.8	171.8	173.6	166.7	168.0	174.6	188.0
3 U.S. government securities	16.7	18.7	17.7	23.0	31.0	36.2	35.0	34.8	31.9	32.3
4 Notes and accounts receivable	459.0	507.5	532.5	517.4	583.0	633.1	649.5	652.4	658.6	671.2
5 Inventories	505.1	543.0	584.0	579.0	603.4	656.9	666.1	666.6	674.7	663.9
6 Other	116.0	132.1	149.7	169.8	186.7	203.2	201.0	208.0	217.0	223.2
7 **Current liabilities**	**807.3**	**890.6**	**971.3**	**986.0**	**1,059.6**	**1,163.6**	**1,173.2**	**1,179.4**	**1,209.1**	**1,232.7**
8 Notes and accounts payable	460.8	514.4	547.1	550.7	595.7	647.8	636.4	649.8	668.1	683.1
9 Other	346.5	376.2	424.1	435.3	463.9	515.8	536.8	529.7	541.0	549.7
10 **Net working capital**	**407.5**	**437.8**	**448.3**	**451.1**	**516.3**	**539.5**	**545.2**	**550.3**	**547.6**	**545.7**
11 MEMO: Current ratio[1]	1.505	1.492	1.462	1.458	1.487	1.464	1.465	1.467	1.453	1.443

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	1984	1985	1986[1]	1984 Q4	1985 Q1	1985 Q2	1985 Q3	1985 Q4	1986 Q1	1986 Q2[1]	1986 Q3[1]
1 **Total nonfarm business**	**354.44**	**386.41**	**387.25**	**368.29**	**371.16**	**387.83**	**388.90**	**397.74**	**376.08**	**387.42**	**388.87**
Manufacturing											
2 Durable goods industries	66.24	73.14	72.09	71.43	69.87	73.96	72.85	75.87	67.74	72.20	71.42
3 Nondurable goods industries	72.58	80.01	77.09	75.53	75.78	80.36	81.19	82.70	75.32	75.80	77.04
Nonmanufacturing											
4 Mining	16.86	15.88	12.35	17.00	15.66	16.51	15.94	15.40	12.85	12.61	12.49
Transportation											
5 Railroad	6.79	7.06	6.44	6.44	6.02	7.48	8.13	6.61	5.82	6.95	7.31
6 Air	3.56	4.78	5.74	3.65	4.20	3.66	5.20	6.06	6.54	5.11	5.78
7 Other	6.17	6.13	5.98	6.18	6.01	6.37	5.77	6.39	5.40	5.94	6.12
Public utilities											
8 Electric	37.03	36.12	33.65	35.40	36.65	36.04	35.34	36.45	34.33	34.49	32.59
9 Gas and other	10.44	12.62	12.75	11.52	11.81	12.43	12.80	13.44	12.82	13.10	12.39
10 Commercial and other[2]	134.75	150.67	161.16	141.13	145.16	151.02	151.69	154.81	155.27	161.22	163.73

▲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	1981	1982	1983	1984		1985				1986
				Q3	Q4	Q1	Q2	Q3	Q4	Q1
ASSETS										
Accounts receivable, gross										
1 Consumer	72.4	78.1	87.4	95.6	96.7	99.1	106.0	116.4	120.8	125.5
2 Business	100.3	101.4	113.4	124.5	135.2	142.1	144.6	141.4	152.8	159.7
3 Real estate	17.9	20.2	22.5	25.2	26.3	27.2	28.4	29.0	30.4	31.5
4 Total	190.5	199.7	223.4	245.3	258.3	268.5	279.0	286.5	304.0	316.7
Less:										
5 Reserves for unearned income	30.0	31.9	33.0	36.0	36.5	36.6	38.6	41.0	40.9	41.3
6 Reserves for losses	3.2	3.5	4.0	4.3	4.4	4.9	4.8	4.9	5.0	5.1
7 Accounts receivable, net	157.3	164.3	186.4	205.0	217.3	227.0	235.6	240.6	258.1	270.3
8 All other	27.1	30.7	34.0	36.4	35.4	35.9	39.5	46.3	46.8	50.6
9 **Total assets**	**184.4**	**195.0**	**220.4**	**241.3**	**252.7**	**262.9**	**275.2**	**286.9**	**304.9**	**321.0**
LIABILITIES										
10 Bank loans	16.1	18.3	18.7	19.7	21.3	19.8	18.5	18.2	21.0	20.4
11 Commercial paper	57.2	51.1	59.7	66.8	72.5	79.1	82.6	93.6	96.9	102.0
Debt										
12 Other short-term	11.3	12.7	13.9	16.1	16.2	16.8	16.6	16.6	17.2	18.5
13 Long-term	56.0	64.4	68.1	73.8	77.2	78.3	85.7	86.4	93.0	100.0
14 All other liabilities	18.5	21.2	30.1	32.6	33.1	35.4	36.9	36.6	39.6	41.4
15 Capital, surplus, and undivided profits	25.3	27.4	29.8	32.3	32.3	33.5	34.8	35.7	37.1	38.8
16 **Total liabilities and capital**	**184.4**	**195.0**	**220.4**	**241.3**	**252.7**	**262.9**	**275.2**	**286.9**	**304.9**	**321.0**

NOTE. Components may not add to totals due to rounding.
These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

1.52 DOMESTIC FINANCE COMPANIES *Business Credit*

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding May 31, 1986[1]	Changes in accounts receivable			Extensions			Repayments		
		1986			1986			1986		
		Mar.	Apr.	May	Mar.	Apr.	May	Mar.	Apr.	May
1 *Total*	**159,649**	**2,668**	**464**	**−185**	**27,526**	**26,378**	**25,780**	**24,858**	**25,915**	**25,966**
Retail financing of installment sales										
2 Automotive (commercial vehicles)	15,751	126	197	421	1,044	1,115	1,358	918	918	936
3 Business, industrial, and farm equipment	20,189	27	−135	68	805	858	1,015	778	993	947
Wholesale financing										
4 Automotive	26,288	2,097	169	−679	10,900	9,897	9,455	8,803	9,728	10,134
5 Equipment	4,745	63	70	3	526	545	467	463	475	464
6 All other	7,546	168	−73	−303	1,631	1,657	1,575	1,463	1,730	1,878
Leasing										
7 Automotive	16,200	46	284	3	814	770	840	768	486	837
8 Equipment	39,932	−194	59	−38	1,309	1,275	1,256	1,503	1,216	1,294
9 Loans on commercial accounts receivable and factored commercial accounts receivable	16,886	322	−385	498	9,209	8,784	8,572	8,887	9,168	8,074
10 All other business credit	12,112	13	277	−159	1,288	1,477	1,244	1,275	1,200	1,402

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	1983	1984	1985	1985	1986					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	92.8	96.8	104.1	111.5	108.4	115.1	108.2	114.2	114.7r	123.2
2 Amount of loan (thousands of dollars)	69.5	73.7	77.4	80.3	77.6	84.3	79.6	83.9	83.0r	88.6
3 Loan/price ratio (percent)	77.1	78.7	77.1	75.0	74.4	75.6	75.4	75.9	74.7r	74.8
4 Maturity (years)	26.7	27.8	26.9	26.7	25.4	26.8	26.9	25.9	25.8r	26.7
5 Fees and charges (percent of loan amount)[2]	2.40	2.64	2.53	2.59	2.55	2.64	2.60	2.34	2.19	2.43
6 Contract rate (percent per annum)	12.20	11.87	11.12	10.47	10.40	10.21	10.04	9.87	9.84r	9.72
Yield (percent per annum)										
7 FHLBB series[3]	12.66	12.37	11.58	10.94	10.89	10.68	10.50	10.27	10.22r	10.14
8 HUD series[4]	13.43	13.80	12.28	11.03	10.82	10.49	10.06	9.99	10.32r	10.38
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series)[5]	13.11	13.81	12.24	10.70	10.78	10.59	9.77	9.80	10.07	9.98
10 GNMA securities[6]	12.25	13.13	11.61	10.39	10.25	9.79	9.44	9.17	9.23	9.57
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	74,847	83,339	94,574	98,282	98,671	98,820	98,795	98,746	98,096	97,295
12 FHA/VA-insured	37,393	35,148	34,244	33,684	33,583	33,466	33,368	33,246	32,558	31,241
13 Conventional	37,454	48,191	60,331	64,598	65,088	65,354	65,427	65,500	65,538	66,054
Mortgage transactions (during period)										
14 Purchases	17,554	16,721	21,510	1,663	1,188	1,159	1,410	1,631	1,978	3,000
15 Sales	3,528	978	1,301	319	0	n.a.	n.a.	n.a.	n.a.	n.a.
Mortgage commitments[7]										
16 Contracted (during period)	18,607	21,007	20,155	1,858	1,315	2,578	1,917	3,774	3,538	3,049
17 Outstanding (end of period)	5,461	6,384	3,402	3,402	3,211	4,480	4,851	6,942	8,444	7,862
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
18 Total	5,996	9,283	12,399	14,022	14,412	14,584	13,623	13,144	14,302	n.a.
19 FHA/VA	974	910	841	825	800	792	787	778	769	n.a.
20 Conventional	5,022	8,373	11,558	13,197	13,612	14,584	12,836	12,366	13,533	n.a.
Mortgage transactions (during period)										
21 Purchases	23,089	21,886	44,012	6,096	3,709	4,605	5,318	6,195	8,947	n.a.
22 Sales	19,686	18,506	38,905	5,202	3,107	4,286	5,897	5,591	7,354	n.a.
Mortgage commitments[9]										
23 Contracted (during period)	32,852	32,603	48,989	5,651	5,305	6,044	7,128	9,869	10,612	n.a.
24 Outstanding (end of period)	16,964	13,318	16,613	16,613	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month. Large monthly movements in average yields may reflect market adjustments to changes in maximum permissable 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	1983	1984	1985	1985				1986
				Q1	Q2	Q3	Q4	Q1
1 **All holders**	**1,811,540**	**2,024,483**	**2,256,778**	**2,071,279**	**2,128,471**	**2,190,661**	**2,256,778**	**2,303,698**
2 1- to 4-family	1,189,811	1,319,667	1,471,012	1,347,511	1,384,248	1,427,675	1,471,012	1,497,458
3 Multifamily	158,718	179,074	204,311	184,886	190,004	195,488	204,311	208,784
4 Commercial	350,389	414,040	474,755	427,242	443,400	458,735	474,755	491,823
5 Farm	112,622	111,702	106,700	111,640	110,819	108,763	106,700	105,633
6 Selected financial institutions	1,130,781	1,269,500	1,390,328	1,291,540	1,323,474	1,356,114	1,390,328	1,407,881
7 Commercial banks[1]	330,521	376,792	426,103	385,867	398,561	413,059	426,103	436,707
8 1- to 4-family	182,514	197,225	214,817	199,617	204,439	210,203	214,817	218,354
9 Multifamily	18,410	20,387	23,442	20,808	21,748	22,426	23,442	24,018
10 Commercial	120,210	148,936	176,359	155,061	161,678	169,302	176,359	182,500
11 Farm	9,387	10,244	11,485	10,381	10,696	11,128	11,485	11,835
12 Savings banks	131,940	154,441	177,278	161,032	165,705	174,427	177,278	188,177
13 1- to 4-family	93,649	107,302	121,889	111,592	114,375	119,952	121,889	131,043
14 Multifamily	17,247	19,817	23,331	20,668	21,357	22,604	23,331	24,144
15 Commercial	21,016	27,291	31,976	28,741	29,942	31,757	31,976	32,906
16 Farm	28	31	82	31	31	114	82	84
17 Savings and loan associations	494,789	555,277	586,085	559,263	569,291	575,684	586,085	576,998
18 1- to 4-family	387,924	421,489	434,359	421,024	425,021	427,081	434,359	420,096
19 Multifamily	44,333	55,750	66,775	57,660	60,231	62,608	66,775	67,368
20 Commercial	62,403	77,605	84,342	80,070	83,447	85,358	84,342	89,004
21 Farm	129	433	609	509	592	637	609	530
22 Life insurance companies	150,999	156,699	170,460	158,162	161,485	163,929	170,460	174,460
23 1- to 4-family	15,319	14,120	12,279	13,840	13,562	13,382	12,279	12,129
24 Multifamily	19,107	18,938	19,731	18,964	18,983	18,972	19,731	19,931
25 Commercial	103,831	111,175	126,621	113,187	116,812	119,543	126,621	130,671
26 Farm	12,742	12,466	11,829	12,171	12,128	12,032	11,829	11,729
27 Finance companies[2]	22,532	26,291	30,402	27,216	28,432	29,015	30,402	31,539
28 Federal and related agencies	148,328	158,993	166,978	163,531	165,912	166,248	166,978	166,097
29 Government National Mortgage Association	3,395	2,301	1,473	1,964	1,825	1,640	1,473	1,533
30 1- to 4-family	630	585	539	576	564	552	539	527
31 Multifamily	2,765	1,716	934	1,388	1,261	1,088	934	1,006
32 Farmers Home Administration	2,141	1,276	733	1,062	790	577	733	704
33 1- to 4-family	1,159	213	183	156	223	185	183	217
34 Multifamily	173	119	113	82	136	139	113	33
35 Commercial	409	497	159	421	163	72	159	217
36 Farm	400	447	278	403	268	181	278	237
37 Federal Housing and Veterans Administration	4,894	4,816	4,920	4,878	4,888	4,918	4,920	4,957
38 1- to 4-family	1,893	2,048	2,254	2,181	2,199	2,251	2,254	2,301
39 Multifamily	3,001	2,768	2,666	2,697	2,689	2,667	2,666	2,656
40 Federal National Mortgage Association	78,256	87,940	98,282	91,975	94,777	96,769	98,282	98,795
41 1- to 4-family	73,045	82,175	91,966	86,129	88,788	90,590	91,966	92,315
42 Multifamily	5,211	5,765	6,316	5,846	5,989	6,179	6,316	6,480
43 Federal Land Banks	52,010	52,261	47,548	52,104	51,056	49,255	47,548	46,485
44 1- to 4-family	3,081	3,074	2,798	3,064	3,006	2,895	2,798	2,735
45 Farm	48,929	49,187	44,750	49,040	48,050	46,360	44,750	43,750
46 Federal Home Loan Mortgage Corporation	7,632	10,399	14,022	11,548	12,576	13,089	14,022	13,623
47 1- to 4-family	7,559	9,654	11,881	10,642	11,288	11,457	11,881	12,231
48 Multifamily	73	745	2,141	906	1,288	1,632	2,141	1,392
49 Mortgage pools or trusts[3]	285,073	332,057	415,042	347,793	365,748	388,948	415,042	440,701
50 Government National Mortgage Association	159,850	179,981	212,145	185,954	192,925	201,026	212,145	220,348
51 1- to 4-family	155,950	175,589	207,198	181,419	188,228	196,198	207,198	215,148
52 Multifamily	3,900	4,392	4,947	4,535	4,697	4,828	4,947	5,200
53 Federal Home Loan Mortgage Corporation	57,895	70,822	100,387	76,759	83,327	91,915	100,387	110,337
54 1- to 4-family	57,273	70,253	99,515	75,781	82,369	90,997	99,515	108,020
55 Multifamily	622	569	872	978	958	918	872	2,317
56 Federal National Mortgage Association	25,121	36,215	54,987	39,370	42,755	48,769	54,987	62,310
57 1- to 4-family	25,121	35,965	54,036	38,772	41,985	47,857	54,036	61,117
58 Multifamily	n.a.	250	951	598	770	912	951	1,193
59 Farmers Home Administration	42,207	45,039	47,523	45,710	46,741	47,238	47,523	47,706
60 1- to 4-family	20,404	21,813	22,186	21,928	21,962	22,090	22,186	22,082
61 Multifamily	5,090	5,841	6,675	6,041	6,377	6,415	6,675	6,943
62 Commercial	7,351	7,559	8,190	7,681	8,014	8,192	8,190	8,150
63 Farm	9,362	9,826	10,472	10,060	10,388	10,541	10,472	10,531
64 Individuals and others[4]	247,358	263,933	284,430	268,415	273,337	279,351	284,430	289,019
65 1- to 4-family	141,758	151,871	164,710	153,574	157,807	162,970	164,710	167,604
66 Multifamily	38,786	42,017	45,417	43,715	43,520	44,100	45,417	46,103
67 Commercial	35,169	40,977	47,108	42,081	43,344	44,511	47,108	48,375
68 Farm	31,645	29,068	27,195	29,045	28,666	27,770	27,195	26,937

1. Includes loans held by nondeposit trust companies but not bank trust departments.
2. Assumed to be entirely 1- to 4-family loans.
3. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated.
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 other U.S. agencies.

NOTE. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

1.55 CONSUMER INSTALLMENT CREDIT[1,4] Total Outstanding, and Net Change, seasonally adjusted

Millions of dollars

Holder, and type of credit	1984	1985	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.	1986 May
	Amounts outstanding (end of period)										
1 **Total**	**453,580**	**535,098**	**516,420**	**522,978**	**528,621**	**535,098**	**542,753**	**547,852**	**550,939**	**555,235r**	**560,625**
By major holder											
2 Commercial banks	209,158	240,796	233,545	235,364	238,620	240,796	243,256	244,761	245,172	247,498r	248,195
3 Finance companies[2]	96,126	120,095	114,927	117,565	118,356	120,095	123,717	126,001	127,422	128,154	130,625
4 Credit unions	66,544	75,127	72,433	73,474	74,117	75,127	75,810	76,431	76,953	77,957r	78,117
5 Retailers[3]	37,061	39,187	38,723	38,890	39,039	39,187	39,416	39,497	39,844	39,826	40,139
6 Savings institutions	40,330	55,555	52,656	53,509	54,307	55,555	56,290	57,048	57,573	58,024	59,995
7 Gasoline companies	4,361	4,337	4,136	4,176	4,182	4,337	4,264	4,114	3,975	3,777	3,554
By major type of credit											
8 Automobile	173,122	206,482	198,656	201,994	203,766	206,482	210,661	213,342	214,361	215,239r	218,058
9 Commercial banks	83,900	92,764	90,784	91,402	92,127	92,764	93,489	93,828	93,377	93,013r	92,987
10 Credit unions	28,614	30,577	29,556	29,904	30,166	30,577	30,855	31,107	31,320	31,728r	31,793
11 Finance companies	54,663	73,391	69,201	71,415	71,996	73,391	76,410	78,310	79,416	80,111	82,674
12 Savings institutions	5,945	9,750	9,115	9,273	9,477	9,750	9,907	10,097	10,248	10,386	10,604
13 Revolving	98,514	118,296	113,850	115,218	117,050	118,296	119,682	120,724	122,131	123,442r	124,367
14 Commercial banks	58,145	73,893	70,453	71,507	73,076	73,893	74,991	75,953	77,021	78,421r	79,000
15 Retailers	33,064	34,560	34,264	34,382	34,486	34,560	34,770	34,843	35,188	35,170	35,449
16 Gasoline companies	4,361	4,337	4,136	4,176	4,182	4,337	4,264	4,114	3,975	3,777	3,554
17 Savings institutions	2,944	5,506	4,997	5,153	5,306	5,506	5,657	5,813	5,947	6,075	6,366
18 Mobile home	24,184	25,461	25,341	25,320	25,315	25,461	25,371	25,573	25,584	25,513r	25,505
19 Commercial banks	9,623	9,578	9,662	9,596	9,584	9,578	9,457	9,566	9,348	9,264r	9,190
20 Finance companies	9,161	9,116	9,092	9,089	9,057	9,116	9,125	9,161	9,327	9,286	9,115
21 Savings institutions	5,400	6,767	6,587	6,635	6,674	6,767	6,789	6,846	6,909	6,963	7,199
22 Other	157,760	184,859	178,573	180,446	182,490	184,859	187,039	188,212	188,863	191,041r	192,694
23 Commercial banks	57,490	64,561	62,646	62,859	63,833	64,561	65,319	65,414	65,427	66,800r	67,018
24 Finance companies	32,302	37,588	36,634	37,061	37,303	37,588	38,182	38,530	38,678	38,757	38,836
25 Credit unions	37,930	44,550	42,877	43,570	43,951	44,550	44,955	45,323	45,633	46,228r	46,323
26 Retailers	3,997	4,627	4,459	4,508	4,553	4,627	4,646	4,653	4,656	4,656	4,690
27 Savings institutions	26,041	33,533	31,957	32,448	32,850	33,533	33,937	34,291	34,469	34,600	35,827
	Net change (during period)										
28 **Total**	**77,341**	**81,518**	**10,330**	**6,558**	**5,643**	**6,477**	**7,655**	**5,099**	**3,087**	**4,296r**	**5,390**
By major holder											
29 Commercial banks	39,819	31,638	2,901	1,819	3,256	2,176	2,460	1,505	411	2,326r	697
30 Finance companies[2]	9,961	23,969	5,470	2,638	791	1,739	3,622	2,284	1,421	732	2,471
31 Credit unions	13,456	8,583	495	1,041	643	1,010	683	621	522	1,004r	160
32 Retailers[3]	2,900	2,126	-28	167	149	148	229	81	347	-18	313
33 Savings institutions	11,038	15,225	1,541	853	798	1,248	735	758	525	451	1,971
34 Gasoline companies	167	-24	-49	40	6	155	-73	-150	-139	-198	-223
By major type of credit											
35 Automobile	27,214	33,360	5,733	3,338	1,772	2,716	4,179	2,681	1,019	878r	2,819
36 Commercial banks	16,352	8,864	550	618	725	637	725	339	-451	-364r	-26
37 Credit unions	3,223	1,963	-219	348	262	411	278	252	213	408r	65
38 Finance companies	4,576	18,728	5,130	2,214	581	1,395	3,019	1,900	1,106	695	2,563
39 Savings institutions	3,063	3,805	272	158	204	273	157	190	151	138	218
40 Revolving	20,145	19,782	1,477	1,368	1,832	1,246	1,386	1,042	1,407	1,311r	925
41 Commercial banks	15,949	15,748	1,374	1,054	1,569	817	1,098	962	1,068	1,400r	579
42 Retailers	2,512	1,496	-66	118	104	74	210	73	345	-18	279
43 Gasoline companies	167	-24	-49	40	6	155	-73	-150	-139	-198	-223
44 Savings institutions	1,517	2,562	218	156	153	200	151	156	134	128	291
45 Mobile home	1,990	1,277	168	-21	-5	146	-90	202	11	-71r	-8
46 Commercial banks	-199	-45	54	-66	-12	-6	-121	109	-218	-84r	-74
47 Finance companies	544	-45	-22	-3	-32	59	9	36	166	-41	-171
48 Savings institutions	1,645	1,367	136	48	39	93	22	57	63	54	236
49 Other	27,992	27,099	2,952	1,873	2,044	2,369	2,180	1,173	651	2,178r	1,653
50 Commercial banks	7,717	7,071	923	213	974	728	758	95	13	1,373r	218
51 Finance companies	4,841	5,286	362	427	242	285	594	348	148	79	79
52 Credit unions	10,233	6,620	714	693	381	599	405	368	310	595r	95
53 Retailers	388	630	38	49	45	74	19	7	3	0	34
54 Savings institutions	4,813	7,492	915	491	402	683	404	354	178	131	1,227

1. The Board's series cover most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.
2. More detail for finance companies is available in the G.20 statistical release.
3. Excludes 30-day charge credit held by travel and entertainment companies.
4. All data have been revised.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

	Item	1983	1984	1985	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.	1986 May
	INTEREST RATES										
	Commercial banks[1]										
1	48-month new car[2]	13.92	13.71	12.91	12.39	n.a.	n.a.	12.29	n.a.	n.a.	11.45
2	24-month personal	16.68r	16.47	15.94	15.61	n.a.	n.a.	15.52	n.a.	n.a.	14.89
3	120-month mobile home[2]	16.08	15.58	14.96	14.66	n.a.	n.a.	14.57	n.a.	n.a.	13.97
4	Credit card	18.78	18.77	18.69	18.57	n.a.	n.a.	18.48	n.a.	n.a.	18.32
	Auto finance companies										
5	New car	12.58	14.62	11.98	11.71	12.52	9.99	9.70	10.51	10.55	9.49
6	Used car	18.74	17.85	17.59	17.28	17.22	16.60	16.74	16.63	16.67	16.56
	OTHER TERMS[3]										
	Maturity (months)										
7	New car	45.9	48.3	51.5	52.0	52.1	51.2	51.3	51.0	50.6	49.4
8	Used car	37.9	39.7	41.4	41.5	41.4	42.8	42.5	42.4	42.5	42.5
	Loan-to-value ratio										
9	New car	86	88	91	92	92	92	92	90	89	89
10	Used car	92	92	94	95	95	95	95	95	96	97
	Amount financed (dollars)										
11	New car	8,787	9,333	9,915	10,205	9,925	10,064	10,074	10,306	10,402	10,521
12	Used car	5,033	5,691	6,089	6,167	6,255	6,165	6,194	6,207	6,281	6,393

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	1980	1981	1982	1983	1984	1985	1983		1984		1985	
							H1	H2	H1	H2	H1	H2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**341.8**	**372.7**	**395.3**	**542.9**	**765.9**	**898.2**	**506.0**	**579.7**	**713.4**	**818.4**	**729.2**	**1,066.6**
By sector and instrument												
2 U.S. government	79.2	87.4	161.3	186.6	198.8	223.6	221.9	151.2	172.2	225.4	183.2	263.6
3 Treasury securities	79.8	87.8	162.1	186.7	199.0	223.7	222.0	151.4	172.4	225.5	183.3	263.7
4 Agency issues and mortgages	-.6	-.5	-.9	-.1	-.2	-.1	-.1	-.1	-.2	-.1	-.1	-.1
5 Private domestic nonfinancial sectors	262.6	285.3	234.1	356.3	567.1	674.5	284.1	428.5	541.2	593.1	546.0	803.0
6 Debt capital instruments	188.1	154.5	152.6	253.7	325.3	492.9	227.3	280.1	287.7	362.8	370.0	615.2
7 Tax-exempt obligations	30.3	23.4	48.6	57.3	65.8	182.8	57.3	57.4	38.9	92.6	88.3	277.2
8 Corporate bonds	26.7	21.8	18.7	16.0	47.1	72.9	21.4	10.6	31.9	62.3	71.9	73.2
9 Mortgages	131.2	109.3	85.4	180.3	212.4	237.3	148.6	212.1	216.9	207.9	209.8	264.9
10 Home mortgages	94.2	72.2	50.5	116.9	130.7	155.3	98.7	135.2	135.6	125.7	130.8	180.0
11 Multifamily residential	7.6	4.8	5.4	11.9	20.7	26.1	6.1	17.6	23.6	17.7	22.3	30.0
12 Commercial	19.2	22.2	25.2	48.9	62.0	60.8	42.2	55.7	58.5	65.6	59.0	62.7
13 Farm	10.2	10.0	4.2	2.6	-1.0	-5.0	1.6	3.6	-.8	-1.2	-2.2	-7.8
14 Other debt instruments	74.5	130.8	81.4	102.6	241.9	181.6	56.8	148.4	253.5	230.2	175.9	187.7
15 Consumer credit	4.7	22.6	17.7	56.7	94.8	96.6	38.0	75.4	98.0	91.6	98.3	95.0
16 Bank loans n.e.c.	37.0	54.7	54.2	26.8	79.5	39.4	13.7	39.8	89.9	69.0	28.3	51.0
17 *Open market paper*	5.7	19.2	-4.7	-1.6	24.2	12.4	-10.0	6.9	33.5	15.0	16.9	7.9
18 Other	27.1	34.4	14.2	20.7	43.3	33.2	15.1	26.3	32.1	54.6	32.5	33.9
19 By borrowing sector	262.6	285.3	234.1	356.3	567.1	674.5	284.1	428.5	541.2	593.1	546.0	803.0
20 State and local governments	17.2	6.8	25.9	37.6	45.0	140.9	36.0	39.2	21.4	68.6	74.1	207.6
21 Households	118.9	119.7	87.9	187.4	239.2	294.0	152.3	222.6	236.0	242.3	244.3	343.9
22 Farm	15.2	16.6	6.8	4.1	-.1	-11.9	.8	7.4	-.7	.5	-7.6	-16.2
23 Nonfarm noncorporate	31.2	38.6	41.3	70.8	90.8	85.4	56.1	85.5	96.9	84.7	84.4	86.4
24 Corporate	80.1	103.6	72.1	56.4	192.3	166.1	39.0	73.8	187.7	196.9	150.7	181.2
25 Foreign net borrowing in United States	27.2	27.2	15.7	18.9	2.8	1.5	15.4	22.4	23.0	-17.4	-3.2	6.2
26 Bonds	.8	5.4	6.7	3.8	4.1	3.9	4.6	2.9	1.1	7.0	5.1	2.7
27 Bank loans n.e.c.	11.5	3.7	-6.2	4.9	-7.8	-3.1	11.4	-1.6	-4.5	-11.1	-5.4	-.8
28 Open market paper	10.1	13.9	10.7	6.0	2.5	-.6	-4.6	16.5	20.9	-16.0	-5.4	4.2
29 U.S. government loans	4.7	4.2	4.5	4.3	4.0	1.3	3.9	4.6	5.5	2.6	2.4	.1
30 **Total domestic plus foreign**	**369.0**	**399.9**	**411.0**	**561.7**	**768.7**	**899.7**	**521.3**	**602.1**	**736.4**	**801.0**	**725.9**	**1,072.8**
	Financial sectors											
31 **Total net borrowing by financial sectors**	**57.6**	**89.0**	**80.2**	**89.2**	**138.2**	**193.7**	**69.1**	**109.3**	**126.5**	**149.9**	**167.2**	**220.1**
By instrument												
32 U.S. government related	44.8	47.4	64.9	67.8	74.9	101.6	66.2	69.4	69.6	80.1	92.7	110.4
33 Sponsored credit agency securities	24.4	30.5	14.9	1.4	30.4	20.6	-4.1	6.9	29.9	30.9	26.0	15.1
34 Mortgage pool securities	19.2	15.0	49.5	66.4	44.4	79.9	70.3	62.5	39.7	49.2	66.7	93.1
35 Loans from U.S. government	1.2	1.9	.4	......	......	1.1	......	......	......	......	......	2.2
36 Private financial sectors	12.8	41.6	15.3	21.4	63.3	92.1	2.9	40.0	56.9	69.7	74.5	109.7
37 Corporate bonds	1.8	3.5	13.7	12.6	25.9	31.2	10.3	14.9	20.7	31.1	32.2	29.8
38 Mortgages	*	*	.1	*	.4	.1	*	*	.4	.4	*	.1
39 Bank loans n.e.c.	-.9	.9	1.9	-.2	1.0	5.3	-3.3	3.0	-.5	2.4	1.7	9.2
40 Open market paper	4.8	20.9	-1.1	16.0	20.4	41.3	7.9	24.1	20.4	20.4	28.8	53.9
41 Loans from Federal Home Loan Banks	7.1	16.2	.8	-7.0	15.7	14.2	-12.1	-2.0	15.9	15.5	11.7	16.7
By sector												
42 Sponsored credit agencies	25.6	32.4	15.3	1.4	30.4	21.7	-4.1	6.9	29.9	30.9	26.0	17.3
43 Mortgage pools	19.2	15.0	49.5	66.4	44.4	79.9	70.3	62.5	39.7	49.2	66.7	93.1
44 *Private financial sectors*	12.8	41.6	15.3	21.4	63.3	92.1	2.9	40.0	56.9	69.7	74.5	109.7
45 Commercial banks	.5	.4	1.2	.5	4.4	5.4	.8	.2	4.8	3.9	5.2	5.7
46 Bank affiliates	6.9	8.3	5.9	12.6	16.9	9.2	10.1	15.1	26.0	7.8	9.2	9.2
47 Savings and loan associations	7.4	15.5	2.5	-2.1	22.7	22.1	-9.3	5.2	19.7	25.6	11.1	33.0
48 Finance companies	-1.1	18.2	6.3	11.3	19.3	55.9	2.1	20.5	6.3	32.4	49.6	62.2
49 REITs	-.5	-.2	*	-.2	.8	.5	-.1	-.3	.8	.8	.5	.5
	All sectors											
50 **Total net borrowing**	**426.6**	**488.9**	**491.2**	**651.0**	**906.9**	**1093.4**	**590.4**	**711.5**	**863.0**	**950.9**	**893.2**	**1,292.9**
51 U.S. government securities	122.9	133.0	225.9	254.4	273.8	324.2	288.2	220.7	241.9	305.6	276.0	371.9
52 State and local obligations	30.3	23.4	48.6	57.3	65.8	182.8	57.3	57.4	38.9	92.6	88.3	277.2
53 Corporate and foreign bonds	29.3	30.7	39.0	32.4	77.1	108.0	36.3	28.4	53.8	100.5	109.3	105.7
54 Mortgages	131.1	109.2	85.4	180.3	212.7	237.3	148.6	212.0	217.2	208.2	209.8	264.9
55 Consumer credit	4.7	22.6	17.7	56.7	94.8	96.6	38.0	75.4	98.0	91.6	98.3	95.0
56 Bank loans n.e.c.	47.7	59.2	49.9	31.5	72.7	41.7	21.8	41.2	84.9	60.4	24.6	59.4
57 Open market paper	20.6	54.0	4.9	20.4	47.1	53.1	-6.7	47.5	74.8	19.3	40.4	66.0
58 Other loans	40.1	56.7	19.9	17.9	63.0	49.7	6.9	29.0	53.4	72.7	46.6	52.9
	External corporate equity funds raised in United States											
59 **Total new share issues**	**21.2**	**-3.3**	**33.6**	**66.3**	**-33.6**	**32.9**	**81.9**	**50.7**	**-41.2**	**-25.9**	**25.7**	**40.1**
60 Mutual funds	4.5	6.0	16.8	31.5	37.1	105.3	35.3	27.7	39.0	35.3	92.0	118.6
61 All other	16.8	-9.3	16.8	34.8	-70.7	-72.4	46.6	23.0	-80.2	-61.2	-66.3	-78.4
62 Nonfinancial corporations	12.9	-11.5	11.4	28.3	-77.0	-81.6	38.2	18.4	-84.5	-69.4	-75.7	-87.5
63 Financial corporations	1.8	1.9	4.0	2.5	5.2	5.3	2.6	2.4	5.0	5.3	5.1	5.4
64 Foreign shares purchased in United States	2.1	.3	1.5	4.0	1.1	4.0	5.7	2.2	-.7	2.9	4.3	3.6

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	1980	1981	1982	1983	1984	1985	1983 H1	1983 H2	1984 H1	1984 H2	1985 H1	1985 H2
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**341.8**	**372.7**	**395.3**	**542.9**	**765.9**	**898.2**	**506.0**	**579.7**	**713.4**	**818.4**	**729.2**	**1,066.6**
By public agencies and foreign												
2 Total net advances	97.1	97.7	114.1	117.4	144.6	216.4	120.5	114.4	124.2	165.1	197.6	236.9
3 U.S. government securities	15.8	17.1	22.7	27.6	36.0	45.7	41.0	14.1	30.5	41.4	48.0	45.1
4 Residential mortgages	31.7	23.5	61.0	76.1	56.5	94.7	80.2	72.1	52.8	60.1	86.0	103.4
5 FHLB advances to savings and loans	7.1	16.2	.8	-7.0	15.7	14.2	-12.1	-2.0	15.9	15.5	11.7	16.7
6 Other loans and securities	42.5	40.9	29.5	20.8	36.6	61.8	11.4	30.2	25.0	48.1	52.0	71.6
Total advanced, by sector												
7 U.S. government	23.7	24.0	15.9	9.7	17.1	17.4	9.1	10.3	7.8	26.4	18.1	16.8
8 Sponsored credit agencies	45.6	48.2	65.5	69.8	73.3	101.6	68.6	71.0	73.6	73.0	97.7	105.5
9 Monetary authorities	4.5	9.2	9.8	10.9	8.4	21.6	15.7	6.1	12.1	4.7	27.1	16.4
10 Foreign	23.3	16.2	22.8	27.1	45.9	75.7	27.2	27.0	30.7	61.0	54.7	98.2
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	44.8	47.4	64.9	67.8	74.9	101.6	66.2	69.4	69.6	80.1	92.7	110.4
12 Foreign	27.2	27.2	15.7	18.9	2.8	1.5	15.4	22.4	23.0	-17.4	-3.2	6.2
Private domestic funds advanced												
13 Total net advances	316.7	349.6	361.8	512.1	699.0	784.9	467.1	557.1	681.8	716.1	621.0	946.3
14 U.S. government securities	107.1	115.9	203.1	226.9	237.8	278.5	247.2	206.6	211.4	264.2	228.0	326.8
15 State and local obligations	30.3	23.4	48.6	57.3	65.8	182.8	57.3	57.4	38.9	92.6	88.3	277.2
16 Corporate and foreign bonds	19.3	18.8	14.8	14.9	34.8	33.6	21.4	8.5	25.3	44.3	43.5	23.0
17 Residential mortgages	70.0	53.5	-5.3	52.6	94.8	86.7	24.6	80.6	106.3	83.3	67.0	106.5
18 Other mortgages and loans	97.1	154.2	101.4	153.0	281.5	217.6	104.6	202.0	315.8	247.1	205.9	229.6
19 LESS: Federal Home Loan Bank advances	7.1	16.2	.8	-7.0	15.7	14.2	-12.1	-2.0	15.9	15.5	11.7	16.7
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	283.8	321.7	288.4	384.6	555.6	555.2	332.0	437.2	552.5	558.7	448.9	659.9
21 Commercial banking	100.6	102.3	107.2	136.1	181.7	196.6	121.0	151.3	195.2	168.1	142.6	251.9
22 Savings institutions	54.5	27.8	30.1	139.8	146.3	86.0	131.3	148.3	167.9	124.7	57.4	114.8
23 Insurance and pension funds	94.5	97.6	107.4	94.2	119.0	125.2	83.0	105.3	112.0	126.0	101.6	148.7
24 Other finance	34.2	94.0	43.7	14.5	108.6	147.4	-3.3	32.3	77.4	139.9	147.3	144.5
25 Sources of funds	283.8	321.7	288.4	384.6	555.2	555.2	332.0	437.2	552.5	558.7	448.9	659.9
26 Private domestic deposits and RPs	169.6	211.9	196.2	209.3	298.8	194.5	203.8	214.8	292.2	305.5	177.9	208.5
27 Credit market borrowing	12.8	41.6	15.3	21.4	63.3	92.1	2.9	40.0	56.9	69.7	74.5	109.7
28 Other sources	101.3	68.2	77.0	153.9	193.5	268.6	125.3	182.4	203.4	183.5	196.5	341.7
29 Foreign funds	-21.7	-8.7	-26.7	22.1	19.0	14.0	-14.2	58.5	27.2	10.9	10.7	15.4
30 Treasury balances	-2.6	-1.1	6.1	-5.3	4.0	10.3	9.9	-20.6	1.2	6.8	19.3	.7
31 Insurance and pension reserves	83.7	90.7	103.2	95.1	110.3	116.7	83.5	106.8	119.5	101.2	100.6	132.9
32 Other, net	41.8	-12.7	-5.6	41.9	60.1	127.6	46.1	37.7	55.5	64.6	66.0	192.7
Private domestic nonfinancial investors												
33 Direct lending in credit markets	45.8	69.5	88.7	148.9	206.7	321.8	137.9	159.9	186.3	227.1	246.6	396.1
34 U.S. government securities	24.6	29.3	32.1	88.3	125.8	164.1	96.9	79.7	126.3	125.3	119.1	206.5
35 State and local obligations	7.0	11.1	29.2	43.5	43.2	90.4	47.2	39.9	25.3	61.2	47.0	133.6
36 Corporate and foreign bonds	-11.0	-3.9	8.1	-5.5	15.3	3.1	-10.8	-.3	7.5	23.0	40.3	-32.4
37 Open market paper	-3.1	2.7	-.6	6.5	-1.4	37.2	-6.6	19.7	3.2	-6.1	11.7	62.8
38 Other	28.4	30.3	19.9	16.1	23.8	27.1	11.3	20.8	24.0	23.7	28.5	25.7
39 Deposits and currency	181.1	221.9	203.3	228.4	303.4	206.9	225.6	231.3	303.6	303.2	191.8	219.3
40 Currency	10.3	9.5	9.7	14.3	8.6	12.4	14.8	13.8	15.9	1.3	18.5	6.3
41 Checkable deposits	5.4	18.1	17.6	26.7	24.1	43.5	53.0	-.4	30.4	17.7	15.9	69.3
42 Small time and savings accounts	82.9	47.0	138.1	218.3	149.8	128.8	278.9	157.7	130.7	169.0	156.6	100.6
43 Money market fund shares	29.2	107.5	24.7	-44.1	47.2	-2.2	-84.0	-4.2	30.2	64.2	4.2	-8.6
44 Large time deposits	45.6	36.8	11.9	-5.9	83.6	14.3	-55.1	43.4	97.6	69.6	-.5	28.6
45 Security RPs	6.5	2.5	3.8	14.3	-5.8	10.1	11.0	17.5	3.3	-15.0	1.7	18.5
46 Deposits in foreign countries	1.1	.5	-2.5	4.8	-4.0	*	7.0	2.7	-4.5	-3.6	-4.5	4.5
47 **Total of credit market instruments, deposits and currency**	**226.9**	**291.4**	**292.0**	**377.3**	**510.1**	**528.7**	**363.5**	**391.2**	**489.9**	**530.3**	**438.4**	**615.4**
48 Public holdings as percent of total	26.3	24.4	27.8	20.9	18.8	24.0	23.1	19.0	16.9	20.6	27.2	22.1
49 Private financial intermediation (in percent)	89.6	92.0	79.7	75.1	79.5	70.7	71.1	78.5	81.0	78.0	72.3	69.7
50 Total foreign funds	1.6	7.6	-3.9	49.2	64.9	89.7	13.0	85.5	57.9	71.9	65.4	113.6
MEMO: Corporate equities not included above												
51 **Total net issues**	**21.2**	**-3.3**	**33.6**	**66.3**	**-33.6**	**32.9**	**81.9**	**50.7**	**-41.2**	**-25.9**	**25.7**	**40.1**
52 Mutual fund shares	4.5	6.0	16.8	31.5	37.1	105.3	35.3	27.7	39.0	35.3	92.0	118.6
53 Other equities	16.8	9.3	16.8	34.8	-70.7	-72.4	46.6	23.0	-80.2	-61.2	-66.3	-78.4
54 Acquisitions by financial institutions	24.9	20.9	36.9	56.7	10.3	43.8	76.4	36.9	2.1	18.5	60.7	23.9
55 Other net purchases	-3.6	-24.3	-3.3	9.6	-43.9	-10.9	5.5	13.7	-43.4	-44.5	-35.0	16.2

NOTES BY LINE NUMBER.
1. Line 1 of table 1.57.
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, less claims on foreign affiliates and deposits by banking in foreign banks.
30. Demand deposits and note balances at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 13 less line 20 plus line 27.
34-38. Lines 14-18 less amounts acquired by private finance plus amounts borrowed 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	1983	1984	1985	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.[r]	1986 Apr.[r]	1986 May[r]	1986 June
1 **Industrial production**	**109.2**	**121.8**	**124.5**	**124.4**	**125.4**	**126.4**	**126.7**	**125.6**	**124.4**	**125.2**	**124.7**	**124.1**
Market groupings												
2 Products, total	113.9	127.1	131.7	131.8	133.5	134.1	134.4	133.1	132.1	133.1	132.6	131.8
3 *Final, total*	114.7	127.8	132.0	131.9	133.7	134.4	134.4	132.8	131.5	132.6	131.9	131.2
4 Consumer goods	109.3	118.2	120.7	120.8	122.7	124.2	123.9	123.2	122.5	124.4	123.9	123.7
5 Equipment	121.7	140.5	147.1	146.6	148.3	147.9	148.4	145.5	143.4	143.5	142.6	141.1
6 Intermediate	111.2	124.9	130.6	131.5	132.7	132.9	134.4	134.1	134.1	135.0	134.9	134.0
7 Materials	102.8	114.6	114.7	114.2	114.3	115.9	116.2	115.4	114.0	114.4	113.9	113.4
Industry groupings												
8 Manufacturing	110.2	123.9	127.1	127.2	128.4	129.1	129.8	128.8	128.0	128.9	128.6	127.9
Capacity utilization (percent)[2]												
9 Manufacturing	74.0	80.8	80.3	79.6	80.2	80.4	80.7	79.8	79.1	79.5	79.2	78.6
10 *Industrial materials industries*	75.3	82.3	80.2	79.3	79.2	80.1	80.2	79.6	78.5	78.7	78.3	77.9
11 Construction contracts (1977 = 100)[3]	138.0	150.0	161.0	168.0	162.0	162.0	146.0	162.0	149.0	176.0	160.0	161.0
12 Nonagricultural employment, total[4]	109.4	114.5	118.5	119.4	119.6	119.9	120.4	120.6	120.6	121.0	121.1	121.0
13 Goods-producing, total	95.9	101.6	102.9	102.3	102.4	102.6	103.1	102.9	102.5	102.9	102.6	102.1
14 Manufacturing, total	93.6	98.6	98.7	97.7	97.8	98.0	98.0	98.0	97.8	97.8	97.5	97.2
15 Manufacturing, production-worker	88.6	94.1	93.5	92.4	92.5	92.7	92.7	92.6	92.4	92.4	92.1	91.9
16 Service-producing	115.0	120.0	125.0	126.5	126.9	127.2	127.6	128.0	128.2	128.6	128.9	129.0
17 Personal income, total	176.4	193.6	206.2	208.9[r]	209.8[r]	212.6[r]	212.6[r]	213.7[r]	214.3	216.8	216.2	216.4
18 Wages and salary disbursements	168.6	184.6	197.8	200.9[r]	202.3[r]	204.4[r]	204.8[r]	205.7[r]	206.4	206.6	206.9	207.6
19 Manufacturing	149.0	164.6	172.5[r]	174.2[r]	174.9[r]	176.8[r]	176.6[r]	176.2[r]	176.4	175.5	175.7	175.1
20 Disposable personal income[5]	184.2[r]	202.6[r]	214.6[r]	217.1[r]	217.9[r]	221.1[r]	221.6[r]	222.8[r]	223.7	226.6	225.8	225.7
21 Retail sales (1977 = 100)[6]	162.0	179.0	190.6	190.6	191.6	194.0	194.8	194.5	193.7	195.4	196.7	197.0
Prices[7]												
22 Consumer	298.4	311.1	322.2	325.5	326.6	327.4	328.4	327.5	326.0	325.3	326.3	327.9
23 Producer finished goods	285.2	291.1	293.7	294.7	296.4	297.2	296.0	291.9[r]	288.1	286.9	289.0	288.9

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 were 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	1983	1984	1985	1985		1986					
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May^r	June
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**176,414**	**178,602**	**180,440**	**181,186**	**181,349**	**181,898**	**182,055**	**182,223**	**182,387**	**182,545**	**182,732**
2 Labor force (including Armed Forces)[1]	113,749	115,763	117,695	118,376	118,466	119,014	119,322	119,445	119,473	119,898	120,345
3 Civilian labor force	*111,550*	*113,544*	*115,461*	*116,130*	*116,229*	*116,786*	*117,088*	*117,207*	*117,234*	*117,664*	*118,116*
Employment											
4 Nonagricultural industries[2]	97,450	101,685	103,971	104,899	105,055	105,655	105,465	105,503	105,670	105,950	106,508
5 Agriculture	3,383	3,321	3,179	3,070	3,151	3,299	3,096	3,285	3,222	3,160	3,165
Unemployment											
6 Number	10,717	8,539	8,312	8,161	8,023	7,831	8,527	8,419	8,342	8,554	8,443
7 Rate (percent of civilian labor force)	9.6	7.5	7.2	7.0	6.9	6.7	7.3	7.2	7.1	7.3	7.1
8 Not in labor force	62,665	62,839	62,745	62,810	62,883	62,884	62,733	62,778	62,914	62,647	62,387
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**90,196**	**94,461**	**97,698**	**98,666**	**98,910**	**99,296**	**99,429**	**99,484**	**99,783^r**	**99,908**	**99,819**
10 Manufacturing	18,434	19,412	19,426	19,259	19,289	19,303	19,294	19,255	19,245^r	19,200	19,144
11 Mining	952	974	969	907	901	897	880	852	821	788	769
12 Contract construction	3,948	4,345	4,661	4,765	4,787	4,901	4,864	4,838	4,972^r	4,976	4,946
13 Transportation and public utilities	4,954	5,171	5,300	5,272	5,277	5,286	5,277	5,280	5,266^r	5,262	5,170
14 Trade	20,881	22,134	23,195	23,385	23,431	23,564	23,638	23,669	23,715^r	23,771	23,743
15 Finance	5,468	5,682	5,924	6,070	6,095	6,123	6,157	6,184	6,228^r	6,256	6,275
16 Service	19,694	20,761	21,929	22,415	22,501	22,585	22,638	22,707	22,825^r	22,912	23,057
17 Government	15,869	15,984	16,295	16,593	16,629	16,637	16,681	16,699	16,711^r	16,743	16,715

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).

4. In addition to the revisions noted here, data for January through June 1985 have been revised as follows: Jan., 21,382; Feb., 21,480; Mar., 21,644; Apr., 21,723; May, 21,813; and June, 21,856. These data were reported incorrectly in the BULLETIN for November 1985 through March 1986.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	Output (1977 = 100) 1985 Q3	1985 Q4	1986 Q1r	1986 Q2	Capacity (percent of 1977 output) 1985 Q3	1985 Q4	1986 Q1	1986 Q2	Utilization rate (percent) 1985 Q3	1985 Q4	1986 Q1r	1986 Q2
1 **Total industry**	**124.8**	**125.4**	**125.6**	**124.7**	**155.1**	**156.2**	**157.2**	**158.1**	**80.5**	**80.3**	**79.9**	**78.8**
2 Mining	108.5	107.6	105.1	100.5	133.9	134.1	134.3	134.3	81.0	80.2	78.3	74.8
3 Utilities	111.4	113.7	113.1	112.1	135.4	136.3	136.9	137.3	82.3	83.4	82.6	81.6
4 **Manufacturing**	**127.6**	**128.2**	**128.9**	**128.5**	**158.9**	**160.2**	**161.3**	**162.4**	**80.3**	**80.0**	**79.9**	**79.1**
5 Primary processing	109.5	110.4	111.7	110.7	132.4	132.8	133.2	133.6	82.7	83.1	83.8	82.9
6 Advanced processing	138.6	139.0	139.1	139.2	174.9	176.7	178.3	179.7	79.2	78.7	78.0	77.5
7 **Materials**	**114.2**	**114.8**	**115.2**	**113.9**	**143.4**	**144.3**	**145.0**	**145.5**	**79.6**	**79.5**	**79.4**	**78.3**
8 Durable goods	120.7	121.4	121.6	119.2	158.9	160.5	161.6	162.2	76.0	75.6	75.3	73.5
9 Metal materials	79.4	82.4	80.2	76.2	117.3	117.3	116.7	115.6	67.7	70.3	68.7	65.9
10 Nondurable goods	113.7	113.8	115.7	116.4	138.2	138.7	139.1	139.4	82.2	82.0	83.2	83.5
11 Textile, paper, and chemical	114.1	114.0	116.2	116.6	137.4	137.8	138.1	138.4	83.0	82.7	84.1	84.3
12 Paper	123.8	124.5	128.3	n.a.	136.3	136.5	136.8	n.a.	90.8	91.2	93.8	n.a.
13 Chemical	114.6	114.2	115.7	n.a.	142.6	143.1	143.5	n.a.	80.4	79.8	80.6	n.a.
14 Energy materials	103.2	104.2	103.6	102.5	120.6	120.9	121.2	121.5	85.5	86.1	85.4	84.3

Capacity utilization rate (percent)

Series	Previous cycle[1] High	Previous cycle[1] Low	Latest cycle[2] High	Latest cycle[2] Low	1985 June	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.r	1986 Apr.r	1986 Mayr	1986 June
15 **Total industry**	**88.6**	**72.1**	**86.9**	**69.5**	**80.5**	**79.8**	**80.3**	**80.7**	**80.8**	**79.9**	**79.0**	**79.4**	**78.9**	**78.3**
16 Mining	92.8	87.8	95.2	76.9	82.7	80.9	79.7	80.0	80.0	78.4	76.4	76.0	74.7	73.6
17 Utilities	95.6	82.9	88.5	78.0	84.1	82.7	82.3	85.3	83.8	82.1	81.8	82.2	81.3	81.4
18 **Manufacturing**	**87.7**	**69.9**	**86.5**	**68.0**	**80.1**	**79.6**	**80.2**	**80.4**	**80.7**	**79.8**	**79.1**	**79.5**	**79.2**	**78.6**
19 Primary processing	91.9	68.3	89.1	65.1	82.0	83.1	83.0	83.3	84.8	83.9	82.9	83.3	83.1	82.1
20 Advanced processing	86.0	71.1	85.1	69.5	79.3	78.0	79.0	79.0	78.8	78.1	77.2	77.9	77.5	77.1
21 **Materials**	**92.0**	**70.5**	**89.1**	**68.4**	**80.1**	**79.3**	**79.2**	**80.1**	**80.2**	**79.6**	**78.5**	**78.7**	**78.3**	**77.9**
22 Durable goods	91.8	64.4	89.8	60.9	76.5	75.2	75.8	75.8	76.4	75.2	74.2	74.1	73.5	73.0
23 Metal materials	99.2	67.1	93.6	45.7	69.0	69.4	70.8	70.7	71.3	68.4	66.4	66.8	66.6	64.4
24 Nondurable goods	91.1	66.7	88.1	70.6	81.0	81.9	81.5	82.7	83.5	83.7	82.4	83.5	83.5	83.4
25 Textile, paper, and chemical	92.8	64.8	89.4	68.6	81.4	82.4	82.1	83.5	84.3	84.6	83.4	84.2	84.3	84.4
26 Paper	98.4	70.6	97.3	79.9	90.5	88.8	90.1	94.7	94.8	93.7	92.9	93.6	93.1	....
27 Chemical	92.5	64.4	87.9	63.3	79.2	80.5	78.8	80.1	81.1	80.9	79.9	80.4	81.0	....
28 Energy materials	94.6	86.9	94.0	82.2	87.3	86.2	84.7	87.4	85.9	85.7	84.7	84.7	84.4	83.9

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	1985 avg.	1985 June	1985 July	1985 Aug.	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.[r]	1986 Apr.	1986 May[p]	1986 June[e]
			Index (1977 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**124.5**	**124.3**	**124.1**	**125.2**	**125.1**	**124.4**	**125.4**	**126.4**	**126.7**	**125.6**	**124.4**	**125.2**	**124.7**	**124.1**
2 Products	57.72	131.7	131.6	131.6	133.0	133.1	131.8	133.5	134.1	134.4	133.1	132.1	133.1	132.6	131.8
3 Final products	44.77	132.0	131.6	131.8	133.3	133.3	131.9	133.7	134.4	134.4	132.8	131.5	132.6	131.9	131.2
4 Consumer goods	25.52	120.7	120.4	120.1	121.5	121.8	120.8	122.7	124.2	123.9	123.2	122.5	124.4	123.9	123.7
5 Equipment	19.25	147.1	146.6	147.3	149.0	148.6	146.6	148.3	147.9	148.4	145.5	143.4	143.5	142.6	141.1
6 Intermediate products	12.94	130.6	131.4	130.7	132.0	132.3	131.5	132.7	132.9	134.4	134.1	134.1	135.0	134.9	134.0
7 Materials	42.28	114.7	114.3	113.8	114.5	114.2	114.2	114.3	115.9	116.2	115.4	114.0	114.4	113.9	113.4
Consumer goods															
8 Durable consumer goods	6.89	112.9	112.0	111.3	114.0	112.9	111.4	115.5	116.8	116.6	116.3	113.0	116.2	113.4	113.5
9 Automotive products	2.98	115.1	113.4	115.0	120.0	117.8	112.9	116.8	116.6	117.0	118.3	112.8	118.6	115.2	116.4
10 Autos and trucks	1.79	112.0	109.4	113.7	120.2	116.6	108.7	113.7	112.0	116.2	118.8	107.6	116.0	110.7	113.0
11 Autos, consumer	1.16	98.9	97.0	101.1	101.3	98.8	92.3	94.9	99.9	103.6	107.0	95.1	101.0	94.5	99.6
12 Trucks, consumer	.63	136.3	132.3	137.2	155.4	149.7	139.1	148.6	134.5	139.5	140.6	130.6	143.9	140.9	.....
13 Auto parts and allied goods	1.19	119.7	119.4	116.8	119.6	119.5	119.3	121.4	123.4	118.2	117.7	120.6	122.5	122.0	121.5
14 Home goods	3.91	111.3	110.9	108.4	109.5	109.3	110.2	114.5	116.9	116.4	114.8	113.2	114.3	112.1	111.3
15 Appliances, A/C and TV	1.24	129.5	131.5	121.6	124.5	123.7	126.3	139.4	145.4	138.8	136.5	135.5	140.0	133.7	131.9
16 Appliances and TV	1.19	130.3	131.7	123.2	125.5	125.6	128.6	141.9	148.4	141.5	139.1	137.9	141.8	135.8	.....
17 Carpeting and furniture	.96	119.4	119.6	122.2	119.5	120.2	120.1	122.9	118.9	122.3	121.9	118.4	119.1	118.7	.....
18 Miscellaneous home goods	1.71	93.6	91.2	91.2	93.0	92.7	92.9	91.9	95.2	96.9	95.1	94.1	93.1	92.7	.....
19 Nondurable consumer goods	18.63	123.6	123.5	123.4	124.2	125.1	124.3	125.4	127.0	126.5	125.7	126.0	127.5	127.8	127.5
20 Consumer staples	15.29	129.4	129.6	129.3	130.3	131.0	130.1	131.0	133.0	132.2	131.7	132.2	133.8	134.3	134.3
21 Consumer foods and tobacco	7.80	129.7	130.5	130.1	130.8	131.5	129.5	130.7	132.4	131.3	131.9	131.1	132.6	132.9	.....
22 Nonfood staples	7.49	129.1	128.7	128.5	129.7	130.5	130.6	131.2	133.6	133.1	131.5	133.3	135.0	135.7	135.4
23 Consumer chemical products	2.75	147.5	145.4	145.4	149.1	151.4	149.4	152.4	152.9	153.8	155.6	155.4	157.0	157.9	.....
24 Consumer paper products	1.88	143.7	144.6	144.9	143.9	144.7	145.5	145.7	148.0	144.4	141.7	146.5	147.5	149.3	.....
25 Consumer energy	2.86	101.9	102.2	101.5	101.8	101.0	102.9	101.4	105.6	105.8	102.1	103.5	105.8	105.5	.....
26 Consumer fuel	1.44	88.5	88.8	89.2	91.1	85.8	90.2	90.1	92.3	93.9	91.4	91.0	93.6	94.2	.....
27 Residential utilities	1.42	.....	115.9	114.0	112.7	116.5	115.8	112.9	119.2	117.8	113.0	116.2	118.2	.....	.....
Equipment															
28 Business and defense equipment	18.01	147.8	147.4	147.9	149.7	149.4	147.5	149.7	149.4	150.3	148.3	147.1	148.1	147.8	146.5
29 Business equipment	14.34	141.3	140.7	141.3	143.0	142.2	139.6	141.7	141.4	142.9	141.1	139.1	140.3	139.6	138.0
30 Construction, mining, and farm	2.08	67.7	67.7	68.6	67.2	67.0	65.9	68.2	68.3	67.7	65.3	62.4	61.9	61.0	.....
31 Manufacturing	3.27	112.8	111.9	113.5	115.1	114.8	111.7	112.8	112.8	113.1	114.1	113.9	113.5	113.0	112.2
32 Power	1.27	83.6	84.1	85.6	84.5	85.1	85.5	84.7	87.1	84.5	83.4	82.5	82.8	83.5	82.7
33 Commercial	5.22	219.3	219.6	219.5	222.8	219.4	213.9	217.7	217.9	219.2	216.4	215.6	215.8	216.4	211.9
34 Transit	2.49	106.1	103.4	103.3	106.0	108.3	109.7	111.2	107.7	114.6	111.4	105.0	112.0	108.2	110.3
35 Defense and space equipment	3.67	173.6	173.4	173.9	175.5	177.5	178.7	180.7	180.7	179.3	176.7	178.5	178.8	179.5	179.7
Intermediate products															
36 Construction supplies	5.95	119.0	119.2	119.4	121.5	121.3	120.0	120.9	120.7	124.0	123.5	123.5	124.2	124.3	123.0
37 Business supplies	6.99	140.5	141.7	140.3	140.9	141.7	141.2	142.7	143.3	143.2	143.1	143.0	144.1	143.9	.....
38 General business supplies	5.67	144.4	146.1	144.4	145.1	145.4	144.8	146.7	146.8	147.2	146.7	146.9	148.0	148.4	.....
39 Commercial energy products	1.31	123.7	122.7	122.7	122.5	125.7	125.7	125.3	128.1	125.9	127.5	126.4	127.3	124.6	.....
Materials															
40 Durable goods materials	20.50	121.8	120.8	120.2	121.8	120.2	120.4	121.7	122.1	123.2	121.5	120.0	120.1	119.1	118.5
41 Durable consumer parts	4.92	100.7	98.7	98.3	100.0	99.0	100.2	101.6	101.5	103.9	103.2	100.7	99.6	98.3	98.7
42 Equipment parts	5.94	159.0	157.3	157.0	158.7	156.5	154.0	155.0	155.1	154.8	154.0	153.4	154.0	152.5	152.3
43 Durable materials n.e.c.	9.64	109.7	109.6	108.6	110.2	108.7	109.9	111.4	112.3	113.7	110.9	109.3	109.6	109.2	107.7
44 Basic metal materials	4.64	84.8	85.0	82.5	85.1	82.8	85.8	87.6	88.5	87.5	83.4	81.2	81.9	81.3	.....
45 Nondurable goods materials	10.09	112.2	111.8	112.8	113.5	114.7	113.4	113.0	114.9	116.1	116.4	114.7	116.3	116.4	116.4
46 Textile, paper, and chemical materials	7.53	112.4	111.7	113.5	113.8	115.1	113.5	113.2	115.2	116.4	116.8	115.3	116.4	116.7	116.8
47 Textile materials	1.52	97.7	97.3	100.2	104.4	104.1	101.2	104.4	102.1	103.2	107.3	104.9	106.7	105.9	.....
48 Pulp and paper materials	1.55	123.7	123.3	125.0	122.8	123.7	121.1	123.0	129.3	129.5	128.2	127.2	128.4	128.0	.....
49 Chemical materials	4.46	113.6	112.6	114.0	113.8	115.9	115.0	112.8	114.8	116.3	116.1	114.6	115.5	116.4	.....
50 Miscellaneous nondurable materials	2.57	111.3	112.0	110.8	112.7	113.5	113.3	112.5	113.9	115.3	115.2	113.2	116.1	115.5	.....
51 Energy materials	11.69	104.3	105.1	103.5	102.7	103.4	104.2	102.5	105.8	104.1	103.9	102.7	102.9	102.6	102.0
52 Primary energy	7.57	107.8	109.0	107.4	106.4	106.8	108.2	106.7	109.0	106.8	107.6	107.1	107.9	107.2	.....
53 Converted fuel materials	4.12	97.9	98.1	96.2	95.9	97.0	96.8	94.7	100.1	99.1	97.0	94.8	93.5	94.2	.....

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value—Continued

Grouping	SIC code	1977 proportion	1985 avg.	1985							1986					
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.r	Apr.	May p	June e
				Index (1977 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	......	15.79	110.6	111.6	109.4	109.1	110.3	109.9	108.9	110.8	110.2	108.0	106.2	106.2	104.6	103.8
2 Mining	......	9.83	109.0	110.6	108.7	108.3	108.4	108.4	106.9	107.4	107.4	105.3	102.7	102.1	100.4	98.9
3 *Utilities*	......	5.96	113.2	113.4	110.7	110.3	113.2	112.4	112.2	116.5	114.6	112.4	112.2	112.8	111.6	112.0
4 Manufacturing	......	84.21	127.1	126.7	126.9	128.2	127.7	127.2	128.4	129.1	129.8	128.8	128.0	128.9	128.6	127.9
5 Nondurable	......	35.11	125.6	125.5	125.6	126.6	126.9	126.4	127.3	128.0	129.1	128.5	128.3	129.3	129.7	129.6
6 Durable	......	49.10	128.2	127.6	127.9	129.4	128.3	127.7	129.2	129.9	130.4	129.0	127.7	128.5	127.8	126.7
Mining																
7 Metal	10	.50	75.1	77.5	60.9	73.1	71.4	74.2	78.3	74.3	75.5	77.2	78.1	.....	.....	.....
8 Coal	11.12	1.60	127.5	134.0	128.0	127.7	126.3	130.1	125.5	128.0	130.6	124.9	123.5	124.5	122.4	.....
9 Oil and gas extraction	13	7.07	106.3	106.9	106.9	105.5	106.0	104.8	103.5	104.4	103.6	101.4	98.5	97.1	95.9	94.3
10 Stone and earth minerals	14	.66	118.8	117.9	116.6	117.7	119.3	120.4	119.0	114.0	117.1	120.2	115.2	120.7	117.0	.....
Nondurable manufactures																
11 Foods	20	7.96	131.0	131.8	132.2	132.6	132.5	130.7	131.4	132.6	133.2	133.8	133.0	134.0	135.2	.....
12 Tobacco products	21	.62	.....	98.9	96.0	97.7	97.8	105.3	104.5	103.5	99.3	97.9	93.0	101.4	.....	.....
13 Textile mill products	22	2.29	102.5	103.3	104.1	106.3	106.7	104.9	108.0	106.3	107.4	110.4	108.4	110.0	109.4	.....
14 Apparel products	23	2.79	101.8	99.2	100.6	100.4	101.8	102.6	103.9	105.0	105.8	103.6	104.0	104.3	103.6	.....
15 Paper and products	26	3.15	127.4	127.1	129.0	127.5	128.6	127.3	128.2	132.3	133.1	132.1	132.0	132.0	132.2	.....
16 Printing and publishing	27	4.54	155.3	156.7	154.3	156.3	156.2	157.0	159.0	158.4	158.9	155.4	158.1	160.0	161.1	160.5
17 Chemicals and products	28	8.05	127.1	126.4	126.4	128.2	129.0	127.9	128.0	128.5	130.5	130.9	131.1	132.0	132.0	.....
18 Petroleum products	29	2.40	86.7	87.1	88.3	88.2	85.9	87.7	87.3	88.7	92.6	88.4	87.8	91.3	91.6	91.9
19 Rubber and plastic products	30	2.80	147.0	145.5	145.6	148.0	148.6	148.7	150.5	150.0	150.5	150.7	149.0	147.3	147.5	.....
20 Leather and products	31	.53	70.9	71.5	72.2	72.7	72.3	71.4	72.1	69.9	67.5	67.0	65.4	64.6	63.6	.....
Durable manufactures																
21 Lumber and products	24	2.30	.....	113.5	113.0	114.8	115.9	116.5	115.6	116.5	119.9	118.2	118.5	119.0	.....	.....
22 Furniture and fixtures	25	1.27	142.0	141.9	145.3	144.3	143.2	141.9	144.1	142.1	143.9	145.4	145.0	146.5	146.8	.....
23 Clay, glass, stone products	32	2.72	114.8	116.1	115.1	116.2	116.2	115.6	115.2	118.2	120.2	118.8	120.0	121.5	120.4	.....
24 Primary metals	33	5.33	80.6	78.3	79.0	82.0	80.3	83.1	83.6	81.7	84.9	80.7	77.4	78.1	76.9	72.2
25 Iron and steel	331.2	3.49	70.7	67.6	68.7	71.6	69.7	74.4	75.3	72.0	75.5	69.9	64.9	65.6	63.4	.....
26 Fabricated metal products	34	6.46	107.8	107.4	107.3	107.8	107.5	108.4	107.9	108.8	109.3	109.4	108.5	108.6	107.8	107.2
27 Nonelectrical machinery	35	9.54	146.6	145.6	147.5	149.2	146.5	143.0	145.6	146.0	146.2	144.6	143.2	141.6	142.5	141.5
28 Electrical machinery	36	7.15	169.3	169.5	165.7	166.1	165.1	165.1	168.9	171.9	167.9	165.5	165.6	167.1	166.4	163.6
29 Transportation equipment	37	9.13	123.2	121.8	123.7	126.8	126.2	124.5	126.5	126.8	128.9	128.1	124.3	127.9	125.6	126.8
30 Motor vehicles and parts	371	5.25	112.8	110.5	112.8	116.8	115.3	111.7	114.5	115.4	117.8	117.8	110.4	114.8	110.8	112.8
31 Aerospace and miscellaneous *transportation equipment*	372-6.9	3.87	137.5	137.1	138.5	140.4	141.1	141.9	142.9	142.3	144.0	142.1	143.1	145.6	145.7	145.8
32 Instruments	38	2.66	139.9	140.7	141.1	141.8	139.4	139.8	140.7	140.6	141.1	141.8	142.5	143.0	141.0	140.5
33 Miscellaneous manufactures	39	1.46	96.4	96.8	95.9	97.2	96.4	95.9	94.5	96.3	99.0	98.1	97.2	97.9	98.0	.....
Utilities																
34 Electric	......	4.17	119.5	119.4	117.5	116.7	120.6	119.3	118.7	124.4	119.9	118.5	119.8	122.2	121.0	.....
		Gross value (billions of 1972 dollars, annual rates)														
MAJOR MARKET																
35 Products, total	......	**517.5**	**773.4**	**773.5**	**769.0**	**778.7**	**777.9**	**772.2**	**782.8**	**783.3**	**792.9**	**786.3**	**777.2**	**788.1**	**782.0**	**777.5**
36 Final	......	405.7	614.8	614.0	610.1	618.6	617.8	613.0	622.4	622.1	629.2	623.7	614.6	624.9	618.8	615.4
37 Consumer goods	......	272.7	364.8	364.0	361.7	366.2	365.6	363.8	370.5	373.6	375.0	373.9	370.5	379.1	374.8	372.6
38 Equipment	......	133.0	250.1	251.0	250.3	252.4	252.2	249.3	251.9	248.5	254.1	249.8	244.1	245.8	244.0	242.8
39 Intermediate	......	111.9	158.6	159.7	160.4	160.1	160.1	159.2	160.4	161.2	163.7	162.6	162.6	163.2	163.1	162.0

▲ 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 were 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	1983	1984	1985	1985 Aug.	1985 Sept.	1985 Oct.	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.[r]	1986 Mar.[r]	1986 Apr.[r]	1986 May
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,605	1,682	1,733	1,782	1,846	1,703	1,668	1,839	1,861	1,808	1,834	1,885	1,788
2 1-family	902	922	957	990	956	984	932	963	1,060	1,033	1,043	1,139	1,092
3 2-or-more-family	703	759	777	792	890	719	736	876	801	775	791	746	696
4 Started	1,703	1,749	1,742	1,737	1,653	1,784	1,654	1,882	2,034	2,001	1,960	2,019	1,860
5 1-family	1,067	1,084	1,072	1,071	1,006	1,118	1,006	1,098	1,335	1,202	1,221	1,242	1,247
6 2-or-more-family	635	665	669	666	647	666	648	784	699	799	739	777	613
7 Under construction, end of period[1]	1,003	1,051	1,063	1,079	1,065	1,089	1,087	1,088	1,094	1,110	1,099	1,133	1,134
8 1-family	524	556	539	582	568	578	570	561	571	581	574	587	599
9 2-or-more-family	479	494	524	499	496	512	517	528	522	529	526	546	535
10 Completed	1,390	1,652	1,703	1,720	1,778	1,541	1,721	1,762	1,778	1,725	1,806	1,683	1,814
11 1-family	924	1,025	1,072	1,032	1,100	1,072	1,095	1,141	1,075	1,038	1,153	1,125	1,132
12 2-or-more-family	466	627	631	688	678	469	626	621	703	687	653	558	682
13 Mobile homes shipped	296	296	284	286	283	291	287	285	280	266	240	249	239
Merchant builder activity in 1-family units													
14 Number sold	622	639	688	708	681	637	722	729	735	741	916	864	764
15 Number for sale, end of period[1]	304	358	350	348	350	353	353	349	352	352	339	337	334
Price (thousands of dollars)[2]													
Median													
16 Units sold	75.5	80.0	84.3	83.3	84.6	85.4	87.2	87.9	86.6	89.7	88.2	92.5	92.3
Average													
17 Units sold	89.9	97.5	101.0	99.2	102.6	102.7	104.1	106.1	104.1	106.6	108.2	111.9	116.1
EXISTING UNITS (1-family)													
18 Number sold	2,719	2,868	3,217	3,430	3,480	3,530	3,450	3,520	3,300	3,270	3,200	3,570	3,450
Price of units sold (thousands of dollars)[2]													
19 Median	69.8	72.3	75.4	77.2	75.9	75.2	74.9	75.5	77.1	77.4	79.8	80.2	83.2
20 Average	82.5	85.9	90.6	93.2	91.4	91.2	90.3	91.8	93.0	93.1	96.8	98.1	101.7
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**279,240[r]**	**327,209[r]**	**355,570[r]**	**353,287[r]**	**361,337[r]**	**374,014[r]**	**357,630[r]**	**365,554[r]**	**373,378[r]**	**373,947**	**368,027**	**371,648**	**374,658**
22 Private	228,527[r]	271,973[r]	292,792[r]	289,759[r]	296,024[r]	311,952[r]	294,425[r]	300,619[r]	305,366[r]	305,682	298,868	301,180	300,300
23 Residential	126,553[r]	155,148[r]	158,818[r]	154,866[r]	160,976[r]	174,840[r]	158,210[r]	161,786[r]	163,413[r]	164,713	165,645	167,792	169,815
24 Nonresidential, total	101,974[r]	116,825[r]	133,974[r]	134,893[r]	135,048[r]	137,112[r]	136,215[r]	138,833[r]	141,953[r]	140,969	133,223	133,388	130,485
Buildings													
25 Industrial	12,863	13,746	15,769[r]	15,346[r]	15,822[r]	15,872[r]	16,095[r]	16,546[r]	15,783[r]	16,381	13,354	14,666	13,776
26 Commercial	35,789[r]	48,100[r]	59,626[r]	59,448[r]	60,994[r]	60,770[r]	61,185[r]	63,863[r]	65,222[r]	63,494	60,716	59,915	58,080
27 Other	11,838[r]	12,547[r]	12,619[r]	13,145[r]	12,859[r]	12,790[r]	12,748[r]	12,487[r]	12,781[r]	13,065	13,131	13,031	13,260
28 Public utilities and other	41,484[r]	42,432[r]	45,960[r]	46,954[r]	45,373[r]	47,680[r]	46,187[r]	45,937[r]	48,167[r]	48,029	46,022	45,776	45,369
29 Public	50,715	55,232[r]	62,777[r]	63,528[r]	65,312[r]	62,063[r]	63,205[r]	64,935[r]	68,013[r]	68,264	69,159	70,467	74,357
30 Military	2,544	2,839	3,283[r]	3,131[r]	3,628[r]	2,854[r]	3,598[r]	3,539[r]	3,407[r]	3,974	3,673	3,592	3,784
31 Highway	14,143	16,343[r]	19,998[r]	19,979[r]	19,516[r]	19,354[r]	19,854[r]	21,017[r]	22,129[r]	22,273	22,673	23,283	23,792
32 Conservation and development	4,820[r]	4,654[r]	4,952[r]	4,768[r]	5,255[r]	4,946[r]	5,090[r]	4,958[r]	5,614[r]	4,372	4,598	4,954	4,809
33 Other	29,208[r]	31,396	34,544[r]	35,650[r]	36,913[r]	34,909[r]	34,663[r]	35,421[r]	36,863[r]	37,645	38,215	38,638	41,972

1. Not at annual rates.
2. Not seasonally adjusted.
3. Value of new construction data in recent periods may not be strictly comparable with data in prior periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.

NOTE. Census Bureau estimates for all series except (a) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (b) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from originating agency. Permit authorizations are those reported to the Census Bureau from 16,000 jurisdictions beginning with 1978.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (at annual rate)				Change from 1 month earlier					Index level June 1986 (1967 = 100)[1]
	1985 June	1986 June	1985 Sept.	1985 Dec.	1986 Mar.	1986 June	1986 Feb.	1986 Mar.	1986 Apr.	1986 May	1986 June	
CONSUMER PRICES[2]												
1 **All items**	**3.7**	**1.7**	**2.4**	**5.3**	**−1.9**	**1.5**	**−.4**	**−.4**	**−.3**	**.2**	**.5**	**327.9**
2 Food	2.4	2.5	2.1	5.9	−1.4	3.4	−.7	.1	.3	.4	.1	317.1
3 Energy items	1.9	−12.9	−3.2	3.3	−34.2	−12.5	−3.8	−6.5	−5.8	.3	2.3	380.6
4 All items less food and energy	4.4	4.0	3.4	5.4	4.1	3.1	.2	.4	.4	.1	.3	325.9
5 Commodities	2.5	1.2	1.1	3.6	.3	−.5	−.1	−.1	−.1	−.1	.1	262.0
6 Services	5.6	5.7	4.8	6.5	6.5	5.2	.4	.6	.7	.2	.4	395.9
PRODUCER PRICES												
7 Finished goods	1.1	−1.7	−2.4	9.2	−12.4	−.1	−1.6r	.9r	−.6	.6	.0	288.9
8 Consumer foods	−.8	2.4	−2.9	16.0	−7.4	5.3	−1.7r	.3	.1	1.1	.0	275.1
9 Consumer energy	−3.1	−28.3	−11.3	20.7	−67.6	−23.5	−9.9r	−12.4r	−8.4	2.7	−.6	531.5
10 Other consumer goods	2.6	2.2	.0	4.4	2.9	1.4	−.1	.8	.2	.2	.0	257.6
11 Capital equipment	2.2	1.8	−.9	5.6	.7	1.9	.1	.2r	.3	.1	.1	305.8
12 Intermediate materials[3]	−.2	4.0	−1.3	2.9	−11.9	−4.7	−1.4	−1.3	−1.0	−.3	.0	312.8
13 Excluding energy	.6	−.7	−.7	.0	−1.2	−1.2	−.3	.1r	−.3	.0	.0	303.9
Crude materials												
14 Foods	−10.2	−3.3	−20.6	47.0	−25.2	.5	−3.6r	−1.1r	−3.1	4.1	−.8	226.1
15 Energy	−4.2	−26.5	−5.9	−4.0	−50.1	−35.5	−9.5r	−6.7r	−7.7	.2	−3.0	554.2
16 Other	−9.3	1.1	−4.4	1.5	−3.7	10.5	−3.1r	1.8r	1.2	.2	1.1	250.0

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	1983r	1984r	1985r	1985r Q2	1985r Q3	1985r Q4	1986 Q1r	1986 Q2
GROSS NATIONAL PRODUCT								
1 **Total**	**3,405.7**	**3,765.0**	**3,998.1**	**3,965.0**	**4,030.5**	**4,087.7**	**4,149.2**	**4,182.3**
By source								
2 Personal consumption expenditures	2,234.5	2,428.2	2,600.5	2,576.0	2,627.1	2,667.9	2,697.9	2,730.1
3 Durable goods	289.1	331.2	359.3	354.0	373.3	362.0	360.8	374.7
4 Nondurable goods	816.7	870.1	905.1	902.3	907.4	922.6	929.7	926.0
5 Services	1,128.7	1,227.0	1,336.1	1,319.7	1,346.4	1,383.2	1,407.4	1,429.4
6 Gross private domestic investment	502.3	662.1	661.1	667.1	657.4	669.5	708.3	691.4
7 Fixed investment	509.4	598.0	650.0	648.0	654.3	672.6	664.4	671.9
8 Nonresidential	356.9	416.5	458.2	459.2	459.8	474.0	459.2	457.3
9 Structures	124.0	139.3	154.8	156.1	155.0	157.2	154.6	142.1
10 Producers' durable equipment	232.8	277.3	303.4	303.1	304.7	316.8	304.6	315.2
11 Residential structures	152.5	181.4	191.8	188.8	194.5	198.6	205.3	214.6
12 Change in business inventories	−7.1	64.1	11.1	19.1	3.1	−3.1	43.8	19.5
13 Nonfarm	.4	56.6	12.2	10.4	3.2	16.7	41.2	12.4
14 Net exports of goods and services	−6.1	−58.7	−78.9	−77.1	−83.7	−105.3	−93.7	−96.4
15 Exports	352.5	382.7	369.8	370.0	362.3	368.2	374.8	375.6
16 Imports	358.7	441.4	448.6	447.1	446.0	473.6	468.5	472.0
17 Government purchases of goods and services	675.0	733.4	815.4	799.0	829.7	855.6	836.7	857.2
18 Federal	283.5	311.3	354.1	340.9	360.9	380.9	355.7	364.8
19 State and local	391.5	422.2	461.3	458.1	468.8	474.7	480.9	492.4
By major type of product								
20 Final sales, total	3,412.8	3,700.9	3,987.0	3,945.9	4,027.4	4,090.8	4,105.4	4,162.8
21 Goods	1,396.1	1,576.7	1,630.2	1,622.4	1,642.8	1,644.1	1,669.0	1,666.7
22 Durable	573.3	675.0	700.2	693.1	710.3	709.1	710.6	708.0
23 Nondurable	822.7	901.7	930.0	929.3	932.5	935.0	958.4	958.7
24 Services	1,682.5	1,813.1	1,959.8	1,935.4	1,971.9	2,025.5	2,057.7	2,089.3
25 Structures	327.1	375.1	408.1	407.2	415.9	418.1	422.6	426.3
26 Change in business inventories	−7.1	64.1	11.1	19.1	3.1	3.1	43.8	19.5
27 Durable goods	−1.0	39.2	6.6	2.3	−2.7	9.5	28.6	1.6
28 Nondurable goods	−6.1	24.9	4.5	16.7	5.8	−12.7	15.3	17.9
29 MEMO: **Total GNP in 1982 dollars**	**3,279.1**	**3,489.9**	**3,585.2**	**3,567.6**	**3,603.8**	**3,622.3**	**3,655.9**	**3,665.7**
NATIONAL INCOME								
30 **Total**	**2,719.5**	**3,032.0**	**3,222.3**	**3,201.4**	**3,243.4**	**3,287.3**	**3,340.7**	**n.a.**
31 Compensation of employees	2,020.7	2,214.7	2,368.2	2,352.1	2,380.9	2,423.6	2,461.5	2,478.8
32 Wages and salaries	1,676.2	1,837.0	1,965.8	1,952.2	1,976.0	2,012.8	2,044.1	2,057.6
33 Government and government enterprises	324.3	346.2	372.2	368.6	374.2	381.6	387.2	392.7
34 Other	1,352.3	1,490.6	1,593.9	1,583.6	1,601.8	1,631.1	1,656.8	1,664.9
35 Supplement to wages and salaries	344.5	377.7	402.4	399.8	404.9	410.9	417.4	421.2
36 Employer contributions for social insurance	170.9	193.1	205.5	204.5	206.1	209.1	212.9	213.9
37 Other labor income	173.6	184.5	196.9	195.3	198.8	201.7	204.5	207.3
38 Proprietors' income[1]	190.9	236.9	254.4	255.5	249.3	262.1	265.3	288.0
39 Business and professional[1]	178.4	205.3	225.2	222.5	227.7	232.7	240.9	249.0
40 Farm[1]	12.4	31.5	29.2	33.0	21.6	29.4	24.4	39.1
41 Rental income of persons[2]	13.2	8.3	7.6	8.1	7.3	8.3	12.8	15.1
42 Corporate profits[1]	213.7	264.7	280.7	274.3	296.3	285.6	296.4	n.a.
43 Profits before tax[3]	207.6	235.7	223.2	213.8	229.2	235.8	224.3	n.a.
44 Inventory valuation adjustment	−10.9	−5.5	−.6	1.6	6.1	−9.4	16.5	n.a.
45 Capital consumption adjustment	17.0	34.5	58.1	58.9	61.0	59.2	55.6	51.4
46 Net interest	281.0	307.4	311.4	311.4	309.7	307.6	304.9	299.1

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	1983r	1984r	1985r	1985r			1986	
				Q2	Q3	Q4	Q1r	Q2
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**2,838.6**	**3,110.2**	**3,314.5**	**3,298.7**	**3,323.2**	**3,382.9**	**3,432.6**	**3,480.0**
2 Wage and salary disbursements	1,676.6	1,836.8	1,966.1	1,953.3	1,976.0	2,012.8	2,044.1	2,057.6
3 Commodity-producing industries	523.1	577.8	607.7	605.0	608.3	617.7	622.0	619.9
4 Manufacturing	397.4	439.1	460.1	457.3	460.7	467.5	470.5	468.0
5 Distributive industries	404.2	442.2	469.8	467.7	472.4	478.9	485.2	484.3
6 Service industries	425.1	470.6	516.4	511.0	521.1	534.6	549.6	560.8
7 Government and government enterprises	324.3	346.2	372.2	369.6	374.2	381.6	387.2	392.7
8 Other labor income	173.6	184.5	196.9	195.3	198.8	201.7	204.5	207.3
9 Proprietors' income[1]	190.9	236.9	254.4	255.5	249.3	262.1	265.3	288.0
10 Business and professional[1]	178.4	205.3	225.2	222.5	227.7	232.7	240.9	249.0
11 Farm[1]	12.4	31.5	29.2	33.0	21.6	29.4	24.4	39.1
12 Rental income of persons[2]	13.2	8.3	7.6	8.1	7.3	8.3	12.8	15.1
13 Dividends	68.7	74.7	76.4	76.4	76.3	76.7	79.1	81.1
14 Personal interest income	393.1	446.9	476.2	475.3	475.2	480.6	480.8	480.5
15 Transfer payments	442.6	455.6	487.1	484.1	491.1	493.6	504.7	509.7
16 Old-age survivors, disability, and health insurance benefits	221.7	235.7	253.4	251.1	256.5	256.8	263.2	264.3
17 LESS: Personal contributions for social insurance	120.1	133.5	150.2	149.4	150.7	152.9	158.6	159.4
18 EQUALS: Personal income	2,838.6	3,110.2	3,314.5	3,298.7	3,323.2	3,382.9	3,432.6	3,480.0
19 LESS: Personal tax and nontax payments	410.5	439.6	486.5	456.4	491.2	500.7	497.5	500.8
20 EQUALS: Disposable personal income	2,428.1	2,670.6	2,828.0	2,842.3	2,832.0	2,882.2	2,935.1	2,979.2
21 LESS: Personal outlays	2,297.4	2,501.9	2,684.7	2,658.7	2,712.4	2,756.4	2,789.4	2,823.5
22 EQUALS: Personal saving	130.6	168.7	143.3	183.6	119.6	125.8	145.6	155.7
MEMO								
Per capita (1982 dollars)								
23 Gross national product	13,963.7	14,721.1	14,980.9	14,928.1	15,040.5	15,079.9	15,188.0	15,197.1
24 Personal consumption expenditures	9,138.5	9,475.4	9,713.0	9,673.8	9,774.4	9,790.3	9,857.1	9,978.8
25 Disposable personal income	9,930.0	10,421.0	10,563.0	10,674.0	10,537.0	10,577.0	10,723.0	10,889.0
26 Saving rate (percent)	5.4	6.3	5.1	6.5	4.2	4.4	5.0	5.2
GROSS SAVING								
27 **Gross saving**	**463.6**	**573.3**	**551.5**	**566.8**	**541.7**	**524.1**	**583.2**	**n.a.**
28 *Gross private saving*	592.2	674.8	687.8	722.4	679.6	679.2	714.8	n.a.
29 Personal saving	130.6	168.7	143.3	183.6	119.6	125.8	145.6	155.7
30 Undistributed corporate profits[1]	65.0	91.0	107.3	105.8	118.8	106.8	122.1	n.a.
31 Corporate inventory valuation adjustment	-10.9	-5.5	-.6	1.6	6.1	-9.4	16.5	n.a.
Capital consumption allowances								
32 Corporate	242.7	253.9	268.2	266.6	270.1	273.3	275.3	n.a.
33 Noncorporate	153.9	161.2	169.0	166.5	171.2	173.4	171.8	173.9
34 Wage accruals less disbursements	.0	.0	.0	.0	.0	.0	.0	.0
35 Government surplus, or deficit (-), national income and product accounts	-128.6	-101.5	-136.3	-155.6	-138.0	-155.1	-131.6	n.a.
36 Federal	-176.0	-170.0	-198.0	-214.8	-197.5	-217.6	-201.6	n.a.
37 State and local	47.5	68.5	61.7	59.2	59.5	62.5	70.0	n.a.
38 Capital grants received by the United States, net	.0	.0	.0	.0	.0	.0	.0	.0
39 **Gross investment**	**468.8**	**571.4**	**545.9**	**555.0**	**536.2**	**525.7**	**579.6**	**557.6**
40 Gross private domestic	502.3	662.1	661.1	667.1	657.4	669.5	708.3	691.4
41 Net foreign	-33.5	-90.7	-115.2	-112.0	-121.2	-143.8	-128.6	-133.8
42 **Statistical discrepancy**	**5.2**	**-1.9**	**-5.5**	**-11.7**	**-5.5**	**1.6**	**-3.6**	**-3.6**

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	1983	1984	1985	1985 Q1	1985 Q2	1985 Q3	1985 Q4	1986 Q1[p]
1 Balance on current account	−46,605	−106,466	−117,676	−26,112	−29,417	−28,455	−33,695	−33,668
2 Not seasonally adjusted	....	....	....	−23,529	−30,363	−32,275	−31,510	−30,695
3 Merchandise trade balance[2]	−67,080	−112,522	−124,439	−25,045	−30,367	−31,675	−37,352	−36,585
4 Merchandise exports	201,820	219,900	214,424	55,324	53,875	52,498	52,727	53,548
5 Merchandise imports	−268,900	−332,422	−338,863	−80,369	−84,242	−84,173	−90,079	−90,133
6 Military transactions, net	−370	−1,827	−2,917	−246	−729	−619	−1,322	−945
7 Investment income, net[3]	24,841	18,751	25,187	2,219	5,449	8,262	9,255	6,820
8 Other service transactions, net	5,484	1,288	−524	−240	312	−422	−32	−73
9 Remittances, pensions, and other transfers	−3,194	−3,621	−3,787	−1,056	−881	−914	−937	−968
10 U.S. government grants (excluding military)	−6,286	−8,536	−11,196	−2,224	−2,577	−3,087	−3,307	−2,063
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−5,005	−5,523	−2,824	−807	−1,055	−422	−540	−146
12 Change in U.S. official reserve assets (increase, −)	−1,196	−3,130	−3,858	−233	−356	−121	−3,147	−115
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−66	−979	−897	−264	−180	−264	−189	−274
15 Reserve position in International Monetary Fund	−4,434	−995	908	281	72	388	168	344
16 Foreign currencies	3,304	−1,156	−3,869	−250	−248	−245	−3,126	−185
17 Change in U.S. private assets abroad (increase, −)[3]	−43,821	−14,987	−25,755	530	−1,382	−5,324	−19,579	−8,416
18 Bank-reported claims	−29,928	−11,127	−691	335	3,450	4,009	−8,485	7,842
19 Nonbank-reported claims	−6,513	5,081	1,665	1,058	1,706	−1,517	418	n.a.
20 U.S. purchase of foreign securities, net	−7,007	−5,082	−7,977	−2,577	−2,325	−1,664	−1,411	−6,138
21 U.S. direct investments abroad, net[3]	−373	−3,859	−18,752	1,714	−4,213	−6,152	−10,101	−10,120
22 Change in foreign official assets in the United States (increase, +)	5,968	3,037	−1,324	11,066	8,486	2,577	−1,322	2,510
23 U.S. Treasury securities	6,972	4,690	−546	7,174	8,685	−81	−1,976	−3,256
24 Other U.S. government obligations	−476	13	−295	−306	136	46	−171	−177
25 Other U.S. government liabilities[4]	725	436	483	−445	606	58	263	192
26 Other U.S. liabilities reported by U.S. banks	545	555	522	−3,025	−107	2,932	722	−1,124
27 Other foreign official assets[5]	−1,798	−2,657	−1,488	−116	−834	−378	−160	363
28 Change in foreign private assets in the United States (increase, +)[3]	79,528	99,730	128,431	25,313	16,872	33,088	53,158	36,974
29 U.S. bank-reported liabilities	50,342	33,849	40,387	12,078	606	7,276	20,427	8,582
30 U.S. nonbank-reported liabilities	−118	4,704	−1,172	−2,156	−1,837	589	2,232	n.a.
31 Foreign private purchases of U.S. Treasury securities, net	8,721	23,059	20,500	2,217	5,123	7,484	5,676	8,311
32 Foreign purchases of other U.S. securities, net	8,636	12,759	50,859	9,567	7,223	11,628	22,441	18,793
33 Foreign direct investments in the United States, net[3]	11,947	25,359	17,857	3,607	5,757	6,111	2,382	1,288
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	11,130	27,338	23,006	12,375	6,852	−1,343	5,125	2,861
36 Owing to seasonal adjustments	....	....	....	1,094	−1,174	−3,687	3,771	1,535
37 Statistical discrepancy in recorded data before seasonal adjustment	11,130	27,338	23,006	11,282	8,026	2,344	1,354	1,326
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−1,196	−3,130	−3,858	−233	−356	−121	−3,147	−115
39 Foreign official assets in the United States (increase, +)	5,243	2,601	−1,807	−10,621	7,880	2,519	1,585	2,318
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	−8,283	−4,304	−6,599	−1,923	−1,843	−1,831	−1,002	1,395
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	194	190	64	10	12	15	28	20

1. Seasonal factors are not calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing; military exports are excluded from merchandise data and are included in line 6.
3. Includes reinvested earnings.
4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

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

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are not seasonally adjusted.

Item	1983	1984	1985	1985		1986				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	200,486	217,865	213,146	17,721	16,994	17,006	17,735	18,913	17,965	17,431
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	258,048	325,726	345,276	30,010	30,728	32,005	28,895	31,972	28,762	30,272
3 **Trade balance**	**-57,562**	**107,861**	**-132,129**	**-12,290**	**-13,734**	**-14,999**	**-11,160**	**-13,059**	**-10,797**	**-12,842**

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	1986					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 **Total**	**33,958**	**33,747**	**34,934**	**43,191**	**43,673**	**45,505**	**44,919**	**46,491**	**45,260**	**46,635**
2 Gold stock, including Exchange Stabilization Fund[1]	11,148	11,121	11,096	11,090	11,090	11,090	11,090	11,089	11,085	11,084
3 Special drawing rights[2,3]	5,250	5,025	5,641	7,293	7,441	7,960	7,839	8,098	8,066	8,213
4 Reserve position in International Monetary Fund[2]	7,348	11,312	11,541	11,952	11,824	12,172	12,025	12,242	11,789	12,109
5 Foreign currencies[4]	10,212	6,289	6,656	12,856	13,318	14,283	13,965	15,062	14,320	15,229

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	1986					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 Deposits	328	190	267	480	256	276	273	325	253	354
Assets held in custody										
2 U.S. Treasury securities[1]	112,544	117,670	118,000	121,004	121,995	124,905	127,611	132,017	136,762	137,820
3 Earmarked gold[2]	14,716	14,414	14,242	14,245	14,193	14,172	14,167	14,160	14,145	14,128

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
2. Earmarked gold is valued at $42.22 per fine troy ounce.

NOTE. Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

Asset account	1982	1983	1984	1985		1986				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May^p
						All foreign countries				
1 **Total, all currencies**	**469,712**	**477,090**	**453,656**	**455,935**	**458,012r**	**447,529**	**448,258**	**458,566**	**473,884**	**459,727**
2 Claims on United States	91,805	115,542	113,393	115,519r	119,723r	116,797r	113,732r	118,461	122,435	117,562
3 Parent bank	61,666	82,026	78,109	82,327	87,201	84,410	80,944	85,164	88,961	83,339
4 Other banks in United States[2]	30,139	33,516	13,664	12,096	13,076	11,757	11,727	12,909	12,766	13,196
5 Nonbanks[2]			21,620	21,096r	19,446r	20,630r	21,061r	20,388	20,708	21,027
6 Claims on foreigners	358,493	342,689	320,162	317,566r	315,692r	308,662r	310,653r	315,762	325,301	316,216
7 Other branches of parent bank	91,168	96,004	95,184	89,580	91,399	88,393	88,482	91,586	95,238	90,785
8 Banks	133,752	117,668	100,397	102,907	102,950r	100,449	99,399	101,185	106,588	103,578
9 Public borrowers	24,131	24,517	23,343	23,613	23,395	23,350	23,603	23,675	23,551	23,823
10 Nonbank foreigners	109,442	107,785	101,238	101,466r	97,948r	96,470r	99,169r	99,316	99,924	98,030
11 Other assets	19,414	18,859	20,101	22,850	22,597	22,070	23,873	24,343	26,148	25,949
12 **Total payable in U.S. dollars**	**361,982**	**371,508**	**350,636**	**329,622**	**336,288**	**321,703**	**315,295**	**322,871**	**330,298**	**322,437**
13 Claims on United States	90,085	113,436	111,426	112,353r	116,655r	113,737r	110,375r	114,908	118,583	113,671
14 Parent bank	61,010	80,909	77,229	81,162	85,971	83,264	79,609	83,841	87,583	82,045
15 Other banks in United States[2]	29,075	32,527	13,500	11,463	12,473	11,102	11,070	12,216	11,871	12,283
16 Nonbanks[2]			20,697	19,728r	18,211r	19,371r	19,696r	18,851	19,129	19,343
17 Claims on foreigners	259,871	247,406	228,600	207,324r	209,917r	198,806r	195,084r	198,582	201,816	197,800
18 Other branches of parent bank	73,537	78,431	78,746	70,548	72,689	68,748	67,630	70,910	73,109	69,692
19 Banks	106,447	93,332	76,940	69,646	71,738	65,779	63,310	63,320	65,478	64,682
20 Public borrowers	18,413	17,890	17,626	17,277	17,169	16,958	17,127	17,128	16,808	17,180
21 Nonbank foreigners	61,474	60,977	55,288	49,853r	48,321r	47,321r	47,017r	47,224	46,421	46,246
22 Other assets	12,026	10,666	10,610	9,945	9,716	9,160	9,836	9,381	9,899	10,966
						United Kingdom				
23 **Total, all currencies**	**161,067**	**158,732**	**144,385**	**152,456**	**148,599**	**150,835**	**148,788**	**150,975**	**155,867**	**152,075**
24 Claims on United States	27,354	34,433	27,675r	33,706r	33,157r	36,319r	33,482r	33,990	34,234	34,231
25 Parent bank	23,017	29,111	21,862r	26,718	26,970	29,837r	27,281	27,881	28,058	28,001
26 Other banks in United States[2]	4,337	5,322	1,429	1,289	1,106	1,173	1,133	1,129	1,386	1,312
27 Nonbanks[2]			4,384	5,699r	5,081r	5,309r	5,068r	4,980	4,790	4,918
28 Claims on foreigners	127,734	119,280	111,828	112,933r	110,217r	109,290r	109,802r	111,468	115,485	111,823
29 Other branches of parent bank	37,000	36,565	37,953	30,600	31,576	30,394	30,218	31,250	32,516	32,257
30 Banks	50,767	43,352	37,443	40,482	39,250	39,257	39,393	38,929	41,593	38,949
31 Public borrowers	6,240	5,898	5,334	5,735	5,644	5,949	6,065	5,833	5,642	5,427
32 Nonbank foreigners	33,727	33,465	31,098	36,116r	33,747r	33,150r	34,126r	35,456	35,734	35,190
33 Other assets	5,979	5,019	4,882	5,817	5,225	5,226	5,504	5,517	6,148	6,021
34 **Total payable in U.S. dollars**	**123,740**	**126,012**	**112,809**	**108,699**	**108,626**	**108,566**	**105,272**	**105,111**	**107,359**	**106,439**
35 Claims on United States	26,761	33,756	26,868	32,487r	32,092r	35,303r	32,384r	32,746	32,959	32,841
36 Parent bank	22,756	28,756	21,495	26,210	26,568	29,470	26,874	27,393	27,629	27,584
37 Other banks in United States[2]	4,005	5,000	1,363	1,205	1,005	1,089	1,047	1,027	1,225	1,152
38 Nonbanks[2]			4,010	5,072r	4,519r	4,744r	4,463r	4,326	4,105	4,105
39 Claims on foreigners	92,228	88,917	82,945	72,908r	73,475r	70,345r	69,597r	69,433	71,058	70,164
40 Other branches of parent bank	31,648	31,838	33,607	24,989	26,011	25,083	24,474	25,250	26,224	26,265
41 Banks	36,717	32,188	26,805	25,667	26,139	24,013	23,598	22,106	23,310	22,861
42 Public borrowers	4,329	4,194	4,030	3,982	3,999	4,252	4,367	4,223	4,012	3,937
43 Nonbank foreigners	19,534	20,697	18,503	18,270r	17,326r	16,997r	17,158r	17,854	17,512	17,101
44 Other assets	4,751	3,339	2,996	3,304	3,059	2,918	3,291	2,932	3,342	3,434
						Bahamas and Caymans				
45 **Total, all currencies**	**145,156**	**152,083**	**146,811**	**133,645**	**142,055**	**130,413**	**128,851**	**135,210**	**135,998**	**132,122**
46 Claims on United States	59,403	75,309	77,296	69,923	74,874	68,576	68,304	71,672	72,703	68,645
47 Parent bank	34,653	48,720	49,449	45,811	50,553	44,586	43,866	46,813	47,599	42,803
48 Other banks in United States[2]	24,750	26,589	11,544	10,082	11,223	9,867	9,815	10,776	10,419	10,906
49 Nonbanks[2]			16,303	14,030	13,098	14,123	14,623	14,083	14,685	14,936
50 Claims on foreigners	81,450	72,868	65,598	60,503	63,894	58,510	56,958	59,833	59,589	59,171
51 Other branches of parent bank	18,720	20,626	17,661	17,050	19,042	16,468	15,872	19,131	18,286	15,768
52 Banks	42,699	36,842	30,246	26,768	28,182	25,476	24,859r	24,571	25,256	26,290
53 Public borrowers	6,413	6,093	6,089	6,440	6,458	6,320	6,186	6,197	6,232	6,694
54 Nonbank foreigners	13,618	12,592	11,602	10,245	10,212	10,246	10,041r	9,934	9,815	10,419
55 Other assets	4,303	3,906	3,917	3,219	3,287	3,327	3,589	3,705	3,706	4,306
56 **Total payable in U.S. dollars**	**139,605**	**145,641**	**141,562**	**127,997**	**136,794**	**124,981**	**122,980**	**129,187**	**129,322**	**125,681**

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-à-vis other banks in the United States and vis-à-vis nonbanks are combined for dates before June 1984.

3.14 Continued

Liability account	1982	1983	1984	1985		1986				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May^p
	All foreign countries									
57 **Total, all currencies**	**469,712**	**477,090**	**453,656**	**455,935**	**458,012^r**	**447,529**	**448,258**	**458,566**	**473,884**	**459,727**
58 Negotiable CDs[3]	n.a.	n.a.	37,725	36,607	34,607	34,597	33,458	36,066	33,229	35,006
59 To United States	179,015	188,070	147,583	143,203	155,273	142,182	138,160	140,019	150,450	143,934
60 Parent bank	75,621	81,261	78,739	81,171	83,649	76,805	73,449	74,653	81,315	77,205
61 Other banks in United States	33,405	29,453	18,409	15,490	16,894	14,724	13,989	15,714	14,260	14,337
62 Nonbanks	69,989	77,356	50,435	46,542	54,730	50,653	50,722	49,652	54,875	52,392
63 To foreigners	270,853	269,685	247,907	252,171	245,942^r	249,623	254,313	260,567	268,216	258,728
64 Other branches of parent bank	90,191	90,615	93,909	88,438	89,529	86,351	86,349	90,914	93,760	89,065
65 Banks	96,860	92,889	78,203	81,871	76,814^r	84,158	83,834	84,806	89,603	84,414
66 Official institutions	19,614	18,896	20,281	21,658	19,523	19,935	21,885	20,672	20,735	20,792
67 Nonbank foreigners	64,188	68,845	55,514	60,204	60,076	59,179	62,245	64,175	64,118	64,457
68 Other liabilities	19,844	19,335	20,441	23,954	22,190	21,127	22,327	21,914	21,989	22,059
69 **Total payable in U.S. dollars**	**379,270**	**388,291**	**367,145**	**345,810**	**353,470**	**337,194**	**330,729**	**340,246^r**	**346,327**	**340,111**
70 Negotiable CDs[3]	n.a.	n.a.	35,227	32,838	31,063	31,182	30,202	32,418	29,912	31,513
71 To United States	175,528	184,305	143,571	137,070	149,896	136,784	132,067	133,823	143,663	137,387
72 Parent bank	73,295	79,035	76,254	77,892	80,623	73,897	70,111	71,317	77,782	73,671
73 Other banks in United States	33,040	28,936	17,935	14,926	16,264	14,011	13,293	14,923	13,467	13,565
74 Nonbanks	69,193	76,334	49,382	44,252	53,009	48,876	48,663	47,583	52,414	50,151
75 To foreigners	192,510	194,139	178,260	165,359	163,361	160,137	159,603	165,147^r	164,645	162,472
76 Other branches of parent bank	72,921	73,522	77,770	69,261	70,943	67,174	65,938	70,458	71,833	68,708
77 Banks	57,463	57,022	45,123	39,682	37,323	38,469	36,690	37,476	37,235	37,457
78 Official institutions	15,055	13,855	15,773	15,905	14,354	14,796	15,849	14,703	14,737	14,151
79 Nonbank foreigners	47,071	51,260	39,594	40,511	40,741	39,698	41,126	42,510^r	40,840	42,156
80 Other liabilities	11,232	9,847	10,087	10,543	9,150	9,091	8,857	8,858	8,107	8,739
	United Kingdom									
81 **Total, all currencies**	**161,067**	**158,732**	**144,385**	**152,456**	**148,599**	**150,835**	**148,788**	**150,975**	**155,867**	**152,075**
82 Negotiable CDs[3]	n.a.	n.a.	34,413	32,708	31,260	30,788	29,419	32,217	29,898	31,734
83 To United States	53,954	55,799	25,250	27,933	29,422	29,901	26,705	22,945	28,450	27,505
84 Parent bank	13,091	14,021	14,651	18,167	19,330	19,845	16,783	13,724	17,231	16,624
85 Other banks in United States	12,205	11,328	3,125	2,453	2,974	2,264	1,965	2,793	1,966	2,175
86 Nonbanks	28,658	30,450	7,474	7,313	7,118	7,792	7,957	6,428	9,253	8,706
87 To foreigners	99,567	95,847	77,424	81,446	78,525	80,724	82,666	86,053	87,773	83,067
88 Other branches of parent bank	18,361	19,038	21,631	21,932	23,389	21,858	21,954	24,733	25,379	23,838
89 Banks	44,020	41,624	30,436	32,200	28,581	32,326	32,088	33,301	34,294	31,584
90 Official institutions	11,504	10,151	10,154	10,519	9,676	10,093	10,956	9,750	9,757	9,548
91 Nonbank foreigners	25,682	25,034	15,203	16,795	16,879	16,447	17,668	18,269	18,343	18,097
92 Other liabilities	7,546	7,086	7,298	10,369	9,392	9,422	9,998	9,760	9,746	9,769
93 **Total payable in U.S. dollars**	**130,261**	**131,167**	**117,497**	**112,681**	**112,697**	**112,073**	**108,402**	**108,420^r**	**110,376**	**109,335**
94 Negotiable CDs[3]	n.a.	n.a.	33,070	30,570	29,337	28,845	27,655	30,042	27,978	29,542
95 To United States	53,029	54,691	24,105	25,581	27,756	28,150	24,967	21,070	26,411	25,490
96 Parent bank	12,814	13,839	14,339	17,651	18,956	19,461	16,513	13,405	16,867	16,233
97 Other banks in United States	12,026	11,044	2,980	2,295	2,826	2,090	1,835	2,596	1,774	1,944
98 Nonbanks	28,189	29,808	6,786	5,635	5,974	6,599	6,619	5,069	7,770	7,313
99 To foreigners	73,477	73,279	56,923	52,091	51,980	50,762	51,686	53,219^r	52,262	50,441
100 Other branches of parent bank	14,300	15,403	18,294	16,687	18,493	16,614	16,829	19,068	19,297	18,043
101 Banks	28,810	29,320	18,356	15,840	14,344	14,872	14,457	14,731	14,125	14,114
102 Official institutions	9,668	8,279	8,871	8,357	7,661	8,242	8,747	7,839	7,449	6,953
103 Nonbank foreigners	20,699	20,277	11,402	11,207	11,482	11,034	11,653	11,581^r	11,391	11,331
104 Other liabilities	3,755	3,197	3,399	4,439	3,624	4,316	4,094	4,089	3,725	3,862
	Bahamas and Caymans									
105 **Total, all currencies**	**145,156**	**152,083**	**146,811**	**133,645**	**142,055**	**130,413**	**128,851**	**135,210**	**135,998**	**132,122**
106 Negotiable CDs[3]	n.a.	n.a.	615	747	610	1,076	1,237	1,132	629	634
107 To United States	104,425	111,299	102,955	92,508	103,548	91,918	91,705	97,304	98,705	93,849
108 Parent bank	47,081	50,980	47,162	43,509	44,546	38,850	39,380	43,535	43,383	40,478
109 Other banks in United States	18,466	16,057	13,938	11,874	12,778	11,185	10,854	11,604	11,014	10,738
110 Nonbanks	38,878	44,262	41,855	37,125	46,224	41,883	41,471	42,165	44,308	42,633
111 To foreigners	38,274	38,445	40,320	37,307	35,053	35,296	33,773	34,450	34,279	35,139
112 Other branches of parent bank	15,796	14,936	16,782	15,593	14,075	14,755	13,072	13,191	14,069	13,731
113 Banks	10,166	11,876	12,405	10,954	10,669	11,108	10,842	10,346	10,783	10,318
114 Official institutions	1,967	1,919	2,054	2,278	1,776	1,505	1,737	1,743	2,167	2,144
115 Nonbank foreigners	10,345	11,274	9,079	8,482	8,533	7,928	8,122	9,170	7,260	8,946
116 Other liabilities	2,457	2,339	2,921	3,083	2,844	2,123	2,136	2,324	2,385	2,500
117 **Total payable in U.S. dollars**	**141,908**	**148,278**	**143,582**	**129,575**	**138,322**	**126,536**	**124,572**	**131,004**	**131,708**	**127,918**

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

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1983	1984	1985		1986				
			Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[p]
1 **Total**[1]	**177,950**	**180,552**	**179,971**	**178,743**	**180,773**	**180,335**	**181,047**[r]	**188,998**	**191,327**
By type									
2 Liabilities reported by banks in the United States[2]	25,534	26,089	29,276	26,611	28,233	26,456	25,472[r]	26,689	24,996
3 U.S. Treasury bills and certificates[3]	54,341	59,976	54,331	53,252	53,294	54,420	55,933	59,547	63,614
U.S. Treasury bonds and notes									
4 Marketable	68,514	69,019	74,735	77,447	77,809	78,428	78,822	82,538	82,872
5 Nonmarketable[4]	7,250	5,800	3,550	3,550	3,550	3,150	2,750	2,300	1,800
6 U.S. securities other than U.S. Treasury securities[5]	22,311	19,668	18,079	17,883	17,887	17,881	18,070	17,924	18,045
By area									
7 Western Europe[1]	67,645	69,776	76,832	74,290	74,355	72,826	72,414[r]	76,294	76,614
8 Canada	2,438	1,528	1,507	1,314	1,118	1,762	1,445	1,711	1,502
9 Latin America and Caribbean	6,248	8,561	10,871	11,121	11,506	10,228	10,414	10,775	10,597
10 Asia	92,572	93,954	85,876	86,995	89,088	90,268	91,423	94,807	97,444
11 Africa	958	1,264	1,629	1,824	1,897	1,786	1,846	1,833	1,718
12 Other countries[6]	8,089	5,469	3,256	3,199	2,809	3,465	3,505	3,578	3,452

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	1982	1983	1984	1985			1986
				June	Sept.	Dec.	Mar.
1 Banks' own liabilities	4,844	5,219	8,586	10,238	12,901	15,168	21,320
2 Banks' own claims	7,707	7,231	11,984	14,179	15,233	16,088	19,634
3 Deposits	4,251	2,731	4,998	7,308	8,540	8,329	11,318
4 Other claims	3,456	4,501	6,986	6,871	6,693	7,759	8,316
5 Claims of banks' domestic customers[1]	676	1,059	569	243	328	832	1,426

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

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

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

Millions of dollars, end of period

Holder and type of liability	1982	1983	1984	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.[r]	1986 Apr.	1986 May[p]
1 **All foreigners**	**307,056**	**369,607**	**407,306**	**421,341**	**434,671**	**430,836**	**436,434**	**440,518**	**443,351**	**442,605**
2 Banks' own liabilities	227,089	279,087	306,898	324,049	340,373	335,036	340,071	344,422	346,453	340,468
3 Demand deposits	15,889	17,470	19,571	20,940	21,107	19,648	19,659	20,195	19,751	19,675
4 Time deposits[1]	68,797	90,632	110,413	114,314	116,716	114,241	116,543	116,418	114,210	114,206
5 Other[2]	23,184	25,874	26,268	29,856	29,468	30,805	31,560	32,125	33,219	31,597
6 Own foreign offices[3]	119,219	145,111	150,646	158,939	173,082	170,342	172,309	175,685	179,273	174,990
7 Banks' custody liabilities[4]	79,967	90,520	100,408	97,292	94,298	95,800	96,362	96,096	96,898	102,137
8 U.S. Treasury bills and certificates[5]	55,628	68,669	76,368	73,189	68,785	69,801	72,631	72,714	74,631	80,192
9 Other negotiable and readily transferable instruments[6]	20,636	17,467	18,747	16,979	17,964	17,946	15,547	15,329	13,776	13,917
10 Other	3,702	4,385	5,293	7,124	7,549	8,054	8,184	8,053	8,491	8,029
11 **Nonmonetary international and regional organizations[7]**	**4,922**	**5,957**	**4,454**	**7,803**	**5,566**	**7,487**	**9,867**	**5,223**	**3,420**	**4,503**
12 Banks' own liabilities	1,909	4,632	2,014	1,535	2,366	2,714	4,326	1,404	1,674	2,372
13 Demand deposits	106	297	254	252	85	96	184	102	138	99
14 Time deposits[1]	1,664	3,584	1,267	1,051	2,067	2,369	3,892	391	681	1,093
15 Other[2]	139	750	493	233	214	250	250	911	856	1,179
16 Banks' custody liabilities[4]	3,013	1,325	2,440	6,268	3,200	4,773	5,540	3,820	1,746	2,131
17 U.S. Treasury bills and certificates	1,621	463	916	5,069	1,736	3,216	4,219	2,311	768	1,282
18 Other negotiable and readily transferable instruments[6]	1,392	862	1,524	1,195	1,464	1,556	1,322	1,508	970	849
19 Other	0	0	0	5	0	1	0	0	7	0
20 **Official institutions[8]**	**71,647**	**79,876**	**86,065**	**83,608**	**79,862**	**81,527**	**80,876**	**81,405**	**86,237**	**88,611**
21 Banks' own liabilities	16,640	19,427	19,039	23,323	20,825	22,590	22,056	21,719	23,588	22,103
22 Demand deposits	1,899	1,837	1,823	2,018	2,077	1,638	1,602	1,917	1,832	1,810
23 Time deposits[1]	5,528	7,318	9,374	10,523	10,935	10,680	10,319	10,299	9,368	9,935
24 Other[2]	9,212	10,272	7,842	10,783	7,813	10,272	10,136	9,503	12,389	10,358
25 Banks' custody liabilities[4]	55,008	60,448	67,026	60,284	59,037	58,937	58,820	59,686	62,648	66,508
26 U.S. Treasury bills and certificates[5]	46,658	54,341	59,976	54,331	53,252	53,294	54,420	55,933	59,547	63,614
27 Other negotiable and readily transferable instruments[6]	8,321	6,082	6,966	5,848	5,711	5,526	4,052	3,585	2,916	2,754
28 Other	28	25	84	105	75	117	348	168	185	139
29 **Banks[9]**	**185,881**	**226,887**	**248,893**	**255,021**	**274,991**	**266,460**	**269,788**	**278,967**	**278,066**	**273,207**
30 Banks' own liabilities	169,449	205,347	225,368	233,188	252,290	243,740	247,127	255,921	255,015	249,521
31 Unaffiliated foreign banks	50,230	60,236	74,722	74,249	79,208	73,397	74,818	80,236	75,742	74,532
32 Demand deposits	8,675	8,759	10,556	10,043	10,271	9,792	9,659	9,692	8,689	9,037
33 Time deposits[1]	28,386	37,439	47,095	46,809	48,962	44,662	45,536	50,194	48,485	46,868
34 Other[2]	13,169	14,038	17,071	17,397	19,975	18,943	19,623	20,350	18,568	18,627
35 Own foreign offices[3]	119,219	145,111	150,646	158,939	173,082	170,342	172,309	175,685	179,273	174,989
36 Banks' custody liabilities[4]	16,432	21,540	23,525	21,832	22,701	22,720	22,661	23,046	23,051	23,687
37 U.S. Treasury bills and certificates	5,809	10,178	11,448	9,429	9,554	9,223	9,501	9,869	9,815	10,841
38 Other negotiable and readily transferable instruments[6]	7,857	7,485	7,236	5,853	6,153	6,006	5,876	5,752	5,423	5,451
39 Other	2,766	3,877	4,841	6,551	6,994	7,491	7,283	7,426	7,813	7,395
40 **Other foreigners**	**44,606**	**56,887**	**67,894**	**74,909**	**74,251**	**75,362**	**75,902**	**74,923**	**75,629**	**76,283**
41 Banks' own liabilities	39,092	49,680	60,477	66,002	64,892	65,992	66,561	65,379	66,176	66,472
42 Demand deposits	5,209	6,577	6,938	8,627	8,673	8,122	8,214	8,484	9,093	8,729
43 Time deposits	33,219	42,290	52,678	55,932	54,752	56,530	56,796	55,534	55,677	56,309
44 Other[2]	664	813	861	1,444	1,467	1,340	1,550	1,361	1,406	1,433
45 Banks' custody liabilities[4]	5,514	7,207	7,417	8,907	9,359	9,370	9,341	9,544	9,453	9,811
46 U.S. Treasury bills and certificates	1,540	3,686	4,029	4,360	4,243	4,068	4,491	4,601	4,501	4,454
47 Other negotiable and readily transferable instruments[6]	3,065	3,038	3,021	4,084	4,636	4,858	4,297	4,483	4,465	4,862
48 Other	908	483	367	463	480	444	553	459	487	495
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	14,307	10,346	10,476	9,152	9,845	9,628	7,386	6,603	6,286	6,269

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

3.17 Continued

Area and country	1982	1983	1984	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.	1986 May[p]
1 **Total**	**307,056**	**369,607**	**407,306**	**421,341**	**434,671**	**430,836**	**436,434**	**440,518[r]**	**443,351**	**442,605**
2 **Foreign countries**	**302,134**	**363,649**	**402,852**	**413,538**	**429,105**	**423,349**	**426,567**	**435,295[r]**	**439,931**	**438,102**
3 Europe	117,756	138,072	153,145	163,433	163,438	161,234	157,176	157,033[r]	165,252	165,933
4 Austria	519	585	615	655	693	692	769	1,665	2,051	897
5 Belgium-Luxembourg	2,517	2,709	4,114	5,556	5,214	5,189	4,732	4,268	4,617	5,305
6 Denmark	509	466	438	624	513	536	533	536	752	523
7 Finland	748	531	418	497	491	373	506	354	619	514
8 France	8,171	9,441	12,701	15,863	15,540	15,595	15,148	15,906[r]	19,307	19,423
9 Germany	5,351	3,599	3,358	7,265	4,835	5,622	5,309	5,691	6,718	4,961
10 Greece	537	520	699	574	664	612	551	535	559	552
11 Italy	5,626	8,462	10,762	9,069	9,642	7,739	7,235	7,215	6,537	7,864
12 Netherlands	3,362	4,290	4,731	4,359	4,212	4,069	4,027	4,334	4,320	4,183
13 Norway	1,567	1,673	1,548	1,008	848	781	552	469	731	850
14 Portugal	388	373	597	619	652	706	685	705	674	800
15 Spain	1,405	1,603	2,082	2,122	2,113	1,899	1,794	1,772	1,919	1,879
16 Sweden	1,390	1,799	1,676	1,482	1,344	1,622	1,693	1,547	1,313	1,299
17 Switzerland	29,066	32,246	31,740	28,992	28,742	26,119	25,606	26,602[r]	27,233	26,848
18 Turkey	296	467	584	288	429	504	404	383	377	434
19 United Kingdom	48,172	60,683	68,671	74,595	76,571	80,563	80,100	78,585[r]	81,734	83,884
20 Yugoslavia	499	562	602	675	673	595	600	535	547	556
21 Other Western Europe[1]	7,006	7,403	7,192	8,619	9,635	7,643	6,441	5,286[r]	4,308	4,310
22 U.S.S.R.	50	65	79	36	105	43	64	61[r]	287	34
23 Other Eastern Europe[2]	576	596	537	533	523	332	427	586[r]	649	816
24 Canada	12,232	16,026	16,059	16,428	17,426	18,037	21,466	22,497[r]	20,450	21,257
25 Latin America and Caribbean	114,163	140,088	153,381	155,202	167,745	161,389	161,061	164,875[r]	164,713	159,461
26 Argentina	3,578	4,038	4,394	5,899	6,029	5,786	5,551	5,155	5,627	6,075
27 Bahamas	44,744	55,818	56,897	53,394	57,621	53,809	54,647	55,791[r]	57,865	51,829
28 Bermuda	1,572	2,266	2,370	2,415	2,765	2,596	2,147	2,324	2,276	2,127
29 Brazil	2,014	3,168	5,275	5,614	5,369	6,049	5,759	6,096[r]	5,782	5,423
30 British West Indies	26,381	34,545	36,773	35,858	42,645	40,469	41,127	44,041[r]	41,265	42,014
31 Chile	1,626	1,842	2,001	2,867	2,042	2,019	1,997	2,084	2,147	2,223
32 Colombia	2,594	1,689	2,514	2,920	3,102	3,336	3,140	3,076	3,101	3,053
33 Cuba	9	8	10	7	11	16	6	6	7	7
34 Ecuador	455	1,047	1,092	1,253	1,238	1,211	1,172	1,209	1,199	1,166
35 Guatemala	670	788	896	1,087	1,071	1,146	1,132	1,126	1,128	1,097
36 Jamaica	126	109	183	150	122	244	126	144	173	201
37 Mexico	8,377	10,392	12,303	13,948	14,045	13,702	13,433	12,990	13,126	13,153
38 Netherlands Antilles	3,597	3,879	4,220	4,612	4,875	4,696	4,560	4,561	4,859	4,798
39 Panama	4,805	5,924	6,951	6,502	7,492	7,416	7,161	7,286[r]	6,960	7,042
40 Peru	1,147	1,166	1,266	1,124	1,166	1,124	1,100	1,106[r]	1,116	1,132
41 Uruguay	759	1,244	1,394	1,534	1,549	1,730	1,727	1,567	1,646	1,690
42 Venezuela	8,417	8,632	10,545	11,345	11,919	11,467	11,741	11,670	11,727	11,728
43 Other Latin America and Caribbean	3,291	3,535	4,297	4,673	4,683	4,571	4,534	4,641	4,708	4,703
44 Asia	48,716	58,570	71,187	71,047	72,266	74,841	78,767	82,644[r]	81,682	83,716
China										
45 Mainland	203	249	1,153	1,380	1,594	1,003	1,624	1,347[r]	1,550	973
46 Taiwan	2,761	4,051	4,990	7,427	7,799	9,092	9,661	10,837[r]	11,027	12,687
47 Hong Kong	4,465	6,657	6,581	8,170	8,062	8,215	8,194	8,706[r]	8,757	8,745
48 India	433	464	507	562	711	606	630	926	574	577
49 Indonesia	857	997	1,033	1,381	1,466	1,524	1,738	2,107	1,787	1,758
50 Israel	606	1,722	1,268	1,595	1,595	1,459	1,358	1,450[r]	1,490	1,661
51 Japan	16,078	18,079	21,640	21,689	23,077	25,047	26,397	28,274[r]	28,279	29,689
52 Korea	1,692	1,648	1,730	1,685	1,665	1,503	1,602	1,551	1,337	1,336
53 Philippines	770	1,234	1,383	1,189	1,140	942	1,086	978	1,051	1,332
54 Thailand	629	747	1,257	1,066	1,358	1,199	1,141	1,103	993	1,155
55 Middle-East oil-exporting countries[3]	13,433	12,976	16,804	14,941	14,523	15,174	16,308	15,384	14,418	14,056
56 Other Asia	6,789	9,748	12,841	9,961	9,276	9,076	9,028	9,980	10,419	9,747
57 Africa	3,124	2,827	3,396	3,989	4,883	4,643	4,359	4,260	4,173	4,227
58 Egypt	432	671	647	780	1,363	1,080	987	870	960	910
59 Morocco	81	84	118	145	163	98	92	91	85	92
60 South Africa	292	449	328	462	388	567	421	465	386	414
61 Zaire	23	87	153	140	163	73	92	95	90	105
62 Oil-exporting countries[4]	1,280	620	1,189	1,407	1,494	1,644	1,614	1,601	1,442	1,490
63 Other Africa	1,016	917	961	1,056	1,312	1,182	1,152	1,137	1,210	1,216
64 Other countries	6,143	8,067	5,684	3,440	3,347	3,205	3,739	3,987[r]	3,662	3,508
65 Australia	5,904	7,857	5,300	2,906	2,779	2,707	3,024	3,237[r]	3,058	2,744
66 All other	239	210	384	534	568	498	714	750	604	763
67 Nonmonetary international and regional organizations	4,922	5,957	4,454	7,803	5,566	7,487	9,867	5,223[r]	3,420	4,503
68 International	4,049	5,273	3,747	6,952	4,551	6,109	8,671	4,139	2,421	3,661
69 Latin American regional	517	419	587	580	894	909	863	916	823	732
70 Other regional[5]	357	265	120	271	121	470	333	168[r]	176	110

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

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

Millions of dollars, end of period

Area and country	1982	1983	1984	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.	1986 May[p]
1 **Total**	**355,705**	**391,312**	**400,162**	**384,515**	**403,209**	**386,367**	**389,338**	**394,769[r]**	**401,041**	**396,487**
2 **Foreign countries**	**355,636**	**391,148**	**399,363**	**383,903**	**402,178**	**385,075**	**388,529**	**394,286[r]**	**400,539**	**396,076**
3 Europe	85,584	91,927	99,014	106,915	108,360	104,277	100,139	100,458[r]	101,230	101,235
4 Austria	229	401	433	614	598	485	542	494	429	531
5 Belgium-Luxembourg	5,138	5,639	4,794	6,801	5,741	5,831	5,276	5,429[r]	5,502	5,667
6 Denmark	554	1,275	648	558	706	864	940	845	794	882
7 Finland	990	1,044	898	909	823	843	741	1,194	795	866
8 France	7,251	8,766	9,157	9,785	9,134	9,058	7,943	8,636[r]	8,902	8,861
9 Germany	1,876	1,284	1,306	1,355	1,257	1,211	1,309	1,374	1,339	1,176
10 Greece	452	476	817	854	991	933	884	798	764	723
11 Italy	7,560	9,018	9,119	7,765	8,833	7,482	6,913	7,297	6,709	6,811
12 Netherlands	1,425	1,267	1,356	1,389	1,258	1,248	1,249	1,394	1,380	1,384
13 Norway	572	690	675	755	697	692	652	613	786	746
14 Portugal	950	1,114	1,243	1,123	1,058	1,040	936	893[r]	874	850
15 Spain	3,744	3,573	2,884	2,199	1,908	1,801	1,885	1,866	1,701	1,986
16 Sweden	3,038	3,358	2,230	2,546	2,203	2,174	2,278	2,422	1,923	2,238
17 Switzerland	1,639	1,863	2,123	3,162	3,161	2,836	2,361	2,940	2,978	3,134
18 Turkey	560	812	1,130	1,269	1,200	1,512	1,519	1,587	1,584	1,649
19 United Kingdom	45,781	47,364	56,185	61,655	64,594	62,356	60,587	57,983[r]	60,581	59,652
20 Yugoslavia	1,430	1,718	1,886	1,879	1,964	1,901	1,953	1,978[r]	1,952	1,923
21 Other Western Europe[1]	368	477	596	1,082	998	716	734	1,166	649	491
22 U.S.S.R.	263	192	142	128	130	169	287	424	477	489
23 Other Eastern Europe[2]	1,762	1,598	1,389	1,086	1,107	1,126	1,151	1,126[r]	1,111	1,174
24 Canada	13,678	16,341	16,109	16,209	16,466	17,279	18,280	17,945	18,814	17,929
25 Latin America and Caribbean	187,969	205,491	207,862	191,663	202,401	188,975	190,479	196,723[r]	198,986	194,957
26 Argentina	10,974	11,749	11,050	11,486	11,462	11,463	11,574	11,456	11,803	11,924
27 Bahamas	56,649	59,633	58,009	49,015	57,756[r]	49,712	49,646	55,691[r]	55,259	52,893
28 Bermuda	603	566	592	498	499	542	380	460	275	246
29 Brazil	23,271	24,667	26,315	25,376	25,283	25,209	25,129	25,379	25,357	25,338
30 British West Indies	29,101	35,527	38,205	37,063	38,640	34,345	36,475	36,880[r]	38,927	37,155
31 Chile	5,513	6,072	6,839	6,198	6,603	6,525	6,478	6,557	6,531	6,548
32 Colombia	3,211	3,745	3,499	3,222	3,259	3,185	3,044	2,903	2,861	2,822
33 Cuba	3	0	0	0	0	0	0	1	0	0
34 Ecuador	2,062	2,307	2,420	2,419	2,390	2,439	2,369	2,399	2,388	2,409
35 Guatemala[3]	124	129	158	197	194	174	167	167	124	132
36 Jamaica[3]	181	215	252	222	224	228	213	213	216	218
37 Mexico	29,552	34,802	34,885	32,424	32,255[r]	31,826	32,050	31,608[r]	32,351	31,871
38 Netherlands Antilles	839	1,154	1,350	1,071	1,340	1,022	1,043	927	839	1,430
39 Panama	10,210	7,848	7,707	6,519	6,650	6,532	5,859	6,179[r]	6,133	5,643
40 Peru	2,357	2,536	2,384	1,990	1,947	1,874	1,852	1,806	1,767	1,757
41 Uruguay	686	977	1,088	954	960	966	956	961	953	953
42 Venezuela	10,643	11,287	11,017	10,876	10,871	10,947	11,269	11,204[r]	11,285	11,583
43 Other Latin America and Caribbean	1,991	2,277	2,091	2,135	2,067	1,984	1,976	1,931[r]	1,917	2,034
44 Asia	60,952	67,837	66,316	60,578	66,166	65,898	71,073	70,729[r]	73,420	74,069
China										
45 Mainland	214	292	710	748	639	750	820	902	593	703
46 Taiwan	2,288	1,908	1,849	1,258	1,535	1,300	1,243	1,403[r]	1,151	1,459
47 Hong Kong	6,787	8,489	7,293	6,472	6,796	6,923	7,602	8,208	8,134	8,325
48 India	222	330	425	439	450	332	284	479[r]	398	420
49 Indonesia	348	805	724	608	698	692	793	712[r]	716	736
50 Israel	2,029	1,832	2,088	1,958	1,991	1,834	1,697	1,617[r]	1,611	1,760
51 Japan	28,379	30,354	29,066	26,768	31,209	32,232	36,471	36,711	38,781	38,616
52 Korea	9,387	9,943	9,285	8,908	9,241	8,839	9,087	9,242	9,286	9,176
53 Philippines	2,625	2,107	2,555	2,285	2,224	2,206	2,224	2,336	2,325	2,270
54 Thailand	643	1,219	1,125	788	840	793	765	810	775	716
55 Middle East oil-exporting countries[4]	3,087	4,954	5,044	4,239	4,298	3,975	3,869	3,577	3,838	3,957
56 Other Asia	4,943	5,603	6,152	6,106	6,245	6,021	6,218	4,732	5,812	5,929
57 Africa	5,346	6,654	6,615	5,394	5,407	5,416	5,360	5,128	5,007	4,919
58 Egypt	322	747	728	685	721	677	690	653	639	627
59 Morocco	353	440	583	584	575	591	612	646	662	660
60 South Africa	2,012	2,634	2,795	1,848	1,942	1,965	1,856	1,799	1,716	1,743
61 Zaire	57	33	18	21	20	18	18	17	17	17
62 Oil-exporting countries[5]	801	1,073	842	677	630	582	562	488	465	417
63 Other	1,802	1,727	1,649	1,579	1,520	1,584	1,621	1,525	1,508	1,456
64 Other countries	2,107	2,898	3,447	3,144	3,379	3,230	3,199	3,305	3,082	2,966
65 Australia	1,713	2,256	2,769	2,341	2,401	2,409	2,367	2,473[r]	2,237	2,050
66 All other	394	642	678	803	978	821	832	832[r]	845	916
67 Nonmonetary international and regional organizations[6]	68	164	800	612	1,030	1,292	809	483	502	410

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."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1982	1983	1984	1985		1986				
				Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.	May[p]
1 **Total**	**396,015**	**426,215**	**433,078**	....	**432,090**	....	....	**419,813**	....	....
2 Banks' own claims on foreigners	355,705	391,312	400,162	384,515	403,209	386,367	389,338	394,769	401,041	396,487
3 Foreign public borrowers	45,422	57,569	62,237	59,920	60,331	60,469	60,539	60,427	60,154	60,272
4 Own foreign offices[1]	127,293	146,393	156,216	158,752	176,535	163,983	169,036	173,698	179,662	173,861
5 Unaffiliated foreign banks	121,377	123,837	124,932	115,189	116,244	111,957	110,175	110,643	111,767	112,984
6 Deposits	44,223	47,126	49,226	47,610	47,416	45,694	44,160	44,985	46,367	47,493
7 Other	77,153	76,711	75,706	67,578	68,829	66,263	66,015	65,658	65,400	65,491
8 All other foreigners	61,614	63,514	56,777	50,654	50,098	49,958	49,587	50,002	49,458	49,369
9 Claims of banks' domestic customers[2]	40,310	34,903	32,916	....	28,881	....	....	25,044	....	....
10 Deposits	2,491	2,969	3,380	....	3,335	....	....	2,494	....	....
11 Negotiable and readily transferable instruments[3]	30,763	26,064	23,805	....	19,332	....	....	17,859	....	....
12 Outstanding collections and other claims	7,056	5,870	5,732	....	6,214	....	....	4,692	....	....
13 MEMO: Customer liability on acceptances	38,153	37,715	37,103	....	28,180	....	....	28,536	....	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[4]	42,499	46,337	40,714	37,856	37,378	39,465	42,112	41,226	42,891	n.a.

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.

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

3. Principally negotiable time certificates of deposit and bankers acceptances.

4. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

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

Millions of dollars, end of period

Maturity; by borrower and area	1982	1983	1984	1985			1986
				June	Sept.	Dec.	Mar.
1 **Total**	**228,150**	**243,715**	**243,952**	**232,485**	**232,360**	**227,238**	**220,374**
By borrower							
2 Maturity of 1 year or less[1]	173,917	176,158	167,858	159,383	162,262	160,162	152,252
3 Foreign public borrowers	21,256	24,039	23,912	23,764	26,466	26,312	23,852
4 All other foreigners	152,661	152,120	143,947	135,619	135,797	133,850	128,400
5 Maturity of over 1 year[1]	54,233	67,557	76,094	73,102	70,098	67,076	68,123
6 Foreign public borrowers	23,137	32,521	38,695	37,554	36,257	34,510	36,674
7 All other foreigners	31,095	35,036	37,399	35,549	33,841	32,566	31,448
By area							
Maturity of 1 year or less[1]							
8 Europe	50,500	56,117	58,498	56,369	58,403	56,425	53,440
9 Canada	7,642	6,211	6,028	6,160	6,100	6,386	5,855
10 Latin America and Caribbean	73,291	73,660	62,791	63,517	62,973	63,040	59,469
11 Asia	37,578	34,403	33,504	27,569	29,049	27,779	27,723
12 Africa	3,680	4,199	4,442	4,003	3,954	3,753	3,331
13 All other[2]	1,226	1,569	2,593	1,764	1,782	2,779	2,433
Maturity of over 1 year[1]							
14 Europe	11,636	13,576	9,605	8,739	8,078	7,643	7,522
15 Canada	1,931	1,857	1,882	2,116	1,932	1,804	1,924
16 Latin America and Caribbean	35,247	43,888	56,144	53,507	52,049	50,662	52,068
17 Asia	3,185	4,850	5,323	5,123	5,217	4,502	4,252
18 Africa	1,494	2,286	2,033	1,996	1,665	1,538	1,634
19 All other[2]	740	1,101	1,107	1,622	1,157	926	722

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[2]	1981	1982	1983	1984			1985				1986
				June[3]	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.[p]
1 Total	**415.2**	**438.0**	**436.4**	**430.2**	**409.1**	**408.0**	**407.9**	**399.0**	**397.5**	**396.9**	**395.9**
2 G-10 countries and Switzerland	175.5	179.7	167.8	157.6	147.6	148.1	153.2	146.6	151.5	150.5	156.9
3 Belgium-Luxembourg	13.3	13.1	12.4	10.9	9.8	8.7	9.3	8.9	9.5	9.3	8.3
4 France	15.3	17.1	16.2	14.2	14.3	14.1	14.6	13.5	14.8	12.3	13.8
5 Germany	12.9	12.7	11.3	10.9	10.0	9.0	8.9	9.6	9.8	10.5	11.2
6 Italy	9.6	10.3	11.4	11.5	9.7	10.1	10.0	8.6	8.3	9.8	8.5
7 Netherlands	4.0	3.6	3.5	3.0	3.4	3.9	3.8	3.7	3.4	3.8	3.5
8 Sweden	3.7	5.0	5.1	4.3	3.5	3.2	3.1	2.9	3.1	2.7	2.9
9 Switzerland	5.5	5.0	4.3	4.2	3.9	3.9	4.2	4.0	4.1	4.4	5.4
10 United Kingdom	70.1	72.1	65.3	60.3	57.1	60.3	65.4	65.7	66.9	66.6	69.2
11 Canada	10.9	10.4	8.3	8.9	8.1	7.9	9.1	8.1	7.5	7.0	6.1
12 Japan	30.2	30.2	29.9	29.3	27.7	27.1	24.7	21.7	24.0	24.1	28.1
13 Other developed countries	28.4	33.7	36.1	37.1	36.3	33.8	33.0	32.5	32.2	30.5	31.6
14 Austria	1.9	1.9	1.9	1.9	1.8	1.6	1.6	1.6	1.7	1.6	1.6
15 Denmark	2.3	2.4	3.4	3.1	2.9	2.2	2.1	1.9	2.1	2.4	2.5
16 Finland	1.7	2.2	2.4	2.3	1.9	1.9	1.8	1.8	1.8	1.6	1.9
17 Greece	2.8	3.0	2.8	3.3	3.2	2.9	2.9	2.9	2.8	2.6	2.5
18 Norway	3.1	3.3	3.3	3.2	3.2	3.0	2.9	2.9	3.4	2.9	2.7
19 Portugal	1.1	1.5	1.5	1.7	1.6	1.4	1.4	1.3	1.4	1.3	1.1
20 Spain	6.6	7.5	7.1	7.3	6.9	6.5	6.4	5.9	6.1	5.8	6.4
21 Turkey	1.4	1.4	1.7	2.0	2.0	1.9	1.9	2.0	2.1	1.9	2.3
22 Other Western Europe	2.1	2.3	1.8	1.9	1.7	1.7	1.7	1.8	1.7	2.0	2.4
23 South Africa	2.8	3.7	4.7	4.7	5.0	4.5	4.2	3.9	3.3	3.2	3.2
24 Australia	2.5	4.4	5.5	5.7	6.2	6.1	6.2	6.4	5.8	5.2	5.0
25 OPEC countries[4]	24.8	27.2	28.8	26.4	24.7	25.3	24.8	23.0	23.1	21.8	20.7
26 Ecuador	2.2	2.2	2.2	2.1	2.1	2.2	2.2	2.2	2.2	2.1	2.2
27 Venezuela	9.9	10.5	9.9	9.5	9.2	9.3	9.3	9.3	9.0	8.9	8.7
28 Indonesia	2.6	3.2	3.8	3.9	3.6	3.7	3.6	3.4	3.4	3.3	3.3
29 Middle East countries	7.5	8.5	9.9	8.2	7.3	7.9	7.4	6.1	6.2	5.5	4.7
30 African countries	2.5	2.8	3.0	2.7	2.5	2.3	2.3	2.2	2.3	2.0	1.8
31 Non-OPEC developing countries	96.3	106.8	111.3	112.7	112.1	112.2	111.3	110.4	108.2	105.5	103.6
Latin America											
32 Argentina	9.4	8.9	9.5	9.2	9.1	8.7	8.6	8.6	8.9	8.9	8.9
33 Brazil	19.1	22.9	23.1	25.4	26.3	26.3	26.4	26.6	25.5	25.6	25.7
34 Chile	5.8	6.3	6.4	6.7	7.1	7.0	7.0	6.9	6.6	7.0	6.9
35 Colombia	2.6	3.1	3.2	3.0	2.9	2.9	2.8	2.7	2.6	2.7	2.3
36 Mexico	21.6	24.2	25.8	25.9	26.0	25.7	25.5	25.3	24.4	24.1	23.9
37 Peru	2.0	2.6	2.4	2.3	2.2	2.2	2.2	2.1	1.9	1.8	1.7
38 Other Latin America	4.1	4.0	4.2	4.1	3.9	3.9	3.7	3.6	3.5	3.4	3.6
Asia											
China											
39 Mainland	.2	.2	.3	.6	.5	.7	.7	.3	1.1	.5	.6
40 Taiwan	5.1	5.3	5.3	5.3	5.2	5.1	5.3	5.5	5.1	4.5	4.3
41 India	.3	.6	1.0	1.0	1.0	1.0	1.0	1.0	1.1	1.3	1.2
42 Israel	2.1	2.3	1.9	1.9	1.7	1.8	1.7	2.3	1.5	1.6	1.3
43 Korea (South)	9.4	10.9	11.3	11.2	10.4	10.8	10.5	10.2	10.5	9.6	9.5
44 Malaysia	1.7	2.1	2.9	2.7	3.0	2.8	2.8	2.8	2.8	2.4	2.2
45 Philippines	6.0	6.3	6.2	6.3	5.9	6.0	6.1	6.0	6.0	5.7	5.6
46 Thailand	1.5	1.6	2.2	1.9	1.8	1.8	1.7	1.6	1.6	1.4	1.3
47 Other Asia	1.0	1.1	1.0	1.1	1.0	1.2	1.1	1.0	1.1	1.1	.9
Africa											
48 Egypt	1.1	1.2	1.5	1.4	1.2	1.2	1.1	1.0	1.0	1.0	.9
49 Morocco	.7	.7	.8	.8	.8	.8	.8	.8	.9	.9	.9
50 Zaire	.2	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
51 Other Africa[5]	2.3	2.4	2.3	1.9	1.9	2.1	2.2	2.0	2.0	1.9	1.9
52 Eastern Europe	7.8	6.2	5.3	4.9	4.5	4.4	4.3	4.3	4.6	4.2	4.0
53 U.S.S.R.	.6	.3	.2	.2	.2	.1	.2	.3	.2	.1	.3
54 Yugoslavia	2.5	2.2	2.4	2.3	2.3	2.3	2.2	2.2	2.4	2.2	2.0
55 Other	4.7	3.7	2.8	2.4	2.1	2.0	1.9	1.8	1.9	1.8	1.7
56 Offshore banking centers	63.7	66.6	70.2	73.9	66.4	66.7	64.2	65.0	60.3	67.2	62.6
57 Bahamas	19.0	19.0	21.8	27.4	23.3	21.5	20.0	21.1	16.6	22.1	21.0
58 Bermuda	.7	.9	.9	.7	1.0	.9	.7	.9	.8	.7	.7
59 Cayman Islands and other British West Indies	12.4	12.8	12.2	12.2	11.1	11.8	12.3	12.1	12.3	13.2	11.3
60 Netherlands Antilles	3.2	3.3	4.1	3.3	3.1	3.4	3.3	3.2	2.3	2.3	2.3
61 Panama[6]	7.7	7.5	5.8	6.5	5.6	6.7	5.5	5.4	6.1	6.0	5.9
62 Lebanon	.2	.1	.1	.1	.1	.1	.1	.1	.0	.1	.1
63 Hong Kong	11.8	13.9	15.0	13.5	12.7	12.5	12.4	12.6	12.7	12.9	12.9
64 Singapore	8.7	9.2	10.3	10.3	9.5	9.8	10.0	9.7	9.4	9.9	8.4
65 Others[7]	.1	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[8]	18.8	17.9	17.0	17.6	17.4	17.5	17.2	17.3	17.6	17.2	16.5

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Revisions shown in this issue have been made in part to correct some double-counting of claims held by foreign branches located in Puerto Rico, the U.S. Virgin Islands, and Guam.

3. 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			
					Dec.	Mar.	June	Sept.	Dec.
1	**Total**	**28,618**	**27,512**	**25,346**	**29,357**	**26,206r**	**24,535r**	**25,184**	**27,018**
2	Payable in dollars	24,909	24,280	22,233	26,389	23,429r	21,889r	22,364	23,811
3	Payable in foreign currencies	3,709	3,232	3,113	2,968	2,777	2,646	2,820	3,208
	By type								
4	Financial liabilities	12,157	11,066	10,572	14,509	11,722	11,489	11,743	12,856
5	Payable in dollars	9,499	8,858	8,700	12,553	9,873	9,533	9,780	10,835
6	Payable in foreign currencies	2,658	2,208	1,872	1,955	1,849	1,956	1,963	2,021
7	Commercial liabilities	16,461	16,446	14,774	14,849	14,484r	13,046r	13,441	14,162
8	Trade payables	10,818	9,438	7,765	7,005	7,015r	5,797r	5,694	6,685
9	Advance receipts and other liabilities	5,643	7,008	7,009	7,843	7,469	7,249	7,747	7,477
10	Payable in dollars	15,409	15,423	13,533	13,836	13,556r	12,356r	12,584	12,976
11	Payable in foreign currencies	1,052	1,023	1,241	1,013	928	690	857	1,186
	By area or country								
	Financial liabilities								
12	Europe	6,825	6,501	5,742	6,728	6,138	5,934	6,534	7,146
13	Belgium-Luxembourg	471	505	302	471	298	351	367	329
14	France	709	783	843	995	896	865	849	857
15	Germany	491	467	502	489	506	474	493	419
16	Netherlands	748	711	621	590	619	604	624	745
17	Switzerland	715	792	486	569	541	566	593	676
18	United Kingdom	3,565	3,102	2,839	3,297	3,039	2,825	3,318	3,822
19	Canada	963	746	764	863	840	850	826	760
20	Latin America and Caribbean	3,356	2,751	2,596	5,086	3,147	3,106	2,619	3,152
21	Bahamas	1,279	904	751	1,926	1,341	1,107	1,145	1,120
22	Bermuda	7	14	13	13	25	10	4	4
23	Brazil	22	28	32	35	29	27	23	29
24	British West Indies	1,241	1,027	1,041	2,103	1,521	1,734	1,234	1,814
25	Mexico	102	121	213	367	25	32	28	15
26	Venezuela	98	114	124	137	3	3	3	3
27	Asia	976	1,039	1,424	1,777	1,555	1,555	1,728	1,765
28	Japan	792	715	991	1,209	1,033	965	1,098	1,148
29	Middle East oil-exporting countries[2]	75	169	170	155	124	147	82	82
30	Africa	14	17	19	14	12	14	14	12
31	Oil-exporting countries[3]	0	0	0	0	0	0	0	0
32	All other[4]	24	12	27	41	31	30	22	21
	Commercial liabilities								
33	Europe	3,770	3,831	3,245	4,001	3,500r	3,461r	3,897	4,011
34	Belgium-Luxembourg	71	52	62	48	37	53	56	62
35	France	573	598	437	438	400r	423r	431	453
36	Germany	545	468	427	622	587r	428r	601	607
37	Netherlands	220	346	268	245	272	284	386	364
38	Switzerland	424	367	241	257	228r	349r	289	379
39	United Kingdom	880	1,027	732	1,095	741r	730r	858	976
40	Canada	897	1,495	1,841	1,975	1,727	1,494	1,383	1,449
41	Latin America and Caribbean	1,044	1,570	1,473	1,871	1,713r	1,225r	1,262	1,088
42	Bahamas	2	16	1	7	11	12	2	12
43	Bermuda	67	117	67	114	112	77	105	77
44	Brazil	67	60	44	124	101	90	120	58
45	British West Indies	2	32	6	32	21	1	15	44
46	Mexico	340	436	585	586	654	492	415	430
47	Venezuela	276	642	432	636	393r	309	311	212
48	Asia	9,384	8,144	6,741	5,285	5,708r	5,246r	5,353	6,046
49	Japan	1,094	1,226	1,247	1,256	1,228r	1,219r	1,567	1,799
50	Middle East oil-exporting countries[2,5]	7,008	5,503	4,178	2,372	2,786	2,396	2,109	2,829
51	Africa	703	753	553	588	765	631r	572	587
52	Oil-exporting countries[3]	344	277	167	233	294	265	235	238
53	All other[4]	664	651	921	1,128	1,070	988	975	982

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.

NOTES TO TABLE 3.21—CONTINUED

4. 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).
5. Excludes Liberia.
6. Includes Canal Zone beginning December 1979.
7. Foreign branch claims only.
8. Includes New Zealand, Liberia, and international and regional organizations.

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			
					Dec.	Mar.	June	Sept.	Dec.
1	**Total**	**36,185**	**28,725**	**34,911**	**29,901r**	**28,804r**	**26,750r**	**28,666r**	**28,071**
2	Payable in dollars	32,582	26,085	31,815	27,304r	26,232r	24,121r	25,800r	25,769
3	Payable in foreign currencies	3,603	2,640	3,096	2,597	2,571	2,629	2,866	2,302
	By type								
4	Financial claims	21,142	17,684	23,780	19,254r	18,506r	16,695r	19,203r	18,031
5	Deposits	15,081	13,058	18,496	14,621r	14,500r	12,839r	15,315r	14,805
6	Payable in dollars	14,456	12,628	17,993	14,202r	14,003r	12,283r	14,611r	14,190
7	Payable in foreign currencies	625	430	503	420	497	556	704	615
8	Other financial claims	6,061	4,626	5,284	4,633	4,007	3,856	3,889	3,227
9	Payable in dollars	3,599	2,979	3,328	3,190	2,442	2,375	2,351	2,192
10	Payable in foreign currencies	2,462	1,647	1,956	1,442	1,565	1,480	1,538	1,035
11	Commercial claims	15,043	11,041	11,131	10,646	10,297	10,055r	9,463	10,040
12	Trade receivables	14,007	9,994	9,721	9,177	8,784	8,688r	7,988	8,750
13	Advance payments and other claims	1,036	1,047	1,410	1,470	1,513	1,367	1,475	1,290
14	Payable in dollars	14,527	10,478	10,494	9,912	9,787	9,463r	8,839	9,387
15	Payable in foreign currencies	516	563	637	735	510	592	624	652
	By area or country								
	Financial claims								
16	Europe	4,596	4,873	6,488	5,762r	5,786r	5,477r	6,463r	6,306
17	Belgium-Luxembourg	43	15	37	15	29	15	12	10
18	France	285	134	150	126	92	51	132	184
19	Germany	224	178	163	224	196	175	158	223
20	Netherlands	50	97	71	66	81	46	127	61
21	Switzerland	117	107	38	66	46	16	53	74
22	United Kingdom	3,546	4,064	5,817	4,864r	5,053r	4,900r	5,736r	5,492
23	Canada	6,755	4,377	5,989	3,988r	3,942r	3,756r	4,037r	3,256
24	Latin America and Caribbean	8,812	7,546	10,234	8,216r	7,721r	6,616r	7,603r	7,650
25	Bahamas	3,650	3,279	4,771	3,306r	3,052r	2,204r	2,315r	2,638
26	Bermuda	18	32	102	6	4	6	5	6
27	Brazil	30	62	53	100	98	96	92	78
28	British West Indies	3,971	3,255	4,206	4,043r	3,998r	3,747r	4,632r	4,440
29	Mexico	313	274	293	215	201	206	201	180
30	Venezuela	148	139	134	125	101	100	73	48
31	Asia	758	698	764	961	859r	640r	969	696
32	Japan	366	153	297	353	509	281	725	475
33	Middle East oil-exporting countries[2]	37	15	4	13	6	6	6	4
34	Africa	173	158	147	210	101	111	104	103
35	Oil-exporting countries[3]	46	48	55	85	32	25	31	29
36	All other[4]	48	31	159	117	97	95	26	21
	Commercial claims								
37	Europe	5,405	3,826	3,670	3,801	3,360	3,680r	3,235	3,533
38	Belgium-Luxembourg	234	151	135	165	149	212	158	175
39	France	776	474	459	440	375	408	360	426
40	Germany	561	357	349	374	358	375	336	346
41	Netherlands	299	350	334	335	340	301	286	284
42	Switzerland	431	360	317	271	253	376	208	284
43	United Kingdom	985	811	809	1,063	885	950	779	898
44	Canada	967	633	829	1,021	1,248	1,065	1,100	1,023
45	Latin America and Caribbean	3,479	2,526	2,695	2,052	1,973	1,803r	1,717	1,808
46	Bahamas	12	21	8	8	9	11	18	13
47	Bermuda	223	261	190	115	164	65	62	93
48	Brazil	668	258	493	214	210	193	211	206
49	British West Indies	12	12	7	7	6	29	7	6
50	Mexico	1,022	775	884	583	493	468r	416	510
51	Venezuela	424	351	272	206	192	181r	149	157
52	Asia	3,959	3,050	3,063	3,073	2,985	2,707r	2,712	2,982
53	Japan	1,245	1,047	1,114	1,191	1,154	954r	884	1,016
54	Middle East oil-exporting countries[2]	905	751	737	668	666	593	541	638
55	Africa	772	588	588	470	510	464r	434	437
56	Oil-exporting countries[3]	152	140	139	134	141	137r	131	130
57	All other[4]	461	417	286	229	221	336	264	257

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	1984	1985	1986	1985		1986				
			Jan.–May	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	59,834	81,819	61,222	8,409	11,172	8,729	10,585	13,503	15,306	13,099
2 Foreign sales	62,814	76,851	48,178	7,137	9,010	6,987	8,828	10,640	11,420	10,302
3 **Net purchases, or sales (−)**	**−2,980**	**4,968**	**13,045**	**1,273**	**2,161**	**1,743**	**1,756**	**2,863**	**3,886**	**2,797**
4 **Foreign countries**	**−3,109**	**4,884**	**12,885**	**1,362**	**1,996**	**1,755**	**1,737**	**2,816**	**3,822**	**2,755**
5 Europe	−3,077	2,068	8,397	948	1,339	1,173	1,393	2,205	2,049	1,577
6 France	−405	−438	−18	−85	−105	−63	−68	−26	36	102
7 Germany	−50	730	747	270	283	134	234	229	47	102
8 Netherlands	−357	−122	755	47	125	109	121	166	123	236
9 Switzerland	−1,542	−75	2,347	107	280	288	420	698	566	375
10 United Kingdom	−677	1,674	3,557	579	700	615	634	1,021	719	568
11 Canada	1,691	355	233	−70	93	121	−59	77	50	43
12 Latin America and Caribbean	495	1,718	1,689	243	305	−68	213	198	862	482
13 Middle East[1]	−1,992	238	772	−174	227	208	−19	127	338	117
14 Other Asia	−378	313	1,342	384	−25	268	154	122	376	421
15 Africa	−22	24	206	−1	12	25	30	59	48	43
16 Other countries	175	168	247	32	44	26	24	28	98	70
17 **Nonmonetary international and regional organizations**	**129**	**84**	**160**	**−89**	**165**	**−12**	**20**	**47**	**63**	**42**
BONDS[2]										
18 Foreign purchases	39,296	87,176	53,602	12,466	9,755	6,065	9,285	12,564	13,541	12,147
19 Foreign sales	26,199	43,068	29,602	4,284	4,558	2,939	4,936	7,420	8,960	5,347
20 **Net purchases, or sales (−)**	**13,096**	**44,109**	**24,000**	**8,182**	**5,197**	**3,126**	**4,350**	**5,144**	**4,581**	**6,800**
21 **Foreign countries**	**12,799**	**44,203**	**23,367**	**7,824**	**5,555**	**3,229**	**4,201**	**4,843**	**4,391**	**6,704**
22 Europe	11,697	40,042	19,424	6,835	5,176	2,840	3,123	3,690	3,536	6,235
23 France	207	210	37	−15	0	27	−33	−17	−23	83
24 Germany	1,724	2,001	−26	897	408	−2	45	−224	−73	228
25 Netherlands	100	222	204	158	13	85	3	25	2	89
26 Switzerland	643	3,987	2,891	804	1,013	235	511	459	1,231	456
27 United Kingdom	8,429	32,757	16,567	4,903	3,696	2,471	2,617	3,374	2,474	5,631
28 Canada	−62	189	−88	110	19	2	−31	−198	75	63
29 Latin America and Caribbean	376	498	651	124	68	18	27	200	263	142
30 Middle East[1]	−1,030	−2,643	−750	−215	−435	−174	0	15	−389	−202
31 Other Asia	1,817	6,068	4,096	975	703	541	1,064	1,144	883	464
32 Africa	1	11	3	0	4	1	1	0	3	−2
33 Other countries	0	38	31	−5	19	2	17	−10	19	3
34 **Nonmonetary international and regional organizations**	**297**	**−95**	**633**	**358**	**−358**	**−103**	**149**	**301**	**190**	**96**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−1,101	−3,895	−2,463	−303	−413	123	−772	−1,440	−1,668	1,294
36 Foreign purchases	14,816	21,006	18,441	2,159	2,740	2,509	2,933	3,618	4,388	4,992
37 Foreign sales	15,917	24,902	20,904	2,462	3,153	2,386	3,705	5,058	6,057	3,698
38 Bonds, net purchases, or sales (−)	−3,930	−4,018	−5,004	272	−138	−67	−966	−3,003	−1,076	108
39 Foreign purchases	56,017	81,153	60,909	9,000	8,370	9,796	10,418	12,438	14,982	13,275
40 Foreign sales	59,948	85,171	65,913	8,728	8,507	9,862	11,385	15,441	16,058	13,167
41 **Net purchases, or sales (−), of stocks and bonds**	**−5,031**	**−7,913**	**−7,466**	**−31**	**−551**	**57**	**−1,738**	**−4,443**	**−2,744**	**1,402**
42 ***Foreign countries***	**−4,642**	**−8,977**	**−7,338**	**−254**	**−886**	**−31**	**−1,879**	**−4,119**	**−2,614**	**1,305**
43 Europe	−8,655	−9,926	−8,467	−1,046	−424	−379	−1,918	−3,840	−2,438	108
44 Canada	542	−1,686	−1,235	112	−394	−219	−319	−491	−286	80
45 Latin America and Caribbean	2,460	1,850	1,146	32	85	220	297	121	162	346
46 Asia	1,356	667	1,726	814	−352	395	563	127	−143	783
47 Africa	−108	75	30	37	42	7	10	4	6	3
48 Other countries	−238	43	−539	−204	156	−56	−512	40	85	−16
49 **Nonmonetary international and regional organizations**	**−389**	**1,063**	**−128**	**223**	**335**	**88**	**140**	**−324**	**−130**	**98**

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	1984	1985	1986 Jan.–May	1985 Nov.	1985 Dec.	1986 Jan.	1986 Feb.	1986 Mar.	1986 Apr.	1986 May[p]
	Transactions, net purchases or sales (−) during period[1]									
1 **Estimated total[2]**	**21,501**	**29,786**	**14,696**	**2,500**	**6,460**	**−1,359**	**352**	**9,572**	**8,390**	**−2,258**
2 Foreign countries[2]	16,496	29,303	12,978	2,276	3,066	−884	3,883	2,361	7,986	−368
3 Europe[2]	11,014	3,918	6,680	−995	180	114	1,818	1,813	1,531	1,405
4 Belgium-Luxembourg	287	476	−96	29	−44	33	−2	−196	29	39
5 Germany[2]	2,929	1,917	1,499	−101	302	132	459	322	117	468
6 Netherlands	449	269	−125	155	−82	26	−261	61	81	−31
7 Sweden	40	976	307	−42	−41	−200	193	−14	93	236
8 Switzerland[2]	656	760	733	−151	−116	68	115	22	163	366
9 United Kingdom	5,188	−2,186	3,278	−584	50	−60	1,388	1,474	−207	684
10 Other Western Europe	1,466	1,706	1,071	−301	111	116	−75	144	1,255	−370
11 Eastern Europe	0	0	13	0	0	0	0	0	0	13
12 Canada	1,586	−190	1,138	−394	−71	−461	−131	762	55	913
13 Latin America and Caribbean	1,418	4,312	1,170	735	90	107	584	227	1,222	−970
14 Venezuela	14	238	242	72	−41	−53	−63	127	196	36
15 Other Latin America and Caribbean	536	2,343	1,222	367	265	86	448	171	161	356
16 *Netherlands Antilles*	869	1,731	−294	296	−133	74	200	−70	865	−1,363
17 Asia	2,431	20,839	3,376	2,979	2,833	−584	1,311	−446	4,786	−1,691
18 Japan	6,289	18,859	1,624	3,039	902	−861	1,601	140	1,973	−1,229
19 Africa	−67	112	−41	1	9	−8	−12	−18	−1	−2
20 All other	114	311	656	−51	25	−52	314	22	394	−22
21 Nonmonetary international and regional organizations	5,009	483	1,716	224	3,393	−474	−3,532	7,211	403	−1,892
22 International	4,612	−394	1,440	−15	3,001	−194	−3,766	6,957	342	−1,899
23 Latin American regional	0	18	118	8	7	14	51	23	30	0
MEMO										
24 Foreign countries[2]	16,496	29,303	12,978	2,276	3,066	−884	3,883	2,361	7,986	−368
25 Official institutions	505	8,427	5,318	−236	2,712	362	619	394	3,716	227
26 Other foreign[2]	15,992	20,876	7,661	2,512	355	−1,246	3,264	1,967	4,270	−594
Oil-exporting countries										
27 Middle East[3]	−6,270	−1,576	636	−413	740	222	−301	−607	1,336	−14
28 Africa[4]	−101	7	1	0	2	1	0	−2	1	1

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. Includes U.S. Treasury notes publicly issued to private foreign residents *denominated in foreign currencies*.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on June 30, 1986		Country	Rate on June 30, 1986		Country	Rate on June 30, 1986	
	Per-cent	Month effective		Per-cent	Month effective		Per-cent	Month effective
Austria	4.0	Aug. 1985	France[1]	7.0	June 1986	Norway	8.0	June 1983
Belgium	8.0	May 1986	Germany, Fed. Rep. of	3.5	Mar. 1986	Switzerland	4.0	Mar. 1983
Brazil	49.0	Mar. 1981	Italy	12.0	May 1986	United Kingdom[2]	....	....
Canada	8.84	June 1986	Japan	3.5	Apr. 1986	Venezuela	8.0	Oct. 1985
Denmark	7.0	Oct. 1983	Netherlands	4.5	Mar. 1986			

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	1983	1984	1985	1985	1986					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 Eurodollars	9.57	10.75	8.27	7.99	8.02	7.89	7.42	6.80	6.86	6.95
2 United Kingdom	10.06	9.91	12.16	11.66	12.78	12.60	11.70	10.43	10.16	9.70
3 Canada	9.48	11.29	9.64	9.25	10.23	11.81	10.94	9.57	8.60	8.72
4 Germany	5.73	5.96	5.40	4.80	4.65	4.47	4.49	4.48	4.58	4.59
5 Switzerland	4.11	4.35	4.92	4.13	4.08	3.85	3.84	4.04	4.32	4.96
6 Netherlands	5.58	6.08	6.29	5.79	5.71	5.74	5.44	5.23	5.76	5.90
7 France	12.44	11.66	9.91	8.92	8.95	8.81	8.28	7.66	7.21	7.23
8 Italy	18.95	17.08	14.86	14.71	14.88	15.91	16.05	13.62	12.35	11.78
9 Belgium	10.51	11.41	9.60	9.14	9.75	9.75	9.75	8.51	7.90	7.27
10 Japan	6.49	6.32	6.47	7.36	6.54	6.04	5.47	4.85	4.58	4.64

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	1983	1984	1985	1986					
				Jan.	Feb.	Mar.	Apr.	May	June
1 Australia/dollar[1]	90.14	87.937	70.026	70.00	69.93	70.79	72.28	72.72	68.89
2 Austria/schilling	17.968	20.005	20.676	17.151	16.389	15.976	15.965	15.667	15.699
3 Belgium/franc	51.121	57.749	59.336	49.843	47.748	46.603	46.394	45.497	45.633
4 Brazil/cruzeiro	573.27	1841.50	6205.10	11345.26	13020.00	13.84[3]	13.84	13.84	13.84
5 Canada/dollar	1.2325	1.2953	1.3658	1.4070	1.4043	1.4009	1.3879	1.3757	1.3899
6 China, P.R./yuan	1.9809	2.3308	2.9434	3.2095	3.2152	3.2202	3.2143	3.2014	3.2115
7 Denmark/krone	9.1483	10.354	10.598	8.9468	8.6048	8.4096	8.3928	8.2479	8.2822
8 Finland/markka	5.5636	6.0007	6.1971	5.4131	5.2465	5.1517	5.1235	5.0967	5.1954
9 France/franc	7.6203	8.7355	8.9799	7.4821	7.1575	6.9964	7.2060	7.0967	7.1208
10 Germany/deutsche mark	2.5539	2.8454	2.9419	2.4384	2.3317	2.2752	2.2732	2.2277	2.2337
11 Greece/drachma	87.895	112.73	138.40	148.69	143.48	141.43	142.50	139.64	140.98
12 Hong Kong/dollar	7.2569	7.8188	7.7911	7.8081	7.8042	7.8125	7.7957	7.8080	7.8107
13 India/rupee	10.1040	11.348	12.332	12.243	12.370	12.289	12.393	12.466	12.599
14 Ireland/pound[1]	124.81	108.64	106.62	124.75	129.79	132.87	133.71	136.62	135.68
15 Italy/lira	1519.30	1756.10	1908.90	1663.14	1588.21	1548.43	1559.45	1528.50	1533.10
16 Japan/yen	237.55	237.45	238.47	199.89	184.85	178.69	175.09	167.03	167.54
17 Malaysia/ringgit	2.3204	2.3448	2.4806	2.4489	2.4704	2.5367	2.5981	2.5978	2.6231
18 Netherlands/guilder	2.8543	3.2083	3.3184	2.7489	2.6343	2.5678	2.5629	2.5082	2.5154
19 New Zealand/dollar[1]	66.790	57.837	49.752	51.657	53.177	52.820	56.127	56.666	54.585
20 Norway/krone	7.3012	8.1596	8.5933	7.5541	7.2789	7.1711	7.1603	7.4106	7.6117
21 Portugal/escudo	111.610	147.70	172.07	157.99	152.63	149.40	150.79	149.12	151.09
22 Singapore/dollar	2.1136	2.1325	2.2008	2.1289	2.1401	2.1600	2.1880	2.2157	2.2232
23 South Africa/rand[1]	89.85	69.534	45.57	42.40	47.94	49.04	48.77	45.67	39.49
24 South Korea/won	776.04	807.91	861.89	892.75	888.57	886.66	887.95	889.09	890.74
25 Spain/peseta	143.500	160.78	169.98	152.91	147.31	143.06	144.11	141.62	142.91
26 Sri Lanka/rupee	23.510	25.428	27.187	26.342	27.596	27.623	27.791	27.932	27.955
27 Sweden/krona	7.6717	8.2706	8.6031	7.5938	7.3997	7.2610	7.2433	7.1458	7.2124
28 Switzerland/franc	2.1006	2.3500	2.4551	2.0660	1.9547	1.9150	1.9016	1.8538	1.8406
29 Taiwan/dollar	n.a.	39.633	39.889	39.405	39.239	39.027	38.689	38.460	38.163
30 Thailand/baht	22.991	23.582	27.193	26.676	26.492	26.418	26.429	26.327	26.400
31 United Kingdom/pound[1]	151.59	133.66	129.74	142.44	142.97	146.74	149.85	152.11	150.85
MEMO									
32 United States/dollar[2]	125.34	138.19	143.01	123.65	118.77	116.05	115.67	113.27	113.77

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.
3. Currency reform.

NOTE. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected	0	Calculated to be zero
e	Estimated	n.a.	Not available
p	Preliminary	n.e.c.	Not elsewhere classified
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)	REITs	Real estate investment trusts
		RPs	Repurchase agreements
		SMSAs	Standard metropolitan statistical areas
		....	Cell not applicable

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

STATISTICAL RELEASES

List Published Semiannually, with Latest Bulletin Reference

SPECIAL TABLES

Published Irregulary, with Latest Bulletin Reference

Special tables begin on next page.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 1985[1]

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]
1 **Total assets**[4]	**311,562**	**152,871**	**231,028**	**119,995**	**49,534**	**21,759**	**16,265**	**6,390**
2 Claims on nonrelated parties	286,233	133,979	215,222	105,060	42,786	19,488	16,208	6,291
3 Cash and balances due from depository institutions	67,273	52,592	56,924	44,174	5,643	5,113	3,894	3,062
4 Cash items in process of collection and unposted debits	224	0	179	0	23	0	10	0
5 Currency and coin (U.S. and foreign)	20	n.a.	14	n.a.	2	n.a.	2	n.a.
6 Balances with depository institutions in United States	36,125	24,573	29,944	20,016	3,490	3,057	2,090	1,339
7 U.S. branches and agencies of other foreign banks (including their IBFs)	29,524	23,046	23,990	18,673	3,231	2,925	1,868	1,298
8 Other depository institutions in United States (including their IBFs)	6,601	1,527	5,955	1,342	259	132	222	42
9 Balances with banks in foreign countries and with foreign central banks	29,142	28,020	25,179	24,159	2,087	2,056	1,750	1,723
10 Foreign branches of U.S. banks	2,217	2,133	1,946	1,875	95	93	172	165
11 Other banks in foreign countries and foreign central banks	26,924	25,886	23,233	22,284	1,992	1,963	1,578	1,558
12 Balances with Federal Reserve Banks	1,762	n.a.	1,608	n.a.	41	n.a.	43	n.a.
13 **Total securities and loans**	**182,035**	**78,345**	**129,395**	**58,443**	**30,715**	**13,992**	**11,582**	**3,088**
14 Total securities, book value	18,667	7,151	15,555	5,490	2,407	1,484	528	133
15 U.S. Treasury	4,496	n.a.	4,255	n.a.	61	n.a.	170	n.a.
16 Obligations of U.S. government agencies and corporations	976	n.a.	956	n.a.	18	n.a.	0	n.a.
17 Other bonds, notes, debentures and corporate stock (including state and local securities)	13,195	7,151	10,344	5,490	2,328	1,484	358	133
18 Federal funds sold and securities purchased under agreements to resell	9,692	943	8,594	845	748	65	156	9
19 U.S branches and agencies of other foreign banks	6,042	531	5,314	504	470	15	140	2
20 Commercial banks in United States	1,768	35	1,606	21	78	0	9	0
21 Other	1,882	377	1,674	320	201	50	7	7
22 Total loans, gross	163,521	71,220	113,938	52,975	28,354	12,511	11,059	2,955
23 Less: Unearned income on loans	152	27	98	23	46	3	4	0
24 Equals: Loans, net	163,368	71,193	113,840	52,953	28,308	12,508	11,055	2,954
Total loans, gross, by category								
25 Real estate loans	5,758	64	2,621	46	1,166	19	478	0
26 Loans to depository institutions	55,842	37,907	40,390	26,092	11,027	8,669	3,046	2,124
27 Commercial banks in United States (including IBFs)	30,657	14,986	21,492	8,825	6,958	5,012	1,841	1,010
28 U.S. branches and agencies of other foreign banks	26,709	13,272	18,070	7,342	6,646	4,820	1,741	978
29 Other commercial banks in United States	3,948	1,713	3,423	1,484	312	192	100	32
30 Other depository institutions in United States (including IBFs)	100	28	74	28	12	0	0	0
31 Banks in foreign countries	25,085	22,893	18,823	17,239	4,057	3,657	1,205	1,114
32 Foreign branches of U.S. banks	988	888	727	681	247	193	9	9
33 Other banks in foreign countries	24,096	22,005	18,097	16,558	3,809	3,463	1,196	1,105
34 Other financial institutions	4,839	461	3,532	375	341	59	939	18
35 Commercial and industrial loans	73,031	18,447	47,646	15,023	13,501	2,152	5,903	423
36 U.S. addressees (domicile)	49,952	101	29,231	99	10,802	0	5,353	0
37 Non-U.S. addressees (domicile)	23,079	18,346	18,415	14,924	2,699	2,151	550	423
38 Acceptances of other banks	1,206	30	1,055	21	120	2	12	7
39 U.S. banks	976	0	849	0	106	0	5	0
40 Foreign banks	230	30	206	21	14	2	7	7
41 Loans to foreign governments and official institutions (including foreign central banks)	15,878	13,989	12,635	11,165	1,702	1,557	434	383
42 Loans for purchasing or carrying securities (secured and unsecured)	5,575	154	5,219	154	353	0	0	0
43 All other loans	1,392	168	840	99	143	54	246	0
44 All other assets	27,232	2,099	20,309	1,597	5,680	318	575	133
45 Customers' liability on acceptances outstanding	20,887	n.a.	15,689	n.a.	4,682	n.a.	169	n.a.
46 U.S. addressees (domicile)	13,053	n.a.	8,799	n.a.	3,980	n.a.	156	n.a.
47 Non-U.S. addressees (domicile)	7,835	n.a.	6,890	n.a.	702	n.a.	13	n.a.
48 Other assets including other claims on nonrelated parties	6,345	2,099	4,620	1,597	998	318	406	133
49 Net due from related depository institutions[5]	25,329	18,892	15,805	14,935	6,748	2,271	57	99
50 Net due from head office and other related depository institutions[5]	25,329	n.a.	15,805	n.a.	6,748	n.a.	57	n.a.
51 Net due from establishing entity, head offices, and other related depository institutions[5]	n.a.	18,892	n.a.	14,935	n.a.	2,271	n.a.	99
52 **Total liabilities**[4]	**311,562**	**152,871**	**231,028**	**119,995**	**49,534**	**21,759**	**16,265**	**6,390**
53 Liabilities to nonrelated parties	270,815	128,735	208,354	101,845	44,506	19,521	8,865	3,611

4.30 Continued

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]
54 Total deposits and credit balances	43,111	106,768	35,614	90,200	1,795	11,512	2,410	1,592
55 Individuals, partnerships, and corporations	31,524	12,842	25,011	9,873	1,375	388	1,993	80
56 U.S. addressees (domicile)	25,176	538	20,582	504	553	33	1,885	0
57 Non-U.S. addressees (domicile)	6,348	12,304	4,429	9,369	821	355	108	80
58 Commercial banks in United States (including their IBFs)	5,825	37,684	5,319	29,803	75	6,673	395	796
59 U.S. branches and agencies of other foreign banks	3,224	30,458	2,852	23,950	39	5,503	331	667
60 Other commercial banks in United States	2,602	7,225	2,467	5,852	36	1,170	64	129
61 Banks in foreign countries	1,640	51,520	1,485	45,963	114	4,410	7	702
62 Foreign branches of U.S. banks	68	6,400	67	5,184	0	921	0	179
63 Other banks in foreign countries	1,572	45,120	1,418	40,779	114	3,489	7	523
64 Foreign governments and official institutions (including foreign central banks	3,452	4,710	3,242	4,550	195	40	2	14
65 All other deposits and credit balances	286	12	235	11	9	0	1	0
66 Certified and official checks	384	n.a.	322	n.a.	27	n.a.	13	n.a.
67 Transaction accounts and credit balances (excluding IBFs)	4,441	n.a.	3,709	n.a.	173	n.a.	154	n.a.
68 Individuals, partnerships, and corporations	2,808	n.a.	2,235	n.a.	134	n.a.	137	n.a.
69 U.S. addressees (domicile)	1,844	n.a.	1,519	n.a.	94	n.a.	133	n.a.
70 Non-U.S. addressees (domicile)	964	n.a.	716	n.a.	40	n.a.	4	n.a.
71 Commercial banks in United States (including IBFs)	180	n.a.	159	n.a.	1	n.a.	0	n.a.
72 U.S. branches and agencies of other foreign banks	18	n.a.	17	n.a.	0	n.a.	0	n.a.
73 Other commercial banks in United States	162	n.a.	142	n.a.	1	n.a.	0	n.a.
74 Banks in foreign countries	664	n.a.	626	n.a.	5	n.a.	2	n.a.
75 Foreign branches of U.S. banks	18	n.a.	17	n.a.	0	n.a.	0	n.a.
76 Other banks in foreign countries	646	n.a.	609	n.a.	5	n.a.	2	n.a.
77 Foreign governments and official institutions (including foreign central banks)	319	n.a.	303	n.a.	1	n.a.	2	n.a.
78 All other deposits and credit balances	87	n.a.	64	n.a.	4	n.a.	1	n.a.
79 Certified and official checks	384	n.a.	322	n.a.	27	n.a.	13	n.a.
80 Demand deposits (included in transaction accounts and credit balances)	3,569	n.a.	3,013	n.a.	92	n.a.	145	n.a.
81 Individuals, partnerships, and corporations	2,294	n.a.	1,856	n.a.	57	n.a.	128	n.a.
82 U.S. addressees (domicile)	1,481	n.a.	1,251	n.a.	33	n.a.	124	n.a.
83 Non-U.S. addressees (domicile)	814	n.a.	605	n.a.	25	n.a.	3	n.a.
84 Commercial banks in United States (including IBFs)	141	n.a.	121	n.a.	1	n.a.	0	n.a.
85 U.S. branches and agencies of other foreign banks	3	n.a.	3	n.a.	0	n.a.	0	n.a.
86 Other commercial banks in United States	138	n.a.	118	n.a.	1	n.a.	0	n.a.
87 Banks in foreign countries	536	n.a.	509	n.a.	5	n.a.	2	n.a.
88 Foreign branches of U.S. banks	15	n.a.	14	n.a.	0	n.a.	0	n.a.
89 Other banks in foreign countries	520	n.a.	494	n.a.	5	n.a.	2	n.a.
90 Foreign governments and official institutions (including foreign central banks)	196	n.a.	190	n.a.	1	n.a.	2	n.a.
91 All other deposits and credit balances	19	n.a.	16	n.a.	0	n.a.	1	n.a.
92 Certified and official checks	384	n.a.	322	n.a.	27	n.a.	13	n.a.
93 Non-transaction accounts (including MMDAs, excluding IBFs)	38,670	n.a.	31,905	n.a.	1,622	n.a.	2,256	n.a.
94 Individuals, partnerships, and corporations	28,716	n.a.	22,776	n.a.	1,241	n.a.	1,856	n.a.
95 U.S. addressees (domicile)	23,333	n.a.	19,064	n.a.	459	n.a.	1,752	n.a.
96 Non-U.S. addressees (domicile)	5,383	n.a.	3,712	n.a.	782	n.a.	104	n.a.
97 Commercial banks in United States (including IBFs)	5,646	n.a.	5,160	n.a.	74	n.a.	395	n.a.
98 U.S. branches and agencies of other foreign banks	3,206	n.a.	2,834	n.a.	39	n.a.	331	n.a.
99 Other commercial banks in United States	2,439	n.a.	2,325	n.a.	35	n.a.	63	n.a.
100 Banks in foreign countries	976	n.a.	858	n.a.	109	n.a.	5	n.a.
101 Foreign branches of U.S. banks	50	n.a.	50	n.a.	0	n.a.	0	n.a.
102 Other banks in foreign countries	927	n.a.	809	n.a.	109	n.a.	5	n.a.
103 Foreign governments and official institutions (including foreign central banks)	3,133	n.a.	2,940	n.a.	194	n.a.	0	n.a.
104 All other deposits and credit balances	199	n.a.	171	n.a.	5	n.a.	0	n.a.
105 IBF deposit liabilities	n.a.	106,768	n.a.	90,200	n.a.	11,512	n.a.	1,592
106 Individuals, partnerships, and corporations	n.a.	12,842	n.a.	9,873	n.a.	388	n.a.	80
107 U.S. addressees (domicile)	n.a.	538	n.a.	504	n.a.	33	n.a.	0
108 Non-U.S. addressees (domicile)	n.a.	12,304	n.a.	9,369	n.a.	355	n.a.	80
109 Commercial banks in United States (including IBFs)	n.a.	37,684	n.a.	29,803	n.a.	6,673	n.a.	796
110 U.S. branches and agencies of other foreign banks	n.a.	30,458	n.a.	23,950	n.a.	5,503	n.a.	667
111 Other commercial banks in United States	n.a.	7,225	n.a.	5,852	n.a.	1,170	n.a.	129
112 Banks in foreign countries	n.a.	51,520	n.a.	45,963	n.a.	4,410	n.a.	702
113 Foreign branches of U.S. banks	n.a.	6,400	n.a.	5,184	n.a.	921	n.a.	179
114 Other banks in foreign countries	n.a.	45,120	n.a.	40,779	n.a.	3,489	n.a.	523
115 Foreign governments and official institutions (including foreign central banks)	n.a.	4,710	n.a.	4,550	n.a.	40	n.a.	14
116 All other deposits and credit balances	n.a.	12	n.a.	11	n.a.	0	n.a.	0

For notes see end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 1985[1]—Continued
Millions of dollars

Item	All states[2] Total including IBFs	All states[2] IBFs only[3]	New York Total including IBFs	New York IBFs only[3]	California Total including IBFs	California IBFs only[3]	Illinois Total including IBFs	Illinois IBFs only[3]
117 Federal funds purchased and securities sold under agreements to repurchase	33,350	1,823	25,199	1,296	6,756	506	953	20
118 U.S. branches and agencies of other foreign banks	7,848	615	5,796	315	1,750	296	143	4
119 Other commercial banks in United States	17,049	57	11,980	53	4,231	3	633	0
120 Other	8,453	1,151	7,423	928	775	207	177	16
121 Other borrowed money	59,443	18,280	35,919	8,914	18,716	7,257	3,458	1,867
122 Owed to nonrelated commercial banks in United States (including IBFs)	44,361	8,276	25,360	2,874	15,839	4,791	1,904	416
123 Owed to U.S. offices of nonrelated U.S. banks	23,395	1,908	14,235	767	7,443	991	774	21
124 Owed to U.S. branches and agencies of nonrelated foreign banks	20,967	6,368	11,126	2,107	8,396	3,800	1,130	395
125 Owed to nonrelated banks in foreign countries	9,683	8,900	5,666	4,970	2,492	2,461	1,449	1,423
126 Owed to foreign branches of nonrelated U.S. banks	1,047	978	334	295	496	468	208	206
127 Owed to foreign offices of nonrelated foreign banks	8,637	7,922	5,333	4,675	1,996	1,993	1,241	1,217
128 Owed to others	5,398	1,104	4,893	1,070	385	5	105	28
129 All other liabilities	28,143	1,864	21,422	1,434	5,727	246	453	133
130 Branch or agency liability on acceptances executed and outstanding	22,982	n.a.	17,458	n.a.	4,988	n.a.	170	n.a.
131 Other liabilities to nonrelated parties	5,161	1,864	3,964	1,434	740	246	283	133
132 Net due to related depository institutions[5]	40,747	24,136	22,673	18,150	5,028	2,238	7,399	2,779
133 Net due to head office and other related depository institutions[5]	40,747	n.a.	22,673	n.a.	5,028	n.a.	7,399	n.a.
134 Net due to establishing entity, head office, and other related depository institutions[5]	n.a.	24,136	n.a.	18,150	n.a.	2,238	n.a.	2,779
MEMO								
135 Non-interest bearing balances with commercial banks in United States	2,785	34	2,605	29	82	0	45	0
136 Holding of commercial paper included in total loans	672	n.a.	363	n.a.	247	n.a.	62	n.a.
137 Holding of own acceptances included in commercial and industrial loans	3,849	n.a.	2,930	n.a.	671	n.a.	177	n.a.
138 Commercial and industrial loans with remaining maturity of one year or less	48,358	n.a.	30,527	n.a.	9,223	n.a.	4,515	n.a.
139 Predetermined interest rates	29,473	n.a.	17,133	n.a.	7,122	n.a.	3,273	n.a.
140 Floating interest rates	18,885	n.a.	13,395	n.a.	2,101	n.a.	1,243	n.a.
141 Commercial and industrial loans with remaining maturity of more than one year	24,673	n.a.	17,119	n.a.	4,278	n.a.	1,388	n.a.
142 Predetermined interest rates	9,174	n.a.	5,786	n.a.	1,899	n.a.	549	n.a.
143 Floating interest rates	15,499	n.a.	11,333	n.a.	2,379	n.a.	838	n.a.

4.30 Continued

Millions of dollars

Item	All states[2] Total excluding IBFs	All states[2] IBFs only[3]	New York Total excluding IBFs	New York IBFs only[3]	California Total excluding IBFs	California IBFs only[3]	Illinois Total excluding IBFs	Illinois IBFs only[3]
144 Components of total nontransaction accounts, included in total deposits and credit balances of nontransactional accounts, including IBFs	48,829	n.a.	41,503	n.a.	1,686	n.a.	2,751	n.a.
145 Time CDs in denominations of $100,000 or more	32,189	n.a.	26,568	n.a.	1,401	n.a.	1,953	n.a.
146 Other time deposits in denominations of $100,000 or more	4,106	n.a.	3,885	n.a.	69	n.a.	123	n.a.
147 Time CDs in denominations of $100,000 or more with remaining maturity of more than 12 months	12,535	n.a.	11,049	n.a.	216	n.a.	675	n.a.
	All states[2] Total including IBFs	**All states[2] IBFs only[3]**	**New York Total including IBFs**	**New York IBFs only[3]**	**California Total including IBFs**	**California IBFs only[3]**	**Illinois Total including IBFs**	**Illinois IBFs only[3]**
148 Market value of securities held	65,902	7,328	62,986	5,696	2,250	1,455	528	133
150 Immediately available funds with a maturity greater than one day included in other borrowed money	40,261	n.a.	24,164	n.a.	13,908	n.a.	1,601	n.a.
150 Number of reports filed[6]	466		217		117		46	n.a.

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks." Details may not add to totals because of rounding. This form was first used for reporting data as of June 30, 1980, and was revised as of December 31, 1985. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items.

2. Includes the District of Columbia.

3. Effective December 1981, the Federal Reserve Board amended Regulations D and Q to permit banking offices located in the United States to operate *International Banking Facilities (IBFs). As of December 31, 1985, data for IBFs* are reported in a separate column. These data are either included in or excluded from the total columns as indicated in the headings. The notation "n.a." indicates that no IBF data are reported for that item, either because the item is not an eligible IBF asset or liability or because that level of detail is not reported for IBFs. From December 1981 through September 1985, IBF data were included in all applicable items reported.

4. Total assets and total liabilities include *net* balances, if any, due from or due to related banking institutions in the United States and in foreign countries (see footnote 5). On the former monthly branch and agency report, available through the G.11 statistical release, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.

5. "Related banking institutions" includes the foreign head office and other U.S. and foreign branches and agencies of the bank, the bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent *holding company (including subsidiaries owned both directly and indirectly).*

6. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

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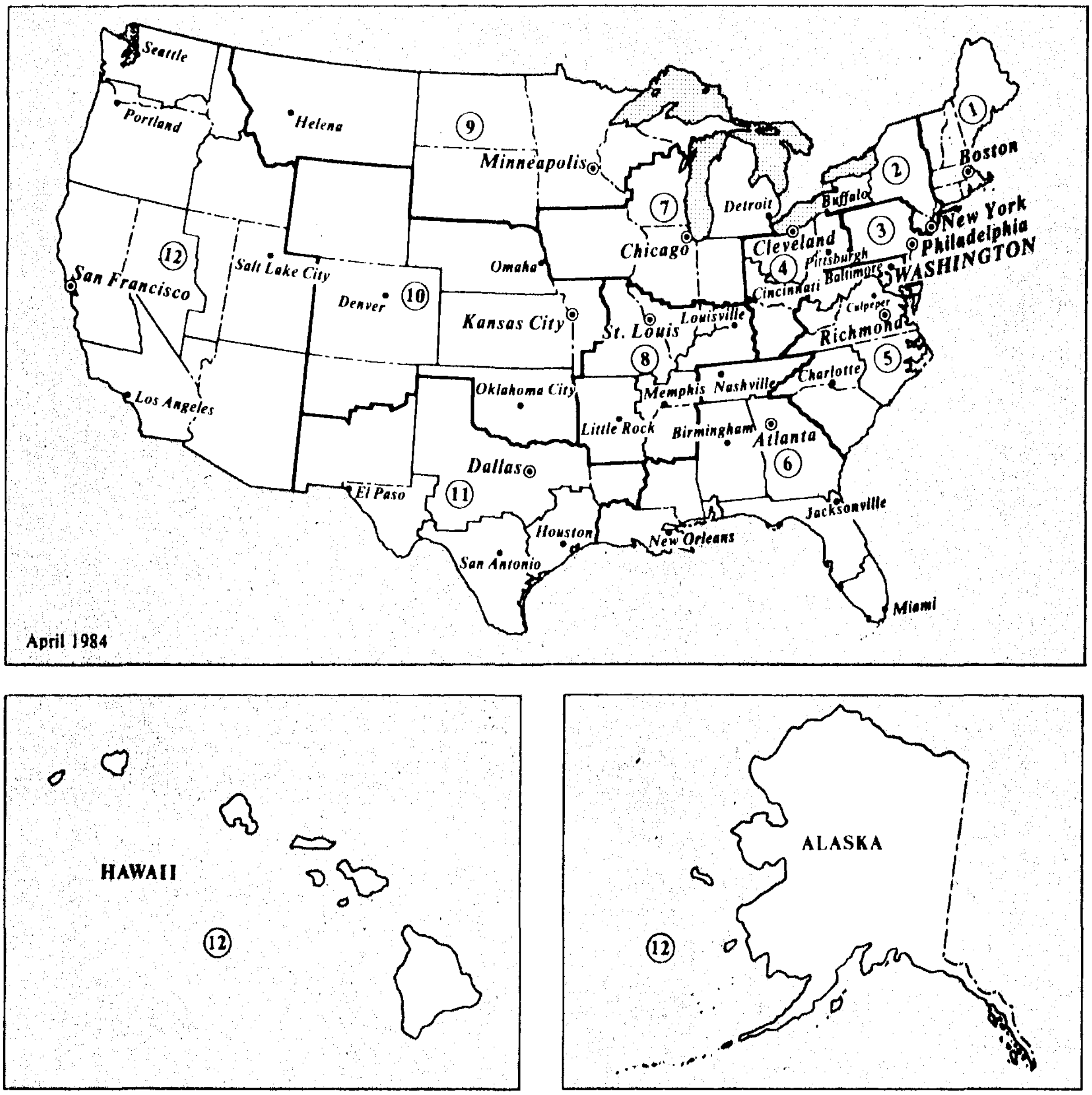
NEW YORK*............10045	John Brademas Clifton R. Wharton, Jr.	E. Gerald Corrigan Thomas M. Timlen	
Buffalo....................14240	Mary Ann Lambertsen		John T. Keane
PHILADELPHIA........19105	Robert M. Landis Nevius M. Curtis	Edward G. Boehne Richard L. Smoot	
CLEVELAND*...........44101	William H. Knoell E. Mandell de Windt	Karen N. Horn William H. Hendricks	
Cincinnati................45201	Robert E. Boni		Charles A. Cerino
Pittsburgh................15230	James E. Haas		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.................30303	John H. Weitnauer, Jr. Bradley Currey, Jr.	Robert P. Forrestal Jack Guynn	Delmar Harrison
Birmingham.............35283	A. G. Trammell		Fred R. Herr
Jacksonville.............32231	E. William Nash, Jr.		James D. Hawkins
Miami......................33152	Sue McCourt Cobb		Patrick K. Barron
Nashville.................37203	Patsy R. Williams		Jeffrey J. Wells
New Orleans............70161	Sharon A. Perlis		Henry H. Bourgaux
CHICAGO*................60690	Robert J. Day Marcus Alexis	Silas Keehn Daniel M. Doyle	
Detroit....................48231	Robert E. Brewer		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	William C. Ballard, Jr.		James E. Conrad
Memphis.................38101	G. Rives Neblett		Paul I. Black, Jr.
MINNEAPOLIS..........55480	John B. Davis, Jr. Michael W. Wright	Gary H. Stern Thomas E. Gainor	
Helena....................59601	Marcia S. Anderson		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 S. 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	James L. Stull
El Paso...................79999	Peyton Yates		Joel L. Koonce, Jr.
Houston..................77252	Walter M. Mischer, Jr.		J.Z. Rowe
San Antonio............78295	Ruben M. Garcia		Thomas H. Robertson
SAN FRANCISCO......94120	Alan C. Furth Fred W. Andrew	Robert T. Parry Vacant	
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