
VOLUME 69 □ NUMBER 3 □ MARCH 1983

FEDERAL RESERVE BULLETIN

Board of Governors of the Federal Reserve System
Washington, D.C.

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Monetary Policy Report to Congress

Report submitted to the Congress on February 16, 1983, pursuant to the Full Employment and Balanced Growth Act of 1978.¹

THE PERFORMANCE OF THE ECONOMY IN 1982

The recession that began in mid-1981 continued through 1982, bringing the cumulative decline in real gross national product over that period to 2½ percent. Unemployment reached a postwar high, while industrial capacity utilization fell to a postwar low. At the same time, however, inflationary pressures were greatly reduced; and while some potential obstacles to growth clearly need attention, an economic environment conducive to sustainable recovery and expansion seemed to be emerging by year-end.

To a considerable extent, the recession and its attendant economic and financial stresses have reflected the difficulties inherent in reversing an inflationary trend that had been gaining momentum for more than a decade. By the late 1970s, the underlying inflation rate had accelerated to near the double-digit level, and expectations of rising wages and prices had become deeply embedded in the behavior of consumers, businesses, and investors. Growing financial dislocations and economic imbalances made it plain that inflation was having a debilitating effect on our economic performance. Although policies to curb the inflation were strengthened considerably in late 1979, the inflation rate remained quite high through 1980 and slowed only a little in 1981.

In this past year, however, the progress against inflation has been more dramatic. The rate of increase in most price measures in 1982 was only a third to half the peak inflation rates of

1979 and 1980, a much faster deceleration than had generally been thought possible when the year began. The slowdown was attributable to temporary influences to some extent, but there also has been more fundamental progress. In particular, expectations of inflation are being scaled down, productivity is improving, and indications of business and labor adapting their price and wage practices to the competitive realities of a new, less inflationary environment are widespread.

Reflecting both the sharp deceleration of price inflation and the cutbacks in economic activity, nominal gross national product grew only 3¼ percent over the four quarters of 1982, little more than a third the rate of growth in 1981. Nevertheless, the demands for money remained quite strong, as exceptional economic and financial uncertainties bolstered investors' desires to hold liquid balances, and as the attractiveness of depository accounts was enhanced by the progressive liberalization of deposit rate regulations.

The growth in aggregate debt outstanding also was quite strong, with a particularly steep increase in the credit needs of the federal government. Federal borrowing was extraordinarily large in the second half of 1982, when the federal sector absorbed nearly half of the funds raised by all domestic nonfinancial borrowers. State and local governments, too, issued substantial amounts of new debt in 1982, especially late in the year. Private credit demands, however, were curtailed sharply as economic activity weakened.

Interest rates fell appreciably in 1982, primarily in the second half. By the end of the year, short-term rates were about half the peak levels of 1981, and long-term rates also had declined considerably. In turn, the declines in rates helped trigger an improvement in activity toward year-end in the credit-sensitive sectors of the economy. In particular, automobile sales have perked up in recent months, and an upturn in the housing sector gained momentum as the year

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

progressed. Following an exceptionally rapid liquidation of business inventories in the fourth quarter, the pressures to reduce stocks appeared to be easing early in 1983 as both production and employment increased in January. All told, these and other recent data provide strong indications that recessionary forces are dissipating and that the economy may be entering the initial phases of a new expansion.

Interest Rates

A year ago, as 1982 began, interest rates were moving higher in association with stronger demands for money and credit, reversing a portion of the decline that occurred as the economy slipped into recession in the second half of 1981. However, the rise in rates was soon halted. Short-term interest rates showed little net change from late January through June, and then fell sharply in the third quarter, as sluggish money growth through the early part of the summer reduced the demand for bank reserves, easing pressures in money markets. With market rates falling and the economy still quite sluggish, the Federal Reserve reduced its discount rate $3\frac{1}{2}$ percentage points over the second half of the year in seven separate steps, thereby accommodating the downward movement in money market rates. During this period, the broader monetary aggregates were running at or just above the annual target ranges, but this did not seem inappropriate in light of prevailing economic and financial conditions. By December short-term rates had fallen around 5 percentage points from their average levels in June.

Long-term interest rates also registered substantial declines in the second half of the year, responding not only to the easing in money markets, but also to the sustained moderation of inflation and to the weakness in economic activity. On balance, yields on bonds and conventional mortgages fell 3 to 4 percentage points between June and December. The decline in long-term yields and the promise of a sustained pickup in economic activity helped to maintain a sharp rise in stock prices beginning in the summer, with several broad market indexes reaching historic peaks late in the year and rising to still higher levels in early 1983.

In addition to the general cyclical factors affecting interest rates, the structure of rates across different markets this past year reflected, to an unusual degree, investor concerns about the financial health of borrowers. Severe stress was evident in a high level of bankruptcies, as well as in other difficulties experienced by many businesses and financial institutions in the United States and abroad. In these circumstances, lenders began to assess credit risks more carefully, demanding larger returns for extending credit to potentially troubled borrowers. Later in the year, however, these risk premiums dropped to more normal levels as an easing of overall credit conditions and anticipations of a pickup in economic activity relieved some of the anxieties in financial markets.

Even with the sharp declines of 1982, interest rates remain at high levels relative both to their historical levels and to current inflation rates. A major factor propping up long-term rates especially is the prospective size of federal government deficits, which threaten to remain massive even as the economy recovers, thereby competing with the rising demands of private borrowers for available savings. Moreover, although inflation moderated substantially in 1982, many potential investors, scarred by the experience of the 1970s, remained cautious about the longer-range outlook—and about the government's commitment to maintain forceful anti-inflationary policies.

Residential Construction

So far, the housing sector has been the main beneficiary of falling interest rates. A gradual upturn in housing activity that began in late 1981 gained momentum in the second half of 1982 as mortgage rates moved sharply lower. By last month the interest rate on commitments for conventional fixed-rate mortgages had dropped to 13 percent from a high of $18\frac{1}{2}$ percent in the fall of 1981, and rates on many types of variable-rate loans had declined even more.

Homebuyers responded favorably to the rate reductions, and in the fourth quarter, sales of both new and existing homes rose to their highest levels since the recession began in mid-1981. Because the inventory of unsold new homes had

been drawn down to a low level, the improvement in sales in the second half provided a direct impetus for new construction activity. Starts of new single-family dwellings in the fourth quarter were up almost 50 percent from depressed year-earlier levels, with most of that gain coming in the second half of the year. Starts of new multi-family units rose through most of the year, supported in part by federal subsidies.

Consumer Spending

Consumers continued to exhibit cautious spending patterns through most of 1982. Despite sharp reductions in personal tax liabilities at midyear, real after-tax income rose only 0.6 percent during the year, as reductions in employment cut deeply into wage and salary payments. At the same time, consumers were reluctant to finance purchases by taking on new debt. Domestic auto sales remained depressed through most of the year, with the pace for 1982 as a whole the worst in more than two decades. Foreign car sales also fell, but much less than sales of domestic makes.

Nevertheless, the economic situation in the consumer sector appeared to be improving as the year ended. With liquidity up and debt burdens down, consumers' financial positions, in the aggregate, have improved considerably from the overextended positions of the late 1970s. Consumer confidence began to perk up in the second half of 1982 as inflation remained moderate and as interest rates on consumer loans began gradually to decline. Spending, most notably on durable goods, started to grow more rapidly toward year-end. Sales of domestic autos rose significantly in November and have been maintained at a higher level into early 1983, apparently reflecting financing concessions as well as changes in manufacturers' design and pricing policies. Retail sales excluding autos also rose a little in late 1982, and in the fourth quarter, total consumer spending registered its strongest gain, in real terms, since late 1980.

Business Sector

The persistent weakness of economic activity in 1982 led to considerable stress in the private

business sector. Among nonfarm businesses, low operating rates depressed corporate profits, and the financial condition of many firms weakened under the burden of reduced availability of internal funds, heavy short-term indebtedness, and high interest charges. Credit ratings deteriorated for many businesses, the incidence of dividend reductions or suspensions increased, and business bankruptcies rose to a postwar high.

Signs of growing financial distress also were evident in the farm sector of the economy. Because of weak demand and exceptionally large crop harvests in 1982, farm prices slumped and income was low for the third year in a row. Land prices in the farm sector have fallen substantially in some areas since mid-1981, farm proprietors' equity has declined, and debt-to-asset ratios have risen noticeably in the past two years. Difficulties in servicing debt have increased, especially among those farmers who came to rely more heavily on credit financing in earlier years, and farm bankruptcies and foreclosures have become more numerous.

Confronted with weak demand and financial strains, many business firms moved aggressively in 1982 to trim inventories and curtail capital spending. In real terms, total fixed investment expenditures in the business sector fell more than 8 percent over the four quarters of 1982. Cutbacks in spending for equipment accounted for nearly all of the decline; purchases fell especially rapidly for heavy industrial machinery such as engines, construction equipment, farm machinery, and transportation equipment.

Business investment spending on nonresidential structures slowed in the first half of 1982 and then turned down in the second half. Much of the decline was concentrated in outlays for oil and gas drilling, which fell sharply over the year as drilling incentives weakened in response to worldwide reductions in energy demand and declines in petroleum prices. In contrast, business spending for new buildings was well maintained through 1982, although part of this strength probably reflected the continuation of projects started some time ago. Forward-looking indicators, such as the constant-dollar value of new construction contracts, fell substantially during the year while vacancy rates for office buildings climbed sharply. These and other indicators suggest that capital spending by busi-

nesses, especially for construction, could continue to weaken for some months.

Depressed aggregate demand also caused businesses to liquidate inventories at a rapid pace in 1982. The weakening of final sales in the second half of 1981 had led to an unintended buildup of inventories, and in early 1982 businesses began liquidating those excess stocks at a rapid pace. However, the runoff of inventories halted around midyear, possibly because businesses generally anticipated a midyear upturn in sales. When no such upturn occurred, a second round of inventory liquidation began, and stocks were reduced at a particularly rapid pace in the fourth quarter. By year-end many industries had reduced inventories to below prerecession levels, but stocks in some sectors still appeared large relative to the prevailing sales pace.

Reflecting the reductions in inventories and capital spending, businesses reduced their credit usage appreciably in 1982. The strong rally in the stock market that began during the summer also helped reduce borrowing, as firms started relying more heavily on equity financing and relatively less on new debt issuance. Falling long-term interest rates enabled businesses to accomplish some lengthening of their debt maturities toward the end of 1982, but even so, business balance sheets at year-end were heavily laden with short-term debt.

Government Sector

Total government purchases of goods and services rose 2½ percent in real terms during 1982, about the same as in the previous year. At the federal level, real outlays for national defense expanded rapidly for the second year in a row. Spending also rose considerably for agricultural programs, as the federal government accumulated farm inventories under programs designed to keep farm prices and farm incomes from falling further. Federal purchases of other goods and services, on balance, were cut back sharply.

The credit demands of the federal government rose steeply in 1982, and accounted for almost 40 percent of total credit flows to the domestic nonfinancial sectors of the economy. Federal borrowing from the public rose from \$87 billion in 1981 to \$161 billion in 1982, as the federal

deficit widened in response to weak growth in taxable incomes, reductions in tax rates, the further rise in government purchases, and a recession-induced increase in unemployment compensation and other transfer payments.

Real purchases of goods and services by state and local governments were little changed over the four quarters of 1982. Faced with a recession-induced shrinkage in tax revenues and cutbacks in federal support, many state legislatures enacted increases in sales, income, or corporate taxes to help maintain service levels. In addition, state and local borrowing increased substantially, not only to finance traditional functions but also, in a number of cases, to support mortgage lending in local communities. A surge in new bond issues in the fourth quarter was in part an attempt by state and local governments to raise funds before a requirement to register all new issues of tax-exempt securities after year-end (later postponed to mid-1983) was scheduled to take effect.

International Payments and Trade

Following a steep advance in 1981, the weighted-average value of the dollar appreciated another 20 percent from the beginning of 1982 through early November. The strengthening apparently was in large part a response to the progress made in reducing inflation and the sense of a continuing commitment of U.S. authorities to ensure greater economic stability. Moreover, during a period of major strains in the international financial system and considerable economic uncertainty, there evidently was a view that dollar assets, especially U.S. assets, would provide a "safe haven." Since early November the foreign exchange value of the dollar has fallen a little, on net, as market participants have reacted to the prospect of very large deficits in 1983 in the U.S. merchandise trade and current accounts.

A movement toward deficit in the U.S. current account was already evident in 1982. Reflecting the effects of the strong dollar, as well as sluggish economic growth abroad, real exports of goods and services decreased 13 percent over the four quarters of 1982. The volume of imports of goods and services also declined during 1982, but the decline was smaller than for exports; the increas-

ing price competitiveness of foreign goods, which resulted in part from the strong dollar, helped support import demand. As a result of these trade patterns, net exports, in real terms, fell \$15 billion over the four quarters of 1982; the trade sector thus made an atypically large contribution to the recession. The U.S. current account, which was in small surplus for 1981 as a whole, recorded surpluses in the first half of the year but then swung into deficit in the second half as exports weakened.

The external financial position of several large borrowing countries—notably Argentina, Brazil, and Mexico—worsened in 1982. These financing problems have placed severe strains on the banking system and on international markets generally, as the need arose to refinance or reschedule existing debt. During the year, borrowers and private and official lending institutions made repeated cooperative efforts to address these problems, and the debtor countries, to gain control of rising debt burdens, are adopting strong policies of internal and external adjustment. As a result, debtor countries have reduced their demand for exports from major industrial countries, particularly the United States because of its close ties to Latin America.

Labor Markets

Employment in the United States fell steadily throughout 1982, and by year-end total nonfarm payroll employment was more than $2\frac{3}{4}$ million below its July 1981 peak. As is typical in recessions, the largest job losses were in the cyclically sensitive manufacturing and construction industries. In addition, employment fell in the oil- and gas-drilling industries, and trade employment suffered an unusually sizable decline. Employment in the service sector continued to grow in 1982, but at a slower pace than in recent years.

The back-to-back recessions of the early 1980s were accompanied by a rise in total unemployment of about $5\frac{1}{2}$ million, and by the end of 1982, the unemployment rate, at 10.8 percent, was nearly 2 percentage points above its previous postwar peak. Increases in unemployment were especially large among adult men, who hold a disproportionate number of jobs in the cyclically sensitive industries. As the recession persisted

through 1982, the number of workers unemployed for longer than a half-year increased to more than $2\frac{1}{2}$ million. In order to support the incomes of these long-term unemployed, the period of eligibility for unemployment benefits was lengthened twice, to as much as 55 weeks for some workers.

Nevertheless, a little improvement in labor demand began to be evident around the turn of the year. The incidence of layoffs appeared to be moderating toward the end of 1982; unemployed workers have been recalled in some industries. And in January of this year, the civilian unemployment rate declined to 10.4 percent.

Wages and Labor Costs

The falloff in labor demand in 1982, along with the general unwinding of inflation, led to a sharp slowing in the rise of wages and labor costs. The wage rates of production workers increased about 6 percent during 1982, the smallest advance in 15 years. The moderation in wage increases was especially striking among new contracts negotiated under major collective bargaining agreements; in 1982, first-year wage increases under these agreements averaged $3\frac{3}{4}$ percent, less than half the average increases reached when these workers last negotiated. In some particularly hard-pressed industries, workers agreed to new contracts that eliminated altogether the fixed wage increases that had been customary in past wage agreements, and in some cases there were outright wage reductions. Nevertheless, with price inflation slowing even more rapidly than nominal wages, real wage rates in the nonfarm business sector actually rose faster than in most recent years.

Labor costs per unit of output were up only $4\frac{1}{2}$ percent over the four quarters of 1982, as an improved productivity performance reinforced the impact of slower nominal increases in wages and benefits. Qualitative reports throughout the year suggested that business firms, many of them hard-pressed financially, were engaged in aggressive efforts to cut costs and bolster efficiency. Productivity gains in the second half of the year were particularly noteworthy, given that business output was still declining cyclically; normally, productivity tends to slump in the contraction

phase of the business cycle as firms reduce output by more than the hours worked.

Prices

In 1982, all major price indexes advanced at considerably slower rates than in 1981, and for some price measures, the increases in 1982 were the smallest in more than a decade. The consumer price index rose 3.9 percent over the year, compared with 12½ percent just two years earlier. Capital goods prices were up less than half as much as in 1981, and prices were little changed for a broad range of materials used in manufacturing and construction.

In many ways the slowing of inflation this past year has reflected the pervasive influence of the recession on product and labor markets. In addition, the strength of the dollar has helped to hold down the prices of U.S. imports; bountiful harvests have contributed to declines in agricultural prices; and the worldwide recession has depressed the prices of oil and other commodities. Although these influences themselves may prove to be temporary, the foundation is now in place for more lasting gains against inflation. In particular, the wage-price interactions that served to perpetuate inflation through the 1970s appear to have lost much of their momentum. Workers generally are agreeing to smaller pay increases than in earlier years, and in some sectors in which long-term wage agreements are prevalent, the settlements concluded in 1982 will help ensure diminished labor cost pressures in coming years. Lower labor costs are relieving pressures on prices, and in turn, an improved price performance is reducing expectations of inflation and thus leading to a further slowing of labor costs. This cumulative process of disinflation still appeared to have momentum at year-end, thereby providing solid grounds for continuing better price performance in 1983.

THE GROWTH OF MONEY AND CREDIT IN 1982

The Federal Reserve has been seeking to provide enough liquidity to facilitate an early upturn in economic activity, while maintaining the mone-

tary discipline needed to sustain the progress toward lower rates of inflation—a crucial element in satisfactory economic performance over the longer run. The specific monetary target ranges chosen by the Federal Open Market Committee (FOMC) last February and reaffirmed in July were as follows, with growth measured from the fourth quarter of 1981 to the fourth quarter of 1982: for M1, 2½ to 5½ percent; for M2, 6 to 9 percent; and for M3, 6½ to 9½ percent. The associated range for bank credit was 6 to 9 percent at an annual rate, measured from the average level of December 1981 and January 1982 to the fourth quarter of 1982; the base period for bank credit was selected to minimize distortions from the shifting of assets to newly established international banking facilities, first authorized in late 1981.

It was recognized when selecting these ranges that several factors could affect the relationship of monetary and credit growth to income and expenditure in the economy. In particular, the Committee contemplated that M1 might deviate for periods of time from expected patterns of growth in the event that economic and financial uncertainties fostered unusual desires for liquidity. Such desires had already been indicated by a surge in growth around year-end 1981, at which time it was believed that vigorous efforts to bring money back within target ranges rapidly would not be appropriate when the economy was still quite weak. In addition, the demand for M1 was seen as likely to demonstrate a continuing sensitivity to changing financial technology and the proliferation of new money and near-money-type instruments. The Committee also anticipated that the broader aggregates, M2 and M3, might be affected by legislative and regulatory changes, such as broadened eligibility for individual retirement accounts (IRAs) and Keogh accounts and the ongoing deregulation of deposit rates, as well as unusual desires for liquidity. In July, while the Committee decided to retain the ranges adopted earlier for monetary growth, it underscored in its report to the Congress its willingness to accommodate any unusual precautionary demands for liquidity that might be associated with unsettled economic and financial conditions.

The behavior of the aggregates over the year indeed diverged substantially from normal historical patterns. Precautionary motives evidently

boosted demands for money and other highly liquid assets relative to the expansion of nominal GNP, which remained quite sluggish. M1 expanded 8½ percent on a fourth-quarter to fourth-quarter basis, 3 percentage points above the FOMC's target range, largely reflecting relatively rapid growth over the course of the year in interest-bearing checking accounts that also serve a savings function. In addition, M1 growth was boosted by special developments late in the year in connection with the large amounts of maturing all savers certificates.

The broader aggregates, M2 and M3, expanded at rates of 9.2 and 10.1 percent respectively, much closer to—though still somewhat above—the upper limits of their ranges. These growth rates for M2 and M3 are lower than those observed before some recent changes in money stock definitions, the previous figures being 9.8 and 10.3 respectively. To maintain consistency in the treatment of various kinds of financial assets, M2 and M3 now include balances in tax-exempt money market mutual funds, which have attributes very similar to those of the highly liquid taxable money funds, and exclude balances in IRAs and Keogh accounts, which closely resemble pension funds and consequently are much less like money balances. Table 1 shows figures for growth of M2 and M3 in recent years under both old and new definitions.

The income velocity of various measures of

money—defined as the ratio of gross national product to measures of money—fell sharply in 1982. The velocity of M1 dropped 4¾ percent and that of M2 5½ percent, from the fourth quarter of 1981 to the fourth quarter of 1982. For M1, this was the largest four-quarter decline in the postwar period, and in fact there have been very few four-quarter spans in which M1 velocity declined at all. In the case of M2, no parallels for the steep velocity decline of last year are to be found since the 1950s.

Although declines in velocity of M2 have not been uncommon during periods of recession, in past periods they were explainable largely in terms of reflows of funds from securities into M2-type balances when market rates of interest fell below deposit rate ceilings—a factor of much reduced importance in the present regulatory environment and with the emergence of money market mutual funds as an important investment outlet. The recent weakness in velocity more probably reflects strong demands for relatively safe, liquid assets on the part of the public because of uncertainties in the business and financial outlook.

Further evidence of strong precautionary demands is to be found in the particular types of monetary assets that the public chose to acquire last year. Interest-bearing negotiable order of withdrawal (NOW) accounts—which are included in M1—continued to expand rapidly, though

1. Growth of money and credit¹

Percentage changes



1. M1 and the new M2 and M3 figures incorporate minor effects of benchmark and seasonal adjustment revisions. New M2 and M3 incorporate definitional changes as well.

M1 figures in parentheses are adjusted for shifts to NOW accounts in 1981.

2. Bank credit data are not adjusted for shifts to international banking facilities in 1981 and 1982. The 1982 growth rate, however, is calculated from a December 1981 and January 1982 base to minimize distortions owing to such shifts.

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growth was, of course, less rapid than in 1981 when they first became available nationwide. Such deposits, while serving the transaction needs of holders, have many of the characteristics of savings accounts, which in the past have tended to grow during periods of economic adversity. Indeed, during the first half of last year, when interest rates on other investments were still relatively high, individuals began once again to add to their savings balances following a long downtrend in such deposits; growth in savings deposits surged once more in the final months of 1982, apparently buoyed in part by deposits of proceeds from maturing all savers certificates. The attractiveness of NOW and savings accounts no doubt was enhanced after midyear as lower interest rates reduced the earnings disadvantage of keeping funds in such highly liquid form. Other types of liquid assets included in the aggregates also grew rapidly in 1982. A sizable buildup of balances occurred in the 7- to 31-day accounts and 91-day accounts at depository institutions, soon after these accounts were authorized in May and September respectively. Shares of money market mutual funds also increased substantially, albeit much less rapidly than in 1981 when many people were first attracted to these savings vehicles. By contrast, inflows to longer-maturity time deposits were moderate.

The apparent strong desire for liquidity, and the associated shifting in asset demands, had an important bearing on the FOMC's assessment of the behavior of the aggregates as the year progressed. The Committee felt that some growth in the aggregates above the longer-run target ranges could be tolerated in the prevailing economic conditions, which appeared to be giving rise to greater precautionary demands for money than might be anticipated in normal circumstances. The lengthening recession and associated economic dislocations prompted more cautious financial management on the part of households and businesses, and this attitude of caution in financial markets was intensified from time to time by concerns about strains on some financial institutions and about the ability of private and governmental borrowers in a number of foreign countries to meet their debt-service obligations. The latter part of the year, moreover, brought a number of institutional developments that fur-

ther complicated the interpretation of the movements in the money supply, necessitating a more than ordinary degree of flexibility in responding to incoming data on monetary growth.

Recognized in the early fall was that the behavior of M1 during the final three months of the year would very likely be distorted by special factors. In particular, an extremely large volume of all savers certificates matured beginning in early October, and this volume was expected to have sizable temporary effects on M1. Also of potential importance was the introduction (mandated by the Garn-St Germain Depository Institutions Act of 1982) of new deposit instruments for banks and thrift institutions that were to be competitive with money market mutual funds. In the event, the Depository Institutions Deregulation Committee authorized, beginning December 14, depository institutions to offer a money market deposit account (MMDA), which could be used to a limited extent for transaction purposes and would be free from interest rate ceilings, and authorized Super NOW accounts free of interest rate ceilings beginning January 5.

MMDAs, because of their more limited transaction feature, are included only in the broader aggregates, while Super NOWs, which have unlimited transaction features but also include a savings element, are included in M1. These distinctions are not clear-cut, and they illustrate the increasing fuzziness of the dividing line between M1- and non-M1-type balances. In fact, in making this definitional decision, the Federal Reserve Board noted that it would be monitoring carefully the behavior of the new accounts to determine whether some alteration in their treatment might be advisable.

The sizable shifts of funds that might result from these developments in the fourth quarter—and, in the case of the new accounts, possibly even shifts in anticipation of their availability—seemed likely to have direct and indirect effects on M1 that would be large in magnitude and would, particularly in the case of the new accounts, affect the underlying behavior of narrow money as the public reallocated transaction and savings funds. As a result, the FOMC at its October meeting decided that it would give considerably less weight to M1 in the conduct of policy and rely more on the broader aggregates,

M2 and M3. It anticipated in this decision that the special factors affecting growth of M1 in the fourth quarter would have a much smaller impact on M2 and M3 because a major portion of the shifts of funds would occur among assets contained in these broader aggregates; for example, proceeds from maturing all savers certificates (a component of M2) that were deposited in transaction balances would remain part of M2. However, it was recognized that the advent of the MMDA might boost expansion of M2 late in the year.

In late December, growth of M2 in fact was raised by sizable inflows to MMDAs from sources outside M2—such as market instruments and large certificates of deposit—and growth continued at an extraordinarily rapid pace into the early weeks of 1983. The new accounts were heavily advertised by the depository institutions and often were offered initially at interest rates that were exceptionally high relative to prevailing rates on comparable investments. By year-end, MMDAs outstanding had risen to a level of about \$87 billion, and by the end of January 1983 were about \$230 billion. Growth of Super NOW accounts was much slower, reaching about \$18 billion by the end of January.

Commercial bank credit grew 7.1 percent in 1982, near the midpoint of the FOMC's range. The pace of bank loan growth during the year was considerably affected by changes in the pattern of business financing. During the first half, when the persistence of high long-term interest rates encouraged firms to concentrate their borrowing in short-term markets, business loans at banks expanded rapidly. But as interest rates moved lower over the second half, corporations increasingly shifted their financing to long-term debt and equity markets; in the third quarter, business loan growth slowed sharply, and in the fourth quarter showed no net increase, as corporations used the proceeds from bond sales to avoid increasing bank indebtedness. Real estate loans at banks also slowed as the year progressed and, for the year as a whole, increased only 5½ percent—a rate below that of recent years. Consumer loans continued weak, expanding only 3½ percent. While loan growth slowed, banks greatly expanded their holdings of U.S. Treasury obligations during the year, ac-

quiring close to \$13 billion in the final quarter alone.

THE FEDERAL RESERVE'S OBJECTIVES FOR THE GROWTH OF MONEY AND CREDIT

The economy over the past year and a half has passed through a most difficult period, one of high unemployment, depressed incomes, and severe distortions in financial markets. There is substantial evidence that the recession is ending. Forces seem to be in place that are consistent with recovery in economic activity. One positive factor is the improvement in financial market conditions in the past six months, which is stimulating activity in major credit-sensitive sectors of the economy. A better balance is being established between inventories and final demands. Inflationary expectations, while still sensitive, have abated. Substantial progress toward restoring price stability has been made and there is good reason to believe that further progress can be achieved even as business activity picks up. An improvement in productivity should bolster growth in real income and profitability during recovery and can be a factor in sustaining better price performance. Diminishing inflation and a lowering of inflation expectations, in turn, should promote further declines in interest rates.

Against this backdrop, monetary policy has been, and will continue to be, concerned with fostering a lasting expansion in business economic activity in a framework of continuing progress against inflation. Monetary expansion and liquidity should be adequate to support the moderate recovery that appears to be starting. At the same time, although the recent gains that have been made against inflation are highly encouraging, clearly the test of the success of our anti-inflationary effort is still ahead. Thus, the Federal Reserve remains committed to a course of monetary discipline that is essential to avoid a resurgence of inflationary pressures as economic expansion proceeds.

In setting guidelines for monetary growth consistent with these goals, the Federal Open Market Committee recognized that the relationship between growth ranges and ultimate economic objectives had deviated substantially from past

patterns during 1982. As noted earlier, monetary growth was quite rapid relative to income, and by year-end exceeded the targets set by the Committee for 1982. This growth, however, appeared fully consistent with the needs of the economy and progress against inflation, given the indications of unusual demands for monetary assets that persisted during the past year. With velocity declining sharply, rigid adherence to the 1982 targets would have produced a much more restrictive economic effect than was appropriate.

The atypical behavior of velocity last year will likely prove at least in part temporary, to be followed by an unwinding of the exceptional liquidity demands this year; appreciable increases in M1 velocity, in particular, are common during the early stages of economic recovery. It may well be that the experience of 1982 reflected in part a more basic shift in underlying demands for money, at least as now defined. Institutional changes have led to the increased availability of transaction accounts that pay interest tied to market rates, and this availability is likely to affect the trend growth of money. The deceleration of prices may increase the incentives to hold money over time, especially as the reduced inflation is reflected fully in market interest rates. These considerations suggest that velocity in 1983 may well follow a pattern different from that of past recoveries. In setting targets for 1983, account had to be taken of the experience of 1982, past cyclical behavior, and the possible alteration of underlying relationships between money and ultimate economic objectives.

The members of the FOMC also recognized that the introduction of new deposit instruments very recently has affected, and would continue to affect for a time, the growth rates and behavioral characteristics of the various aggregates. The extremely rapid buildup of money market deposit accounts, in particular, already has resulted in a substantial flow of funds into M2 from market instruments, greatly inflating the growth of this aggregate in the current quarter. Anticipations are that the redistribution of funds associated with the MMDAs and, to a lesser extent, Super NOW accounts will continue to influence the behavior of the aggregates, though the effect of such shifts on growth rates of the different monetary measures clearly cannot be determined with a high degree of confidence.

While effects of these new deposit instruments on M1 seemed smaller than might have been expected to date, the rapidly changing composition of M1 since the introduction of nationwide NOW accounts at the beginning of 1981 seems to have altered and made less predictable the behavior of that aggregate. The NOW accounts appear to behave partly like savings accounts and partly like transaction accounts. Thus, the pattern of M1 movements has come to be influenced by individuals' attitudes toward saving as well as by transaction needs and interest rates. As a result, the relationship of this aggregate to income may well be in the process of change that, by the nature of things, can only be accurately determined as new behavior patterns are reflected over time in the data. Though they have not grown rapidly in the early weeks of the year when depository institutions were promoting MMDAs so aggressively, Super NOW accounts, which can be offered free of interest rate ceilings, have the potential for further disturbing M1 behavior relative to historical tendencies.

All of these factors contributed to the complexity of setting target ranges for 1983, and the Committee recognized that an unusual degree of judgment would be necessary in interpreting the growth of money and credit in coming months. Some flexibility in reassessing the ranges could be important. The Committee decided to continue setting target ranges for all three measures of money, but with some departures from past practice to deal with the special uncertainties it faces currently.

In the case of M2, the Committee felt that performance of this aggregate would be most appropriately measured from a base period that would be less affected by the initial, highly aggressive marketing of MMDAs. Thus, the expected growth of M2 is 7 to 10 percent, measured from the average level of February and March 1983 to the average level of the fourth quarter of this year. This range is 1 percentage point higher than that set for M2 last year, but it makes allowance for some further shifting of funds into MMDAs from non-M2 sources over the remainder of the year, although at a greatly reduced pace from what evidently has occurred to date.

The range for M3 was set at 6½ to 9½ percent, measured in accordance with past convention from fourth quarter to fourth quarter. This range

is identical to that set for 1982, but the Committee contemplates growth below the actual outcome last year. In adopting the range, the Committee assumed that any net shifts of funds over the year into the new types of deposit accounts from market instruments would be moderate. M3 was expected to be less affected by the new accounts because many depositories have the option of reducing their issuance of large CDs if sizable inflows of MMDAs and other core deposits satisfy their needs for funds. Whether this in fact turns out to be the case will depend in part on the public's perceptions of the risks entailed in uninsured investments and on the ability and desire of depository institutions to use their new liability powers to expand their market shares in financial intermediation.

For M1, a growth range of 4 to 8 percent was specified for the period from the fourth quarter of 1982 to the fourth quarter of 1983. This range, while pointing to slower actual growth than in 1982, is both wider and higher than the range tentatively set last July. The new range reflects allowance for a possible change in cyclical behavior as well as for the evolving character of M1 as a more important repository for savings, especially in an environment of lower inflation and lower interest rates. The comparatively wide range set for M1 also reflects the Committee's judgment that some allowance should be made in this fashion for the uncertainties introduced by the existence of the new deposit accounts.

An associated range for total domestic nonfinancial debt was estimated at 8½ to 11½ percent over the four quarters of 1983. This range encompasses growth about in line with expected growth of nominal GNP, in accordance with long-term trends; however, Committee analysis of the outlook suggested that, in the particular circumstances of 1983, somewhat more rapid growth of credit also might be consistent with its overall objectives. Owing to the extraordinary size of the federal budget deficit, the share of credit flowing to the private sector is expected to be lower than that experienced generally in the past. The commercial bank share of total debt expansion is also expected to put bank credit growth at between 6 and 9 percent this year.

The Committee members agreed that the monetary ranges should be reviewed in the spring in light of the accumulated evidence available at

that time regarding the behavior of the aggregates and their relationship to other economic variables. For the time being, in implementing monetary policy, the Committee agreed that substantial weight would be placed on behavior of the broader aggregates—M2 and M3—in anticipation that current distortions from the initial adjustment to the new deposit accounts will abate. The behavior of M1 will be monitored, with the degree of emphasis given to that aggregate over time dependent on evidence that velocity behavior is resuming a more predictable pattern. Debt expansion, while not targeted directly, will be evaluated in assessing behavior of the money aggregates and the impact of monetary policy.

The Committee emphasized that policy implementation in 1983 necessarily will involve a continuing appraisal of the relationships between each of the measures of money and credit and economic activity and prices, particularly in the aftermath of unusual behavior of velocities of both money and credit aggregates last year. This appraisal will involve taking account of patterns of saving behavior and cash management among businesses and households and of indications of changing conditions in domestic and international credit markets and in foreign exchange markets.

THE OUTLOOK FOR THE ECONOMY

There are encouraging signs that the economy will soon be in the early stages of an economic upturn, if indeed the expansion has not already begun. In its initial phases, the economic recovery may be less robust than the average postwar expansion, but, at the same time, the chances that the recovery can be sustained over the long run have been considerably enhanced by the significant progress against inflation in the past year or so.

Indications that the economy is turning up have been apparent in recent weeks. The housing sector appears to be well along in the recovery process, as both house sales and new construction have registered significant advances. Retail sales also picked up toward the end of 1982 and held steady in January; auto sales in particular have been at improved levels in recent months.

In the business sector, inventory liquidation apparently has become less of a depressant of real activity, as both industrial production and employment showed appreciable gains in January.

To be sure, because of the length of the recession and the stresses and uncertainties it has generated, consumers and businesses may follow cautious economic strategies in coming quarters. In the business sector a high degree of unused industrial capacity probably will discourage investment spending for some time, as firms boost the operating rates for existing plant and equipment, rather than investing in new physical capital; commercial construction in the office building area may be particularly weak for a while. The export sector may well continue to be a drag on U.S. economic activity well into 1983. Exports fell sharply in the second half of last year, and given the widespread weakness in foreign economies and the still high value of the dollar, a quick turnaround in export demand is not likely.

Although the January employment report provided encouraging signs of improved labor demand, the gains in coming months, on balance, may be relatively moderate in view of the uncertainties still present in the business environment. As demands pick up initially, businesses appear likely to boost output in part by lengthening work schedules or improving efficiency, rather than by committing themselves fully to higher levels of employment. Therefore, during the early stages of the recovery, the unemployment rate probably will be slow to retrace the increases sustained during the past recession. The difficulties of bringing unemployment down quickly may be compounded by structural changes now apparent in the U.S. economy; although the service sector and industries in the forefront of technology will be adding employees, job opportunities in some traditional industries may be trending lower over a long period, and legitimate concern exists about the ability of displaced workers to find new employment readily in the expanding sectors.

Nevertheless, once the recovery is under way, the chance that it can be sustained appears good. Fiscal policy is providing significant near-term support for the economy through a continued rise in defense spending, countercyclical transfer payments, and further tax cuts. The current monetary policy, too, is consistent with an ex-

pansion: barring some unexpected reemergence of serious inflationary pressures in 1983, the monetary growth targets established by the FOMC should provide the liquidity needed to support a recovery in real activity.

A resurgence of inflation seems unlikely in the near term, even though some commodity prices may rebound from cyclically depressed levels as the recovery takes hold. The underlying trend in labor costs appears to have moved down. In addition, the current supply situations in agricultural and energy markets appear conducive to continuing progress against inflation; indeed, recent developments in the international oil market seem to portend quite favorable price movements for this key commodity.

There still are, however, reasons for concern about the longer-run outlook for the economy. One major source of concern is the prospect that federal deficits will continue to be massive in the years ahead, even as the economy is well along in the expansion. This prospect suggests a serious risk that pressures on credit markets will mount as the credit demands of private borrowers grow with the recovery. In addition, the prospective deficits tend to cast doubt on the commitment of economic policy to gain control of inflation over the long run. For these reasons, the budgetary picture continues to have an unsettling influence on financial markets, and lenders remain hesitant to commit funds for a long period, except at interest rates that are high relative to the current pace of inflation.

Overcoming the still deep skepticism about the anti-inflation effort is crucial in other ways to the achievement of strong and sustained economic growth. Generally recognized is that periods of slowing inflation in the past two decades have proved to be temporary, and unless the commitment to see the present effort through is made fully credible by the actions of the fiscal and monetary authorities, there will be a danger that as markets improve with recovery we will see a reversion to aggressive patterns of wage and price behavior. If this came to pass, the viability of economic expansion would be severely jeopardized.

We need, too, to deal with the strains existing in the international financial arena. Timely action to enhance the resources of the International Monetary Fund is essential. But more generally,

we must maintain the spirit of cooperation among borrowers, lenders, and governmental authorities that has been the hallmark to date of the effort to resolve the difficult problems confronting us.

The members of the Federal Open Market Committee, together with other Federal Reserve Bank presidents who alternate as Committee members, believe that the economic expansion that now appears to be starting will result in a solid gain in real GNP over the four quarters of 1983. The increases expected are moderate in comparison with the first year of most past recoveries, and the consensus is that these gains can be achieved without a resurgence in inflationary pressures, especially in light of the favorable underlying trend of unit labor costs.

In formulating these projections for 1983, members of the FOMC and the presidents of the Reserve Banks took account of the target ranges established for the various monetary and credit aggregates, and assumed that the Congress and the administration will make progress in the months ahead in reducing federal deficits for coming years, thereby diminishing the threat those deficits would otherwise pose to long-run price stability and sustainable economic growth. No specific allowance was made for a large decline in oil prices; also, the special restraining influence on prices exerted by the appreciation of the dollar in 1982 is not expected to be repeated in 1983.

The ranges of growth in money and credit specified by the Committee for 1983 would appear compatible with some further decline in market rates of interest as inflation abates. However, the direction of fiscal policy decisions will play a major role. Decisive action to reduce the Treasury's demands on the credit markets in the years ahead would be well received by investors and would contribute greatly to a relaxation of the continuing pressures on interest rates. Of

critical importance to the interest rate outlook—and one certainly not divorced from the budget picture—is the behavior of inflation and expectations of inflation. Lower rates of inflation contribute directly to the reduction of demands for money and credit, and sustained progress in slowing the advance of wages and prices would do much to relieve the concerns of investors as to the future course of interest rates.

2. Economic projections for 1983



1. Percent of total labor force, including persons in the Armed Forces stationed in the United States.
n.a. Not available.

Projections of the majority of the Committee members (and other presidents of Reserve Banks) for growth in the real GNP from the fourth quarter of 1982 to the fourth quarter of 1983 were in a range of 3½ to just over 4 percent, a little higher than the recent forecast of the administration, and similar to the projection of the Congressional Budget Office (table 2). Several expected significantly more growth. Nearly all believed that prospects were excellent for less inflation than the 5.6 percent increase in the GNP deflator projected by the administration, with the majority expecting an increase of 4.5 percent or less. The combination of real growth and inflation resulted in a central tendency of 8 to 9 percent in nominal GNP growth. Unemployment was expected to remain high during the first year of recovery. □

APPENDIX

Note on Credit Aggregate

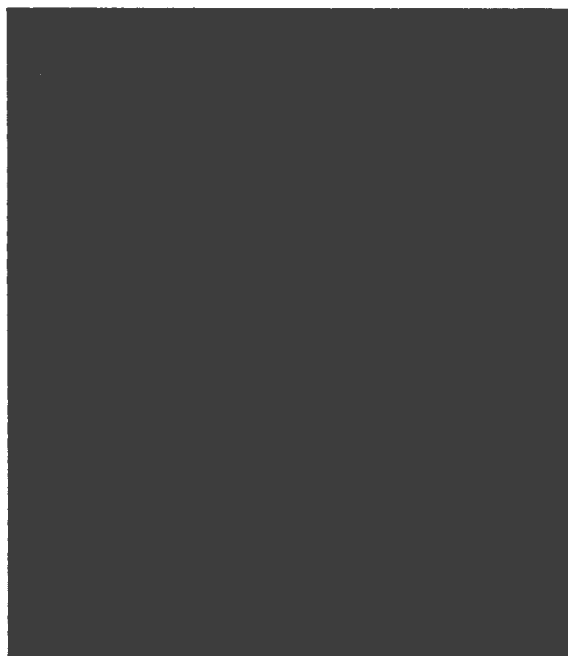
The specific measure of aggregate credit used by the FOMC in establishing a range for growth is the total debt of domestic nonfinancial sectors, as derived from the Board's flow of funds accounts. This measure includes borrowing by private domestic nonfinancial sectors and by the federal and state and local governments in U.S. markets and from abroad; it excludes borrowing by foreign entities in the United States.

Various statistical tests were used to compare this measure with other potential credit aggregates—such as totals that included borrowing by foreign entities or by financial institutions, or that were augmented by equities. Comparisons also were made with less comprehensive totals such as aggregate private borrowing or financial assets other than equities held by nonfinancial sectors. In these comparisons, which involved examining the stability and predictability of relationships to GNP and other economic variables, the domestic nonfinancial debt total generally performed as well as or better than the other

series considered. The private borrowing aggregate clearly performed least well.

A.1 Behavior of domestic nonfinancial sector debt

Changes in percent, fourth quarter to fourth quarter



Treasury and Federal Reserve Foreign Exchange Operations

This 42d joint report reflects the Treasury-Federal Reserve policy of making available additional information on foreign exchange operations from time to time. The Federal Reserve Bank of New York acts as agent for both the Treasury and the Federal Open Market Committee of the Federal Reserve System in the conduct of foreign exchange operations.

This report was prepared by Sam Y. Cross, Manager of Foreign Operations for the System Open Market Account and Executive Vice President in charge of the Foreign Group of the Federal Reserve Bank of New York. It covers the period August 1982 through January 1983. Previous reports have been published in the March and September [October 1982] BULLETINS of each year beginning with September 1962.

The dollar rose against all major foreign currencies from August through mid-November 1982, exceeding the peaks of the previous year and reaching the highest levels on a trade-weighted basis of the floating-rate period. The dollar then reversed course through the middle of January, ending the six-month period lower on balance against the Japanese yen and the Swiss franc, but higher against most other major foreign currencies.

The dollar was strongly bid in the exchange markets early in the period under review even as U.S. interest rates dropped sharply and as interest differentials favoring dollar-denominated assets narrowed appreciably. In part, bidding for dollars reflected a deepening apprehension about the international banking system. As evidence emerged of the liquidity pressures facing first Mexico and then other developing countries, doubts spread in the markets about the willingness or the ability of one or several of these borrowers to meet their external obligations. In response, individual institutions sought to aug-

ment their liquidity positions, especially in dollars, against potential funding or cash-flow problems and in advance of important statement dates, particularly around the end of September. In this environment, market participants became wary about the credit exposures of potential counterparties in the interbank market. Their heightened perception of risk was reflected to an extent in the widening yield spread between U.S. government obligations and private credit instruments.

In part, the dollar's buoyancy also reflected market perceptions that the outlook for the U.S. economy was favorable relative to those for other countries. Inflation in the United States was rapidly receding in product and labor markets, and the previously adverse inflation differentials that the United States had experienced vis-à-vis Germany and Japan were quickly erod-

1. Federal Reserve reciprocal currency arrangements

Millions of dollars

| Institution | Amount of facility, Jan. 1, 1982 | Effective August 30, 1982 | Amount of facility, Jan. 31, 1983 |
|---|----------------------------------|---------------------------|-----------------------------------|
| Austrian National Bank..... | 250 | | 250 |
| National Bank of Belgium..... | 1,000 | | 1,000 |
| Bank of Canada..... | 2,000 | | 2,000 |
| National Bank of Denmark..... | 250 | | 250 |
| Bank of England..... | 3,000 | | 3,000 |
| Bank of France..... | 2,000 | | 2,000 |
| German Federal Bank..... | 6,000 | | 6,000 |
| Bank of Italy..... | 3,000 | | 3,000 |
| Bank of Japan..... | 5,000 | | 5,000 |
| Bank of Mexico..... | | | |
| Regular facility..... | 700 | | 700 |
| Special facility..... | 0 | 325 | 325 |
| Netherlands Bank..... | 500 | | 500 |
| Bank of Norway..... | 250 | | 250 |
| Bank of Sweden..... | 300 | | 300 |
| Swiss National Bank..... | 4,000 | | 4,000 |
| Bank for International Settlements | | | |
| Swiss francs/dollars..... | 600 | | 600 |
| Other authorized European currencies/dollars..... | 1,250 | | 1,250 |
| Total..... | 30,100 | 325 | 30,425 |

ing. Widely anticipated shifts in balance of payments positions against the United States following the dollar's two-year rise were slow to materialize. Moreover, the outlook for economic growth remained more positive for the United States than elsewhere.

Meanwhile, the prospect of recovery in the near term and of looming fiscal deficits over the medium term were seen as limiting the scope of future interest rate declines in the United States. To be sure, Federal Reserve authorities had indicated during the summer that they would tolerate monetary expansion at somewhat higher than the targeted annual rate in view of economic uncertainty and strong liquidity demands. Short-term interest rates had declined from their mid-year peaks in response to the sluggishness of the economy and of credit demands by some 6½ percentage points through late August and then, after some backing-up in September–October, by a further ½ percentage point by late October.

In the meantime, the Federal Reserve lowered its discount rate in five steps from 12 percent to 9½ percent in three months. But no fundamental change in Federal Reserve operating procedures had been indicated. Compared with other countries, the decline in U.S. nominal interest rates still lagged behind the reduction of inflation so that real interest rates remained high, both absolutely and relative to other countries. Furthermore, because of the weakness of economies abroad, foreign monetary authorities were expected to take full advantage of any decline in U.S. interest rates that appeared to be sustainable to ease credit conditions in their own economies. These expectations were confirmed when official and market interest rates in major European countries declined in late August and again in October.

For all these reasons the dollar was bid higher in the exchange markets in frequently active trading through mid-November. The uptrend was uneven. In view of the heightened perception of risk that prevailed at the time and uncertainty over the timing and profile of the anticipated recovery in the United States, the markets were susceptible to abrupt shifts in sentiment or movements in exchange rates. Under these circumstances, the U.S. authorities intervened on one day in early August and on three days in

early October when the dollar was bid up sharply to higher levels in unsettled markets. The Federal Reserve and the U.S. Treasury purchased \$57.0 million equivalent of Japanese yen and \$45.0 million equivalent of German marks. Of the total Japanese yen acquired, \$38.5 million was for the Federal Reserve and \$18.5 million for the U.S. Treasury. The German mark purchases were evenly split between the Federal Reserve and the Treasury. At the dollar's peak, it had risen 11 and 7½ percent from levels in late August against the yen and the mark respectively to levels not seen in five years or more. Against some of the other continental currencies, the dollar had moved up to record levels.

By mid-November, the international economic climate had changed significantly. Expectations of a U.S. economic recovery had been disappointed, and recent statistics were suggesting that recession, while deepening further abroad, had not yet ended in the United States. The unemployment rate in the United States had shot up quickly to 10½ percent just before the congressional elections, and a number of political campaigns had focused on economic issues, leaving market operators sensitive to the possibility that more policy initiatives might be undertaken to stimulate the economy. By this time, also, the U.S. trade position had posted several large monthly deficits. The anticipated deterioration in net exports not only appeared to have materialized, but coming at a time of weak domestic demand, suggested that the potential drop into deficit and the resulting drag on the U.S. economy might be far deeper than previously envisaged. Press and official commentary associated the dollar's past appreciation with the weakness of U.S. trade and employment.

In addition, market participants came to the judgment that the prospects and priorities for the international financial system had changed. The immediate risks of a major international loan default receded, as first Mexico and then other countries negotiated adjustment programs with the International Monetary Fund (IMF) and established procedures for arranging near-term financing needs. However, the success of these countries' stabilization programs and of their efforts ultimately to meet their heavy external obligations was seen as requiring a more buoyant

international economy and substantially reduced financing costs.

Accordingly, market participants continued to anticipate further easing of U.S. short-term interest rates for a time. But, during the winter, they began to question the scope for further substantial interest rate drops in light of recent behavior of the monetary aggregates. In the event, the Federal Reserve reduced its discount rate in two more steps to 8½ percent by mid-December. But, at least in the market for medium- and longer-term securities, the downtrend in interest rates was beginning to meet resistance.

Under these circumstances, market participants were willing to diversify their portfolios by liquidating some of their dollar-denominated assets. Investors chose to realize the capital gains they had earned on their investments in the United States and to participate in the rallies in capital markets abroad that were being triggered by expectations of further interest rate cuts there. In addition, market professionals were willing to take positions on expectations that a long-awaited reversal of the dollar's sustained advance had finally arrived.

Consequently, the dollar declined from mid-November through mid-January 19 percent against the Japanese yen and 14½ and 10½ percent respectively against the Swiss franc and German mark. Of all the major currencies, the dollar rose only against the pound sterling, which, like the dollar, had begun a decline in mid-November and then depreciated more rapidly in response to the prospect of declining oil prices to touch a record low in terms of the dollar by the second week of January.

After mid-January, the decline in the dollar stalled or was partially reversed. Whereas industrial economies abroad remained weak, the first clear signs appeared that the U.S. recession was bottoming out. Moreover, the prospect of large, projected U.S. fiscal deficits, together with the recent, more rapid monetary growth, raised uncertainty whether the Federal Reserve might tighten credit market conditions again. Both Treasury and Federal Reserve officials stressed the longer-term need to reduce the deficits and to maintain the anti-inflationary resolve of monetary policy. Thus, expectations faded of further interest rate declines and, in fact, market yields

edged up somewhat during January. With interest rates abroad generally holding steady or declining slightly, differentials favorable to dollar assets once again widened. By the close of January, the dollar was trading slightly higher against most European currencies than at the beginning of the six-month period under review. It remained lower, however, against the Japanese yen and the Swiss franc than it had been on July 30. In trade-weighted terms, the dollar rose slightly over the six months. The U.S. authorities did not intervene after early October.

As discussed later, the Federal Reserve and the U.S. Treasury provided credits to Mexico through a combination of long-standing facilities and new arrangements. On the first day of the period under review, the Bank of Mexico repaid a one-day \$700 million drawing on its swap line under the Federal Reserve's reciprocal currency arrangement, used to finance a short-run liquidity need. Then, with the Mexican authorities proceeding with discussions with the IMF of a new stabilization program, the Bank of Mexico requested and was granted on August 4 a \$700 million drawing on that same swap line. As of January 31, \$373 million was still outstanding under that facility.

Also, over the August 14–15 weekend, the Mexican authorities arranged a temporary new \$1 billion swap facility with the Exchange Stabilization Fund (ESF) of the U.S. Treasury to meet immediate cash needs pending the conclusion of an agreement for a \$1 billion advance payment for oil from the U.S. Department of Energy for the U.S. strategic reserves. The Mexican authorities drew \$825 million against the ESF facility and then, on August 24, repaid the entire drawing. The Treasury and the Federal Reserve participated on August 30 in a \$1.85 billion multilateral financing program for the Bank of Mexico in cooperation with several other monetary authorities, under the aegis of the Bank for International Settlements (BIS), through swap arrangements of \$600 million and \$325 million, respectively. The Bank of Mexico had outstanding drawings of \$299 million on the Federal Reserve and \$556 million on the U.S. Treasury under the facility as of January 31.

During the period, the U.S. monetary authorities provided or participated in the provision in

2. Drawings and repayments

Millions of dollars; drawings, or repayments (—)

| Bank, or drawings | Outstanding, Jan. 1, 1982 | 1982: 1 | 1982: 2 | 1982: 3 | 1982: 4 | 1983 Jan. | Outstanding, Jan. 31, 1983 |
|---|------------------------------|---------|---------------------|-----------------------|---------------------|--------------------|-------------------------------|
| Foreign central banks and the Bank for International Settlements under regular reciprocal currency arrangements | | | | | | | |
| <i>Bank drawing on Federal Reserve System</i> | | | | | | | |
| Bank of Mexico | 0 | 0 | { 800.0 —600.0 } | { 1,400.0 —900.0 } | —217.4 | —109.8 | 373.0 |
| Bank for International Settlements ² (against German marks) | 0 | 0 | 0 | 0 | { 124.0 —124.0 } | 0 | 0 |
| Total | 0 | 0 | { 800.0 —600.0 } | { 1,400.0 —900.0 } | { 124.0 —341.4 } | —109.6 | 373.0 |
| Bank of Mexico under special swap arrangements | | | | | | | |
| <i>Drawings on</i> | | | | | | | |
| U.S. Treasury special temporary facility for \$1,000 million | | | | { 825.0 —825.0 } | | | |
| Special combined credit facility | | | | | | | |
| Federal Reserve special facility for \$325 million | | | | { 89.8 —43.8 } | 211.2 | 42.0 | 299.3 |
| U.S. Treasury special facility for \$600 million | | | | { 166.8 —81.3 } | 392.2 | 78.0 | 555.8 |
| Total | | | | { 1,081.6 —950.0 } | 603.5 | 20.0 | 855.0 |
| Central Bank of Brazil under special swap arrangements with the U.S. Treasury | | | | | | | |
| <i>Drawings on U.S. Treasury special facilities for</i> | | | | | | | |
| \$500 million | | | | { 500.0 —500.0 } | | | |
| \$280 million | | | | 280.0 | 0 | 280.0 ³ | |
| \$450 million | | | | 450.0 | 0 | 450.0 | |
| \$260 million | | | | { 250.0 —104.2 } | —145.8 | | |
| Total | | | | { 1,480.0 —604.2 } | —145.8 | 730.0 | |

1. Data are value-date basis. Because of rounding, details may not add to totals.

2. BIS drawings and repayments of dollars against European currencies other than Swiss francs to meet temporary cash requirements.

3. This swap drawing repaid at maturity on February 1, 1983.

October and November of \$1.23 billion of short-term financing following adoption of economic policies at the October meeting of Brazil's National Monetary Council. The financing was provided under three swap facilities in anticipation of Brazil's drawings under the compensatory financing facility of the IMF as well as on its reserve position with the IMF. The first \$500 million facility was drawn on October 28 and November 3 and repaid on December 28. Other facilities totaling \$730 million were made available in November and remained outstanding at the end of the period.¹

Meanwhile, on December 23 the BIS, acting with the support of the U.S. Treasury and monetary authorities in other industrial countries, provided the Central Bank of Brazil with a \$1.2

billion credit facility, which was later increased to \$1.45 billion. In anticipation of this arrangement, the Treasury through the ESF provided on December 13 an advance of \$250 million through a swap arrangement, which has since been repaid. As part of the liquidity-support arrangements for the BIS provided by the participating monetary authorities, the ESF has agreed to be substituted for the BIS for \$500 million of the total credit facility in the unlikely event of delayed repayment by the Central Bank of Brazil.

With respect to Argentina, on January 24 the BIS announced, with the support of a group of its member central banks and the U.S. monetary authorities, a \$500 million bridging loan to the Central Bank of Argentina to be repaid by the end of May as other funds become available to that country. In this case, the Federal Reserve has agreed to be substituted for the BIS at its request for up to \$300 million of the total credit facility in the unlikely event that the credit

1. Of this amount, a swap drawing of \$280 million was repaid at maturity on February 1, 1983.

3. U.S. Treasury securities, foreign commitments, currency denominated¹

Millions of dollars equivalent; issues, or redemptions (—)

| Issues | Amount of commitments, Jan. 1, 1982 | 1982: 1 | 1982: 2 | 1982: 3 | 1982: 4 | 1983, January | Amount of commitments, Jan. 31, 1983 |
|----------------------|-------------------------------------|----------|---------------|-----------------|---------------|---------------|--------------------------------------|
| <i>Public series</i> | | | | | | | |
| Germany | 3,622.3 | 0 | -451.0 | -1,231.9 | -664.1 | 0 | 1,275.2 |
| Switzerland | 458.5 | 0 | 0 | 0 | 0 | -458.5 | 0 |
| Total | 4,080.8 | 0 | -451.0 | -1,231.9 | -864.1 | -458.5 | 1,275.2 |

1. Data are on a value-date basis. Because of rounding, details may not add to totals.

remains outstanding for a longer period of time than is now contemplated.

In other operations, the U.S. Treasury redeemed at maturity on September 1 and December 14 German mark-denominated securities equivalent to \$671.2 million and \$664.1 million respectively, and on January 26 the Treasury redeemed at maturity the last of its Swiss franc-denominated securities equivalent to \$458.5 million. After these redemptions, the Treasury had outstanding \$1,275.2 million equivalent of notes (public series), which had been issued in the German market with the cooperation of the German authorities in connection with the dollar-support program of November 1978. All these notes are scheduled to mature by July 26, 1983.

In the six-month period from August through January, the Federal Reserve had no profits or losses on its foreign currency transactions. The ESF recorded a gain of \$4.2 million in connection with sales of foreign currency to the Treasury general account, which the Treasury used to finance interest and principal payments on for-

eign currency-denominated securities. The Treasury general account gained \$84.9 million on the redemption of German mark- and Swiss franc-denominated securities. Valuation gains or losses, as presented in table 4, represent the increase or decrease in the dollar value of outstanding currency balances if valued at end-of-period exchange rates compared with those at which the assets and liabilities were acquired. As of January 31, 1983, valuation losses on outstanding balances were \$573.7 million for the Federal Reserve and \$965.2 million for the ESF. The Treasury general account had valuation gains of \$360.6 million related to outstanding issues of securities denominated in foreign currencies.

The Federal Reserve and the Treasury invest foreign currency balances they acquire as a result of their foreign exchange operations through a variety of investments that yield market-related rates of return and provide a high degree of quality and liquidity. Under the authority provided by the Monetary Control Act of 1980, the Federal Reserve had invested some of its own foreign currency resources and those held under warehousing agreements with the Treasury in securities issued by foreign governments. As of January 31, the Federal Reserve's holdings of such securities were \$1,367 million. The Treasury had invested \$2,536 million in such securities as of the end of January.

4. U.S. Treasury and Federal Reserve current foreign exchange operations¹

Net profits or losses (—); in millions of dollars

| Period | Federal Reserve | U.S. Treasury | |
|---|-----------------|-----------------------------|-----------------|
| | | Exchange Stabilization Fund | General account |
| 1982—Q1 | 0 | 15.9 | - 4.2 |
| Q2 | 0 | 1.5 | 78.5 |
| Q3 | 0 | - 2.3 | 89.4 |
| Q4 | 0 | 4.3 | 16.0 |
| January 1983 | 0 | 0.5 | 38.3 |
| Valuation profits and losses on outstanding assets and liabilities as of January 31, 1983 | -573.7 | -965.2 | 360.6 |

1. Data are on a value-date basis.

JAPANESE YEN

Japan's economic performance, though still impressive by international comparison, had by midsummer fallen short of earlier expectations in many important respects. Externally, exports had declined under the influence of the world-

wide recession, increasing barriers to Japanese goods, and import cutbacks by several financially strapped developing countries previously among Japan's fast-growing export markets. Although imports had also dropped and the current account remained in surplus, the trend of continuous trade balance improvement, which had reemerged after the second rise in oil prices late in the 1970s, was now broken. Moreover, the current account surplus was overshadowed by large outflows of capital that reflected in part lower interest rates in Japan than in other centers. Internally, efforts to generate a domestic economic recovery faltered as a modest upturn in consumer expenditures earlier in the year petered out and investment stagnated. With slower-than-expected growth leading to a renewed shortfall in tax revenues and an overrun in the government's borrowing requirement, Japan's bond market came under pressure while the stock market was depressed by the deteriorating economic outlook. These developments also contributed to the outflows of capital from Japan.

Thus, the Japanese yen had become the victim of repeated disappointment about the prospects for the economy and large net capital outflows. Commercial leads and lags built up strongly against the currency. By the end of July it had fallen 20 percent against the dollar from the highs of November 1981 to ¥ 255.60, while easing 8 percent against the German mark. The authorities had intervened at times to cushion the yen's decline, and Japan's foreign currency reserves had dropped \$3.2 billion during the eight months to \$21.8 billion.

Meanwhile, monetary policy was being relied on to provide stimulus to Japan's economy while fiscal policy was constrained by concern over the budget deficit and the commitment to eliminate the borrowing gap by 1984. But the yen's continued weakness greatly reduced the maneuverability of the monetary authorities to respond during the summer months to evidence of a further weakening of demand and a rise in unemployment. The yen's steep fall had boosted the international competitive position of Japanese industry, and in the current recessionary environment, this development was attracting strong criticism from abroad and aggravating trade frictions. Thus, the authorities were reluctant to risk any

further easing of interest rates for fear of stimulating even greater outflows of capital, even though a rapid deceleration in inflation had left Japan's interest rates in real terms high by historical standards. Instead, the Bank of Japan kept short-term rates around 7 percent. Against this background the yen remained on offer, fluctuating closely in response to changes in liquidity conditions in the United States. When interest rates abroad fell sharply during mid-August, the yen firmed temporarily, only to give way to renewed selling pressures when the downtrend in foreign interest rates seemed to lose momentum later on.

During September and October sentiment toward the yen remained cautious as the markets' earlier presumption that the dollar would soon ease came to be challenged. In the United States, the scope for further interest rate cuts in the near term had come into question. More importantly, the flare-up of debt problems in Mexico and other developing countries triggered a strong demand for dollar-denominated assets, even though market participants were initially concerned about the credit exposures of individual U.S. banks. The Japanese yen became caught up in these concerns. Meanwhile, at home, attention again focused on the government's efforts to wrestle with its fiscal deficit, especially after Prime Minister Suzuki announced that the government's finances were in a "state of emergency" and the goal of balancing the budget by 1984, to which his government had emphasized its strong commitment, would have to be abandoned. Steps were taken to cut some expenditures to make room for selective stimulus via new public works spending and housing loan subsidies. But these measures were viewed as not sufficient either to contain the growing deficit or to revive private demand. In October the Prime Minister's surprise announcement that he would not seek reelection led to a difficult four-way succession struggle.

In this atmosphere the yen fell irregularly, dropping 9 percent from levels at the end of July to a 5½-year low of ¥ 278.60 on November 4 against the generally strong dollar. It had weakened also against other currencies, falling 4 percent against the mark by early November. The Bank of Japan at times sold dollars both in Tokyo and in New York to support the currency in the

exchange markets. These sales were greater than the \$2.8 billion decline in Japan's foreign exchange reserves over the three months to \$19.1 billion by the end of October. The U.S. authorities joined in concerted intervention operations with the Japanese authorities to counter disorderly markets on August 4 and October 4–6, as the dollar rose sharply. A total of \$57.0 million of yen was purchased, of which \$38.5 million was on behalf of the Federal Reserve System and \$18.5 million was for the account of the U.S. Treasury.

During November the Japanese yen finally began to recover, buoyed at first by a major shift in international investment flows. By this time, the four-month rally in U.S. capital markets showed signs of peaking, encouraging many investors from Japan and elsewhere to take profits on dollar investments and to shift into other markets. Since the Japanese monetary authorities had so far refrained from following interest rate cuts abroad, market participants assessed that there might be considerable latitude now for rates in Japan to ease, generating expectations of potential capital gains.

At the same time, the outlook for economic growth globally had deteriorated considerably, and the prospect that Japan's economy would still expand, however slowly, made investment in the stock market in Tokyo relatively more attractive than in other financial centers. Foreign investors, therefore, became large net purchasers of Japanese securities, contributing to a strong rally in the Tokyo stock and bond markets. Long-term bond yields were brought down nearly 1 percentage point in the rally, even while the Bank of Japan's discount rate was unchanged and short-term interest rates held steady. Net overseas investment by Japanese residents declined, and long-term capital outflows slowed. Although these tendencies had begun to appear in earlier months, the turnaround in investment had a particularly strong impact in November, when the long-term capital account registered its first surplus in eighteen months. This news was viewed in the market as evidence that the yen was finally embarked on a sustainable recovery.

Before long, the bidding for yen broadened. Reports circulated that some large Japanese exporting firms, which had postponed dollar sales in earlier months when the yen was weak, had

begun actively to sell dollars forward. The election of a new prime minister by an unexpectedly wide margin in late November and Prime Minister Nakasone's first statements affirming continuation of most of the previous government's policies helped dispel earlier political uncertainties. Japan was seen as relatively free of the immobilizing policy disagreements that were taking place in so many other countries and as continuing to follow a clear and consistent path of macroeconomic restraint. The yen thus came into demand and rose nearly 19 percent against the dollar between early November and early January to ¥ 226.55 by January 10. Against the German mark the currency rose some 10 percent over the same period.

By early January, market participants began reassessing the outlook for further interest rate declines abroad in light of indications that the U.S. economy might be recovering more quickly than had been thought and the prospect that the U.S. fiscal deficit might again exert upward pressure on long-term U.S. interest rates. Meanwhile, expectations had become firmly entrenched that the Japanese authorities would soon lower official short-term interest rates. Also, Japanese institutional investors had already begun to invest once more abroad. After locking in some capital gains on their domestic securities, many took advantage of "partly paid" bonds in the Eurobond market to make an initial installment on a new issue and, if the yen were to strengthen, benefit from this before completing their subscriptions. Once the balance in the market began to tip against the yen, many traders in the interbank market and on Chicago's International Monetary Market (IMM), who apparently were holding large long yen positions, moved to cover their positions. The ensuing selling brought the yen down quickly to ¥ 242.10 on January 24. In these circumstances, the Japanese authorities did not proceed with the cut in the discount rate the market had come to expect would occur after Prime Minister Nakasone's visit to the United States. As a result, the Japanese yen moved up to close the period at ¥ 240.90, well below its highs in early January but up almost 6 percent on balance over the six-month interval. The Bank of Japan made only modest intervention sales of dollars in the last three months of the period. Therefore, the coun-

try's foreign exchange reserves closed at \$19.5 billion, little changed from the level at the end of October but still down \$2.3 billion from their levels at the end of July.

GERMAN MARK

By August 1982 the German mark had strengthened against most foreign currencies, while continuing to decline against the U.S. dollar. The mark's performance vis-à-vis other European currencies reflected primarily a moderation of inflation and the greater progress made by Germany than by most of its neighbors in gaining balance of payments equilibrium. Capital outflows continued to weigh against the dollar-mark exchange rate, however, attracted by higher U.S. interest rates and concern that Germany was more vulnerable to the political and financial strains then developing. Internally, proposals for dealing with persistently large fiscal deficits had led to protracted debates within Germany's coalition government. Also, financial strains in the private sector had left market participants wary about individual German financial institutions. Moreover, the openness of Germany's economy exposed it to possible disruptions of oil flows arising from conflict in the Middle East, the spread of recession among industrialized countries, and repercussions of economic sanctions adopted by the United States against the Soviet Union.

Consequently, the mark, which had already fallen 11 percent from its November 1981 high against the dollar to DM 2.4430 by the end of July, dropped further to a low of DM 2.5315 by early trading in the Far East on August 11. During August the German authorities continued to sell dollars in modest amounts to facilitate the fixings in Frankfurt. Early in the month the U.S. authorities operated once, purchasing \$5 million equivalent of marks for the Federal Reserve and the U.S. Treasury.

The continued decline of the mark through midsummer was one of the complications facing the authorities as they tried cautiously to steer the economy out of protracted stagnation. For almost a year, the Bundesbank had taken advantage of improvements in Germany's external position and price performance, together with

the rise of the mark in effective terms, to lower its official discount and Lombard rates. At the same time, fiscal policy was geared to a reduction of the public-sector deficit.

Another complication was an unexpected deterioration in the economic climate in Germany. As foreign demand weakened sharply after mid-year, Germany's economic stagnation gave way to recession. The sag in new foreign orders reflected the weakness of the global economy, dwindling Organization of Petroleum Exporting Countries (OPEC) surpluses, and severe financing constraints facing many non-oil developing countries. Already liquidity difficulties had emerged for a number of firms including AEG-Telefunken, generating talk of the need for governmental action to support the economy and employment. But, at the same time, an accord on the 1983 federal budget reached just weeks before was beginning to be questioned on the grounds that it rested on overly optimistic assumptions for the economy. Thus, prospects grew of enlarged official borrowing needs, and Germany's bond market again had come under pressure.

Against this background, market participants expected that the authorities would take advantage of any opportunity that might arise to lower interest rates and thereby deflect pressure for further fiscal stimulus. When U.S. interest rates resumed their downtrend after mid-August, interest differentials adverse to the mark sharply narrowed. As a result, the interest differential for three-month Eurodeposits shrank to 2½ percentage points from more than 7½ percentage points two months before. Under these circumstances, the mark recovered strongly to DM 2.41. The Bundesbank then moved on August 27, in concert with the Swiss and Dutch central banks, to cut the discount and Lombard rates to 7 from 7½ percent and to 8 from 9 percent respectively. The action was described by Bundesbank President Poehl as an important step to provide support to the domestic economy.

Except for the short-lived recovery late in August, the mark continued to decline through early November. Although the mark's continuing weakness during the fall reflected in part the overall strength of the dollar, the situation at home also contributed. The market's expectation that the German authorities would take advan-

tage of any opportunity to cut interest rates in Germany was confirmed by the Bundesbank's action of late August. The renewed drop in economic activity was a source of discouragement in Germany and was reflected in a rise in unemployment close to the psychologically important two million level for September. In October the government recognized that the weak performance of the economy would necessitate revision of the government's budget forecasts, and debate intensified over the choice to accept a larger-than-expected deficit or to cut welfare expenditures drastically. The Bundesbank continued to ease monetary conditions after interest rates abroad moved lower and adverse interest differentials began to narrow. Effective October 1 it reduced banks' minimum reserve requirements, thereby releasing about DM 5.5 billion of liquidity on a permanent basis. Effective October 22, the Bundesbank cut its discount and Lombard rates, both 1 percentage point to 6 percent and 7 percent respectively.

Thus the mark remained under fairly steady downward pressure against the dollar. It fell to DM 2.6050 in European trading on November 11, shortly after news of the death of Soviet President Brezhnev, down nearly 8 percent from its highs touched in late August. Operating on two occasions early in October when the mark fell abruptly in unsettled market conditions through the low levels of early August, the U.S. authorities purchased a total of \$40 million equivalent of marks, shared equally between the Federal Reserve and the U.S. Treasury.

In mid-November, when the demand for dollar-denominated liquidity subsided and sterling came on offer, the German mark appeared to market participants as an attractive alternative currency for investment. Germany's current account was again improving, with most forecasters expecting balance for 1982. The November current account registered one of the largest surpluses on record. In addition, German banks were no longer alone in having international exposures that, even if an immediate problem had been diverted, might impinge on earnings later on. Reflecting the more favorable outlook for the mark and declining adverse interest differentials, German portfolio managers moved quickly to shift funds out of dollars and sterling into mark-denominated investments. Mean-

while, German exporters, who had previously postponed hedging their dollar receipts, moved to sell dollars forward.

In this environment, the German mark strengthened considerably against most currencies. Against the dollar it rose steadily, surpassing by early December its high point of August and moving to a seven-month peak of DM 2.3295 by January 10. At this level, it was up nearly 10½ percent from its lows in mid-November. Within the European Monetary System (EMS), the mark had previously moved from the bottom of the new intervention points established after the last realignment. Now, as the dollar weakened and funds were shifted into German marks, the mark emerged near the top of the EMS band. As the mark strengthened, it was used increasingly as an intervention currency by other EMS countries.

After January 10, however, the mark lost some of its gains. At this time, the dollar generally rose as signs of a bottoming-out of the U.S. recession and the pressures of large Treasury financing needs seemed to limit prospects for further declines in U.S. interest rates. Moreover, the outlook for the mark was clouded by political uncertainties and capital again flowed out of Germany. In addition, German stock and bond prices dropped, reports circulated in the market that German residents were moving to hedge or repay their Swiss franc liabilities, and foreign entities postponed planned investments in Germany. At the end of January the mark was trading at DM 2.4735, down about 6 percent from its highs in early January and down about 1 percent from levels at the end of July.

The earlier strengthening of the mark afforded an opportunity for the Bundesbank again to reduce its discount and Lombard rates a full percentage point to 5 and 6 percent respectively on December 3, while providing liquidity to bring short-term interest rates in line with the new Lombard rate. In addition, the Bank announced that it would maintain the target range of 4 to 7 percent for the growth of central bank money, continuing to aim at the upper half of the range as long as economic activity remained weak and the inflation performance and external situation permitted. In the wake of these actions, domestic money market rates eased significantly so that, despite some further softening in U.S. rates, the

mark's adverse interest differential widened slightly. During January, however, no further cuts in official interest rates were made, though the Bundesbank did raise rediscount quotas DM 4 billion effective February 1.

From August through January, Germany's foreign currency reserves were subject to diverse tendencies. For the most part, the Bundesbank intervened only modestly as a seller of dollars in support of the mark throughout the period, with most of the operations undertaken to settle imbalances at the fixings in Frankfurt. The German authorities also acted as sellers of German marks in modest amounts against EMS currencies and, on occasion, against dollars to alleviate strains within the joint float. Germany's reserves stood at \$40.6 billion at the end of January, up about \$4.1 billion on balance from the \$36.5 billion level at the end of July.

During the period, the U.S. Treasury redeemed at maturity \$1,335.3 million equivalent of its German mark-denominated securities. These redemptions, which occurred on September 1 and December 14, left the Treasury with \$1,275.2 million equivalent of mark-denominated notes (public series) outstanding.

SWISS FRANC

For much of the first eight months of 1982, the Swiss franc had declined from its strong levels of late 1981 under the weight of heavy capital outflows. With Switzerland's earlier policies of restraint having moderated inflation and the Swiss economy weakening, the Swiss National Bank aimed at providing sufficient liquidity to prevent any further drag on economic activity by keeping central bank money on an average growth path during the year targeted at 3 percent. In the event, growth of central bank money had fallen short of the target during the early months, so that fairly substantial injections of liquidity were required during the spring. Interest rates fell and rate differentials adverse to franc placements became extremely wide. In response, foreign official and corporate borrowers placed heavy demands on Switzerland's capital market. These, together with other capital outflows, more than offset the demand for Swiss francs arising from Switzerland's current ac-

count surplus. Consequently, by the end of July, the franc had fallen 19 percent against the dollar and 8 percent against the German mark from its peak in the closing months of 1981. Meanwhile, Switzerland's foreign exchange reserves had risen to \$11.8 billion, largely reflecting the use of foreign exchange swaps to provide liquidity to the banking system.

By early August, signs of weakness in Switzerland's economy were spreading. Exports, which had held up well earlier in the year and cushioned the impact of the recession, were falling victim to the sluggishness of demand abroad, especially in Germany, and the lagged effects of the franc's appreciation the year before. Nevertheless, market participants began to sense that the monetary authorities might have less leeway than before to continue forcefully to ease monetary conditions. Inflation, which had slowed to about 5 percent, remained stubbornly high by comparison with both historical experience and other industrial countries. The persistence of inflation in the face of a declining economy partly reflected the impact of recent declines in the franc on domestic prices of imported products. Moreover, the growth of central bank money had begun to rise toward the authorities' target.

As a result, the franc, while fluctuating widely against the dollar in response to day-to-day shifts in current and prospective money market conditions and international liquidity strains, traded narrowly against the German mark during the month of August. Although against the dollar the franc had declined a further 4 percent to a low of SF 2.1650, it bounced back quickly later in the month. Under these circumstances, the National Bank joined with other European central banks in a concerted move to take advantage of the continued decline in interest rates in the United States to cut rates in their respective countries, effective August 27. But, in view of the already low level of interest rates in Switzerland, the National Bank cut its discount and Lombard rates only $\frac{1}{2}$ percentage point to 5 percent and $6\frac{1}{2}$ percent respectively.

After late August, when all currencies were declining against the dollar, the Swiss franc again began to fall more rapidly than the German mark. Although short-term interest rates in Switzerland declined less rapidly than elsewhere, by late October at 3 to $3\frac{1}{2}$ percent they remained the

lowest in all the industrialized countries. As a result, nonresidents continued to borrow heavily in the Swiss capital markets and to convert the proceeds to other currencies. To be sure, the attraction of Switzerland as a safe haven increased during the fall, as concern deepened about the potential ramifications of the growing list of international debt problems, and Swiss financial institutions were believed to be less threatened by liquidity strains than many others. But much of the flows into Swiss banks were into dollar-denominated deposits. On balance, therefore, the persistent interest-sensitive capital outflows continued to weigh against the franc.

As the Swiss franc resumed its decline with little apparent resistance from the Swiss authorities, market participants came to the view that the National Bank had put priority on achieving its monetary target for the year and was willing, at least while the Swiss economy was weak, to accept a continued gradual decline of the franc, especially against the mark.

On October 22, however, the Swiss National Bank unexpectedly did not join other European monetary authorities in a reduction of official lending rates. Later, senior officials from the Swiss National Bank, while indicating concern that the recession not be exacerbated, underscored the divergent forces operating on monetary policy and pointed to the need to avoid a weakening of the franc and an aggravation of inflation. Before long, most Swiss money market rates steadied or firmed slightly, and by early November the Swiss franc's slide against the mark began to slow. Against the dollar, however, the Swiss franc continued to decline through November 8, when it hit a five-year low of SF 2.2410. By this time the franc was 7½ percent down from the end-of-July levels vis-à-vis the dollar and at SF 0.86, down 1 percent against the mark.

Following the shift in sentiment against the dollar around mid-November, the franc rebounded more strongly than other European currencies. As investors sought to shift funds out of dollars and to a lesser degree also out of German marks, Switzerland's traditional role as a safe haven and its relative political stability made the Swiss franc an attractive alternative. Unlike most countries, Switzerland had a sizable current account surplus, buoyed by investment in-

come and tourist receipts. The Swiss government's fiscal discipline compared favorably with the experience of most other countries. Renewed tensions in the EMS prompted some switching of funds out of participating currencies and into the franc. Also, market participants came less to expect further easing of monetary policy. The Swiss National Bank had kept the same growth target of 3 percent for central bank money for 1983 as in 1982. Although it again lowered official lending rates on December 3 in coordination with similar measures by other European central banks, the ½ percentage point declines of the bank rate to 4½ percent and of the Lombard rate to 6 percent were again less than those abroad. The authorities were anxious to keep official lending rates above market rates in order to control better the level of liquidity over month-ends, and with the approach of the important reporting date at the end of December, banks were positioning to ensure adequate levels of cash resources in Swiss francs.

As a result, during December and early January the Swiss currency came into strong demand in the exchanges. As the franc's rise continued and as the dollar depreciated against all currencies, market participants began to worry that much of the earlier borrowings in the Swiss capital markets remained unhedged. Therefore, they came increasingly to expect that, if the dollar were to continue to decline, earlier borrowers of Swiss francs would bid for francs to cover their liabilities. Thus, the upward potential for the franc was seen as greater than for most other currencies, prompting market professionals and participants on Chicago's IMM to take substantial long-franc positions. The franc came strongly in demand in the exchanges, rising to SF 1.9150 on January 10 against the dollar, up 14½ percent from its November lows. Against the mark, which was undermined by political uncertainties and expectations that the Bundesbank would again lower official rates, the franc rose to SF 0.8144 on January 21, up almost 5½ percent since early November.

After mid-January, the Swiss franc pared back some of its gains first against the dollar and then against the German mark as well. Money market conditions in Switzerland remained comfortable, and interest rates continued to ease, dropping below 3 percent for three-month Euro-Swiss

franc deposits. Though the interest differentials adverse to the franc were not so wide as they had been in mid-1982, the low level of rates continued to provide an inducement to borrowers to raise funds in Swiss francs. As a result, the franc eased back to trade by the end of January at SF 2.0250 against the dollar and SF 0.8187 against the mark. At these levels the franc was down nearly 6 percent against the dollar from its earlier January highs and ½ percent lower against the mark.

Nevertheless, on balance for the six-month period under review, the franc rose 2½ percent against the dollar and 4 percent against the mark to stand near its record high on a trade-weighted basis. Between the end of July and the end of January, Switzerland's foreign exchange reserves rose \$368 million to \$12.2 billion in response to foreign currency swap operations, interest earnings on outstanding reserves, and net market purchases of dollars in intervention operations. Intervention by the authorities was infrequent and limited for the most part to replenishing reserves that had been run down by earlier sales to customers.

On January 26 the U.S. Treasury redeemed at maturity franc-denominated securities equivalent to \$458.5 million, thereby completing the redemption of franc-denominated securities totaling the equivalent of \$1,203.0 million issued in connection with the dollar-support program of November 1978.

STERLING

Coming into the period, sterling was trading steadily against other European currencies and declining against the dollar. At the end of July the pound was holding around 91.5, according to the Bank of England's trade-weighted effective index, but had eased to \$1.7475 against the dollar.

Sentiment toward the pound reflected in part market confidence in the Thatcher government's resolve to maintain the stringent financial policies that were already seen to be producing results. The growth of the monetary aggregates had slowed to the government's 8 to 12 percent target range. Inflation had decelerated to below

double-digit rates. And the borrowing requirement of the public sector was declining and apparently falling short of the rate of £9½ billion projected for the current fiscal year.

To be sure, disappointment had deepened about the prospects that Britain would sustain a recovery from its protracted recession, as evidence accumulated that output had posted little gain from its low point of 1981. But progress on inflation, the fiscal situation, and monetary control, together with the decline of interest rates abroad and sterling's stability as measured by the trade-weighted index, were seen in the market as conditions that would permit a further cautious easing of interest rates and help stimulate the economy.

Additional factors also helped sustain sterling relative to most other currencies during the late summer and early fall. There were worries over potential disruption to the flow of oil from the Middle East as the result of fighting in Lebanon and between Iran and Iraq. More important, intensifying financial strains and growing concerns over international credit exposures made traders and investors more conscious about the creditworthiness of counterparties and the safety of their assets. In these circumstances, both Britain's oil self-sufficiency and the favorable reputation of London's financial system made sterling a relatively secure asset. With the market expecting British interest rates to ease—but to ease more gradually than in many other countries—investment funds were attracted to London to take advantage of the perceived potential for capital gains. By late October a major rally had become established in the market for U.K. government securities, and successive records were being set in British indexes of stock prices, attracting further capital inflows.

These factors did not prevent sterling from easing further against the dollar, which was buoyed even more than the pound by concern over liquidity strains. By the end of October, sterling had moved irregularly lower 4½ percent to \$1.6725. But against other currencies, the pound held steady or even strengthened so that, in trade-weighted terms, it rose to 92.5 by the end of October. The Bank of England's intervention operations were only partly reflected in the three-month \$93 million increase in foreign ex-

change reserves from July's level of \$10.88 billion.

As the autumn progressed, however, concern intensified about the outlook for the economy. Neither consumption nor investment had gained during the early part of the year as had been expected; and with the shakeout of labor continuing, the unemployment rate took a sudden jump to 14 percent in September. As market participants perceived a possible shifting from the policy requirements of fighting inflation to those of rekindling economic growth, currencies thought to be overvalued came under suspicion. Meanwhile, a boom in retail sales led to fears that rising imports might contribute to a deterioration in the British foreign trade balance. Although actual trade figures published toward the end of the year did not show any such deterioration, attention was drawn to a government forecast that Britain's current account surplus, which mainly reflected oil exports, would disappear by 1983. Consequently, considerable commentary focused on Britain's competitive position, all the more so after the Scandinavian devaluations in early October.

The government argued that the problems of unemployment and competitiveness were closely linked: improvement of Britain's trade position required both continued progress on inflation and more rapid deceleration of pay increases. But critics of government policy argued that, despite the recent moderation of labor costs, deceleration of inflation, and depreciation of the pound, British industry over a period of several years had suffered a considerable net loss of competitive position, ground that would be difficult to make up in the future because inflation and productivity were also improving in competitor countries. Early in November, the Confederation of British industry proposed a major program to create jobs and stimulate the economy, including a sharp cut in interest rates. Some industrialists continued to advocate overt government measures to devalue sterling by 5 to 10 percent. These proposals, coming from a group thought to support the Thatcher program, brought the government's political support into question.

In mid-November, the Chancellor presented a midyear budget review in which limited fiscal

measures were announced to make up for some of the shortfalls in government expenditures and the public-sector borrowing requirement. In this way the government attempted to counteract the tendency for fiscal policy to be more restrictive than intended, aiming new actions at the need to increase the competitiveness of the corporate sector. The accompanying economic projection, however, pointed to a continuing deterioration in Britain's current account, largely because any modest recovery or buildup of inventories was expected to give strong stimulus to manufacturing imports. In the parliamentary discussion, government officials deflected proposals for explicit action to devalue sterling. But, reports that appeared in the press over the November 13-14 weekend left market participants with the clear impression that the British government would prefer a lower, more competitive exchange rate for the pound.

After that weekend, sentiment toward sterling turned decidedly bearish. Foreign investors and British residents, including large institutional investors, began to shift funds out of longer-term, sterling-denominated securities and into assets denominated in other currencies, taking profits from the recent sharp price appreciation in the London capital market. The pound also came under broad-based selling pressure from market professionals, corporations, and traders on the IMM. Against the dollar the pound fell to \$1.5950 by November 17, while in trade-weighted terms it dropped to 87.8.

Several days after the sharp break in the sterling rate, U.K. money market interest rates rose, British banks raised their base lending rates 1 percentage point or more, and the Bank of England then increased its own dealing rates to reflect the rise. Thereafter, sterling recovered somewhat to trade against the dollar around \$1.6332 by the end of November. But it had broken stride against other currencies, which now were rising against the dollar.

The market for sterling remained unsettled during December. By then, the Labour Party had issued its own policy recommendations, calling for a sharp acceleration in public spending, substantially lower interest rates, and a 30 percent devaluation of the pound over two years. In addition, there was increasing talk that oil prices

might decline substantially, raising the possibility of sharply reduced oil-export receipts and government revenues. Investment funds continued to be shifted out of sterling assets, despite a further widening of interest rate differentials favoring the pound. In effective terms, sterling declined.

Against the dollar, however, sterling traded without clear direction until early January, when the pound turned lower once again. Although the Bank of England's intervention during December had been detected in the market, publication in early January of December's official reserves, showing a decline slightly in excess of \$1 billion, was a surprise. Political elements also played a role in shaping sentiment, first when strains developed between the United Kingdom and several Middle East oil-producing nations over the Palestine Liberation Organization issue and then as some observers predicted that the Thatcher government would decide to call elections well before the mandated time in 1984. Also, growing expectations of a deterioration in British oil-export revenues as a consequence of the OPEC's apparent failure to agree to production quotas added to the bearish sentiment toward sterling. Therefore, the spot rate resumed its decline against all currencies, and it dropped in effective terms as low as 80.6 on January 11, 1983.

By mid-January, however, pressures on sterling began to abate. In part, interest rate differentials favorable to the pound had widened further following an additional rise in British banks' base lending rates. Also, the impact of declines in oil revenues appeared to have been largely discounted. Moreover, evidence of increasing support for the government and reaffirmation of its policy approach in a white paper on fiscal year 1983-84 expenditures helped reassure the markets. Thus, on an effective basis sterling steadied to close the six-month interval at 80.9, a net decline of 11½ percent. However, sterling continued to decline against the dollar, which generally appreciated after January 10. The pound set a series of historic lows toward the end of the month before closing near the last of them at \$1.5210. With sterling trading more steadily on a trade-weighted basis, the Bank of England scaled back its intervention in January. Nevertheless,

Britain's reserves declined \$1.8 billion during the three months from November to January to close at \$9.2 billion.

FRENCH FRANC

The French franc was trading firmly near the top of the EMS as the period opened, although at FF 6.8025 it was declining to successive lows against the dollar. The franc had moved to the upper portion of the joint float after its devaluation in mid-June, supported by stringent foreign exchange controls and wide favorable interest differentials over most other European currencies. But reflows, which in the past had often followed such devaluations, proved in this instance to be relatively modest, thus limiting the scope of the authorities to rebuild reserves or lower domestic interest rates in an effort to stimulate economic recovery. This cautious response reflected concern in the market that the franc's new EMS parity rates might not be sustainable in light of France's inflation and rapidly rising budget and current account deficits.

Inflation in France remained more than 10 percent at midyear, in contrast to other industrial countries, especially Germany. Although at the time of the June EMS realignment, the French government froze wages and prices for four months, and price and wage increases dropped significantly during the summer, many anticipated pressure for "catch up" increases when the scheme expired at the end of October. Governmental efforts to press both employers and unions to accept voluntary price restrictions to replace the freeze met opposition.

Meanwhile, French economic policy had continued to stress economic stimulus relative to inflation reduction through the spring, clouding prospects that inflation differentials could be reduced soon. Even if proposals made in June were adopted in the September budget to cut expenditures and increase revenues, the government faced a large and growing fiscal deficit expected in fiscal 1983 to climb more than 3 percent of gross domestic product (GDP). Thus, market participants worried that inflationary fiscal pressure would intensify just as the wage and price freeze was being phased out.

Moreover, the French current account deficit had increased sharply, and for the year as a whole, the deficit more than doubled to \$12 billion. The deterioration reflected a steep decline in export volumes, an acceleration of imports buoyed by domestic demand pressure, and a shrinking of the invisibles surplus for the most part because of rising interest charges on foreign debt.

In this context, beginning in mid-August and extending over the fall and winter months, the franc came under intermittent bouts of pressure. Speculative selling was particularly intense before weekends, when most EMS realignments had occurred in the past. There was concern not only that the franc might be devalued within the EMS, but also that it might be withdrawn altogether from the currency arrangement or that the French authorities might institute a two-tier exchange rate system. By late August the franc dropped to the middle of the EMS band and by early September it had moved down toward its central rate against the German mark. The Bank of France intervened frequently in the exchanges to support the currency, selling both dollars and German marks. During August and September France's foreign currency reserves declined \$2.3 billion to \$11 billion, and the authorities announced a ten-year \$4 billion syndicated Eurocurrency line of credit to bolster reserves. The franc remained on offer subsequently, but any further decline of the franc against the mark was limited. Against the dollar, however, the franc declined to a low of FF 7.3250 in November, down 7½ percent from its levels at the end of July.

After the dollar turned lower in November the franc experienced difficulty keeping pace with the strengthening mark. The Bank of France stepped up its intervention, especially in dollars, and the franc emerged along with the mark in the upper portion of the EMS band. At one point in December, however, the franc-mark cross rate fell to a low of FF 2.8385, which was still, however, only ⅛ percent below its bilateral parity.

Meanwhile, France's domestic economy, which had shown modest growth during the first half of 1982, stagnated thereafter, disappointing the authorities' hopes of a consumer-led recov-

ery. Real private consumption spending decelerated, most categories of investment expenditures declined, industrial production fell further, and unemployment remained high at around 2 million. The French authorities introduced several new measures over the fall to spur investment and employment, and had been quick to lower domestic interest rates when it appeared that exchange market conditions permitted. They had also announced measures to promote exports and slow imports. But at the same time the authorities acted to contain inflationary pressures. They introduced modified price controls following the expiration of the freeze on November 1, and announced in December a substantial reduction in the M2 growth target for 1983 and a tightening of ceilings for growth in bank lending. In remarks before the National Credit Council, Finance Minister Delors stated that monetary policy for 1983 would be geared to defending the EMS parity of the franc and to continuing the battle against inflation, while also permitting a continued decline in interest rates.

In the exchange markets, selling pressures against the French franc faded somewhat in mid-January, as market participants concluded that any EMS realignment would not occur before French and German elections in the spring. As the period drew to a close the usual month-end demand for francs emerged, enabling the Bank of France to scale back its intervention support and make modest net purchases of dollars. By the end of January the franc was trading in the upper portion of the joint float, as it had been when the period opened. Against the dollar the franc was trading at FF 7.0100, 3 percent lower on balance for the period under review but some 4 percent higher than its lows in early November. Meanwhile, France's foreign exchange reserves increased from the lows at the end of September to post a net gain of \$4.3 billion over the six-month period to \$17.6 billion.

Throughout the period, French enterprises continued to borrow in foreign markets and convert the loan proceeds into francs in the exchange market. During February Finance Minister Delors affirmed that during 1982 France's public external debt increased \$8.8 billion, not including the \$4 billion syndicated loan announced in September.

ITALIAN LIRA

The Italian lira was trading firmly above the narrow EMS band at the end of July, but against the dollar it had fallen to a new low of Lit 1,367.00. The lira sustained its position in the EMS on the basis of seasonal tourist inflows, exchange control measures introduced earlier in the year to discourage unfavorable shifts in leads and lags, and the attraction of high interest rates. Because interest rates elsewhere were trending down, differentials favorable to the lira widened and Italian residents stepped up their borrowing abroad. The Bank of Italy had taken advantage of the lira's relative strength to rebuild foreign currency reserves to a level of \$13.9 billion by the end of July.

The Bank of Italy's policy of monetary restraint was aimed at reducing Italy's persistent high inflation rate, countering the effects of seemingly uncontrollable fiscal deficits, and preventing a sharp drop of the lira that would exacerbate inflation. During the period under review, the Italian economy, like others among the industrialized countries, fell more deeply into recession, thereby complicating efforts to contain the fiscal deficits. But Italy was one of the few industrialized countries not to experience a sharp reduction in inflation. Indeed, the hope for any improvement diminished as proposed programs to rein in fiscal deficits failed to meet parliamentary approval, leading to successive governmental crises, and as negotiations remained deadlocked on reforms to Italy's wage indexation system, the *scala mobile*.

Consequently, the burden of fighting inflation continued to fall on the Bank of Italy, which operated to limit the expansion of credit and to keep liquidity under control. During August and early September, the high interest rates, together with tourist inflows, remained sufficient to keep the lira firm within the EMS while it continued to decline against the dollar. The lira's relative position within the EMS permitted the authorities to rebuild reserves and to ease short-term domestic interest rates to help take pressure off the weak economy. On August 24 the monetary authorities lowered the discount rate and the base rate for advances by the central bank 1 percentage point to 18 percent, the first change in nearly 1½ years, and the Italian Banking Associ-

ation followed by cutting prime rates 1 percentage point to 20.75 percent. But these cuts were generally more than matched by reductions of official and market rates elsewhere on the Continent so that the lira's wide interest rate differential was largely maintained.

After mid-September, the lira eased back within the EMS while continuing to fall against the dollar through mid-November. With the lira easing and prospects of a resolution of Italy's fiscal and labor problems becoming increasingly remote, the lira became caught up in the pressures within the EMS. As rumors spread of an imminent realignment, the lira was identified as a candidate for downward adjustment, prompting Italian exporters to repay foreign currency debt and shift into lira financing. Thus, the lira eased back to within the narrow EMS band beginning in mid-October, while also declining to a new record low of Lit 1,489.60 against the dollar in mid-November. The Bank of Italy tightened domestic credit conditions, pushing up short-term interest rates even as comparable rates abroad were declining. The authorities required exporters to borrow 70 percent of their financing needs in foreign currencies. In addition, the Bank of Italy began to intervene heavily, and in the three months of September–November, Italy's foreign exchange reserves dropped \$3 billion from \$14.8 billion to \$11.8 billion.

The firming Italian interest rates, together with the change in sentiment toward the dollar, helped bring the market into better balance after mid-November. By the end of December the lira had once again moved above the narrow EMS band, a position it generally maintained through the end of January.

Meanwhile, the pressure of the government's huge financing needs added to the strains in Italy's financial markets and generated an acceleration of total credit expansion, thereby undercutting the Bank of Italy's policy of monetary restraint. Accordingly, on December 23 the authorities announced proposed measures to improve control over the creation of money in future years by shifting from administrative mechanisms toward monetary base control. The new system was designed in part to force the Treasury to compete for funds with the private sector. In the meantime the government proposed measures designed to hold the 1983 bor-

rowing requirement to Lit 70 trillion, some 16 percent of GDP, and because it had exceeded its legal monthly borrowing limit at the central bank, it asked Parliament to approve a special one-year advance.

In January agreement was finally reached between Italian employers and labor unions over ways to reform the *scala mobile*. They agreed to cut automatic inflation-linked wage increases 15 percent and to undertake further negotiations about the exclusion from indexation of those elements of inflation emanating from future increases in value-added taxes, as well as from exchange rate depreciation if inflation exceeds the target rate for the year. The pact raised hopes for reducing inflation and appeared to diminish the threat of industrial strife by clearing the way for negotiations over new three-year wage contracts.

Partly in response to these developments, the Bank of Italy was able first to scale back its intervention support and subsequently to make some net dollar purchases to rebuild reserves, except for a brief time in mid-December. By the end of January 1983, the lira was trading at Lit 1,418.00, up nearly 5 percent from its November lows. Nonetheless, over the six-month period under review, the lira declined $3\frac{1}{2}$ percent against the dollar and $2\frac{1}{2}$ percent against the mark. Meanwhile, Italy's foreign exchange reserves increased \$2 billion during the last two months of the period to \$13.8 billion by the end of January.

EUROPEAN MONETARY SYSTEM

Early in August, the currencies participating in the intervention arrangement of the EMS were holding to the pattern that first emerged from the realignment of June 12–13. In this adjustment, the central parities of the German mark and Dutch guilder were revalued $4\frac{1}{4}$ percent, those of the French franc and Italian lira were devalued $5\frac{3}{4}$ percent and $2\frac{3}{4}$ percent respectively, and the bilateral central rates of the remaining currencies were otherwise left unchanged. Since this realignment, the Italian lira had traded above the top of the $2\frac{1}{4}$ percent limit applied to other EMS currencies, utilizing its freedom to trade in a wider band. The French franc and Irish pound

were near the top of the $2\frac{1}{4}$ percent band, followed closely by the Danish krone. The Belgian franc remained near the middle, while the German mark and Dutch guilder traded at the bottom of the joint float.

This latest parity adjustment was the third in eight months. Yet considerable skepticism remained that, despite major policy adjustments in many participating countries, there was sufficient willingness to harmonize economic policies and to narrow the divergent economic performances to permit even the new currency structure to last. Most participating countries had adopted some degree of restraint during preceding years to stabilize their economies from the ravages of inflation following the oil-price increases of the late 1970s. But substantial inflation differentials remained, and market participants worried that extraordinarily high rates of unemployment in some countries would force the authorities there to compromise these efforts. Moreover, most countries were attempting to bring public-sector deficits under better control but with varying degrees of success, and some found themselves in divisive internal debates over priorities for economic policy. During the period under review, these divergencies re-emerged to exert strain on the currency relationships within the EMS. But, as long as another realignment was thought not to be imminent, modest amounts of funds flowed back into those currencies that offered the highest interest rates.

After mid-August, the currencies of France and Denmark began to weaken within the EMS. Both countries had experienced above-average real growth earlier in the year, boosted in part by the continuing impact of earlier fiscal stimulus and reflected in widening trade deficits, together with persistently high inflation. The French government had pledged fiscal restraint and imposed a price freeze after the mid-June realignment, but market participants still doubted that policy priority had in fact shifted from supporting employment to reestablishing internal and external balance to the economy. The Danish government was locked in parliamentary debate over budget proposals for 1983, including expenditure cuts and tax increases to curtail the government's borrowing requirement. When the government resigned early in September, speculation developed that a new government might devalue the

krone. Under these circumstances, both currencies fell to around the midpoint of the 2¼ percent band toward the end of August amid frequent bouts of rumors that another realignment was imminent. The pressure against the French franc subsided following the government's presentation of a budget early in September that confirmed its determination to contain government spending. The pressures against the Danish krone were renewed during the first half of October by news of devaluations of other Scandinavian currencies before being put to rest by a substantial tightening of Danish monetary and fiscal policies.

The renewed pressures against these two currencies spread to the Belgian franc. The Belgian government had taken forceful action earlier in the year to redress the imbalances in Belgium's economy by devaluation, suspension of wage indexation, a price freeze, and fiscal restraint. Already some progress had become apparent as domestic restraint began to cut into imports, reducing the trade deficit. But Belgium's huge public-sector deficit had yet to decline in the face of a weak economy, and questions remained whether the stabilization policies would be sufficient to offset earlier losses in competitiveness. Thus the Belgian franc became identified in the rumors of realignment as a candidate for devaluation and headed for the bottom of the EMS band, where it traded during the entire second half of the period under review.

Meanwhile, the German mark and Dutch guilder began to move up from the bottom of the band, partly in response to bidding in anticipation of a further realignment. In addition, both countries had comparatively good price and trade performances. Of the two currencies, the guilder was the stronger just as the Netherlands was the only participating country whose current account was in surplus.

By mid-September, all the currencies in the narrow band were clustered closely around the middle of the band. This arrangement contributed to a relatively calm mood in the European markets through October. At this point, the French franc had eased to about parity vis-à-vis the German mark, a relationship that the French authorities chose to retain for the rest of the six-month period.

Beginning in late November, however, pres-

ures within the EMS became more frequent and intense. The German mark was strengthening as the dollar depreciated generally in the exchanges and the mark moved quickly to the top of the EMS. The guilder had already been trading firmly at the upper limit. Isolated at the bottom was the Belgian franc, which at times required intervention support.

Other currencies also became subject to selling pressures at this time. The Irish pound joined the Belgian franc at the bottom of the band temporarily, after the British pound began to drop in the exchanges from mid-November. The French franc came on offer and was given official support to keep pace with the German mark as it rose within the joint float, when concern developed in the market over the adequacy of France's official reserves. Also, the Italian lira weakened, falling toward the middle of the band.

In this environment, expectations revived of an EMS realignment to include revaluation of the German mark and Dutch guilder against the currencies then requiring frequent intervention support either at their mandatory limits or intramarginally. Thus, from late November through December, there was a pattern of intense market speculation ahead of most weekends.

These pressures eased in early January after a meeting of European Community finance ministers passed without a realignment. Thereafter, most market participants concluded that a change of official parities would be postponed at least until after elections were held early in March in both Germany and France. Moreover, after mid-January the mark eased considerably against the dollar and other EMS currencies because of political uncertainties ahead of these elections. Even so, the band continued to be frequently stretched to its limit between the Dutch guilder at the top and the Belgian franc at the bottom.

Against the dollar, the EMS currencies as a group showed little net change over the six-month period under review. All EMS central banks, however, took advantage of the opportunity provided by a worldwide decline in interest rates to reduce their own lending rates during the period. The easing in official and market interest rates came later and was less extensive in the other countries than it was in Germany and the Netherlands.

EMS-related intervention was undertaken fairly constantly during the period and was heaviest during late August and early October and again in late November and mid-January. Although substantial intervention support was conducted in EMS currencies, especially the German mark and the Dutch guilder, sizable amounts were also done in U.S. dollars. Official dollar sales were particularly large, as it turned out, briefly in late August and during the winter months—times when the dollar was declining in the exchange markets.

CANADIAN DOLLAR

As the period began, the Canadian dollar was recovering from a protracted and deep decline. The Canadian currency touched a historic low of U.S. \$0.7683 (Can.\$1.3016) late in June, but by the end of July had moved up nearly 4 percent to U.S. \$0.7987 (Can.\$1.2520). The Canadian dollar continued rising to about U.S. \$0.8130 (Can.\$1.23) in September, after which it traded for the most part within a 2 percent range around that level for the remainder of the period.

The recovery and subsequent steadier performance of the Canadian dollar reflected the subsiding of concerns that had clouded the currency's prospects for several years. Among these was a long-standing and harsh debate over the appropriate priorities for economic policy. Faced with deepening recession and climbing unemployment on the one hand, and a persistent double-digit inflation rate fueled by high wage settlements on the other, the government chose to retain a strong anti-inflationary posture for both fiscal and monetary policy. The choice was convincingly evident in a summer budget message that had called for limits on salary increases of government employees and price increases in federally regulated sectors of the economy, as well as other measures designed to brake inflation during the next two years. Moreover, the government's initiative to restrict public-sector wage increases was quickly adopted by some provincial governments and helped to set a pattern for private settlements. Monetary policy was also geared to forestalling inflation, including inflationary pressure from a further sharp decline in the Canadian dollar. Thus, interest

differentials favorable to the Canadian currency had widened considerably, prompting Canadian provincial governments and some private concerns to borrow more abroad and convert the proceeds in the exchange market.

In addition, foreign concerns over Canada's controversial National Energy Policy had also faded. The policy was adopted in the fall of 1980 to stimulate Canadian ownership and development of the nation's natural resources. The pace of implementation had been significantly retarded in 1981, reducing what had been heavy capital outflows. By mid-1982 the government had gone further, with the Foreign Investment Review Agency cutting red tape and eliminating long delays in processing applications in an effort to rekindle direct private investment inflows. These developments eased market worries that Canada faced an extended reversal of the capital inflows that traditionally financed development and offset current account deficits.

Moreover, Canada's strong trade performance bolstered the Canadian dollar. Exports overall held steady as shipments of automobile, grain, and energy products remained robust enough to offset declines in demand for other products susceptible to declining competitiveness and shrinking foreign markets. Meanwhile, imports had plummeted, reflecting weak domestic demand. Canada's current account was heading toward surplus for 1982, the first since 1973. Just on the basis of the first eight months of the year, Canada's trade surplus had cumulated to double the \$5.5 billion total for all of 1981.

Against this background the Canadian dollar continued to move up gradually from early-August levels through the fall. However, it faltered at times when the decline in U.S. interest rates stalled or temporarily was reversed. The Canadian authorities were attempting to maintain a relatively smooth trend for interest rates, so that any temporary increases in U.S. rates resulted in a narrowing of the rate differentials favorable to the Canadian dollar, reawakening concerns that the recession at home would limit the scope of the authorities to follow should U.S. rates continue to rise. But at the same time, the currency gained support as evidence accumulated that the weakness of the economy was finally showing through in a reduction of inflation and an easing of wage pressures. In late October the

government issued an economic statement stressing its anti-inflation posture and including only minor changes to the budget for 1982, easing worries that significant new fiscal stimulus would be announced. The Canadian dollar then climbed to its highest point of the period at U.S. \$0.8213 (Can.\$1.2176) on November 10, a 6½-month high and a rise of some 2½ percent from the end of July.

With the Canadian dollar firm in the exchanges, the Bank of Canada made substantial net purchases of U.S. dollars during August–October. Canadian foreign exchange reserves rose \$364 million to \$2.4 billion, even though the authorities had by the end of October repaid all of the \$2.4 billion drawings made by the end of June under standby facilities with commercial banks. Also, the government's revolving credit agreement with international banks had been enlarged by \$1 billion to \$4 billion during September.

After mid-November, the Canadian dollar eased. As a substantial deceleration of inflation in both consumer prices and wage settlements became more fully established and Canada's external position continued to improve, market participants became wary that the principal justifications for high Canadian interest rates would erode. At the same time, real GNP was reported to have declined at an annual rate of 4 percent in the third quarter—the fifth consecutive quarterly decline—while the unemployment rate had climbed to a postdepression high of 12.7 percent in October. Consequently, through early December, the Canadian dollar came off its highs, falling more than 2 percent to U.S. \$0.8029 (Can.\$1.2455), even as the U.S. dollar was declining against most other major currencies.

Beginning early in December, however, the Canadian dollar steadied. Bank of Canada Governor Bouey forcefully ruled out a policy of pushing interest rates lower or depreciating the exchange rate and stressed the importance of consolidating hard-won gains on the inflation front. With the Canadian dollar remaining generally firm through December and January, domestic interest rates declined slightly more than those in the United States. The Canadian dollar closed the six-month period under review at U.S. \$0.8086 (Can.\$1.2367), down about 1½ percent from its November highs but nevertheless 1

percent above its level at the end of July. The Bank of Canada was a net purchaser of U.S. dollars over the three months ending in January so that Canadian foreign currency reserves rose \$475 million. Over the entire six-month period under review Canadian foreign currency reserves rose \$839 million to close the period at \$2.9 billion.

MEXICAN PESO

At midsummer the Mexican authorities were implementing an economic program, announced in April, designed to redress the cumulative effects of several years of large fiscal deficits and aggressive industrialization efforts, slowing oil export revenues, and heavy servicing costs on Mexico's large external debt. Although the peso had been allowed to depreciate to Mex.\$49 by the end of July from around Mex.\$27 six months earlier, and other measures had been taken to reduce the fiscal and balance of payments deficits, concern remained that the policy measures in place were insufficient to meet announced intentions or the problems at hand. Commercial bank and Eurobond lending to Mexico had dried up, significant arrears had developed in private sector debt payments, and considerable private capital had flowed out of Mexico apparently in expectation of further devaluation of the peso. In addition, Mexican foreign currency reserves had fallen to dangerously low levels over the preceding months. The Bank of Mexico had on three occasions drawn on its swap line with the Federal Reserve to meet month-end liquidity needs. The third of those drawings was for \$700 million on July 30, which was repaid the following business day. In view of Mexico's worsening liquidity position and the government's undertaking to speed up implementation of its economic program after the presidential election had been completed, the Bank of Mexico requested, and was granted on August 4, a drawing of \$700 million on its swap line with the Federal Reserve to replenish reserves while an adjustment program was worked out with the IMF. The drawing was for three-month maturity with possible renewal.

As part of its program, the government of Mexico announced a series of price increases on

basic consumer goods, effective August 1, in order to reduce large subsidies that had bloated the government's deficit. The prospect of a further acceleration of Mexico's roughly 60 percent inflation rate generated a renewed surge of capital outflows.

With exchange market pressure at an intense level, the Mexican government announced on August 5 the introduction of a two-tiered exchange system. Designed to avoid formal exchange controls while nevertheless channeling scarce foreign currency resources to priority uses, a preferential rate of Mex.\$49 was established, to apply to the Mexicans' payments of interest and principal on public-sector and "productive" private debt, as well as for "essential" imports. All other foreign exchange purchases were to be executed in a free market where the peso would float. On the inflow side, the proceeds of Mexican exports of petroleum products and new public borrowings abroad were to be converted in the "preferential" market, the free market to receive other sources of revenue. The free-market peso rate immediately dropped to more than Mex.\$70 but the capital flight continued, forcing the peso rate rapidly downward. In response, on August 12 the authorities temporarily closed the foreign exchange market in Mexico and announced that henceforth any withdrawals from deposit accounts at Mexican banks denominated in U.S. dollars (so-called Mexican dollar accounts) would be permitted only in pesos.

Following high-level negotiations that week-end between the Mexican and the U.S. governments, the U.S. government arranged guarantees from the Commodity Credit Corporation for \$1 billion in private credit to finance exports of basic foodstuffs to Mexico during the subsequent year, as well as a \$1 billion advance payment by the Department of Energy for oil to be added to the U.S. strategic reserves. To meet immediate cash needs, the U.S. Treasury arranged a temporary swap facility with the Mexican government for \$1 billion until August 24, the date on which the Department of Energy advance oil payment would be executed. A drawing of \$825 million was made and repaid under this facility. With the emergency funding from the U.S. authorities in place, the government of Mexico reopened the exchange market on August 19, this time on a three-tiered basis. It established the priority rate

of Mex.\$69.50 to apply to withdrawals in pesos from Mexican dollar accounts. When the market reopened, the free market rate fluctuated between Mex.\$100 and Mex.\$130.

Meanwhile, negotiations with monetary authorities of other countries proceeded, leading to the conclusion, on August 30, of a \$1.85 billion multilateral financing arrangement, with \$925 million through the BIS, \$600 million from the U.S. Treasury, and \$325 million from the Federal Reserve. The funds provided by the U.S. authorities were to be drawn on a *pari passu* basis with those of the BIS. Drawings were to be provided in line with progress toward an agreement between Mexico and the IMF on an adjustment program that would enable Mexico to qualify for drawings under the IMF's Extended Fund Facility. The provision of official financing dealt with only part of the problem. By this time considerable worry had developed in the international financial community that Mexico would be unable to service its roughly \$80 billion in external indebtedness, and private sector external finance remained difficult if not impossible to arrange. With a heavy burden of international debt obligations maturing in coming months, Mexico's Secretary of Finance met on August 20 with 115 financial institutions with significant exposure to Mexico to solicit the banks' cooperation in accepting a 90-day grace period, commencing August 23, in which maturing loans would be renewed for 90 days at current market rates. In return, the Mexican government would bring all public-sector-interest arrears current, pay in full at maturity all publicly issued bonds and notes, and develop an economic adjustment program acceptable to the IMF. An advisory group of commercial banks was established to conduct negotiations on debt restructuring and arrange for a new financing of \$1 billion from the commercial banks. The response of the banking community to this initiative was positive.

On September 1, however, outgoing President Lopez Portillo surprised the international financial community when he announced in his final state of the nation address decisions to nationalize Mexico's private commercial banks, to impose formal exchange controls, and to adjust interest rates in Mexico. Interest rates on several categories of loans were reduced significantly, while rates on small bank deposits were in-

creased. The new exchange controls had the effect of eliminating the free foreign exchange market, all transactions to be conducted at a new "preferential" rate of Mex.\$50 or an "ordinary" rate of Mex.\$70. Foreign exchange would be sold to Mexican residents at the ordinary rate as available.

Following these initiatives, interbank trading in pesos continued outside Mexico for a time, even though the free peso market in Mexico was closed. But before long, virtually all foreign exchange receipts other than those derived from oil exports or official borrowings were left abroad, either to pay for imports or to be held in liquid form. Thus, little foreign exchange was available through the official "ordinary" rate market established under the exchange controls. In addition the overseas branches of Mexican banks encountered considerable difficulty maintaining interbank deposit lines, and the withdrawals at times placed pressure on the foreign exchange reserves of Mexico. Under these circumstances, the peso gradually dropped to Mex.\$125.

On November 12, the government agreed in principle with the IMF management on an economic adjustment program that would, if approved by the IMF executive directors, provide Mexico with about \$3.9 billion of IMF financing over a three-year period. The program, considerably more stringent than the April one, called for a sharp reduction of Mexico's fiscal deficit as a share of gross national product, progressive reduction of Mexico's net external borrowing through 1985, exchange rate and interest rate policies to assure competitiveness of Mexican exports and promote domestic savings, and a substantially reduced current account deficit. The program was expected to result in a sharply lower rate of real domestic economic growth at least through 1984. It was designed to reduce drastically Mexico's inflation rate, then running at nearly 100 percent, so as to build a foundation from which Mexico could resume the stable and sustainable real economic expansion required to service its external obligations and meet domestic demands for improved living standards. The letter of intent was signed by the outgoing Lopez Portillo administration but carried the full endorsement of Miguel de la Madrid, scheduled to

take office as president of Mexico on December 1, 1982.

With the letter of intent signed only about two weeks before the expiration of the 90-day grace period on maturing external debt obligations, the government of Mexico asked international banks to extend the grace period through March 23, 1983, under roughly the same terms as before. During much of the balance of the period under review, the government worked with the banks on the outlines of a program for dealing with Mexico's external indebtedness and financing needs through 1983, to include not only public sector needs but also arrears of interest payments on private-sector debts. The main elements in the proposal involved restructuring about \$20 billion in public sector debts and the raising of \$5 billion of new money from the banks to meet Mexican financial needs for 1983. Any new funds were to be drawn in phase with availability of funds under the IMF agreement, that is, subject to the condition that Mexico remain in compliance with the economic adjustment program agreed with the IMF. It was also envisaged that banks would maintain the level of their interbank deposits with Mexican banks operating in overseas markets.

The new president, in his inaugural address, endorsed the undertakings Mexico had made with the IMF, while also indicating that the exchange controls would be modified. On December 13 and on December 20 respectively, a presidential decree was signed and Bank of Mexico procedures were published to establish exchange controls intended to direct more foreign exchange into Mexico's official reserves and banking system. Toward this end, effective December 20, two separate markets were established, one controlled and the second free of controls. The controlled market was to include all commercial exports, the foreign currency costs of border trading firms, all operations with respect to public and private debt, costs of diplomatic and consular services, and contributions by Mexico to international organizations. The Bank of Mexico specified initial buying and selling rates for the controlled market at Mex.\$95.00 to Mex.\$95.10 with the rate to be depreciated steadily in line with the inflation differential between the United States and Mex-

ico, calculated initially at an annual rate of about 50 percent. It was intended that over time the controlled and free market rates would converge. The free market was intended for all transactions not specifically eligible for the controlled market. It was initially set up with guidance from the central bank to facilitate an orderly opening, the guidance to be eliminated as soon as possible. When the market opened on December 20, the rate was set at Mex.\$148.50 to Mex.\$150.00. The free market eliminated the special border zone for foreign exchange established in early November. After some nervousness, markets settled down, and the peso quotations on the interbank market in the United States moved in line with the free market rate in Mexico.

On December 23, 1982, the IMF announced that its executive board had approved the extended fund facility for Mexico, and initial drawings under the facility were made immediately thereafter. The Bank of Mexico, using the proceeds of these borrowings made partial repayment of its drawing on its regular swap line with the Federal Reserve in December and January so that, as of January 31, \$373 million was outstanding.

For the remainder of the period under review, the peso traded relatively quietly and narrowly in the overseas interbank market, quoted generally in line with the free market rate in Mexico. Between December 20 and January 31, 1983, the free market rate in Mexico was adjusted toward the controlled market on three occasions to

Mex.\$147.90 to Mex.\$149.40 at the close of the period, while reflows of capital, largely from individuals, permitted the Mexican commercial banks to purchase a sizable amount of dollars in the free market through the end of January. At the same time, the controlled rate was adjusted lower daily to Mex.\$100.46, a depreciation of 5½ percent compared with the level on December 20, 1982.

The steadiness of the rate in the U.S. overseas interbank market during this interval reflected general market perception that the de la Madrid administration had made an effective beginning on dealing with the problems at hand. This positive response helped Mexico husband its reserves and by the close of the period, a small amount of the combined \$1.85 billion U.S.-BIS credit facility remained to be drawn. Negotiations were not yet complete on the debt restructuring or on details of the \$5 billion loan, but a total of about \$4.7 billion in new money had been pledged by banks that were participants in those negotiations. These matters remained of critical priority, however, as signs of stress were accumulating in Mexico. Production bottlenecks were widespread, owing to limited availability of imported goods. In addition, commercial banks abroad remained concerned about the need to deal with overdue principal payments on private-sector debt. Thus more work remained to be done before all necessary elements of a successful adjustment program could be said to be in place. □

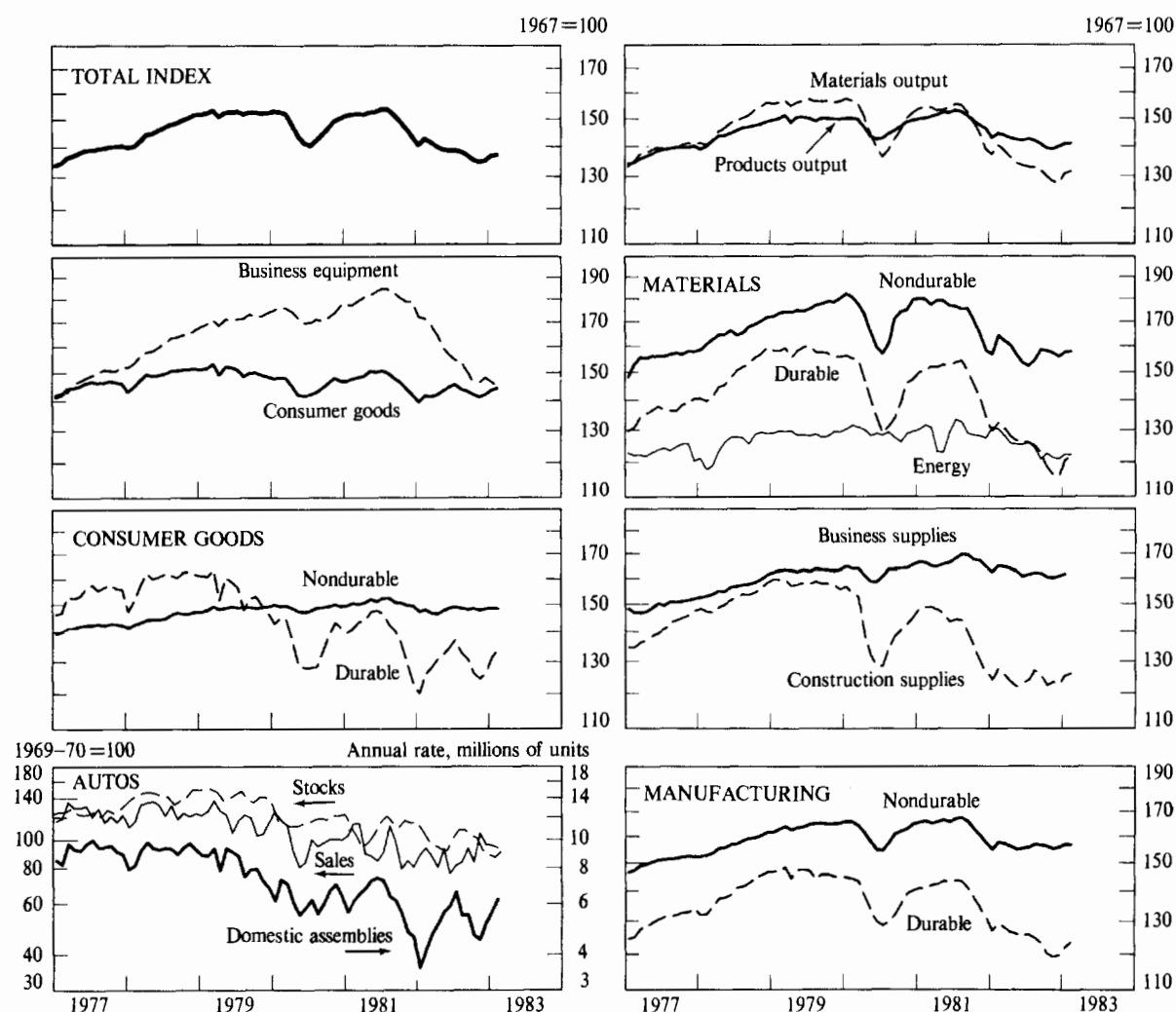
Industrial Production

Released for publication March 15

Industrial production increased 0.3 percent in February after an upward revised gain of 1.3 percent in January. In February, large increases again occurred in the output of motor vehicles and durable materials, particularly steel. At 137.3 percent of the 1967 average, industrial

output in February was nearly 2 percent above its low in November 1982 but still about 11 percent below the high in July 1981.

In market groupings, production of consumer goods increased ½ percent in February. Automotive output rose for the third consecutive month; output of home goods declined somewhat after a large January advance; and output of total non-



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

| Grouping | 1967 = 100 | | Percentage change from preceding month | | | | | Percentage change, Feb. 1982 to Feb. 1983 |
|-----------------------------------|--------------------------|-------------------|--|------|------|------|------|---|
| | 1983 | | 1982 | | | 1983 | | |
| | Jan. ^p | Feb. ^e | Oct. | Nov. | Dec. | Jan. | Feb. | |
| | Major market groupings | | | | | | | |
| Total industrial production | 136.9 | 137.3 | -1.2 | -.6 | .2 | 1.3 | .3 | -3.9 |
| Products, total | 140.9 | 141.1 | -1.1 | -.2 | .7 | .6 | .1 | -2.4 |
| Final products | 140.1 | 140.2 | -.9 | -.3 | .9 | .4 | .1 | -2.7 |
| Consumer goods | 143.7 | 144.4 | -.8 | -.6 | .6 | 1.1 | .5 | 1.8 |
| Durable | 131.4 | 134.0 | -3.7 | -1.5 | 1.3 | 4.1 | 2.0 | 6.4 |
| Nondurable | 148.6 | 148.6 | .2 | -.4 | .4 | .1 | .0 | .3 |
| Business equipment | 146.7 | 145.0 | -2.3 | -.5 | 1.3 | -1.1 | -1.2 | -15.5 |
| Defense and space | 115.9 | 116.3 | 2.2 | 1.5 | 1.2 | .8 | .3 | 9.2 |
| Intermediate products | 143.7 | 144.4 | -1.5 | .1 | .1 | 1.3 | .5 | -1.3 |
| Construction supplies | 125.6 | 126.2 | -2.4 | .7 | -.5 | 2.3 | .5 | -1.0 |
| Materials | 130.8 | 131.5 | -1.5 | -1.2 | -.5 | 2.3 | .5 | -6.3 |
| | Major industry groupings | | | | | | | |
| Manufacturing | 136.3 | 137.1 | -1.5 | -.7 | .4 | 1.3 | .6 | -2.7 |
| Durable | 122.1 | 123.4 | -2.6 | -.8 | .4 | 1.9 | 1.1 | -4.6 |
| Nondurable | 156.9 | 156.8 | -.3 | -.6 | .3 | .7 | -.1 | -.6 |
| Mining | 121.2 | 116.2 | 1.0 | .8 | 1.6 | 2.1 | -4.1 | -18.4 |
| Utilities | 162.4 | 164.5 | .2 | -.7 | -1.3 | -1.3 | 1.3 | -3.5 |

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

durable consumer goods remained about unchanged. Autos were assembled at an annual rate of 6.3 million units, up substantially from the January rate of 5.6 million units and somewhat above recent sales levels; industry assembly schedules indicate some decrease for March. Output of business equipment declined again in February; the decrease of 1.2 percent was due mainly to reduced activity in oil and gas well drilling. Production of defense and space equipment continued to rise. Output of construction supplies advanced moderately after a sharp gain in January.

Production of materials increased 0.5 percent in February. Output of durable materials rose 1.1 percent, as output of basic metals and parts for

consumer durables advanced sharply. Production of nondurable materials and total energy materials was essentially unchanged.

In industry groupings, manufacturing output increased 0.6 percent in February. Production in durable manufacturing rose 1.1 percent, owing largely to increases in the output of primary metals and transportation equipment. Output of nondurable manufactures edged down, as petroleum products declined sharply while most other industries showed little change. Mining activity was reduced markedly, with coal mining and oil and gas extraction registering particularly sharp decreases. Output of utilities increased in February following a January decline that was associated with milder weather.

Statements to Congress

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, February 16, 1983.

I am pleased to be meeting again with this committee to discuss the Federal Reserve's objectives for monetary policy and their relationship to the prospects for the economy. You already have received the official Monetary Policy Report to Congress that is required under the Humphrey-Hawkins Act. My comments today will expand upon some of the points raised in that report, focusing in particular on our objectives with respect to monetary policy and the obstacles that, unless dealt with effectively, could deflect the economy from the path of sustained expansion we would all like to see.

Our economy has been going through wrenching adjustments during the past year and a half. With production falling into sharp recession, the unemployment rate rose to a postwar high. A large share of our industrial capacity is idle. Profits are depressed, and exceptionally large numbers of businesses have failed.

Conditions in most other industrialized countries, in greater or lesser degree, have paralleled those in our own economy, and large sectors of the developing world have faced the need for forceful measures to deal with internal and external imbalances. All of this has been reflected in, and accompanied by, pressures on domestic and international banking markets.

At the same time, out of this turmoil and stress we can see elements of change and returning strength that bode well for the future. In particular, striking progress has been made in reducing inflationary pressures. The measured rate of inflation in 1982 was the lowest in a decade, and forces are at work that, carefully nurtured, can continue that progress during recovery. Interest rates have fallen substantially from the high levels of the past couple of years; as confidence

builds that inflation can be held in check, further declines should be sustainable. Business and labor have responded to the market forces by taking measures to cut costs and improve efficiency, and those measures should have a healthy effect long after the recession has passed.

At the turn of the year, signs appeared that the decline in economic activity was ending and that recovery might soon develop. Housing construction, auto sales, and factory orders have all improved in recent months. The sharp downturn in unemployment reported in January should be interpreted cautiously in the light of the month-to-month volatility of those estimates, but indications of some firming in labor demand are heartening.

In sum, this has been a time of disappointment and strain—but also a period of great potential promise. That promise lies in the prospect that, under the pressure of events, we—in government, in business and labor, and in finance—are facing up to what is needed to sustain recovery into long years of healthy growth.

I know that this has also been for many a time of frustration and doubt. Unemployment of a willing worker is always a threat to personal and family stability; on a wide scale it is an affront to our sense of social justice. To a generation grown accustomed to accelerating inflation, a year or two of progress toward price stability simply isn't enough to quell fears that the earlier trend will resume as the economy picks up speed. We have been disappointed before when early signs of recovery faded away. Federal deficits persisting at levels beyond any past experience are unsettling to more than financial markets. We have been jarred to the realization that a serious international financial disturbance is not just something we read about in books of economic history but could recur unless we are alert to the dangers and deal aggressively with them.

Uncertainty and confusion are perhaps inev-

itable in a period of change—even constructive change. But they can easily be destructive without a clear conception of where we want to go and how to get there. My conviction is that much of the stage has been set for long-lasting, noninflationary expansion. But we also have to be realistic and clear-sighted about the threats and obstacles that remain, confident that being known, they can be cleared away.

THE PROSPECTS FOR STABLE GROWTH

The unchanging goal of economic policy, embodied in the Employment and Humphrey-Hawkins Acts, has long been growth in employment, output, and productivity at relatively stable prices. That goal for a decade and more increasingly eluded us, not least because of an illusion for a time that the stability side of equation could be subsidiary. Once inflation gained strong momentum, it was doubly hard to contain without transitional pain. But after several years in which the effort against inflation has had high priority, today solid grounds exist for believing that the signs of incipient recovery can be the harbinger of performance that is much more in line with our goals.

We approach our discussion on monetary policy with the intent of fostering that result. But, of course, monetary policy alone cannot do the job; other instruments of policy and the attitudes of business and labor will be crucial as well.

The latest price statistics confirm the progress against inflation. But the fact that all the major inflation indexes increased 5 percent or less during the course of last year—or that the producer price index actually dropped in January—does not mean that the battle is won.

Those gains have been achieved in the midst of recession, with strong downward pressures on prices and costs from weak markets. We cannot build a successful policy against inflation on continued recession. The question remains as to how prices will behave as the economy recovers—after six months or a year of rising orders, employment, and production.

In recent weeks, increases in some highly sensitive commodity prices have been cited as a danger sign. Those commodities are subject to

speculative influences, but surely an increase in some prices that have been severely depressed during recession is not itself a signal of change in more basic price trends.

One widely used index of sensitive industrial commodity prices—excluding oil—declined about 35 percent from the end of 1980 through late 1982, carrying many of those prices to levels that could not justify new investment or even maintenance of existing output. Within limits, recovery in those prices would be a natural, and probably necessary, part of any expansion and will not dominate more general price statistics.

In fact, the single commodity of major importance to the general price level—oil—is in surplus supply, and the price in real terms has been declining. I cannot prophesy the degree to which the nominal price of oil might decline in coming weeks or months, if at all. But barring a major political upset, prospects appear exceptionally good that stable or falling real prices for finished petroleum products—which account for 8 to 9 percent of the gross national product—can reinforce progress against inflation for some time ahead. We also have large stocks of basic food commodities, providing some assurance against a sharp run-up of prices in that area.

Labor costs account for the bulk of the value of what we produce, and our success against inflation in the longer run will need to be reflected in the interaction of wages, productivity, and prices. It is also in this area that recent signs of progress can prove most lasting.

The upward trend of nominal wages and salaries slowed noticeably last year, with average wages rising about 6 percent from the fourth quarter of 1981 to the fourth quarter of 1982; total compensation (including fringes) rose just over 6½ percent. The trend during the year seemed to be declining, and in the midst of pressures on profits, markets, and employment, could well show further declines. The sharply lower inflation figures—below the rate of wage increase—moderate one source of upward pressures on new wage agreements. Longer-term union agreements negotiated in earlier, more inflationary years are expiring, tending to further moderate the wage trend.

The slower increases in nominal wages have been fully consistent with higher real wages for

the average worker precisely because the inflation rate has been declining. Continuation of that benign interaction among lower inflation, lower nominal wages, and higher real wages—combined with recovery in profits—must be a central part of a noninflationary recovery—and thus to sustaining expansion.

Those prospects will be greatly enhanced by improved productivity performance; over time, only an increase in productivity can assure higher real wages and profits. Happily, the signs are that productivity, after dwindling away to practically nothing during the 1970s, is rising once again. Tentative evidence can be found in preliminary data suggesting productivity rose almost 2 percent last year in the midst of recession, an unusual development when production is declining. Those statistics are consistent with reports from business that significant progress has been made in improving efficiency and in reducing “break-even” points.

During the early part of recovery, productivity usually grows more rapidly. Consequently, rising cyclical and “trend” productivity combined with more moderate nominal wage gains should reduce the increase in unit labor costs further as a recovery takes hold. For example, a rise in hourly compensation of less than 6 percent this year would appear consistent with recent trends. Should productivity increase by 2 to 2½ percent—an expectation that would appear modest in the light of recent experience—unit labor costs would rise significantly less than 4 percent, low enough to maintain and reinforce progress on the price front.

As confidence grows that the gains against inflation are sustainable, an expectation of further declines in interest rates should be reinforced. Today, short- and particularly longer-term interest rates, despite the large declines last year, remain historically high in nominal terms and measured against the current rate of inflation. A number of factors contribute to that, including the present and prospective pressures from heavy Treasury borrowing. But concerns that recent gains against inflation may prove temporary are checking the decline in interest rates.

We will certainly need higher levels of investment and housing as time passes to maintain

productivity, to support real income gains, and to keep supply in balance with demand. Lower interest rates are certainly important to that outlook, but what is essential is that those lower levels can be sustained over time. That is one reason why policies need to remain strongly sensitive to the need to maintain the progress against inflation—uncertainty on that point will ultimately be self-defeating in terms of the interest rate environment we want. An improved climate for work, for saving, and for investment—the objective of the tax changes introduced in 1981—should also materialize in an economic climate of recovery and disinflation, helping to keep the process going. Rising real incomes will also be reflected in consumer demand—an area of the economy already supported by the large deficits. As living standards rise and fears of inflation fade, pressures for excessive and “catch-up” wage demands should subside.

In sum, there are strong analytic reasons to believe that the incipient recovery can develop into a long self-reinforcing process of growth and stability. The challenge is to turn that vision into reality.

OBSTACLES AND THREATS TO PROGRESS

Of course, obstacles to that vision exist; some need to be dealt with promptly, and some will need to be guarded against as we move ahead. The more firmly we move to deal with those threats—by action now and by setting ourselves clear guidelines for the future—the faster we can end the doubts and restore the confidence necessary to success.

The Federal Deficit

The most obvious obstacle that looms ahead is the prospect of huge federal deficits even as the economy expands. I have spoken to the point on a number of occasions and will soon be testifying before the Budget Committee. Today, I will only summarize the problem in a few sentences.

The bulk—but far from all—of our present deficit of \$200 billion reflects high unemployment

and reduced income. At a time of recession and relatively low private credit demands, the adverse implications of the current deficit for interest rates and financial markets may be muted. But the hard fact is that the deficit, as things now stand, will remain in the same range, or rise further, as recovery proceeds and private credit demands rise. In other words, the underlying imbalance between our spending programs and the revenue-generating capacity of the tax system at satisfactory levels of employment ("the structural deficit") promises to increase as fast as the "cyclical" deficit declines.

That prospect, essentially without precedent in the past, threatens a clash in the financial marketplace as huge deficits collide with the needs for credit of businesses, homebuyers and builders, farmers, and others. The implication of higher real interest rates than necessary or consistent with our investment needs in the future and of expectations of that future "clash" feeds back on markets today. The adverse consequences are reinforced and aggravated by the widespread instinct in financial markets and among the public at large that such large deficits will feed inflation, by creating pressures for excessive money creation or otherwise, leading to doubts about the success of the disinflationary effort.

That outlook and analysis are essentially agreed by the administration, by the Congressional Budget Office, by citizen groups that have expressed alarm about the budgetary situation, and by independent budget analysts. That broad consensus on the nature of the problem provides a base for the necessary action. What remains to be done is to take those actions. I fully realize the sensitivity and difficulties of the choices to be made. But I am also aware, as I am sure you are, that a great deal depends on a successful resolution of those efforts.

The International Economic and Financial Situation

The risks and uncertainties in the present situation are compounded by the fact that so much of the world is in recession, and adverse trends in one country feed back on another. For instance,

falling exports have accounted directly for some 35 percent of the decline in our GNP during the recession; in past recessions, in contrast, our exports have typically grown, cushioning other factors depressing production and employment. After earlier periods of exaggerated weakness, the great strength of the dollar in the exchange markets over the past two years contributed to the progress against inflation—but it also depressed our exports. We cannot build the stability of our economy on extreme exchange rate fluctuations.

Another dimension of the risk is the danger that nations will try to retreat within themselves, insulating their economies by protectionist measures. But, as we learned in the 1930s, such policies only aggravate the mutual difficulties.

But today, we face another more immediate threat in the international financial area. I will reserve detailed comment for my appearance before you tomorrow. Suffice it to say now that the potential for an international financial disturbance impairing the functioning of our domestic financial markets at a critical point in our recovery is real. I firmly believe the major borrowers and lenders, with the understanding and support of governments, central banks, and international institutions, can face up to and deal with those problems constructively. But the cooperative pattern we have seen emerge in managing these problems is absolutely dependent on the capacity of the International Monetary Fund to continue to play a key role at the center of the international financial system. Early congressional approval of the enlargement of IMF resources, agreed by the Interim Committee of the Fund last week, will be essential to that effort.

Attitudes Toward Pricing and Wage Behavior

I have already described the pricing restraint and the trend toward more moderate increases in wages that have developed in the midst of recession. As best as I can assess it, the mood today is consistent with maintaining that momentum. There is realization that competitors at home and abroad have large potential capacity, and after all the efforts to cut "break-even" points, outstand-

ing volume will itself produce satisfactory profits as well as larger employment opportunities. The “smokestack” industries, hit so hard in the period of recession while already faced with the need for structural change and with particularly high wages by domestic or international standards, have particularly strong incentives for caution.

But, of course, another possibility exists. Business and labor—habituated to inflation in the 1970s, highly sensitive to the failure to sustain past efforts to restore stability, and eager to restore past price or wage “concessions”—may be tempted to test their bargaining and pricing powers much more aggressively as orders and production expand. If they were to do so, sensitivities of consumers and financial markets to the possibility of reinflation would only be aggravated, tending to keep interest rates higher and greatly increasing the difficulty of maintaining the economy on a noninflationary path of growth.

This is an area in which government policy can greatly contribute, by resisting protectionist pressures externally, and by removing or relaxing obstacles to competition in product or labor markets. Areas of the economy that have seemed almost impervious to the disinflationary trend and market pressures—such as health care and higher education—seem to me to deserve special attention.

Through all those particulars, however, restraint in price and wage setting can reasonably be expected only if government financial policy remains plainly oriented toward containing inflation. Without a sense of conviction on that score, the temptation to jump ahead of the pack—to anticipate the worst—as employment and orders are restored may become irresistible. The fact is that both labor and business have much to gain from stability, and moderation in pricing and wages within a framework of financial discipline will be consistent with higher real wages, profits, and employment.

The skepticism that had been built up over many years about the resolve to deal with inflation has been reduced but not eliminated. There is little or no leeway at this stage for “mistakes” on the side of inflation. Policies designed with the best will in the world to “stimulate,” but

perceived as inflationary, may, unfortunately produce more inflation than stimulus.

MONETARY POLICY IN 1982

It is in that broad framework and context that monetary policy has been implemented in 1982 and that we in the Federal Reserve look ahead to 1983 and beyond. Our objective is easy to state in principle—to maintain progress toward price stability while providing the money and liquidity necessary to support economic growth. In practice, achieving the appropriate balance is difficult—and a full measure of success cannot be achieved by the tools of monetary policy alone. The year 1982 amply demonstrated some of the problems facing monetary policy during a period of economic and financial turbulence, and the need for judgment and a degree of flexibility in pursuing the objectives we set for ourselves.

As you know, policy with respect to the growth of money and credit has been rooted in the fundamental proposition that, over time, the inflationary process can only continue with excessive growth of money. Conversely, success in dealing with inflation requires appropriate restraint on growth of money and liquidity.

Those broad propositions must, of course, be reduced to specific policy prescriptions, and for some years the Federal Reserve has followed the practice, now required by the Humphrey-Hawkins Act, of quantifying its objectives in terms of growth ranges for certain measures of money and credit for the year ahead. In doing so, we have known that for significant periods of time the relationships between money and spending may be loose, that cyclical patterns recur, and that the mix of real growth and inflation can and will be affected by factors beyond the control of monetary policy. But we also count on a certain predictability and stability in the relationships over time between the monetary and credit aggregates and the variables we really care about—output, employment, and prices.

In 1982, however, those relationships deviated substantially from the patterns characteristic of the earlier postwar period. The simplest reflection has been in movements of “velocity”—the relationship between measures of money and

credit and the GNP. As shown in table 1 the velocity of M1, which had been trending higher throughout the postwar period, dropped at a rate of almost 4 percent over the past five quarters.¹ The broader monetary aggregates (and broad credit aggregates as well) also behaved atypically in relation to the economy; their "velocity" dropped during the recession by larger amounts than usual. More sophisticated statistical techniques, taking account of lags, interest rates, and other variables, confirm the fact that "normal" relationships did not hold in 1982.

In establishing its various target ranges at the start of 1982, the Federal Open Market Committee specifically noted that a number of factors, institutional and economic, would affect the relationship of monetary and credit growth to the GNP, and contemplated that M1 in particular could deviate from expected patterns for a time in the event economic and financial uncertainties fostered unusual desires for liquidity. In reporting to you in July of last year, I emphasized that the Committee was prepared to accept higher periods of growth in M1 for a time "in circumstances in which it appeared precautionary or liquidity motivations, during a period of economic uncertainty and imbalance, were leading to stronger-than-anticipated demands for money."

In the event, M1, after moving close to and within the target range around midyear, grew much more rapidly later, ending the year with growth of about 8½ percent, substantially higher than in 1981 and above the target range. Both M2 and M3 tended to rise through the year somewhat more rapidly than the targets contemplated, averaging in the final quarter about ¾ percent above the upper end of the target range. (Revised "benchmark" data and some partially offsetting definitional changes since the end of the year have reduced the "overshoot" to about ¼ to ½ percent.)

In the light of the clear indications that velocity was declining more rapidly than in earlier recession periods, the absence of recovery during 1982, and recurrent strains in financial mar-

kets, "above target" growth was accommodated in the conviction that policy, in practical effect, would otherwise have been appreciably more restrictive than intended in setting the targets. The rapid declines in interest rates during the second half of the year—encouraged in part by some actions to restrain the deficit and more broadly by growing realization of the degree of progress against inflation—were clearly welcome. Credit-sensitive sectors of the economy, as noted earlier, tended to strengthen. But after leveling off in the second and third quarters, economic activity dropped again in the final quarter in the face of heavy inventory liquidation. In all these circumstances, strong efforts to confine M1 growth to the target range seemed clearly inappropriate, particularly with the broader aggregates running quite close to their ranges.

An important further consideration during the final quarter was that some of the monetary aggregates were greatly influenced by purely institutional factors. The maturity of a large volume of all savers certificates in October temporarily led to large flows into transaction balances counted in M1. Subsequently, highly aggressive marketing of new money market deposit accounts (MMDAs) by banks and thrift institutions led to enormous inflows into the highly liquid instrument, which is classified within the M2 aggregate.

In the first seven weeks after the introduction of the MMDA, which combines some characteristics of a transaction account with savings, more than \$230 billion of money has flowed into the new instrument. The shift of financial resources is without precedent in amount and speed. While the great bulk of those funds simply reflected movements from lower interest accounts already included in M2, a sizable fraction—estimates range to about 20 percent—was derived from large certificates of deposit or market instruments not included in that aggregate. The result has been a gross distortion of the growth of M2 in December, and more importantly, in January.

No statistical or survey technique available to us can identify with precision the impact on M2 of these shifts of funds. The available data do suggest, however, that (taking December and January together) the underlying growth in M2

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

(that is, excluding shifts of funds formerly placed in non-M2 sources) was not markedly different from the general range established earlier. In other words, the exceptionally strong growth of M2 in January could most reasonably be treated as having no policy significance.

MONETARY POLICY IN 1983

In setting out our monetary and credit objectives for 1983, the Federal Reserve has had no choice but to take into account the fact that "normal" past relationships between money and the economy did not hold in 1982, and may be in the process of continuing change. Part of the problem lies in the ongoing process of deregulation and financial innovation that has resulted in a new array of deposit and financial instruments, some of which lie at the very border of "transactions" and "savings" accounts, defying clear statistical categories.

Perhaps more significant over longer periods of time, both economic and regulatory change may affect trend relationships. Both declining rates of inflation and the growing availability of interest on transaction accounts at levels competitive to market rates could induce more holdings of cash relative to other assets over time. The payment of interest rates on transaction accounts could also affect the cyclical pattern of M1. The broader aggregates, by their nature, should be less sensitive over time to innovation because they encompass a much broader range of assets, but the phased elimination of rigid ceiling interest rates has changed cyclical characteristics.

All of this has greatly complicated the job of setting targets for 1983. In setting the ranges, the Committee believed that monetary growth during the year would need to be judged in the light of developments with respect to economic activity and prices, taking account of conditions in domestic credit markets and internationally.

At the same time, the FOMC is well aware that past cyclical expansions have typically been accompanied by sharp increases in "velocity," particularly for the narrower aggregates. We assume that, to some degree, that pattern will emerge again. A strong presumption is that the

target ranges will not be exceeded or changed without persuasive evidence, as in 1982, that institutions or economic circumstances require such change to meet our more basic objectives.

As set out in the formal Humphrey-Hawkins report, members of the Federal Open Market Committee and other Reserve Bank presidents participating in our discussions generally look toward moderate recovery in 1983 in a context of declining or stabilized inflationary pressures. While the individual forecasts vary over a considerable range, the majority anticipates real growth in the 3.5 to 4.0 percent area over the four quarters of 1983, fractionally higher than the administration forecast. Nearly all expect the GNP deflator to rise less rapidly than the 5.6 percent projected by the administration. Projections of nominal growth are mostly in the area of 8 to 9 percent. I believe the Committee, in approaching its policy judgments, recognized the desirability of achieving and maintaining a lower level of interest rates to encourage growth, but felt that this could only be realistic in a context of building on the progress already made against inflation. Efforts to force interest rates down at the expense of excessive liquidity creation could not be successful for long.

Against all this background, the Committee decided that, for the time being, it would place substantial weight on the broader aggregates, M2 and M3, in the belief that their performance relative to economic activity may be more predictable in the period ahead.

The target range for M3, which is least affected by institutional change, was left at 6½ to 9½ percent, measured from the fourth quarter of 1982 to the fourth quarter of 1983.

The target for M2 was set at 7 to 10 percent and the base was shifted to the February-March average of this year to minimize the institutional distortions. Our assumption is that the flow of funds into M2 from other savings media will have sharply subsided in coming weeks. However, the M2 target range does take account of staff estimates that residual shifting will probably raise M2 growth 1 percent or a little more over the remainder of the year; abstracting from such anticipated shifts, the M2 target, in practical effect, is the same or slightly lower than the target for 1982. Consistent with these targets,

effective growth (that is, abstracting from the influence of shifts into new accounts) in both M2 and M3 is expected to be somewhat lower in 1983 than in 1982.

The M1 target was widened and set at 4 to 8 percent. Less emphasis has been placed on the M1 target in recent months because of institutional distortions and the apparent shift in the behavior of velocity. The degree of emphasis placed on M1 as the year progresses will be dependent upon assessment of, and the predictability of, its behavior relative to other economic measures, and the range may subsequently be narrowed. Over the year, growth in the lower part of the range would be appropriate if velocity rises strongly, as has usually been the case during recoveries. An outcome near the upper end would be appropriate only if velocity does not rebound sharply from the declines last year, and tends to stabilize close to current levels. Only modest allowance has been made for the new Super NOW accounts drawing funds into M1 from other sources, and the target would clearly have to be reassessed should the Depository Institutions Deregulation Committee permit depository institutions to pay market rates of interest on business accounts.

In addition, the FOMC set forth for the first time its expectations with respect to growth of total domestic nonfinancial debt, and felt that a range of 8½ to 11½ percent would be appropriate. Data for such a broad credit aggregate are not yet available monthly, nor are the tools available to influence closely total flows of credit. While the credit range during this experimental period does not have the status of a "target," the Committee does intend to monitor closely developments with respect to credit for what assistance it can provide in judging appropriate responses to developments in the other aggregates. The range would encompass growth of credit roughly in line with nominal GNP in accordance with past trends; the upper part of the range would allow for growth a bit faster than

nominal GNP in recognition of some analysis suggesting a moderate increase in the ratio of debt to GNP may develop.

I appreciate the complexity—for the Federal Reserve and for those observing our operations—of weighing performance with respect to a number of monetary and credit targets, of taking account of institutional change, and of assessing the possibility of shifts in relationships established earlier in the postwar period—a possibility that can only be known with certainty long after the event. But we also can sense something of the dangers of proceeding as if the world in those respects had not changed.

I neither bewail nor applaud the circumstances that have put a greater premium on judgment and less "automaticity" in our operations; they are simply a fact of life. In making such judgments, the basic point remains that, over time, the growth of money and credit will need to be reduced to encourage a return to reasonable price stability. The targets set out are consistent with that intent.

I understand—indeed to a degree, I share—the longing of some to encompass the objectives for monetary policy in a simple fixed operating rule. The trouble is, right now, in the world in which we live, I know of no such simple rule that will also reliably bring the results we want.

The basic rule we must observe is that the sustained forward progress of the economy is dependent on a sense of price and financial stability—and without it, we will undercut the growth we all want. That objective, as I have emphasized, will require that we avoid excessive growth of money and credit because, sooner or later, that growth will be the enemy of the lower interest rates and stability we need.

I have given you our best judgment on the appropriate role for monetary policy in 1983. But, success in achieving our objectives is not in the hands of monetary policy alone—and we look forward to all elements of policy moving ahead in pursuit of those common goals. □

Remarks by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on International Finance and Monetary Policy of the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, February 17, 1983.

I am pleased to have this opportunity to exchange views with the committee on the international financial situation and the role of the International Monetary Fund. I have elaborated at some length on these issues in a statement that I presented two weeks ago to the House Committee on Banking, Finance and Urban Affairs.¹ Today, I would simply like to update that statement and highlight the major points.

We face extraordinary pressures in the international financial system. While conditions in the market have been calmer in recent months, in large part because of responsible actions by all the parties involved, the underlying problems persist.

This is not an abstract, esoteric problem of marginal interest to our economy. Failure to address these problems will jeopardize our jobs, our exports, and our financial system. Unless it is dealt with effectively, it could undermine both our own recovery and the economies of our trading partners and friends abroad.

I am confident that the situation can be managed—but it won't manage itself. My confidence is based in part on the fact that I think the nature of the problem and the needs are well understood. Governments have worked together in analyzing and dealing with the problem; we have seen the borrowers and lenders working together effectively; and the IMF—as the designated international overseer of the system—has been at the center of the process, fulfilling its key role in coordination, providing money in some cases, and promoting necessary economic adjustment.

As we deal with the heavy indebtedness and balance of payments problems of some large developing countries, five interrelated elements stand out.

The first step is that the borrowing countries themselves must adjust. This means strong and forceful measures—basically austerity programs—have to be taken by these countries to cope with their internal and their external imbalances, typically with the support and approval of the IMF. For example, the reductions in public sector borrowing requirements committed under IMF programs for Argentina, Brazil, and Mexico are demanding; they require roughly a halving of deficits over the course of the year.

Forceful adjustment programs will be accompanied, for a time, in slow or no growth internally, reduced imports, and lower standards of living in countries where average incomes are already far below ours. The question is sometimes put as to the wisdom of these programs in a world eager for growth. The answer is straightforward. Those programs are fundamentally justified by two basic considerations: (1) In the absence of coherent adjustment programs that can command support in the international financial community and among other governments, still more severe and lasting difficulties would ensue as borrowing countries found their access to external resources abruptly cut off; and (2) well-conceived adjustment programs can lay the base for resuming growth at a sustainable rate for years ahead.

A second element in dealing with the current problems is that, considering the large imbalances the major borrowing countries have faced, an orderly adjustment effort will require additional external credit support during a transitional period. In important cases, restructuring of existing loans and agreement among bank lenders to provide additional credit have become essential. Because adjustment is contemplated and is proceeding, those fresh credits can typically be provided without increasing exposure of the banks in terms of ratios of loans to capital or assets, and in fact with some declines in those ratios.

Third, monetary authorities of some of the industrialized countries have provided temporary liquidity assistance while IMF stabilization programs and associated finance are being negotiated and while the banking packages are being put together. This is something that should not become a norm, but it is justified to maintain continuity in payments and confidence when

1. "Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the House Committee on Banking, Housing and Urban Affairs, February 2, 1983," *Federal Reserve Bulletin*, vol. 69 (February 1983), pp. 80–89.

there is a clear threat to the international financial system.

Fourth, as the earlier points imply, the IMF plays an absolutely essential role, and it needs adequate resources to do its job. It works closely with the borrowing countries themselves, particularly in reaching agreement on stabilization programs to restore economic balance and in maintaining confidence in their creditworthiness. As part of that process, the IMF provides a key element of medium-term finance in support of adjustment programs. Complementing its own resources, it has also helped coordinate the needed private (and sometimes public) financing. It does not itself replace other sources of financing, but supplements them.

Finally, the success of the adjustment programs and the relaxation of pressures on borrowers and lenders ultimately is dependent upon the performance of the world economy. In an environment of sustained growth in the industrial countries, the borrowing countries themselves can more easily resume growth, their debt burdens will become more manageable, and their adjustment will be less burdensome. "Normal" financing patterns can be resumed—in the sense not of the excessive growth of some recent years, but in that lenders and borrowers can freely and individually negotiate mutually acceptable terms free of critical liquidity pressures.

That objective of growth coincides, of course, with our domestic concerns. Conversely, if we fail to come to grips with the international financial situation, the prospects for growth in the industrialized world, including the United States, would be impaired. Our concern for maintaining a well-functioning international financial system is rooted in our self interest, not in altruism.

I will not review now the material in my earlier statement about the development of bank lending in earlier years and the lessons for banks and supervisors alike growing out of that experience. Suffice it to say that much of this lending reflected a constructive response by the financial system to the need to ease the adjustments associated with the world oil crisis. International lending will continue to have an important role to play in a developing world economy.

But, of course, there can be excesses, and some of the lending proceeded on assumptions that, in retrospect, seem invalid. None of us

enjoys perfect foresight, and central to our financial and economic system is that the individual lenders reach their own credit judgments. But government has the responsibility to establish and maintain ground rules and procedures that, without stifling the market, provide assurance that the stability of the system as a whole can be protected against the dangers of excessive concentration of risk, and that the element of risk is appropriately weighed. While our present supervisory approaches are aimed at that objective, the rapid development of international lending and today's problems do point to the need for careful review of present policies and other ideas. Possible modified or new approaches—touched upon in my earlier statement—are under intensive review by the supervisory agencies, and I expect to be able to report conclusions to you in a matter of weeks. At the same time, the danger of overreaction—of encouraging inadvertently an abrupt retreat from lending—is equally real. The hard fact is few borrowers, at home or abroad, can suddenly repay substantial debts accumulated over years. An attempt to force the process would be doomed to failure because borrowers need time to make the adjustments to earn the funds or to restore their market access. What may seem logical and appropriate to an individual bank in demanding payment, if generalized, would place such strain on the system as a whole that the system, and the individual banks within it, could only be damaged.

As I noted earlier, the parties immediately at interest in resolving the international debt problem—lenders and borrowers, governments and the private lending institutions, and international organizations—have been acting cooperatively to deal with the major points of pressure to the financial system. The IMF stands in the center of this effort, and it has responded with force and leadership.

Last week, at the meetings of the Interim Committee, member governments of the IMF reached agreement—subject to legislative approval—to expand the effective resources of the IMF, and to do so promptly. Recent events have ended any doubt about the need for a substantial increase in resources of the Fund—a matter that had been under discussion before the strains had become so evident last summer. The amount agreed upon last week—at the lower part of the

range that had been under discussion—does not seem to me at all excessive, but it will enable the Fund to discharge its large responsibilities with effectiveness and confidence that the resources it may need will in fact be available.

Last week's decision increased IMF quotas about 47.4 percent, or about \$32 billion. The Group of Ten earlier approved an enlargement and broadening of the General Arrangements to Borrow (GAB) from \$7.1 billion to about \$19 billion, supplementing in time of need the resources available to the Fund.

Both the quotas and the expanded GAB essentially provide a standby commitment, with equitable sharing among countries, to contribute to a pool of funds that can be drawn upon for loans to IMF member countries in time of need. As more funds are borrowed by a country, stricter conditions are required.

The increase in IMF quotas and the enlarged GAB require budgetary authority and appropriation for the full amount of these commitments, involving about \$8.4 billion for the United States. These commitments, however, do not lead to a net budget outlay, in recognition of the monetary and reciprocal character of the IMF. Moreover, cash advances will be necessary only when and if

demands on the IMF exceed amounts that can be provided from current IMF resources—and that will only happen in the foreseeable future if, in fact, the Fund requires these added funds to deal with a major threat to the system. In a sense, the United States and other countries assume the position of insurance underwriter, called upon with a showing of demonstrated need. What we are insuring, among other things, is that our own recovery will not be aborted by international financial disturbances.

The events of recent months have highlighted both the risks and the means for dealing with them. The pressures on the international financial system have not disappeared, and we cannot assume some hidden hand will manage the solution.

As the economic, financial, and political bellwether of the Western World, we cannot escape the responsibility of leadership and participation in the effort—not if we want the effort to succeed in our own interest. Early approval of the IMF legislation that will be submitted to the Congress shortly will be an indispensable step to that end, reflecting our determination and capacity to do our part in reaching a constructive and effective resolution of the problem. □

Statement by Preston Martin, Vice Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions Supervision, Regulation and Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, February 24, 1983.

Mr. Chairman, I appreciate the opportunity to appear before this subcommittee on behalf of the Federal Reserve to discuss the potential effect of supervisory policies on the level of home and farm loan foreclosures and the need for additional measures to assist financially troubled homeowners. The loss of a home or family farm, or even the potential threat that such a loss could occur, can be a deeply distressing personal experience that can undermine the economic welfare, stability, and continuity of family life. Because of the significant economic considerations and im-

portant social values at stake, I believe that it is essential that policymakers be acutely aware at all times of the effect of public policies on the status of real property ownership in this country. Our strong tradition of homeownership and the part that farm owner-operators play in agricultural output are important aspects of our standard of living and the long-run performance and productivity of our nation's economy.

Before addressing the specific questions raised by this subcommittee, I would like to make some general observations about the level of mortgage delinquencies and foreclosures.

Delinquency rates on home mortgages typically increase during business-cycle contractions as the level of unemployment increases; many full-time workers are forced to accept part-time employment, and many families relying upon two wage earners experience the loss of one of their sources of income. Available measures of

payment difficulties indicate that the proportion of home loans "seriously" delinquent—that is, with payments 60 days or more past due—has risen substantially since 1979. By late last year, in fact, delinquency rates were well above the levels recorded during and after the 1974–75 economic contraction and the highest of the post-World-War-II era. As would be expected, mortgage payment problems have been greater in those areas of the country where unemployment has been most serious. Last year, the delinquency rate in the north central region of the United States was roughly one-third higher than the national average and three-fourths above the rate in the South.

The proportion of home loans placed in foreclosure clearly has risen in the wake of the substantial increase in serious delinquencies, and foreclosures have been most prevalent in areas of the country where unemployment has been both exceptionally high and protracted. Still, by late last year, the quarterly foreclosure rate for all types of home mortgages was less than one-fourth of 1 percent, and only about six-tenths of 1 percent of outstanding loans were involved in foreclosure proceedings. This latter figure amounts to approximately 1 in every 170 mortgage loans. With many delinquent loans, of course, lenders decide to exercise forbearance—even when not required to do so by law or regulation—and arrange various workout arrangements for normally creditworthy homeowners until their job situations improve. Moreover, households facing foreclosure ordinarily will sell their homes and pay off their debts as long as they have adequate equity to come out ahead. This type of solution, however, is not a happy situation for the distressed homeowner.

The financial problems being experienced by some farmers are mainly a result of the fact that in 1976–77, and again in 1980–82, farm profits dropped substantially below their rising long-term trend. Some farmers who started farming since the mid-1970s or who made significant land purchases or other major investments during the same period have found themselves in a financially vulnerable position, particularly if they encountered production problems such as drought. Moreover, the difficulties of these farmers have been greatly exacerbated by the sharp rise in interest rates to unexpectedly high levels

since 1979. While this situation is of concern, the number of farmers in severe financial stress is a relatively small percentage of all farmers.

Since 1977, many of the financially stressed farmers have obtained loans from the Farmers Home Administration (FmHA), under lending programs designed to aid farmers encountering special problems. Many of these FmHA borrowers remain in financial distress, and the FmHA has been directed to exercise forbearance in dealing with their plight. Thus while about one-fourth of the FmHA's 268,000 borrowers are delinquent, and more than half of these are apparently more than one year behind in their payments—with some more than four years in arrears—only 844 foreclosures are reported to have been completed during 1982.

The shift of many problem borrowers to FmHA programs during 1978–81, coupled with the large increase in loans of the Commodity Credit Corporation, has undoubtedly reduced the incidence of problem loans at other farm lenders much below what otherwise might have been experienced. Thus the Farm Credit System reports a delinquency rate of about 3 percent, and a mid-1982 survey of commercial banks conducted by the American Bankers Association found an average delinquency rate of 4 percent. Liquidations and foreclosures—while up from the near-zero levels of better times—remain a very low percentage of total outstanding loans and borrowers. In most problem cases, the lender as well as the borrower benefits from a restructuring of the debt to reduce current payments, and such actions have been taken far more frequently than the alternative of forcing liquidation.

In light of these circumstances, one can appreciate this subcommittee's concern with the recent upward trend of mortgage loan foreclosures and its desire to consider ways to assist financially pressed homeowners. In the letter announcing these hearings, this subcommittee requested the Board's views on the effect of supervisory and examination procedures on financial institutions' decisions to institute foreclosure proceedings and whether or not new supervisory procedures are needed to encourage institutions to exercise greater forbearance. This subcommittee has also requested that the Board give consideration to ways in which the resources of the discount

window could be utilized to assist distressed borrowers in making timely interest payments on their mortgage loans until their economic circumstances improve.

SUPERVISORY PROCEDURES

With respect to the foreclosure practices of financial institutions, the Board does not believe that supervisory or examination procedures employed by federal agencies encourage financial institutions to take premature or imprudent action to foreclose on delinquent mortgage loans to the detriment of hard-pressed borrowers. Further, we do not believe that supervisory procedures discourage institutions from exercising an appropriate degree of forbearance so long as such a course is consistent with an institution's safety and soundness and with banking laws and regulations and holds a reasonable prospect in the long run of enabling a borrower to strengthen his financial position and resume timely loan repayments. In making this statement, I should point out that the commercial banking system, over which the Federal Reserve shares jurisdiction with the other banking agencies, holds only about 17 percent of all one- to four-family residential mortgages and approximately 9 percent of farm real estate debt. Our supervisory experience with commercial banks indicates that institutions generally view foreclosure as a last resort, to be employed only when other reasonable steps to assist the borrower have failed.

In evaluating the quality of residential and farm mortgage loans, supervisory examiners consider underlying collateral values and the borrower's long-term prospects for repayment, as well as the borrower's current performance. Examiners also take into account the borrower's present economic and financial circumstances, his future prospects, and the effect of local or regional economic conditions. These procedures are designed to ensure that transitory economic difficulties or temporary interruptions in loan repayments do not result in unduly harsh supervisory criticism. In addition, I should point out that the recently implemented supervisory reporting guidelines for commercial banks, while requiring information on the past-due status of residential mortgage loans, do not require banks

to place such loans in a nonaccrual or renegotiated "troubled" debt status. Consistent with safety and soundness considerations, financial institutions are encouraged to work with borrowers who are delinquent in order to return their loans to a current status because such efforts are obviously in the interest of both lender and borrower. For example, a prudent program to counsel an individual borrower, to modify or extend repayment terms, or to grant a reasonable grace period would not be criticized so long as the program is designed to improve the borrower's ability to service his obligation and does not result in the bank's failure to recognize and take action to address its problem loans.

In practice, foreclosure is an expensive and time-consuming process that is subject to numerous uncertainties. Moreover, foreclosure during periods of economic recession can be a particularly uncertain process because it is far from clear that a financial institution will benefit from taking possession of or attempting to sell property when real estate markets are depressed. Consequently, financial institutions have an incentive to take reasonable steps and establish prudent workout plans that assist borrowers whose financial problems are temporary and whose long-term prospects are favorable. Supervisory procedures do not discourage such programs so long as they are sound, well thought out, and consistent with an institution's financial condition and overall safety and soundness.

In the past, federal agencies have cooperated with congressional actions to encourage forbearance in foreclosure proceedings in order to assist financially pressed homeowners. For example, in passing the Emergency Housing Act of 1975, the Congress instructed the federal supervisory agencies for financial institutions to take action, consistent with safety and soundness considerations, to relax supervisory criticisms pertaining to mortgage delinquencies and to encourage forbearance in residential mortgage loan foreclosures. In response to this legislation, the banking agencies informed mortgage lenders of the critical importance of considering a borrower's long-term prospects and of the need to exercise forbearance in mortgage foreclosures. Specifically, the Federal Reserve instructed its field examiners to refrain from criticizing forbearance in residential mortgage foreclosures as long as the

institution's efforts did not threaten the safety and soundness of the institution or violate banking statutes. Nonetheless, in light of the passage of time and the continuing hardship associated with high unemployment and loss of income, we believe that it may be useful to reiterate to supervisory examiners that workout plans and forbearance programs that assist homeowners will not be subject to supervisory criticism so long as they are not inconsistent with banking statutes and an institution's overall safety and soundness.

USE OF THE DISCOUNT WINDOW

In considering the proposal to implement a mortgage workout program by the provision of credit from the Federal Reserve discount window, a vital point must be kept in mind: a special type of money is provided through discount window loans—money that serves as the reserve base for a multiple expansion of money and credit in our economy. Consequently, Federal Reserve lending is critically important to the conduct of monetary policy, and the volume of reserves available to depository institutions must be kept under disciplined control if we are to avoid a resurgence of the inflationary pressures that have recently shown signs of abating. In the Board's view, a special assistance program that utilizes the resources of the discount window would erode the Federal Reserve's ability to exercise control over the reserve base and the money supply.

The Federal Reserve, in its traditional lending activities, has been able to keep the volume of reserves provided through Reserve Bank discount windows within manageable bounds, in part because discount officers have enforced rules that limit the purposes and conditions under which Federal Reserve credit is made available. With the level of borrowed reserves thus generally held under effective constraint, the Federal Reserve has been able to respond to an unexpected increase in borrowed reserves that seemed inconsistent with the general requirements of monetary policy by making offsetting sales of government securities in the open market to absorb reserves.

Adoption of a mortgage workout program that

would likely involve a relatively large increase in discount-window credit would obviously tend to complicate the reserve management task of the Federal Reserve and undermine its ability to control growth in the money supply. But, while the complications that might be created by this program alone are of concern, I am much more worried about the precedent that would be set. If Federal Reserve credit were to be made available to assist in handling this special problem, many other economic groups—all with credit needs that they sincerely believe to be as pressing as those of distressed homeowners—would soon be submitting requests to the Federal Reserve and to the Congress for access to the discount window. As a result, the Federal Reserve's ability to control the general availability of reserves and the money supply would be threatened. I would emphasize that my reading of central bank experience in other countries suggests that when central banks have been given the dual assignment of carrying out monetary policy and of providing credit assistance—either to special economic groups or for special economic purposes—political pressures have inevitably tended to arise that worked to undercut effective discipline over money and credit growth, leading ultimately to higher inflation.

I should point out that mortgage loans may be used as collateral by depository institutions that borrow from the discount window. Such credit is available for temporary adjustment purposes or for seasonal needs when warranted by the liquidity circumstances of the institution. But in such situations the risk remains with the original lender, as it should, and the discount window does not become an open tap for special assistance that could adversely affect the discount window's critical central banking function.

Another important matter raised by proposals is to have the Federal Reserve extend credit to special economic groups. In its efforts to exert control over the volume of total credit being extended through the discount window, the Federal Reserve would be placed in the position of having to decide how resources are to be allocated among competing economic groups. I believe all would agree that, in line with our social values and our economic and political system, decisions on resource allocation should normally be left to individuals and consumers operating within a

free market system. However, when decisions are to be made concerning the allocation and use of public resources, such decisions should be made by the people's elected representatives in the Congress.

Finally, I would note that credit extended by the Federal Reserve is reflected in neither the unified nor the credit budgets of the federal government. Thus, directing the Federal Reserve to provide credit assistance would constitute yet another program involving the government in the economy without having this involvement reflected in the budget. This is a practice that the Congress has for some time recognized to be counterproductive to the long-run health of our economy and our society in general.

The Congress may wish, of course, to consider special risk-oriented programs to aid homeowners and farmers who are having a difficult time making their mortgage payments. In considering such plans, the Congress must weigh the costs and benefits of special measures to subsidize or

assist borrowers and evaluate the need for such programs in light of competing social demands and budgetary imperatives. As I have stated, the Board does not believe that it would be appropriate to utilize the discount window to provide direct financial assistance to individuals or to mix the provision of special risk-oriented assistance with the central banking function. If such assistance is deemed necessary, we believe that the Congress should consider programs in the context of the budgetary review and approval process. Adoption of special subsidies or other forms of aid would, however, add to budgetary or federal credit program outlays and would logically necessitate offsetting cutbacks in other areas if the discipline of tight federal expenditure constraints is to be maintained in the effort to lower deficits and further reduce inflation and interest rates. If such programs were to be financed through additional federal borrowing, the end result could very likely be greater upward pressure on interest rates. □

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. Senate, February 24, 1983.

I appreciate the opportunity to appear before this committee to discuss the current economic and budgetary situation and the Federal Reserve's goals for monetary policy. Last week I presented to the Banking Committees the specific numerical targets for the growth of money and credit in 1983 set by the Federal Open Market Committee (FOMC). This morning I will focus on the broad issues confronting monetary policy and their relationship to other aspects of domestic and international economic policy.

CURRENT ECONOMIC CONDITIONS

Recessionary forces were ebbing at the end of 1982, and activity has turned upward in several sectors. Moreover, we have made impressive progress against inflation over the past year, and the underlying trends of inflation point at least toward consolidating that progress in 1983, and

more likely toward further improvement. Thus, the opportunity presents itself for an orderly recovery in business activity that will bring with it the increases in job opportunities and real income that we all desire. The challenge is to see the present signs of incipient recovery evolve into a long-lasting, noninflationary expansion.

A key element in the improved outlook is the change in financial market conditions over the past year. Short-term interest rates are now as much as 10 percentage points below their earlier peaks, while long-term rates are down about 4 to 5 percentage points. Reflecting these developments, activity has been improving in the credit-sensitive sectors of the economy.

The most notable turnaround has been in the housing market. Production and sales of new single-family homes have now risen substantially over the depressed levels of late 1981 and the first half of 1982. With personal debts relative to income lower than in several years and with liquid assets rising, activity in consumer markets also has shown some signs of improvement. Auto sales, in particular, have responded to the lower interest rates offered under special programs as well as to improvements in design and

pricing policies that have made domestically produced autos more competitive and more attractive to consumers. Moreover, consumer purchases of other "big-ticket" items also appear to be improving.

As is usually the case, the inventory cycle has played a large role in the recession, and will determine the speed and shape of recovery in its early stages. Businesses made vigorous efforts to control the accumulation of unwanted stocks early in the recession and again in the final months of 1982 when recovery failed to develop, as had been widely anticipated, earlier in the year. Inventories generally are now back to the levels of early 1981. Consequently, if final sales continue to strengthen, increases in production could be more than proportionate.

For the time being, with excess capacity large and profits depressed, business investment in new plant and equipment is likely to continue to fall. Some delay in the recovery of capital spending is not out of line with previous cyclical experience, as many firms initially intensify the use of existing capital rather than invest in new plant and equipment. Nonetheless, there are some encouraging signs in this sector. In particular, new orders for capital goods have firmed in recent months. Moreover, lower costs for long-term borrowing and equity financing have allowed firms to begin restoring their balance sheets to more liquid conditions—thereby putting the business sector on a sounder footing for expansion.

The U.S. economy has become increasingly integrated into the world economy over the years. In contrast to most earlier recessions, exports dropped sharply in 1982, reflecting both the recessionary tendencies in the rest of the world and substantial appreciation of the dollar in 1981 and much of 1982. The sluggishness of business activity abroad is a major reason that recovery here is likely to be significantly less rapid than after most previous recessions.

THE OUTLOOK FOR INFLATION AND INTEREST RATES

The outlook for a sustained expansion of economic activity depends in major part on the success of monetary and fiscal policies in foster-

ing confidence in our ability to make continuing progress against inflation in the years ahead. Interest rates and inflation rates frequently do not bear a close relationship to each other for short time periods—and those periods can extend over several years. Over time, however, there are strong analytic reasons to expect a closer relationship because borrowers and lenders alike are interested in real returns—that is, in assessing the costs or returns of investments after allowance for changing prices. What counts, in that respect, is expected prices, which we cannot measure directly. To the extent that substantial doubts exist that the progress against inflation may not be maintained, interest rates currently—particularly long-term rates—will remain higher than otherwise necessary. That situation is further aggravated, as I will discuss later, by the prospect of outsized federal budget deficits in future years. To the extent interest rates are an obstacle to sustained, well-balanced recovery and to improved economic performance generally, we must deal with these doubts and concerns.

Looking back, the gains in the fight against inflation are striking. All broad measures of prices rose less than 5 percent last year, the slowest rate of increase in a decade. To be sure, part of the improvement reflected unusually favorable developments in food and energy prices as well as abnormally low commodity prices, the effects of the sharp appreciation of the dollar, and more generally, the cyclical weakness of the economy.

Potentially more important, however, trends of underlying costs are now moving lower, and those trends should be sustainable as the economy recovers its upward momentum. One element suggesting optimism is the recent behavior of productivity. After languishing in the late 1970s and early 1980s, labor productivity turned up last year, somewhat unusual in the midst of recession. Beyond those statistics, which at this point can only be suggestive of a changing trend, there is increasing evidence of efforts by both workers and management under the pressures of competition and recession to increase efficiency and reduce "break-even" points. The fruits of those efforts should be more apparent during recovery. If combined with continuing moderation in nominal wages, the result should be long-lasting reductions in cost pressures and expan-

sion of real incomes. Increases in nominal wages slowed to a range of 6 percent last year, and seem to be rising at a slower pace than that now. That slowing of nominal wage increases has been fully consistent with rising real wages for those working because price increases have come down more rapidly than wages. With real wages rising, one source of pressure for aggressive wage bargaining should subside.

Clearly, the more restrained wage increases last year were directly related to the pressures in the labor market. Employment fell throughout 1982. Although layoffs were concentrated in the industrial sector of the economy, even the service-producing sector—the primary source of employment growth in recent years—experienced declining payrolls. The extent of these employment cutbacks was reflected in sharp increases in the unemployment rate. While the January drop in joblessness was encouraging, current unemployment rates are still obviously high and may decline only slowly.

Success in dealing with inflation cannot be based on an economy that stays in recession, with unacceptable levels of unemployment. But we will need to maintain moderation in wage settlements and pricing policies as the economy expands. The favorable near-term outlook in that respect is reinforced by the current softness in the price of one of our most important raw materials—oil. But sustained improvement will depend on a sense of conviction that government policy will remain alert and forceful in dealing with inflationary threats as the economy expands. That is the same environment in which interest rates can decline, and stay lower, helping to support a recovery in investment and sustained growth.

INTERNATIONAL CONSIDERATIONS

Other industrialized countries have been attempting to deal with some of the same basic problems that we have been facing. Most of them have been fighting stubborn inflationary pressures. Subnormal economic performance has been pervasive, and unemployment of labor and the underutilization of other resources have risen to levels unprecedented in the postwar period.

The sluggishness of activity in the advanced

industrial economies has affected the volume of exports of developing countries and contributed to substantial declines in commodity prices. Those factors, in turn, have made it more difficult for some heavily indebted developing countries to deal with those debt burdens. Growing recognition of the potential strains on the international banking system—after a decade of rapid growth in lending to developing countries—was precipitated in part by interruptions in debt service by Mexico last summer.

One danger has been that lending banks would attempt to protect their individual positions by rapidly retreating from new lending. But borrowers who have built up large debts over a period of years are not in a position to repay suddenly. An uncoordinated attempt to force such repayment would undercut the stability of the borrowers, the lenders, and the international financial system alike. We could not fully insulate our domestic banking and credit system—and our own economy—from such developments. Consequently, we have the strongest kind of self-interest in measures to contain and deal with the threat.

Management of that situation has required, and will continue to require, the active cooperation of borrowing countries, banks, central banks and treasuries of leading countries, and international financial institutions. The International Monetary Fund has a special, and indispensable, role to play. In that connection, I believe it is essential that the Congress approve enlarging the resources of the IMF at an early date so that it can, with some assurance, proceed in the knowledge that its resources will be adequate to meet its responsibilities. As you know, that action will require budgetary authorization and appropriation, even though the operations of the IMF do not significantly affect net budget outlays or the deficit.

MONETARY POLICY IN 1983

Not so long ago the American public felt confident—in retrospect overly confident—about the ability of government to keep the economy on a stable growth path. Since the mid-1960s, long years of accelerating inflation and rising unemployment, instability in financial markets and the

economy, and concern about continual budget deficits have eroded that confidence. We can restore it—not in the earlier sense that a high degree of “fine tuning” is thought to be feasible, but in the sense that government can encourage a sense of price and financial stability and a fundamental environment for growth.

In one important sense—dealing with inflation—we have come a long way in the past two years, even though a good deal of skepticism remains, and we must not assume the battle is over. That effort has been accompanied by strains and tensions in financial markets at home and abroad, extraordinarily high interest rates, and, of course, a serious recession. But now we can also begin to see prospects for recovery and more settled conditions in financial markets. Changes in the fiscal structure adopted in recent years should, in time, help encourage investment and savings.

But there are also obstacles that must be removed if we are to capitalize on the progress that has been made and to make the happier vision a reality. Both monetary and fiscal policy will have large and complementary roles to play in dealing with those obstacles and providing a solid base for renewed confidence.

The role of monetary policy is to build on the progress against inflation while providing enough money and liquidity to meet the needs of recovery.

In some respects, the line is a narrow one, and it can't be determined with mathematical precision. But in approaching our policy decisions, two things are clear. First, renewed inflation—or policies that seem likely to lead to that result—is neither a satisfactory nor a practical option. The sensitivity of the public and the markets to signs of renewed inflation is all too likely to produce precisely the reactions in financial markets—and in wage bargaining and pricing policies—that would soon weaken or abort recovery. The result would be a replay of the past decade or worse.

Second, the problems for monetary policy in meeting the needs of the economy are vastly complicated by the present prospect that huge federal deficits will preempt so much of our credit and savings as a recovery proceeds. I spoke a moment ago of the “narrow path” for monetary policy, but I must also emphasize that no path can resolve the economic and financial

effects of excessive deficits in a growing economy. The present budgetary outlook—until corrected—can only maintain skepticism about future prices and interest rates, narrowing the flexibility for monetary policy now.

I reported in detail on the specifics of monetary policy with respect to our various monetary and credit aggregates last week. I would only note now that the relationships between money and economic activity did not follow “normal” cyclical and trend patterns last year, partly because of the introduction of new deposit accounts but also because of broader economic reasons. Demands for money and liquidity appeared to be enlarged by the uncertainty of individuals and businesses about the economy and financial developments. There is also the possibility that the combination of declining inflation, lower market interest rates, and the increasingly common practice of paying interest on transaction accounts may have a lasting impact on trends in “velocity,” and therefore on the appropriate supply of money over time.

Looking through all the complications and taking account of institutional distortions, our targets for money and credit growth in 1983 are similar to those in 1982. Because actual growth last year generally exceeded the target ranges, the effective growth this year should be less than in 1982. Based on present evidence and allowing to some degree for usual cyclical patterns, that amount of liquidity should be fully consistent with the anticipated growth in the economy and with sustaining the progress against inflation—consistent, in fact, with the kind of projections you have from the administration and the Congressional Budget Office. In a context of declining inflation, the monetary targets themselves are not inconsistent with further reductions in interest rates—but I must add that other factors, including the budget deficit, impinge strongly on interest rate levels.

The variety of monetary indicators we use and the rapidity of institutional change are potentially confusing. In the circumstances, some understandably yearn to encompass all policy considerations in a simple, relatively rigid rule. But I know of no such rule reliably suited to our present circumstances. Elements of judgment seem to me inevitable in interpreting the data, and the targets will need to be judged and re-

viewed at suitable intervals in the light of developments with respect to economic activity and prices and conditions in the domestic and international financial markets. At the same time, the targets do provide a needed discipline, and we mean to be within them over relevant spans of time. They will be changed only if evidence for such change is strongly persuasive.

We do take as a point of departure in our judgments the critical importance of maintaining the momentum against inflation. In fact, most members of the Federal Open Market Committee believe that, taking the broader price indexes, the inflation outcome in 1983 is likely to be better than that projected by either the administration or the Congressional Budget Office. The recent developments with respect to oil prices only reinforce that outlook. Given the supply of money and credit, such an inflation outlook implies lower interest rates than otherwise and more room for real growth.

THE FEDERAL BUDGET AND MONETARY POLICY

The most obvious obstacle to sustained recovery is the prospect of huge federal deficits even as the economy expands. In the last fiscal year, the federal deficit was a record \$111 billion. The President's new budget report projects a deficit in the current fiscal year nearly double last year's figure and further growth into the foreseeable future in the absence of determined action to alter that outlook.

The members of this committee, of course, are well aware of the enormity of these projected deficits, but there may be a danger that numbers in the range of \$200 billion plus have been cited so frequently as to make them seem almost comfortable and familiar. No matter how readily \$200 billion slips off the tongue, the hard fact remains that deficits of that magnitude would preempt an unprecedented share of our net savings, keep "real" interest rates high, and divert funds from the investment and the housing we need and want.

To be sure, a substantial part of the current deficit—projected at about 6½ percent of the gross national product—reflects the impact of the recession on the budget. Slack economic

activity and higher unemployment have cut deeply into revenues and boosted outlays for unemployment benefits and other automatic stabilizers. At a time when investment is weak and private credit demands have slackened, these cyclically induced deficits have helped support spendable income and buoy the economy. They have not, in the midst of deep recession, been inconsistent with declines in interest rates—but interest rates have, as you know, remained high relative to the current rate of inflation.

As the economy recovers, the cyclical portion of the deficit will recede. But as things now stand, the deficit itself will not. Higher revenues from economic growth and reduced spending for unemployment compensation will be offset by—and possibly more than offset by—growth in other spending programs and the effects of earlier tax changes. In other words, through the mid- and late-1980s, a huge imbalance would remain even if the economy were operating at much lower levels of unemployment—and assuming inflation remains under control.

All that is familiar to you—and it is equally familiar to the financial markets, where the prospect of a major structural imbalance in the government's finances has an impact on current interest rates. Not just the direct demand for funds to finance the Treasury is of concern but the fear that ballooning federal borrowing needs will, in effect, bring extraordinary pressure on the Federal Reserve to monetize the deficits, with implications for inflation itself, for inflation expectations, and for inflation premiums in nominal interest rates. One implication is that, to the extent the budget deficit appears to be intractable, the burden placed on monetary policy to demonstrate the government's resolve to follow a noninflationary course is intensified. The converse is equally true: meaningful action to demonstrate the government's economic discipline on the fiscal side would reinforce confidence that monetary policy over the years ahead can do its job in maintaining a course consistent with price stability without intolerable market pressures.

Some are tempted to suggest that the budget problem and its consequences for the performance of the economy could be solved by monetary policy. But excessive money creation to meet the needs of the government would only reinforce and validate the fears of renewed infla-

tion, and sooner or later, higher interest rates. In the end, excessive monetary growth would put us in an even more unsatisfactory situation, with still more deeply ingrained inflation expectations and greater skepticism about the ability of our nation to manage its economic affairs. Nothing real would be gained for long, and hard-won ground in the battle against inflation would be lost.

In concept, any inflationary impact from the budget can be contained by appropriate monetary policy. But the harsh implications of excessive deficits for other credit-dependent sectors of the economy would clearly remain.

I don't want to suggest there is a simple trade-off, as sometimes suggested, between future budget policy and current monetary policy. Reducing the threat of those large structural deficits stretching out to the end of the decade in and of itself should have favorable effects on current interest rates and in damping concerns about future increases. In that real sense, budgetary virtue will provide its own tangible reward.

But those benefits would ultimately be lost if monetary policy were to abandon its continuing and necessary concern with restoring reasonable price stability. That point remains central.

What can be said is that a better fiscal outlook, with all it implies, would certainly provide a better environment in the financial markets today, reduce concern about future inflation and an early rebound in interest rates, and moderate preoccupations that the Federal Reserve itself might somehow be forced to retreat from its basic anti-inflationary course. As things stand, with monetary policy assumed to be the only bulwark against renewed inflation and a high degree of sensitivity to the past failures in efforts to contain inflation, every twist or turn in the monetary aggregates or short-term policy actions interpreted as "easing" is closely scrutinized as a sign or symbol of intentions over a longer period. Clear progress in dealing with the budget could, in that sense, somewhat enhance our operating flexibility, so long as we succeed in reinforcing the basic point that the effort to sustain the progress against inflation is intact.

As you know better than I, the process to cut down those future deficits must start now, and

with energy and force. Basic budget trends take time to change, but the knowledge that they will be changed will affect markets now. The amounts involved are large, but certainly not beyond our capacity.

It is obviously beyond my competence, or the province of the Federal Reserve, to deal with all the particular priorities that must be balanced. The administration has set forth its program in that respect. The general order of magnitude seems to me appropriate, although some of the measures proposed would, in my judgment, be more effective if brought forward in time. Others have proposed different specifics, and I am sure they will receive consideration.

From the standpoint of general economic policy, the more that can be done in restraining expenditures the better. You, of course, have to reconcile that with other priorities, and the basic point is that the sheer arithmetic of the problem does suggest that changes will be necessary over a broad range of programs—both on the spending and revenue side. I believe recognition of that fact is becoming increasingly widespread both in and out of Washington.

Your committee is in the critical position of converting that wide consensus on generalities into a specific program, and I have some idea how difficult that is. But I also have some idea how important it is to our future.

CONCLUSION

I need not dwell on the fact that we are negotiating a most difficult period in our nation's economic history. But I also believe we are in the process of laying the base for more vigorous, and lasting, noninflationary growth. In looking to the rest of the decade and beyond, in my view, strong forces are at work that should lead to a kind of self-reinforcing process of growth, greater price stability, higher real income and profits, and declining unemployment. But there are obstacles to that prospect. Monetary and fiscal policies alike need to be directed, and work in concert, toward removing those obstacles and achieving that bright promise. □

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. House of Representatives, March 8, 1983.

I appreciate the opportunity to appear before this committee to discuss with you directly—as I have with other committees—the current economic and budgetary situation and the Federal Reserve's goals for monetary policy. A few weeks ago I presented to the Senate Banking Committee the specific numerical targets for the growth of money and credit in 1983 set by the Federal Open Market Committee (FOMC), and I believe you have the Monetary Policy Report to Congress before you. Therefore, I would like to focus this morning on the broad issues confronting monetary policy and their relationship to other aspects of domestic and international economic policy.

CURRENT ECONOMIC CONDITIONS

In order to put these issues in context, I should begin with a few comments on where the economy stands today. After a long period of recession, activity is showing signs of increasing strength in several sectors. Meanwhile, we have made impressive progress against inflation over the past year, and the underlying trends, combined with the weakness of oil prices, suggest that progress can be extended. Altogether, much of the stage has been set for a sound recovery in business activity that will bring with it the increases in job opportunities and real income that we all desire. But the setting is not complete; more needs to be done to provide reasonable assurance that the present signs of recovery in fact evolve into a long-lasting, noninflationary expansion.

A key element in the improved outlook is the change in financial market conditions. Short-term interest rates are now as much as 10 percentage points below their cyclical peaks, while long-term rates are down about 4 to 5 percentage points. Bank loan rates—particularly rates for consumer credit, which are typically less flexible—have tended to lag behind market rates, but have come down further in recent weeks. Re-

flecting these developments, activity has been improving, especially in the credit-sensitive sectors of the economy.

The most notable turnaround has been in the housing market. Production and sales of new single-family homes have now risen substantially over the depressed levels of late 1981 and the first half of 1982. With personal debts relative to income lower than in several years and with liquid assets rising, activity in consumer markets also has shown some signs of improvement. Auto sales, responding in part to the lower interest rates offered under special programs and greater pricing restraint, are running above the recession lows, although still far below pre-recession norms. Moreover, orders and consumer purchases of other “big-ticket” items also appear to be improving, partly in association with the upturn in home sales.

As is usually the case, the inventory cycle has played a large role in the recession, and will be a determinant of the speed of the recovery in its early stages. Businesses made vigorous efforts to control the accumulation of unwanted stocks early in the recession and again in the final months of 1982 when the previously anticipated upturn in sales failed to develop. With further liquidation in January, inventories generally are now back to the levels of early 1981. Consequently, as final sales strengthen more broadly, increases in production could be more than proportionate. Nonetheless, tight inventory management—against a background of declining inflation, ample production capacity, and relatively high interest rates—is likely to remain a factor in making this recovery more moderately paced than most past upturns.

For the time being, with excess capacity substantial and profits depressed, business investment in new plant and equipment is also likely to lag. Some delay in the recovery of capital spending is not out of line with previous cyclical experience, as many firms initially intensify the use of existing capital rather than invest in new plant and equipment. Nonetheless, some encouraging signs have appeared in this sector. In particular, new orders and appropriations for capital goods have firmed in recent months. Moreover, lower costs for long-term borrowing and the surge in stock prices have encouraged

firms to begin restructuring their balance sheets—thereby putting the business sector on a sounder footing for expansion.

The U.S. economy has become increasingly integrated into the world economy over the years. In contrast to most earlier recessions, exports dropped sharply in 1982, reflecting both the recessionary tendencies in the rest of the world and substantial appreciation of the dollar in 1981 and much of 1982. The sluggishness of business activity abroad is an important reason that recovery here is likely to be less rapid than after most previous recessions.

OUTLOOK FOR INFLATION AND INTEREST RATES

Ultimately much more important than the speed of the “start up” is the staying power of the recovery. A long and sustained expansion in the economy will depend in major part on our success in maintaining the progress against inflation in the years ahead, not least because of the implications for interest rates.

Interest rates and inflation rates often do not bear a close relationship to each other for short time periods, and those periods can sometimes extend over several years. Over longer periods, however, strong analytic reasons exist to expect a closer relationship, because borrowers and lenders alike are interested in real returns—that is, in assessing the costs or returns on investments after allowance for changing prices. What counts, in this respect, is expected prices, which we cannot measure directly. If substantial fears exist that the progress against inflation may not be maintained—and those concerns do remain—interest rates, and particularly long-term rates, will remain higher than otherwise would be necessary. That situation is greatly aggravated, as I will discuss in a few minutes, by the prospect of outsized federal budget deficits in future years. Because high interest rates can be an obstacle to the financial health of households and firms and to well-balanced recovery generally, we must deal with these doubts and concerns.

Looking back, the gains in the fight against inflation are striking. All broad measures of prices rose less than 5 percent last year, the

slowest rate of increase in a decade. Part of the rapid improvement reflected unusually favorable food and energy price developments, abnormally low commodity prices generally, the effects of the sharp appreciation of the dollar, and more broadly, the cyclical weakness of the economy.

The need is to “build in” a trend toward more stable underlying costs even as the economy recovers its upward momentum. One encouraging element is the recent and prospective behavior of productivity. After languishing in the late 1970s and early 1980s, labor productivity turned up last year—somewhat unusual in the midst of recession. Beyond those statistics, which at this point can only be suggestive of a changing trend, increasing evidence has come to light of efforts by both workers and management—under the pressures of competition and recession—to increase efficiency. The fruits of those efforts should become more apparent as recovery takes hold.

Increases in worker compensation slowed to about 6½ percent last year, and the pace seems to be slowing further. Given the increases in productivity and the other factors that contributed to lower prices last year, that slowing of nominal wage increases has been fully consistent with a significant increase in real wages for those working; in fact, the real income of the average worker rose in 1982 for the first time in four years.

With real wages rising, one source of pressure for aggressive wage bargaining should subside. For the time being, the high levels of unemployment and intense competitive pressures point in the same direction. Some industries, characterized by major structural as well as cyclical problems and wage levels far above national averages, have negotiated concessions from previous compensation patterns, potentially improving their competitive position and the outlook for reemployment of those laid off.

Plainly, success in dealing with inflation cannot be based on an economy that stays in recession, with unacceptable levels of unemployment. But neither can we anticipate continuing improvement in the economy and lower interest rates if fears of reacceleration of inflation are stimulated and justified by events. Continued moderation in wage settlements and pricing poli-

cies as the economy expands will be a key signal of success in the effort to maintain the disinflationary process.

The favorable near-term outlook in that respect is reinforced by the current softness in the price of oil. Petroleum prices are important because they, directly or indirectly, affect the cost of so much that we buy: finished petroleum products account for 8 to 9 percent of the gross national product. Furthermore, a decline in the price of those products, which led the inflationary process in the 1970s, is highly visible to every citizen, and can help symbolize the fact that the climate of inflation has in fact changed—that prices are a two-way street.

But a favorable break in oil markets must not distract us from the larger truth. Continued moderation in pricing and wages and attention to cost-cutting and productivity are dependent on a sense of conviction that financial discipline will be maintained, and that aggressive pricing or neglect of costs will not “pay off”—that it will instead threaten markets, profits, and jobs. In other words, government policy will need to remain demonstrably alert and forceful in dealing with inflationary threats as the economy expands. With that conviction, interest rates can be both lower and less volatile, helping to support the expansion in investment and sustained growth we need.

MONETARY POLICY IN 1983

As you well know, the long years of accelerating inflation after the mid-1960s undermined any sense of confidence that stability would be restored. Nor did the inflationary process, in the end, “buy” us more employment and production; instead we harvested the bitter fruits of rising unemployment, instability in financial markets and the economy, and historically high interest rates. Now, after attaching high priority to the effort over several years, we have a clear opportunity to restore a more stable environment and a climate for growth—indeed, we have come a long way in that direction. But, inevitably, a year or two of progress against inflation has not erased the skepticism rooted in the events of more than a decade; the battle is not over. And in

that context we have to shape our monetary and fiscal policies.

In concept, the role for monetary policy is simple: build on the progress against inflation by avoiding excessive growth in money and credit while providing enough liquidity to meet the needs of recovery. In practice, the path is strewn with obstacles; indeed, the possibility of meeting both criteria simultaneously will be a function of policies and circumstances beyond the scope of any monetary policy, however wisely conducted.

In the best of circumstances, the line between too much money and too little cannot be plotted with mathematical precision. Rapid institutional change, reflected in the development of new deposit accounts and the payment of market rates on existing accounts, huge federal financing needs, and the close linkage of financial markets internationally, all complicate the job further. Elements of judgment are inevitably involved. But in making those judgments, we are guided by one fundamental: renewed inflation—or policies that seem likely to lead to that result—is neither a satisfactory nor a practical option. The sensitivity of the public and the markets to signs of resurgent inflation would be all too likely to produce precisely the reactions in financial markets—and in wage bargaining and pricing policies—that would soon weaken or abort recovery. The result would be a replay of the past decade or worse.

The prospect of federal deficits that, as things now stand, will preempt a large portion of available credit and savings as the recovery proceeds threatens a “no win” situation. No monetary policy can successfully resolve the economic and financial tensions that would arise from the clash of demands in the money markets from excessive deficits in a growing economy—the kind of economy that would generate growing credit demands for investment, for housing, and for other purposes. Moreover, the present budgetary outlook—until corrected—can only maintain skepticism about our success in dealing with inflation, narrowing the flexibility for monetary policy now.

The specifics of Federal Reserve policy with respect to the various monetary and credit aggregates are contained in the material that has been

made available to you with this statement.¹ I would only note now that the relationships between money and economic activity did not follow “normal” cyclical and trend patterns last year, in part because of the introduction of new types of deposit accounts but also because of broader economic reasons. Demands for money and liquidity appeared to be enlarged by the uncertainty of individuals and businesses about the economy and financial developments. There is also the clear possibility that the combination of declining inflation, lower market interest rates, and the increasingly common practice of paying interest on transaction accounts may have a lasting impact on trends in “velocity”—perhaps working to lower the postwar trend increase—and therefore on the appropriate growth of money over time.

Looking through all the complications and taking account of institutional distortions, our targets for growth of money and credit in 1983 are similar to those in 1982. Because actual growth last year generally exceeded the target ranges, the effective growth this year should be less than in 1982. Based on present evidence and allowing to some degree for usual cyclical patterns, that amount of liquidity should be fully consistent with anticipated growth in the economy. In a context of declining inflation, the monetary targets themselves should be consistent with somewhat greater growth than the administration projected in February (and probably with the somewhat higher projections of the Congressional Budget Office as well) and with further reductions in interest rates. But I must immediately add that other factors, importantly including the present and prospective budget deficits, impinge strongly on interest rate levels.

The variety of monetary indicators we use and the rapidity of institutional change are potentially confusing. In the circumstances, some understandably yearn to encompass all policy considerations in a simple, relatively rigid rule. But I know of no such rule reliably suited to our present circumstances. Elements of judgment seem to me inevitably necessary in interpreting

the data, and the targets will need to be judged and reviewed at suitable intervals in the light of developments with respect to economic activity and prices and conditions in the domestic and international financial markets. At the same time, the targets do provide a needed discipline, and we mean to be within them over relevant spans of time. They will be changed only if evidence for such change is strongly persuasive.

As I have already suggested, we do take as a point of departure in our judgments the critical importance of maintaining the momentum against inflation. In fact, most members of the Federal Open Market Committee believe that, measured by the broader price indexes, the inflation outcome in 1983 should be better than that projected by either the administration or the Congressional Budget Office. The recent developments with respect to oil prices are consistent with that outlook. Within a given supply of money and credit, such an inflation outlook implies lower interest rates than otherwise and more room for real growth.

The more difficult question may be whether the momentum toward price stability can be maintained in later years. As you know, both the administration and the Congressional Budget Office project that inflation will settle down at a rate within 1 percent of recent levels. While such a rate represents a vast improvement from the 1970s, to me it would be an unsatisfactory result. Inflation increasing at 4 to 5 percent a year is large enough to have distorting influences on financial markets, the budget, and the economy, and it would tend to keep alive fears of a resurgence of inflation as unemployment and excess capacity decline. We can do, and have done, better, and a clearer path toward price stability would, in my judgment, provide a sounder footing for financial stability and sustained expansion.

Current interest rates, particularly long-term rates, still appear to carry a large premium against the risks of higher inflation. Whatever you or I—or the administration or the Congressional Budget Office—may judge a realistic forecast, the false starts of the past in dealing with inflation have understandably left a residue of skepticism about the progress that has been made. Like it or not, the market’s assessment of

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

the future will be judged by performance now, and a strong sense of conviction that inflation will stay down will emerge only over time and with consistent effort to keep noninflationary policies in place.

That is one reason why a number of public policies, apart from general monetary and fiscal policies, will be important beyond their more specific effects. For instance, a retreat to protectionism is both directly inflationary and indirectly a signal that moderation in pricing and wage behavior and productivity is not essential to maintain competitiveness. Emphasis on indexing betrays a lack of conviction in the effort to deal with inflation and offers an illusion of escape from its consequences. At a time when the budgetary deficits ahead already threaten to clog the money markets, building in still more spending programs—certainly those with an added “spend out” into 1984 or beyond—raises more questions about whether offsetting cuts can be made, and the benefits to one group can potentially be swamped by adverse effects elsewhere.

THE FEDERAL BUDGET AND MONETARY POLICY

In the last fiscal year, the federal deficit was a record \$111 billion. The President's new budget projects a deficit in the current fiscal year nearly double last year's figure—or about 6½ percent of the GNP. Further increases are projected into the foreseeable future in the absence of determined action to alter that outlook.

The members of this committee, of course, are well aware of the magnitude of these projected deficits. In fact, numbers in the range of \$200 billion plus have become so familiar in recent weeks—while interest rates have declined and the economy has shown signs of recovery—that a temptation may arise to “wait and see,” to step back for now from hard choices of where to cut or where to tax, and to look to monetary policy to solve the interest rate problem. But a passive approach just won't work.

In the midst of recession, we can manage a big deficit, even though it does keep interest rates higher than they would otherwise be. But over time, we can't expect “real” interest rates to

revert to a low range historically, house our citizens the way they wish, invest what we need to support growth and productivity, and avoid drawing on the savings of other countries (at the expense of an abnormally strong dollar and a huge trade deficit) if Treasury financing absorbs one-half to three-quarters of the net domestic savings we are capable of generating in a more prosperous economy.

To put the point in its starkest form, if no action is taken, deficits in the general range projected by the administration and the Congressional Budget Office—which broadly encompass those of other informed analysts, including those in the Federal Reserve—do not seem to me compatible with the assumption of a smoothly growing economy upon which the projections are based. No conceivable manipulation of monetary policy provides an escape; to the contrary, the implication is that monetary policy would need to carry a still heavier burden to demonstrate the government's resolve to follow a noninflationary course.

The converse is equally true: meaningful action to demonstrate the government's economic discipline on the fiscal side would reinforce confidence that monetary policy over the years ahead can do its job in maintaining an appropriate degree of restraint on the growth of money and credit without intolerable pressures on the private sector. Reducing the threat of rising structural deficits stretching out to the end of the decade, by damping concerns about future increases in interest rates, should in and of itself have favorable effects on current interest rates. In that real sense, setting a firm course toward future budgetary restraint should have immediate benefits, as well as safeguarding prospects for future investment.

I am not suggesting a simple tradeoff between growth in the money supply and budget deficits. If monetary policy were to abandon its continuing and necessary concern with restoring reasonable price stability, the benefits of budget restraint in encouraging confidence would be lost. What can be said is that a better fiscal outlook, with all it implies about less pressure to monetize the federal debt and reduced concern about strong pressures on interest rates as the recovery is extended, would provide an environment in

which monetary policy could better reconcile the goals of economic growth and financial stability.

As you know better than I, basic budget trends take time to change. The size of the needed reduction in the deficit increases progressively over a number of years, but the effort must start now, and with energy and force. The amounts involved are large, but certainly not beyond our control.

It is obviously beyond my competence or the province of the Federal Reserve to deal with all the particular priorities that must be balanced. The administration has set forth its program in that respect. The general order of magnitude of the cuts in the structural deficit proposed by the administration—running to \$125 billion and more for fiscal 1986 and beyond—seems to me appropriate at this time. However, more of the actions should, in my judgment, be brought forward into fiscal 1984 and 1985, with the objective of, at the minimum, keeping the “structural” deficit well below \$100 billion. I recognize estimates of deficits a number of years ahead, structural or otherwise, are subject to considerable margin of error, and those projected by the administration are considerably larger than those of the Congressional Budget Office. But the direction and general magnitude of what is necessary seem clear enough; there is, as a practical matter, no danger of “overshooting” the mark. And finer adjustments can be made, year by year, as more evidence accumulates.

The possibility of a large reduction in oil prices could offer new options in dealing with the budget. As I noted earlier, the prospect for declining oil prices helps to reinforce the outlook for further progress against inflation in the near term. It would also act, analogously with a tax cut, to increase domestic purchasing power and involve a direct loss of windfall profits tax revenues, further complicating the structural deficit. In the circumstances—and taking account of the effects on domestic energy prices and conservation—a deep decline in oil prices would suggest early reexamination of the case for energy taxes. The case would be reinforced to the extent a sharp oil price cut now, with a relaxation of the conservation and exploration effort, implies the possibility of a strong rebound in oil prices in the future. One possibility would be to bring forward

the kind of oil tax proposed by the administration on a standby basis in fiscal 1986.

INTERNATIONAL FINANCE AND THE IMF

I would like to touch upon one other specific matter that has virtually no implications for the deficit but great potential significance for our economic health. That item is the proposed increase in the resources of the International Monetary Fund.

Our economic recovery is complicated by the fact that the world generally has been mired in recession. One reflection of that has been to aggravate the strong pressures on the financial position of developing countries that have accumulated a large debt burden in the years since the first oil crisis. For that and other reasons, the past six months and more have been characterized by interruptions in debt service by a number of large international debtors and strong pressures on the international financial system.

One danger has been that lending banks would attempt to protect their individual positions by rapidly retreating from new lending. But borrowers who have built up large debts over a period of years are not in a position to repay suddenly. An uncoordinated attempt to force such repayment would undercut the stability of the borrowers, the lenders, and the international financial system alike. We could not fully insulate our domestic banking and credit system—and our own economy—from such developments. Consequently, we have the strongest kind of self-interest in measures to contain and deal with the threat.

Management of that situation has required, and will continue to require, the active cooperation of borrowing countries, banks, central banks and treasuries of leading countries, and international financial institutions. The International Monetary Fund has a special, and indispensable, role to play. In that connection, I believe in the essentiality that the Congress approve an enlargement of the resources of the IMF at an early date so that it can, with some assurance, proceed in the knowledge that its resources will be adequate to meet its responsibilities. As you know, that action will require

increased budget authority, even though the operations of the IMF do not directly affect unified budget outlays or the deficit.

I look upon the proposed increase in IMF quotas and borrowing resources as a kind of insurance policy. If the need to draw on the added resources does not materialize, there will be no cost. But if the need does come about, we must be prepared to deal with it expeditiously. In that event, the provision of funds to the IMF will be reflected in additional borrowing needs by the Treasury. The extent to which those needs would be an additional net demand on credit markets is hard to foresee, because some of the funds are likely to, temporarily or more permanently, find their way back into dollar markets for investment, and the United States would be providing only a fraction of the funds required. More important, I believe the policies and performance of the IMF make clear that these funds would only be called upon to meet a clear threat to the orderly functioning of the international financial system. In those circumstances, the potential for disturbance to our domestic markets—which cannot be insulated from interna-

tional markets—would be far greater from failure to provide resources to the IMF than from the limited amount of added Treasury borrowing. In other words, a strong IMF, with resources adequate to do the job, seems to me very much in our national interest.

CONCLUSION

I need not dwell on the fact that we are negotiating a most difficult period in our nation's economic history. But I also believe we are in the process of laying the base for more vigorous, and lasting, noninflationary growth. In looking to the rest of the decade and beyond, in my view, strong forces are at work that can lead to a kind of self-reinforcing process of growth, greater price stability, higher real income and profits, and declining unemployment.

To be sure, obstacles are in the way. Monetary and fiscal policies alike need to be alert to those obstacles; working together, I am confident that they can be removed and that we can realize the bright opportunities before us. □

Statement by J. Charles Partee, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, March 10, 1983.

I am pleased to testify about the Federal Reserve's operations under section 105(b) of the Monetary Control Act of 1980. This amendment of section 14 of the Federal Reserve Act authorizes the Federal Reserve to invest its holdings of foreign currencies arising from foreign exchange operations in interest-bearing obligations of foreign governments. Such investment authority was needed in order to enable the Federal Reserve to earn interest on its holdings of foreign currencies acquired through exchange market intervention at rates of return comparable with those prevailing in the market. Before passage of the act, our ability to earn market-related rates

had been restricted by limitations on the availability of suitable investment outlets in foreign countries. We estimate that the annual rate of earnings on our current holdings of foreign currencies is about \$32 million greater than it would have been without the expanded investment authority. Because the Federal Reserve turns over essentially all of its net earnings to the Treasury, the authority contained in the act is of commensurate value to the taxpayer. The only use we have made of the investment authority has been to invest foreign-currency holdings arising from our foreign exchange operations, and we believe that is the only use compatible with the purpose and legislative history of the provision.

Section 105(b) also expanded the list of assets that may be used as collateral for Federal Reserve notes to include all the assets that may be purchased by the Federal Reserve under section 14 of the Federal Reserve Act. Therefore, both the new foreign-currency investments and the

foreign currencies held under our former section 14 authority became eligible for use as collateral for Federal Reserve notes.

By way of background to a more detailed description of the Federal Reserve's use of its authority under section 105(b), I should note that significant Federal Reserve holdings of foreign currencies are relatively recent in origin. They arose as a result of active intervention in foreign exchange markets by the Treasury and the Federal Reserve during the period between November 1978 and April 1981. Federal Reserve holdings on January 31, 1983, of \$5.3 billion equivalent in foreign assets were chiefly the result of our own intervention activities and of our warehousing for the U.S. Treasury of \$1.1 billion equivalent of foreign currencies. (Warehousing is a procedure whereby the Federal Reserve buys the currencies spot from the Treasury and simultaneously resells them forward to the Treasury at the same exchange rate.) Accumulated interest earnings on the assets are also included in the total.

As Federal Reserve holdings of foreign currencies—primarily German marks, Swiss francs, and Japanese yen—increased, the limited investment opportunities available to us under the Federal Reserve Act constrained our ability to invest our holdings at market-related rates of return. As a practical matter, the only available outlets were deposits or forward transactions with foreign central banks and the Bank for International Settlements (BIS), because the Federal Reserve Act did not explicitly authorize purchase of government debt instruments. For their part, the foreign central banks were in some cases legally prohibited from paying interest on deposits. Other facilities they could offer us did not always yield returns equal to those on high-quality, liquid instruments in the market.

Section 105(b)(2) of the Monetary Control Act of 1980 amended the Federal Reserve Act to provide that the Federal Reserve may buy and sell obligations of, or fully guaranteed as to principal and interest by, a foreign government or agency. The sole purpose for including this provision in the act was to overcome the barriers I have just noted, thereby enhancing the Federal Reserve's ability to earn a competitive return on its assets arising out of foreign-currency opera-

tions. The legislative history of the act is very clear on this point. In testimony before the Senate Banking Committee on September 26, 1979, Chairman Volcker stated that the purpose of the provision was to enable the Federal Reserve to invest its holdings of non-interest-earning foreign currencies in interest-bearing obligations. On March 27, 1980, during the Senate's consideration of the Monetary Control Act, Senator Proxmire indicated that the purpose of the authority to purchase obligations of foreign governments is "to provide a vehicle whereby such foreign currency holdings could be invested in obligations of foreign governments and thereby earn interest. This authority would be used only to purchase such obligations with foreign currencies balances acquired by the Federal Reserve in the normal course of business."¹

Further restrictions on the use of the new investment authority were issued by the Federal Open Market Committee, which authorizes Federal Reserve open market operations. At its annual review of continuing authorizations and directives on March 31, 1981, the FOMC amended its authorization for foreign-currency operations to provide that investments of foreign-currency balances "shall be in liquid form and generally have no more than 12 months remaining to maturity." As indicated by the record of FOMC policy actions, this limitation applies to all Federal Reserve investments of foreign-currency holdings, including specifically those made under section 105(b)(2).

As noted in the authorizations, the FOMC has limited the Federal Reserve's authority to buy, sell, and hold foreign currencies by specifying 14 currencies. Since the investment authority under section 105(b)(2) applies only to foreign currencies acquired in the course of normal foreign exchange operations, this limitation also specifies the countries whose obligations we are empowered to acquire under that section. The list of eligible currencies has always comprised only currencies of those countries with whose central banks the Federal Reserve has reciprocal curren-

1. The attachments to this statement are available on request to Publications Services, mail stop 138, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

cy or "swap" arrangements. No country has been added to that list since 1967.

In light of the clear legislative history of section 105(b)(2), including Chairman Volcker's testimony in 1979 on behalf of the Board, the further restrictions issued by the FOMC, and the limited list of currencies that have traditionally been eligible for Federal Reserve purchase and sale, I believe that there are ample safeguards to prevent section 105(b)(2) from being used by the Federal Reserve as a basis for assisting foreign governments in financial difficulties.

The Federal Reserve first invested in debt obligations of a foreign government in October 1980. Renewals of maturing investments and additional purchases have been made at various times since then. The only holdings of currencies we have invested in this way are German marks, Swiss francs, and Japanese yen—a small subset of the eligible list of currencies—all representing amounts obtained through exchange market operations.

Our investments of foreign currencies in obligations of foreign governments have generally been made with the understanding between the Federal Reserve and foreign authorities that the details of our transactions will not be made public. In view of these understandings, data are available on the average size of our transactions in all currencies during three-month intervals since October 1980 and the average period that securities purchased were held in our portfolio.

Federal Reserve investments made under the authority of section 105(b)(2) and still outstanding totaled \$1.4 billion equivalent on January 31. These investments are in short-term obligations of or guaranteed by the governments of Germany, Japan, and Switzerland, denominated in the currencies of those countries. Most of the rest of the \$5.3 billion equivalent of Federal Reserve holdings are also German marks, Swiss francs, and Japanese yen, and they are held at the central banks that issue those currencies and at the BIS in investments that yield a market-related rate of return. In addition, the Federal Reserve holds Mexican pesos acquired in connection with the Bank of Mexico's drawing on the \$325 million swap arrangement with the Federal Reserve that was put in place in August 1982 in parallel with facilities provided by the

U.S. Treasury and the BIS. The peso holdings are invested in an interest-bearing account at the Bank of Mexico. When the swap drawing is unwound, the pesos will be exchanged with the Mexican central bank for dollars at the same rate of exchange at which they were acquired. This traditional procedure under the swap arrangements was also followed as the Bank of Mexico repaid in full the \$700 million swap drawing provided directly by the Federal Reserve last August.

Turning to the use of Federal Reserve investments in foreign assets as collateral for Federal Reserve notes, this matter is mainly technical in nature, and details of our procedures are provided in the technical note. Under section 16 of the Federal Reserve Act, each Reserve Bank is obligated to designate as collateral a portion of its assets equal in value to the notes it individually has issued. Since the notes themselves (also under section 16) are first and paramount liens on all the assets of the Reserve Bank, not just the designated collateral, and are moreover obligations of the United States, the collateral designated in no way limits the security of note-holders. Eligible collateral specified in the Federal Reserve Act before passage of the Monetary Control Act of 1980 consisted of gold certificates, special drawing rights certificates, U.S. government and agency obligations, and small amounts of certain other Federal Reserve assets. While the System as a whole has always had sufficient eligible collateral for the aggregate of all Reserve Bank notes in circulation, the distribution of the collateral among the Reserve Banks is not necessarily in proportion to their note liabilities. The Reserve Banks issue notes to meet the demand for currency in their region, while their holdings of U.S. government securities depend on an allocation of System holdings and flows of funds between Federal Reserve Districts.

It was foreseen that the Monetary Control Act would lower reserve requirements on liabilities of depository institutions, and the Federal Reserve would have to sell U.S. government securities in order to eliminate the excess liquidity that would otherwise be provided to the financial system. Therefore, it seemed to us entirely possible that some Reserve Banks might occasionally

experience a shortage of assets eligible as collateral for their note issues. To prevent this development, section 105(b)(1) was added to the Monetary Control Act. Besides eliminating the previous obligation of the Reserve Banks to designate collateral for notes still in their own vaults, this section enlarged the list of eligible collateral to encompass all foreign-currency investments—both those the Federal Reserve was newly authorized to purchase under section 105(b)(2) and those it could purchase under previous authority.

Four Reserve Banks have used foreign-currency assets as collateral on various occasions. No specific instruments are earmarked in connection with such designation of collateral: the amounts used represented undivided portions of each Bank's participation in the System's foreign-currency account. At most, \$515 million equivalent of our investments were used at any one time; generally the amounts were much smaller. New procedures are now under study for collateralization of Federal Reserve note liabilities. These procedures, if they can be implemented, would reduce sharply, if not eliminate, any foreseeable need to use foreign-currency assets as collateral for issuance of Federal Reserve notes.

TECHNICAL NOTE ON COLLATERALIZATION OF FEDERAL RESERVE NOTES

Section 16 of the Federal Reserve Act (as amended) requires that Federal Reserve notes issued by Reserve Banks be fully collateralized. A Reserve Bank's notes held in its own vaults do not require collateral. Assets eligible for use as collateral are specified by section 16 as follows: notes, drafts, bills of exchange, or acceptances acquired under the provisions of section 13 of the Federal Reserve Act, or bills of exchange endorsed by a member bank of any Federal Reserve District and purchased under the provisions of section 14 of the act, or bankers acceptances purchased

under the provisions of section 14, or gold certificates, or special drawing right certificates, or any obligations that are direct obligations of, or fully guaranteed as to principal and interest by, the United States or any agency thereof, or assets that Federal Reserve banks may purchase or hold under section 14 of the act.

Each day, an employee at the Board of Governors in Washington representing the Federal Reserve Agent at each Reserve Bank insures that sufficient collateral is designated to meet each Reserve Bank's note liabilities. Eligible assets are used in the following order: all gold and special drawing rights certificates and, to the extent available, sufficient U.S. government and agency securities to meet full collateral requirements. Only if a Reserve Bank requires additional collateral are foreign-currency assets used. A list of dates on which foreign currencies were used in order to collateralize fully note liabilities at individual Reserve Banks is available.

On a Systemwide basis, sufficient collateral is available without use of foreign-currency assets. However, using only gold and SDR certificates and their government and agency securities, individual Reserve Banks may experience a shortfall if seasonal increases in their notes outstanding (for example, at Christmas or during vacation periods) happen to coincide with reductions in holdings of government securities resulting from the conduct of monetary policy. In December 1982, for example, it was necessary to use foreign-currency investments to collateralize some Banks' note liabilities 27 times, even though Systemwide excess collateral, excluding foreign-currency investments, averaged approximately \$14 billion on a daily basis.

Section 16 of the Federal Reserve Act further stipulates that, in addition to the eligible assets designated as collateral for note liabilities on a daily basis, Federal Reserve notes issued to each Reserve Bank become a first and paramount lien on all the assets of the Reserve Bank and are also obligations of the U.S. government. □

Statement by Nancy H. Teeters, Governor, Board of Governors of the Federal Reserve System, before the Subcommittee on Consumer Affairs and Coinage of the Committee on Banking, Finance, and Urban Affairs, U.S. House of Representatives, March 10, 1983.

I am here on behalf of the Federal Reserve to discuss the expiration of the federal preemption of state usury laws governing business and agricultural loans and the effect of high interest rates on farmers and businesses. The preemption was passed as a provision of the Depository Institutions Deregulation and Monetary Control Act of 1980. It authorized lenders to charge a rate up to 5 percent above the Federal Reserve discount rate on business and agricultural loans of \$1,000 or more in those states with ceilings less than this variable limit. The preemption is scheduled to expire at the end of this month.

The Board has been concerned about the adverse impact that usury ceilings can have on the availability of funds in local credit markets. Usury ceilings tend to reduce the supply of credit in states subject to unrealistic limits by encouraging lenders to channel funds into other investments or to geographic areas permitting a more competitive return on similar investments. Credit thus may become unavailable to all but the strongest potential borrowers, as nonrate lending terms and credit standards are set to compensate for the uncompetitive interest rates that are legally permissible. Moreover, given the growth in money market mutual funds into a large competitive industry and the rapid deregulation of deposit rates at our financial institutions, the cost of funds to financial institutions in local communities has become increasingly sensitive to national money market developments. This situation creates a much greater need for these institutions to earn a competitive return on their assets.

Despite the Board's opposition to artificial constraints on credit availability, we continue to have reservations about federal intrusion into an area long regulated by the individual states. The Board prefers that usury ceilings be addressed by corrective action at the state level. In this regard, the law did provide states with the authority to override the federal preemption of their ceilings. Information collected by the Board's staff indi-

cates that, as of the middle of last year, a dozen states had at least partially overridden the federal law. Among these twelve states, however, eight had no usury ceilings on business loans and four had either usury ceilings that were indexed or ceilings that were fixed so high they had no effect on credit flows. Those states that were most affected by usury ceilings generally have not acted to override the preemption. In fact, many states have moved to relax their regulation of interest rates since the passage of the Deregulation Act. Currently, only about ten states have fixed usury ceilings on business and agricultural loans, and less than half of these could be considered binding.

In this respect, the focus of federal law preempting state interest rate ceilings may have narrowed. But at the same time, it should be emphasized that permitting the federal preemption of state business and agricultural loan usury laws to expire will not resolve the financial problems of businesses and farmers. These problems have resulted from more fundamental economic difficulties. Fortunately, economic and financial conditions are now beginning to improve. Interest rates are now well below their levels of one or two years ago, with short-term rates as much as 10 percentage points below their earlier peaks, and long-term rates down about 4 to 5 percentage points. More important, the economic recovery that appears to be under way should bolster business activity and help to restore a more profitable base for operations.

Continued success in lowering interest rates depends on our reducing the lingering doubts about the progress against inflation and on our cutting back on credit-absorbing federal budget deficits. Monetary and fiscal policies need to be directed toward removing these obstacles and achieving vigorous, and lasting, noninflationary growth.

To summarize, the Board feels that, with regard to usury ceilings, state action rather than federal law should prevail whenever possible. Many states have acted to reduce the constraining effect of their usury ceiling on credit availability, and financial conditions have improved considerably. These factors generally weaken the current need for a national law preempting state usury ceilings on business and agricultural

loans, but do not eliminate the need for further action to relax interest rate ceilings at the state level.

If the Congress desires to extend the current law, I would like to note again a feature that is of concern to the Federal Reserve Board. The law established a variable rate ceiling based on the Federal Reserve discount rate. The Board continues to be opposed to use of the discount rate as an index to which the federal usury ceiling is

tied. The discount rate has an important role in the conduct of monetary policy and cannot always be counted on to reflect an appropriate base rate for the cost of funds. Moreover, because the discount rate is an administered rate that applies generally to very short-term borrowing by banks and other depository institutions, movements in this rate may not be representative of interest rate movements in markets that involve longer-term lending. □

Announcements

CHANGE IN OPERATING PROCEDURES FOR FLOAT

The Federal Reserve Board has approved a program that represents changes in Federal Reserve operating procedures to reduce and to price Federal Reserve interterritory check float and Federal Reserve check holdover float.

The Board acted under the provisions of the Monetary Control Act of 1980 that require the Federal Reserve to charge for its services. The Monetary Control Act requires that any Federal Reserve float that remains after operational improvements also be priced. Federal Reserve float is the value of checks for which the Federal Reserve has given credit to the institution that deposited the checks with the Federal Reserve for collection, but for which the Federal Reserve has not yet received payment.

On November 1, 1982, the Board published for comment three proposals to eliminate or price about 80 percent of Federal Reserve float: (1) changing crediting procedures for interterritory check deposits; (2) adopting a new accounting procedure to eliminate float associated with large dollar interterritory returned checks; and (3) pricing holdover and intraterritory check float.

After reviewing the comments, the Board approved a Reserve Bank program to reduce and to price interterritory and holdover check float. The interterritory check float program calls for the following:

- All Reserve Banks to offer fixed and fractional availability crediting options with various methods of payment for float in connection with these crediting options.
- All Reserve Banks to offer the same crediting options for interterritory check deposits at the same time.
- All interterritory check deposits (whether processed at the sending or receiving Federal Reserve office) to be subject to the same crediting procedures.

- All interterritory check deposits to be processed in order of receipt.

Because of the time needed by depository institutions and Reserve Banks to make changes to their systems, this portion of the program will be implemented on July 1, 1983.

Because of the operational changes resulting from the check float program, the pricing of holdover float will be phased in later in 1983 as follows:

February 24–
July 1

During this period the cost of holdover float above 1 percent of the value of checks collected daily by the Federal Reserve Banks will be incorporated in the cost of check services to be recovered in 1983.

July 1–
September 30

During this period the cost of holdover float above ½ percent of the value of checks collected daily by the Federal Reserve Banks will be incorporated in the cost of check services to be recovered in 1983.

October 1

At this time the cost of all holdover float will be added to the cost of check services.

MONEY STOCK REVISION

On February 11, 1983, the Board published revised measures of the money stock, incorporating minor definitional changes, benchmark revisions, and updated seasonal factors. Data reported in tables 1.10 and 1.21 in this issue of the BULLETIN reflect these revisions.

1. Monthly seasonal factors for currency, traveler's checks, and deposit components of the money stock

| Month | Currency | Nonbank traveler's checks | Demand deposits plus OCD ¹ | Demand deposits ¹ | Commercial banks | | | Thrift institutions | | |
|----------------|----------|---------------------------------|--|---------------------------------|---------------------|---------------------------|---------------------------|---------------------|--|---------------------------|
| | | | | | Savings deposits | Small time deposits | Large time deposits | Savings deposits | Small time deposits ² | Large time deposits |
| 1982 | | | | | | | | | | |
| January..... | .9942 | .9497 | 1.0234 | 1.0224 | .9901 | 1.0003 | 1.0141 | 1.0027 | 1.0044 | 1.0095 |
| February..... | .9868 | .9543 | .9748 | .9740 | .9888 | 1.0053 | 1.0176 | .9976 | 1.0050 | 1.0166 |
| March..... | .9889 | .9521 | .9809 | .9795 | .9957 | 1.0079 | 1.0097 | 1.0020 | 1.0046 | 1.0098 |
| April..... | .9950 | .9447 | 1.0247 | 1.0154 | 1.0069 | 1.0043 | .9925 | 1.0081 | 1.0047 | .9947 |
| May..... | .9985 | .9674 | .9804 | .9816 | 1.0051 | 1.0059 | .9943 | 1.0027 | 1.0025 | 1.0006 |
| June..... | 1.0006 | 1.0481 | .9910 | .9928 | 1.0037 | 1.0050 | .9867 | 1.0042 | 1.0004 | .9947 |
| July..... | 1.0077 | 1.1114 | .9949 | .9981 | 1.0103 | .9979 | .9847 | 1.0103 | .9990 | .9923 |
| August..... | 1.0033 | 1.1005 | .9850 | .9877 | 1.0057 | .9971 | .9936 | .9957 | .9958 | .9957 |
| September..... | .9978 | 1.0547 | .9932 | .9951 | 1.0007 | .9956 | .9967 | .9899 | .9950 | .9951 |
| October..... | .9997 | 1.0041 | 1.0055 | 1.0065 | 1.0043 | .9958 | .9989 | .9953 | .9978 | .9970 |
| November..... | 1.0059 | .9594 | 1.0130 | 1.0126 | .9929 | .9947 | 1.0033 | .9909 | .9973 | .9926 |
| December..... | 1.0181 | .9533 | 1.0312 | 1.0331 | .9899 | .9922 | 1.0111 | .9955 | .9952 | .9962 |
| 1983 | | | | | | | | | | |
| January..... | .9925 | .9503 | 1.0255 | 1.0239 | .9908 | .9990 | 1.0114 | 1.0054 | 1.0035 | 1.0113 |
| February..... | .9860 | .9553 | .9762 | .9751 | .9916 | 1.0047 | 1.0149 | 1.0003 | 1.0042 | 1.0191 |
| March..... | .9881 | .9525 | .9816 | .9797 | .9986 | 1.0072 | 1.0077 | 1.0039 | 1.0038 | 1.0142 |
| April..... | .9956 | .9443 | 1.0249 | 1.0147 | 1.0084 | 1.0039 | .9917 | 1.0092 | 1.0041 | .9956 |
| May..... | .9970 | .9666 | .9806 | .9821 | 1.0066 | 1.0053 | .9939 | 1.0035 | 1.0022 | 1.0015 |
| June..... | 1.0002 | 1.0488 | .9901 | .9922 | 1.0048 | 1.0047 | .9886 | 1.0036 | 1.0007 | .9934 |
| July..... | 1.0082 | 1.1110 | .9933 | .9971 | 1.0099 | .9982 | .9876 | 1.0091 | .9995 | .9897 |
| August..... | 1.0024 | 1.0999 | .9840 | .9872 | 1.0039 | .9980 | .9964 | .9940 | .9967 | .9940 |
| September..... | .9974 | 1.0537 | .9923 | .9946 | .9983 | .9967 | .9982 | .9878 | .9958 | .9944 |
| October..... | .9979 | 1.0039 | 1.0052 | 1.0062 | 1.0022 | .9970 | .9993 | .9939 | .9982 | .9966 |
| November..... | 1.0055 | .9592 | 1.0135 | 1.0129 | .9925 | .9945 | 1.0027 | .9912 | .9971 | .9920 |
| December..... | 1.0181 | .9540 | 1.0319 | 1.0338 | .9895 | .9916 | 1.0093 | .9958 | .9946 | .9962 |

1. In constructing M1, the seasonal factors for transaction deposits are used to derive the sum of demand deposits and other checkable deposits (OCD), seasonally adjusted. The demand deposit component seasonally adjusted is constructed using the demand

deposit seasonal factors. Other checkable deposits seasonally adjusted equal transaction deposits less demand deposits, both seasonally adjusted.

2. Includes retail repurchase agreements.

Two changes were made in the definition of the broader monetary aggregates. First, shares in tax-exempt money market funds, previously excluded, were added to the monetary aggregates on the same basis as taxable money funds: that is, balances in general purpose and broker-dealer funds were added to M2 and those in institution-only funds were added to M3. This change increased growth of both M2 and M3 about ½ percentage point in 1982. The second definitional change was to eliminate from M2 and M3 all individual retirement accounts—Keogh balances held at depository institutions and money market mutual funds. This change reduced M2 growth just over 1 percentage point and M3 about 1 percentage point in 1982.¹

Benchmark revisions for deposit and currency components of the monetary aggregates were

derived from commercial bank call reports for December 1981 and for March, June, and September 1982. Adjustments for savings and loan associations were derived from December 1981 and June 1982 call reports. These benchmark revisions had minimal effects on both levels and growth rates, raising M1 slightly and lowering other deposit components of the broader aggregates marginally.

The repurchase agreement and Eurodollar deposit components of M2 and M3 also were revised. Revisions to overnight and term RPs were based on a special survey of RPs at depository institutions and more complete information for holdings of RPs by money market mutual funds. The net effect of these changes was to reduce the level of net overnight RPs and raise the level of term RPs; in 1982 growth of M2 was affected only slightly by these revisions, and M3 was boosted a bit. The revision to the overnight Eurodollar component of M2 resulted from broadening the panel of U.S. banks (previously consisting of selected Caribbean offices) to in-

1. In addition, club accounts (principally Christmas and vacation club accounts) were transferred from the small time deposit component to the savings deposit component of M2, with no effect on the aggregate series.

2. Weekly seasonal factors for currency and deposit components of M1 and commercial bank components of broader aggregates

| Week | Currency | Demand deposits plus OCD ¹ | Demand deposits ¹ | Commercial banks | | |
|------------------|----------|---------------------------------------|------------------------------|------------------|----------------------------------|--------------------|
| | | | | Savings deposits | Small time deposits ² | Large time deposit |
| 1982 | | | | | | |
| December 1..... | 1.004 | 1.012 | 1.014 | .99057 | .99586 | 1.0101 |
| 8..... | 1.019 | 1.028 | 1.026 | .99424 | .99259 | 1.0113 |
| 15..... | 1.017 | 1.030 | 1.033 | .99324 | .99231 | 1.0126 |
| 22..... | 1.022 | 1.029 | 1.034 | .98918 | .99235 | 1.0102 |
| 29..... | 1.020 | 1.020 | 1.026 | .98709 | .99319 | 1.0202 |
| 1983 | | | | | | |
| January 5..... | 1.009 | 1.082 | 1.085 | .99156 | .9972 | 1.0199 |
| 12..... | 1.001 | 1.050 | 1.045 | .99432 | .99882 | 1.0141 |
| 19..... | .993 | 1.029 | 1.026 | .99109 | 1.0006 | 1.0094 |
| 26..... | .983 | .986 | .982 | .98706 | 1.0013 | 1.0125 |
| February 2..... | .980 | .982 | .986 | .98560 | 1.0027 | 1.0173 |
| 9..... | .994 | .984 | .982 | .98907 | 1.0044 | 1.0206 |
| 16..... | .991 | .982 | .981 | .99019 | 1.0045 | 1.0174 |
| 23..... | .981 | .962 | .960 | .98881 | 1.0053 | 1.0156 |
| March 2..... | .980 | .975 | .973 | .98821 | 1.0067 | 1.0185 |
| 9..... | .996 | .988 | .984 | .99177 | 1.0083 | 1.0133 |
| 16..... | .992 | .989 | .989 | .99413 | 1.0091 | 1.0088 |
| 23..... | .986 | .974 | .973 | .99657 | 1.0084 | 1.0078 |
| 30..... | .981 | .969 | .967 | 1.00160 | 1.0067 | 1.0094 |
| April 6..... | 1.003 | 1.031 | 1.023 | 1.0124 | 1.0044 | .99983 |
| 13..... | 1.004 | 1.037 | 1.024 | 1.0130 | 1.0039 | .99509 |
| 20..... | .994 | 1.041 | 1.026 | 1.0041 | 1.0042 | .98737 |
| 27..... | .985 | 1.002 | .994 | 1.0009 | 1.0039 | .99306 |
| May 4..... | .993 | .999 | 1.000 | 1.0033 | 1.0041 | .98643 |
| 11..... | 1.005 | .987 | .985 | 1.0060 | 1.0054 | .99054 |
| 18..... | .998 | .982 | .985 | 1.0062 | 1.0062 | .99272 |
| 25..... | .992 | .965 | .966 | 1.0047 | 1.0064 | .99898 |
| June 1..... | .995 | .978 | .980 | 1.0037 | 1.0071 | .99934 |
| 8..... | 1.007 | .997 | .996 | 1.0054 | 1.0080 | .99370 |
| 15..... | 1.004 | 1.004 | 1.005 | 1.0043 | 1.0070 | .98690 |
| 22..... | .999 | .986 | .988 | 1.0020 | 1.0044 | .98162 |
| 29..... | .991 | .973 | .976 | 1.0034 | 1.0010 | .98440 |
| July 6..... | 1.018 | 1.018 | 1.020 | 1.0105 | .99963 | .98413 |
| 13..... | 1.014 | 1.009 | 1.010 | 1.0124 | .99859 | .98157 |
| 20..... | 1.006 | .990 | .997 | 1.0108 | .99767 | .98150 |
| 27..... | .997 | .966 | .970 | 1.0081 | .99713 | .98946 |
| August 3..... | 1.002 | .985 | .992 | 1.0073 | .99706 | .99011 |
| 10..... | 1.014 | .994 | .995 | 1.0085 | .99770 | .99228 |
| 17..... | 1.008 | .992 | .994 | 1.0076 | .99723 | .99111 |
| 24..... | .999 | .975 | .977 | 1.0051 | .99662 | .99391 |
| 31..... | .989 | .977 | .980 | 1.0024 | .99606 | 1.00050 |
| September 7..... | 1.012 | 1.005 | 1.003 | 1.00290 | .99756 | 1.00010 |
| 14..... | 1.001 | 1.011 | 1.013 | 1.00320 | .99681 | .99361 |
| 21..... | .995 | .990 | .992 | .99919 | .99548 | .99356 |
| 28..... | .984 | .961 | .967 | .99759 | .99452 | 1.00090 |
| October 5..... | .997 | 1.008 | 1.010 | 1.0057 | .99447 | .99588 |
| 12..... | 1.008 | 1.016 | 1.017 | 1.0083 | .99568 | 1.00190 |
| 19..... | 1.000 | 1.010 | 1.010 | 1.0055 | .99687 | 1.00010 |
| 26..... | .992 | .985 | .986 | 1.0012 | .99651 | .99729 |
| November 2..... | .992 | 1.006 | 1.011 | .99728 | .99574 | .99831 |
| 9..... | 1.011 | 1.020 | 1.019 | .99633 | .99463 | .99841 |
| 16..... | 1.008 | 1.024 | 1.024 | .99391 | .99451 | 1.00040 |
| 23..... | 1.006 | 1.003 | .999 | .99074 | .99461 | 1.00550 |
| 30..... | 1.003 | 1.007 | 1.008 | .99024 | .99637 | 1.00970 |
| December 7..... | 1.017 | 1.029 | 1.029 | .99424 | .99259 | 1.0113 |
| 14..... | 1.017 | 1.028 | 1.027 | .99324 | .99231 | 1.0126 |
| 21..... | 1.021 | 1.030 | 1.033 | .98918 | .99235 | 1.0102 |
| 28..... | 1.023 | 1.020 | 1.027 | .98709 | .99319 | 1.0202 |

1. In constructing M1, the seasonal factors for transaction deposits are used to derive the sum of demand deposits and other checkable deposits (OCD), seasonally adjusted. The demand deposit component seasonally adjusted is constructed using the demand deposit seasonal

factors. Other checkable deposits seasonally adjusted equal transaction deposits less demand deposits, both seasonally adjusted.

2. Includes retail repurchase agreements.

clude additional Caribbean offices as well as offices in other locations, principally London; the net impact of these changes on both levels and growth rates was minor after allowing for such holdings by money market mutual funds.

Seasonal factors were revised using the X-11 ARIMA procedure adopted last year. As in the previous revision, data were preadjusted to minimize the effects of large nonseasonal fluctuations associated with the credit control period of 1980 and with large shifts of balances into negotiable order of withdrawal accounts in 1981; data for December 1982 were excluded from these computations to avoid distortions associated with the large shifts of balances into the newly authorized money market deposit accounts. Revisions to seasonal factors tended to be greater than in other recent years because data for 1982 tended to confirm evolving patterns that had been obscured by unusual circumstances associated with the credit control period of 1980. Revised monthly seasonal factors for 1982 and 1983 are provided in table 1, and weekly factors for late 1982 and for the year 1983 are shown in table 2.

Revised historical data for the period 1959-82 are available on request from the Banking Section, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

PROPOSED ACTIONS

The Federal Reserve Board has proposed for comment an amendment to Regulation Y (Bank Holding Companies and Change in Bank Control) to add discount securities brokerage and securities credit lending to the list of nonbanking activities permissible for bank holding companies. The Board asked for comment by April 8, 1983.

The Federal Reserve Board has also published for comment proposals to revise in their entirety Regulation U (Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks) and Reg-

ulation G (Securities Credit by Persons Other than Banks, Brokers, or Dealers). The Board asked for comment on its proposals by April 22, 1983. The proposed revision is part of the Board's Regulatory Improvement Project in which the Board is reviewing and revising all its regulations to update them, simplify their language, eliminate obsolete or unneeded language or provisions, and lighten the burden of compliance.

CHANGES IN BOARD STAFF

The Board of Governors has announced the following appointments.

Brent L. Bowen as Assistant Controller in the Office of the Controller, effective February 20, 1983. Mr. Bowen, who joined the Board's staff in September 1973, holds a B.A. degree from the U.S. Air Force Academy and an M.B.A. from the University of Alaska.

S. David Frost as Staff Director for Management, effective around April 1, 1983. Mr. Frost, currently Deputy Comptroller of the U.S. Navy, is a graduate of the U.S. Naval Academy and holds an M.B.A. from Stanford University.

The Board has also announced the resignation of Robert E. Mannion, Deputy General Counsel in the Legal Division, effective February 8, 1983.

SYSTEM MEMBERSHIP: ADMISSION OF STATE BANKS

The following banks were admitted to membership in the Federal Reserve System during the period February 11 through March 10, 1983.

California

Rosemead First American Bank

Colorado

Longmont Pioneer Bank of Longmont

Record of Policy Actions of the Federal Open Market Committee

*MEETING HELD
ON DECEMBER 20–21, 1982*

1. Domestic Policy Directive

The information reviewed at this meeting suggested that real GNP, which had increased at an annual rate of 0.7 percent in the third quarter, declined in the fourth quarter, although final sales apparently were maintained. The rise in average prices, as measured by the fixed-weight price index for gross domestic business product, remained much less rapid than in 1981.

The nominal value of retail sales rose about 2¼ percent in November, after having increased 1½ percent over the preceding two months. Although gains in November were recorded for all major categories of stores, the rise was attributable mainly to a sharp increase in sales at automotive outlets. Unit sales of new domestic automobiles increased to an annual rate of 6¾ million, as buyers responded to interest rate concessions and other special promotions offered primarily on 1982 models. In the first 10 days of December, however, sales fell back to an annual rate of 5¾ million units.

Private housing starts, both single-family and multifamily, rose substantially in November, and at an annual rate of 1.4 million units, were nearly 500 thousand units higher than the rate in the first half of the year. Newly issued permits for residential construction also strengthened, rising 6 percent in November after increasing 17 percent in October.

Business fixed investment spending appeared to be continuing the downtrend that began in mid-1981 as shipments and orders for nondefense capital goods declined in October, the latest month for which data were available. According to the Department of Commerce survey taken in late October and November, plant and equip-

ment spending would rise only 2 percent in the first half of 1983 from the level in the second half of this year; in real terms, the survey results implied a decline of more than 2 percent. Along with capital spending, inventory investment was exerting a dampening influence on economic activity, as businesses continued their efforts to reduce inventories.

The index of industrial production fell again in November, but the decline of 0.4 percent was half that in each of the preceding two months. Most major sectors registered reductions in output, with cutbacks especially pronounced in durable goods industries. Defense and space equipment continued to be the only major category of final products showing strength. Capacity utilization in manufacturing declined to 67.8 percent, a new postwar low.

Nonfarm payroll employment fell 165,000 in November, about the same as the average monthly decline earlier in the year. Job losses were concentrated in the manufacturing sector, particularly durable goods manufacturing. The unemployment rate rose 0.4 percentage point to 10.8 percent. Initial claims for unemployment insurance, although down from the peaks in early autumn, remained relatively high.

The producer price index for finished goods rose 0.6 percent in November. More than half of the rise was attributable to sharp increases in prices of energy-related items; prices of consumer foods declined somewhat, while prices of other consumer goods rose moderately. Over the first 11 months of the year the index increased at an annual rate of about 3¾ percent. The consumer price index edged up only 0.1 percent in November, as homeownership costs declined and price increases for most other major expenditure categories slowed. Thus far in 1982 the index had risen at an annual rate of about 4½ percent, half the pace in 1981. The advance in the

index for average hourly earnings slowed appreciably to an annual rate of $4\frac{1}{2}$ percent from June to November, compared with an annual rate of $6\frac{1}{2}$ percent over the first half of 1982 and about $8\frac{1}{2}$ percent during 1981.

In foreign exchange markets the trade-weighted value of the dollar against major foreign currencies had declined about $4\frac{1}{2}$ percent from peaks reached in early November. A major factor in the decline apparently was the market's reassessment of prospects for the U.S. foreign trade and current accounts. In October the U.S. foreign trade deficit rose sharply further: agricultural exports declined somewhat from the reduced third-quarter rate, and nonagricultural exports fell substantially while imports rose.

At its meeting on November 16, the Committee had agreed that it would seek to maintain expansion in bank reserves needed for an orderly and sustained flow of money and credit, consistent with growth of M2 (and M3) from September to December at an annual rate of around $9\frac{1}{2}$ percent. The Committee also decided that somewhat slower growth in M2 and M3, to the extent of reducing their expansion for the year to nearer the upper part of the ranges set for 1982, would be acceptable and desirable if such growth were associated with declining interest rates. On the other hand, somewhat more rapid growth would be tolerated if continuing economic and financial uncertainties should appear to be reflected in exceptional demands for liquidity. The Committee had also decided that it would continue to place much less than the usual weight on the movements of M1 during the period from September to December and would not set a specific objective for its growth over the fourth quarter. The intermeeting range for the federal funds rate, which provides a mechanism for initiating further consultation of the Committee, was set at 6 to 10 percent.

The demand for reserves remained strong in November, reflecting particularly the continuing rapid growth of transaction balances. Nonborrowed reserves grew rapidly, although less so than in October, and adjustment borrowing (including seasonal borrowing) rose to an average of \$433 million in November from an average of \$337 million in October.

M2 grew at annual rates of about $8\frac{1}{4}$ percent

and $11\frac{3}{4}$ percent in October and November respectively, and M3 grew at an annual rate of about $9\frac{1}{4}$ percent in both months. On average, expansion in these broader aggregates had remained at about or somewhat below the rates of earlier in the year. On the basis of partial data, however, it was estimated that expansion in M2 and M3 had slowed substantially in recent weeks. Growth of M1 had remained rapid in recent months, influenced by shifts of funds associated with the maturing in early October of a large volume of all savers certificates and possibly with the recent and prospective introduction of new deposit accounts at depository institutions.

Expansion in total credit outstanding at U.S. commercial banks slowed to an annual rate of $1\frac{1}{2}$ percent in November. Banks again acquired a sizable volume of U.S. Treasury securities, but their total loans outstanding fell. Business loans contracted at an annual rate of nearly 8 percent and security loans declined markedly, while real estate and consumer loans remained sluggish. The outstanding volume of commercial paper of nonfinancial businesses contracted substantially for the third successive month, as firms continued to raise funds in the longer-term capital markets.

Short-term market interest rates declined about $\frac{3}{8}$ to $\frac{3}{4}$ percentage point on balance over the intermeeting period, while bond yields rose a little in response to unusually heavy borrowing by businesses and governments. The Federal Reserve announced reductions in the discount rate from $9\frac{1}{2}$ to 9 percent on November 19 and to $8\frac{1}{2}$ percent on December 13. In recent weeks federal funds had traded in the area of $8\frac{1}{2}$ to 9 percent, compared with about $9\frac{1}{2}$ percent over the previous intermeeting interval. The prime rate charged by most commercial banks on short-term business loans was reduced $\frac{1}{2}$ percentage point to $11\frac{1}{2}$ percent in late November. Average rates on new commitments for fixed-rate conventional home mortgage loans had edged down further in recent weeks.

The staff projections presented at this meeting continued to suggest that real GNP would grow moderately during 1983. The projections also suggested that unemployment would remain at a high level. The rate of increase in prices, as

measured by the fixed-weight price index for gross domestic business product, was expected to drift down.

The views of Committee members with respect to the economic situation and outlook had changed little in the period since the Committee meeting in mid-November. Moderate growth in real GNP over the year ahead accompanied by some further improvement in the performance of prices continued in general to be regarded as a reasonable expectation.

Since mid-November, it was observed, additional signs of a near-term strengthening in activity had appeared, particularly in markets for housing and consumer goods, and there were indications of some improvements in business confidence in many parts of the country. At the same time, conditions in the industrial sector remained severely depressed, reflecting the sustained downtrend in business fixed investment, the ongoing efforts to pare business inventories, and the continued weakness in export markets. In some industries, the expansion in orders for defense equipment was providing at least a partial offset to the weakness in demands for nondefense equipment, but the translation of such orders into production and employment often involved extended lags. On balance, an upturn in economic activity appeared to be in the offing, although the evidence was not conclusive and some Committee members stressed that there were substantial risks of a shortfall from the staff projection.

As in mid-November, it was noted that financial market conditions had eased significantly since midyear, and fiscal policy over the second half of 1982 had become highly stimulative. In fact, some members continued to express concern that an overly expansive combination of fiscal and monetary policies might reinvigorate inflationary expectations, thereby fostering a rise in long-term interest rates that would limit or abort the expected recovery.

At a meeting in July 1982, the Committee had reaffirmed the monetary growth ranges for the period from the fourth quarter of 1981 to the fourth quarter of 1982 that it had set at its meeting in early February. These ranges were $2\frac{1}{2}$ to $5\frac{1}{2}$ percent for M1, 6 to 9 percent for M2, and $6\frac{1}{2}$ to $9\frac{1}{2}$ percent for M3. The associated

range for bank credit was 6 to 9 percent. The Committee had agreed that growth in the monetary and credit aggregates around the top of the indicated ranges would be acceptable in the light of the relatively low base period for the M1 target and other factors, and that it would tolerate for some period of time growth somewhat above the target range should unusual precautionary demands for money and liquidity be evident in the light of current uncertainties. The Committee had also indicated in July that it was tentatively planning to continue the current ranges for 1983. That decision will be reviewed at the Committee meeting scheduled for February 8–9, 1983, taking into account the latest economic developments and institutional changes associated with the new deposit accounts authorized by the Depository Institutions Deregulation Committee (DIDC).

In the Committee's discussion of policy for the near term, the period from December 1982 to March 1983, the members considered objectives for monetary growth against the background of the tentative ranges for 1983 as a whole. In the discussion, it was recognized that the behavior of the aggregates would continue to be distorted by institutional developments relating to deregulation of interest rates on deposits. Depository institutions had begun to offer the new money market deposit account that had been authorized by the DIDC, effective December 14, 1982. This account had limited transaction features and, while included in M2, was excluded from M1. The DIDC had also authorized a minimum balance NOW account free of interest rate ceilings, effective January 5, 1983, which would be included in M1.

The impact of the new accounts on the behavior of the monetary aggregates was highly uncertain, especially in the case of M1 for which even the direction of the impact was currently unclear. A staff analysis referred to the large pool of liquid assets that could be shifted into the new accounts, possibly during a relatively short period of time. The magnitude of such shifts and the allocation of funds between the two new accounts would depend on the competitive pricing and promotion of the accounts by depository institutions and on the response of depositors to interest rate relationships and to the elements of convenience.

At one extreme, shifts of funds could be dominated by flows into the new NOW accounts, thereby causing M1 to rise sharply during some transition period. At the other extreme, money market deposit accounts might attract most of the shifted funds, including those from deposits in M1, retarding the growth of M1 if not actually reducing its level.

The shifts of funds would clearly work in the direction of expanding M2, although the magnitude of the effect was very uncertain. A large part of the shifts would probably represent a redistribution of funds among the components of M2, but in addition funds would shift into M2 from market instruments and from large-denomination certificates of deposit. Growth in M3 was expected to be affected the least because depository institutions would probably curtail their issuance of large-denomination certificates of deposit in response to the availability of funds through the new accounts. The timing of the various shifts was also subject to a great deal of uncertainty, although earlier experience with the introduction of NOW accounts suggested that a large part of the transition to the new accounts would be concentrated in a relatively short period of time.

At its meetings held in October and November, the Committee had decided to place much less weight than usual on M1 in the fourth quarter and not to set a specific objective for its growth, because of the difficulties of interpreting its behavior in a period of major institutional changes. At this meeting, the members generally favored continuance of that reduced attention to M1 during the first quarter. Thus, the Committee focused on setting objectives for growth of M2 and M3.

Reference was made to the fact that, despite some evidence of a deceleration in the growth of these broader aggregates most recently, their expansion over the year ending in the current quarter would be somewhat above the growth ranges that had been set by the Committee. At recent meetings, however, most Committee members had endorsed the view that monetary growth somewhat above those ranges was appropriate in light of the indications of strong demands for liquidity during a period of relatively weak economic activity. The income velocity of

the broader aggregates, and also of M1, appeared to have declined at an unusually sharp rate over the year.

With respect to M2, most Committee members indicated a preference for setting a first-quarter growth rate that would allow for some modest shift of funds into components of that aggregate from market instruments and large-denomination certificates of deposit. They were prepared, however, to accept greater growth if analysis of incoming data and other evidence from depository institutions and market reports indicated that the new money market accounts were generating substantial shifts of funds into those aggregates from outside sources.

During the Committee's discussion, the observation was made that the uncertainties that had generated unusual demands for liquidity in relation to GNP during 1982—and the accompanying decline in the velocity of the monetary aggregates—could be expected to abate as economic activity strengthened and consumer and business confidence improved. Thus, abstracting roughly from the impact of the new deposit accounts, the velocity of money could be expected to show much less weakness in 1983 than in 1982, though whether it might continue to be affected by strong liquidity demands was open to question.

At the conclusion of the discussion, the Committee decided to seek to maintain expansion in bank reserves consistent with growth of M2 at an annual rate of around 9½ percent and growth of M3 at an annual rate of about 8 percent for the period from December to March. The objective for M2 would allow for a modest amount of growth resulting from shifts into the newly authorized money market deposit accounts from large-denomination certificates of deposit or market instruments. For both M2 and M3, the Committee indicated that greater growth would be acceptable if analysis of incoming data and other evidence from banking and market reports indicated that the new money market deposit accounts were generating more substantial shifts of funds into these broader aggregates from market instruments. The intermeeting range for the federal funds rate, which provides a mechanism for initiating further consultation of the Committee, was set at 6 to 10 percent.

The following domestic policy directive was

issued to the Federal Reserve Bank of New York:

The information reviewed at this meeting suggests that real GNP declined in the fourth quarter, although final sales apparently were maintained, and that the rise in prices remained much less rapid than in 1981. Retail sales and housing activity have strengthened in recent months, but business fixed investment apparently has weakened further and efforts to reduce inventories have continued. In November industrial production and nonfarm payroll employment declined further, and the unemployment rate rose 0.4 percentage point to 10.8 percent. Initial claims for unemployment insurance, although down from the early autumn peaks, have remained relatively high. In recent months the advance in the index of average hourly earnings has slowed appreciably further.

The weighted average value of the dollar against major foreign currencies has declined from peaks reached in early November. The U.S. merchandise trade deficit rose sharply further in October.

Growth of M1 has remained rapid in recent months, while growth of M2 and M3 has continued at about or somewhat below the rates of earlier in the year. On balance short-term market interest rates have declined since mid-November, while bond yields have risen somewhat in response to unusually heavy borrowing by businesses and governments; mortgage rates have edged down further. The Federal Reserve announced reductions in the discount rate from 9½ percent to 9 percent on November 19 and to 8½ percent on December 13.

The Federal Open Market Committee seeks to foster monetary and financial conditions that will help to reduce inflation, promote a resumption of growth in output on a sustainable basis, and contribute to a sustainable pattern of international transactions. In July, the Committee agreed that these objectives would be furthered by reaffirming the monetary growth ranges for the period from the fourth quarter of 1981 to the fourth quarter of 1982 that it had set at the February meeting. These ranges were 2½ to 5½ percent for M1, 6 to 9 percent for M2, and 6½ to 9½ percent for M3. The associated range for bank credit was 6 to 9 percent. The Committee agreed that growth in the monetary and credit aggregates around the top of the indicated ranges would be acceptable in the light of the relatively low base period for the M1 target and other factors, and that it would tolerate for some period of time growth somewhat above the target should unusual precautionary demands for money and liquidity be evident in the light of current economic uncertainties. The Committee had also earlier indicated that it was tentatively planning to continue the current ranges for 1983, but it will review that decision carefully at its February 1983 meeting in light of economic developments and institutional changes associated with the new deposit accounts authorized by the Depository Institutions Deregulation Committee.

Specification of the behavior of M1 over the months ahead remains subject to substantial uncertainty because of special circumstances in connection with the public's response to the new deposit accounts available at depository institutions. The difficulties in interpretation of M1 continue to suggest that much less than usual weight be placed on movements in that aggregate during the coming quarter. The institutional changes also add a degree of uncertainty to the behavior of the broader monetary aggregates.

In all the circumstances, the Committee seeks to maintain expansion in bank reserves consistent with growth of M2 of around 9½ percent at an annual rate, and of M3 at about an 8 percent rate, from December to March, allowing in the case of M2 for modest shifting into the new money market accounts from large-denomination CDs or market instruments. The Committee indicated that greater growth would be acceptable if analysis of incoming data and other evidence from bank and market reports indicate that the new money market accounts are generating more substantial shifts of funds into broader aggregates from market instruments. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that pursuit of the monetary objectives and related reserve paths during the period before the next meeting is likely to be associated with a federal funds rate persistently outside a range of 6 to 10 percent.

Votes for this action: Messrs. Volcker, Solomon, Balles, Gramley, Mrs. Horn, Messrs. Martin, Par-tee, Rice, Mrs. Teeters, and Mr. Wallich. Votes against this action: Messrs. Black and Ford.

Mr. Black dissented because he preferred to direct policy in the weeks immediately ahead toward ensuring that the growth of M1, abstracting from temporary effects of the introduction of new money market deposit accounts, would moderate from the extremely rapid rate of recent months. While recognizing the difficulties in interpreting M1 currently, he was concerned that excessive underlying growth in that aggregate might reverse the progress achieved in reducing inflation and inflationary expectations and lead to substantially weaker markets for long-term securities.

Mr. Ford dissented from this action because he continued to prefer a policy for the current period that was more firmly directed toward restraining monetary growth, after allowance for the short-run impact of the introduction of the new money market deposit accounts. He remained concerned that rapid expansion in the

supply of money together with very large budget deficits would produce an overly stimulative combination of policies that could rekindle inflation and inflationary expectations and lead to higher interest rates during 1983 and 1984.

The Committee subsequently, on several occasions, discussed the extraordinarily rapid growth in money market deposit accounts (MMDAs) that had taken place since they became available in mid-December and the implications of this growth for behavior and interpretation of the monetary aggregates. At a telephone conference on January 28, 1983, it was noted that these accounts had risen to a level of about \$185 billion on average by the week ending January 19, leading to a very sharp expansion in M2. Estimates of sources of MMDA inflows at this time were inevitably subject to considerable uncertainty. Growth of M2 seemed clearly to be on a track well above the 9½ percent annual rate for the December to March period set at the December meeting, but staff analysis—based on assessment of incoming data as well as various reports on sources of MMDA inflows—suggested it was possible that virtually all of the greater M2 growth might be attributed to unexpectedly large shifts into MMDAs out of instruments not included in M2. Effects on M3 were more problematical, but actual growth of this aggregate in December and January on average appeared to have been modest. Expansion of M1 had remained on the strong side; while there may have been some diversion from M1 to MMDAs, its growth very recently had been raised by the introduction of Super NOW accounts. It was the Committee consensus for the time being to maintain the existing degree of reserve restraint but not to increase this restraint further in response to the recent reported over-target growth of the broader monetary aggregates because that growth appeared to be primarily related to the massive redistribution of funds currently under

way. The situation will be reviewed at the FOMC meeting on February 8–9.

2. *Authorization for Domestic Open Market Operations*

At this meeting the Committee voted to increase from \$3 billion to \$4 billion the limit on changes between Committee meetings 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, effective immediately, for the period ending with the close of business on February 9, 1983.

Votes for this action: Messrs. Volcker, Solomon, Balles, Black, Ford, Gramley, Mrs. Horn, Messrs. Martin, Partee, Rice, Mrs. Teeters, and Mr. Wallich. Votes against this action: None.

This action was taken on the recommendation of the Manager for Domestic Operations. The Manager had advised that substantial net sales of securities were likely to be required during January in order to absorb reserves that had been provided over recent weeks to meet seasonal needs for currency in circulation.

On January 25–26, 1983, the Committee voted to approve an additional increase to \$5.5 billion in the intermeeting limit on changes in holdings of U.S. government and federal agency securities, effective immediately, for the period ending with the close of business on February 9, 1983. This action was taken after the Manager had advised that the seasonal need to absorb reserves in association with the return flow of currency would be greater than anticipated earlier.

Votes for this action: Messrs. Volcker, Solomon, Balles, Black, Ford, Gramley, Mrs. Horn, Messrs. Martin, Partee, Rice, Mrs. Teeters, and Mr. Wallich. Votes against this action: None.

Legal Developments

AMENDMENT TO REGULATION L

The Board of Governors of the Federal Reserve System has amended its Regulation L—Management Official Interlocks, to permit a management official of a depository organization who terminated a grandfather interlock because of a change in circumstances, as defined by the agencies, to resume the interlock for the duration of the grandfather period under the Act.

Effective February 7, 1983, section 212.5 of Regulation L is amended by revising it to read as set forth below:

Part 212—Management Official Interlocks

Section 212.5—Grandfathered Interlocking Relationships

A person whose interlocking service in a position as a management official of two or more depository organizations began prior to November 10, 1978, and was not immediately prior to that date in violation of Section 8 of the Clayton Act (15 U.S.C. 19) is not prohibited from continuing to serve in such interlocking positions until November 10, 1988. Any management official who has been required to terminate or who has terminated service in one or more such interlocking positions as a result of a merger, acquisition, consolidation, or establishment of an office that formerly was defined as a change in circumstances in 12 CFR 212.6(a) (1981) is not prohibited from continuing or resuming such service until November 10, 1988.

AMENDMENTS TO RULES REGARDING DELEGATION OF AUTHORITY

The Board of Governors has amended its Rules Regarding Delegation of Authority (12 CFR Part 265) to grant permission to member banks and certain United States branches and agencies of foreign banks to create bankers' acceptances of the type described in 12 U.S.C. 372 up to 200 per cent of capital stock and surplus and has also amended Part 265 to delegate to the Director of the Division of Consumer and Commu-

nity Affairs the authority to make determinations under § 226.28 of Regulation Z and § 213.7 of Regulation M regarding the effects of the Truth in Lending Act on analogous state laws.

Effective February 1, 1983, section 265.2(f)(6) is revised, and effective February 2, 1983, section 265.2(h)(2) is amended by revising it to read as follows:

Part 265—Rules Regarding Delegation of Authority

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

* * * * *

(f) ***

(6) Under the provisions of the seventh paragraph of section 13 of the Federal Reserve Act (12 U.S.C. 372), to permit a member bank or a Federal or State branch or agency of a foreign bank that is subject to reserve requirements under section 7 of the International Banking Act of 1978 (12 U.S.C. 3105) to accept drafts or bills of exchange in an aggregate amount at any one time up to 20 per cent of its paid up and unimpaired capital stock and surplus, if the Reserve Bank is satisfied that such permission is warranted after giving consideration to the institution's capitalization in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the volume of its risk assets and of its marginal and inferior quality assets, all considered in relation to the strength of its management.

* * * * *

(h) ***

(2) Pursuant to Section 111, 171(a) and 186(a) of the Truth in Lending Act (15 U.S.C. 1610(a), 1666j(a) and 1667e(a)) and the Board's Regulation Z (12 CFR 226.28) and Regulation M (12 CFR 213.7), to make determinations regarding the effect of the Truth in Lending Act on state laws.

* * * * *

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

***Orders Under Section 3 of Bank Holding
Company Act***

Fourth Financial Corporation,
Wichita, Kansas

***Order Approving Acquisition of Shares of a Bank
Holding Company***

Fourth Financial Corporation, Wichita, Kansas, a registered bank holding company under the Bank Holding Company Act ("BHC Act"), as amended, 12 U.S.C. § 1841 et seq., has applied for the Board's approval under section 3(a)(3) of the Act, (12 U.S.C. § 1842(a)(3)), to acquire 24.98 percent of the outstanding voting shares¹ and 100 percent of the outstanding nonvoting preferred stock of Pittsburg Bancshares, Inc., Pittsburg, Kansas ("Pittsburg"), and, thereby, indirectly to acquire an interest in the National Bank of Pittsburg, Pittsburg, Kansas ("Bank").

Applicant's investment in the voting and nonvoting preferred stock of Pittsburg amounts to \$8 million, and will represent approximately 89 percent of the total equity of Pittsburg. An officer and director of Applicant will serve as one of the three directors of Pittsburg. Applicant will not have officers or directors in common with Bank. In addition, Applicant has a 10-year option to purchase the remaining 74.94 percent of the outstanding voting shares of Pittsburg if Kansas law is changed to permit such an acquisition, and a right of first refusal and certain other rights with respect to these shares, which are to be acquired by Mr. Fred B. Anschutz, a private investor who is not an officer or director of Applicant.² Mr. Anschutz' investment will total \$1 million and will not be financed in any manner by Applicant. Mr. Anschutz will act as a director and president of Pittsburg and his financial advisor will also serve as a director of Pittsburg and Bank.

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

Applicant, with assets of \$952 million,³ is the largest banking organization in Kansas. It controls, through the Fourth National Bank and Trust Company, Wichita, Kansas,⁴ \$635 million in deposits, representing 5.9 percent of statewide deposits. Bank is the thirty-eighth largest bank in Kansas, and controls \$66 million in deposits, representing 0.4 percent of commercial banking deposits statewide. Upon consummation of the proposed acquisition, Applicant will remain the largest commercial banking organization in Kansas and will control 6.3 percent of total deposits in commercial banking organizations in Kansas. The Board concludes that the acquisition proposed by Applicant will not have any significant effect on the concentration of banking resources in Kansas.

Bank is the largest commercial banking organization in the Crawford County banking market,⁵ and controls 27.4 percent of deposits in commercial banks in the market. Applicant does not control a banking organization in the Crawford County banking market, and is prohibited by Kansas law from operating a branch in that market.⁶ Accordingly, consummation of the proposed transaction would not have any significant effect on existing or potential competition in any relevant banking market. In view of the Board's finding, as discussed below, that Applicant will, upon consummation of the proposal, control Pittsburg and Bank under the federal BHC Act, the Board has evaluated the financial and managerial resources of Applicant, Pittsburg, and Bank within the context of the Board's multibank holding company standards. Under these standards, the financial and managerial resources of these organizations are regarded as generally satisfac-

1. Under section 3(a)(3) of the BHC Act, a bank holding company may not, without the prior approval of the Board, acquire directly or indirectly more than 5 percent of the voting shares of a bank. The Board has held that this requirement applies to the acquisition of a bank holding company of shares of another bank holding company. *State Street Boston Corporation*, 67 FEDERAL RESERVE BULLETIN 862 (1981).

2. At the expiration of this 10-year option, Mr. Anschutz has a one-year option to purchase all of the voting common and nonvoting preferred stock held by Applicant. In addition, the stockholders agreement between Mr. Anschutz and Applicant provides that neither party may transfer any voting or preferred shares of Pittsburg without allowing the other party to sell the shares of Pittsburg to the proposed third party purchaser. In the event the option is not exercised or the third party purchaser does not purchase all of the shares of Pittsburg, either Applicant or Mr. Anschutz may, under certain circumstances, require the dissolution and liquidation of Pittsburg.

3. All data with respect to Applicant are as of June 30, 1982, and those of Bank are as of September 30, 1982. On January 18, 1983, the Board approved Applicant's acquisition of 24.9 percent of the voting shares of Coffeyville Bancshares, Inc. In the Order the Board determined that Applicant would control Coffeyville and its subsidiary bank for purposes of the federal BHC Act. Thus, upon consummation of this acquisition, Applicant would have total assets of \$1.12 billion and control aggregate deposits of \$813 million, representing 6.4 percent of statewide deposits.

4. Applicant also owns as an investment 24.9 percent of the outstanding voting shares of M-L Bancshares, Inc., Wichita, Kansas, a registered one-bank holding company by virtue of its control of The Kansas State Bank, Newton, Kansas.

5. The Crawford County banking market is approximated by Crawford County, Kansas.

6. Kan. Stat. Ann. § 9-1111 (1975).

tory, and their future prospects appear favorable. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval.

In acting on an application under the BHC Act, the Board is required to consider, in addition to the competitive, financial, managerial and convenience and needs factors set out in the BHC Act, whether the proposal would comply with the provisions of relevant state law, and the Board may not approve an application that would result in a violation of state law.⁷

KIBA has objected to approval of this application, contending that the proposed acquisition would violate a provision of Kansas law that prohibits a company from owning, controlling or holding with power to vote 25 percent or more of the voting shares of each of two or more banks in Kansas, or controlling in any manner the election of a majority of the directors of each of two or more banks in Kansas.⁸ KIBA contends that, as a result of several factors, including the size of the investment proposed by Applicant, the existence of an option in favor of Applicant to purchase the remaining outstanding voting shares of Pittsburg, and certain provisions in the stockholders agreement restricting the transfer of Mr. Anschutz's shares, the proposed transaction will allow Applicant to acquire control of a second bank in Kansas. KIBA has requested that the Board hold a formal hearing to explore whether under Kansas law a control relationship between Fourth Financial and Pittsburg will result upon consummation of the proposal.

By Order dated January 18, 1983, the Board approved, over similar objections by KIBA, a nearly identical section 3(a)(3) proposal involving Applicant.⁹ In its Order, the Board examined KIBA's position regarding the applicability of Kansas law to the transaction and concluded that consummation of the transaction would not violate Kansas law. In reaching this conclusion, the Board relied on the opinion of the Kansas Attorney General concerning the status of the transaction under Kansas law.¹⁰ In his opinion the Attorney General concluded that, under Kansas law, a company indirectly controls voting shares of a bank or the election of a majority of the board of directors of a bank if a factual determination is made that a company has the ability to exercise restraining or directing

influence over another company. The Attorney General further stated that ownership by a company of 24.9 percent of the voting shares and 100 percent of the preferred stock of another company is insufficient to give the company control over the other company, the voting shares of the subsidiary bank held by the other company, or the election of a majority of the directors of the subsidiary bank. The opinion concludes that a company's option to acquire the remainder of the voting shares, or a company's right of first refusal with respect to the remainder of the voting shares, does not give the company control of the other company, the voting shares of the subsidiary bank held by the other company, or the election of a majority of the directors of the subsidiary bank.

In this case the Kansas Bank Commissioner took sworn statements of Mr. Anschutz and Applicant's officers. These persons stated that the documents submitted to the Board and to the Commissioner represent all of the documents and agreements between the parties regarding control of Pittsburg. Based on the Attorney General's opinion, and after review of the underlying agreements and memoranda submitted by Applicant and the sworn statements of Mr. Anschutz and Applicant's officers, the Commissioner concluded that "there is no apparent violation of the Kansas banking statutes" in Applicant's proposal.

The record contains no evidence of explicit or tacit agreements between Mr. Anschutz and Applicant, other than the documents and agreements submitted with this application, relating to ownership or control of Pittsburg or Bank or their management, policies or operations, or regarding the voting shares of Bank held by Pittsburg. The record shows that Mr. Anschutz has made a personal investment in Pittsburg using his own resources; that he has not been indemnified by Applicant for his investment; and that he has no significant ownership or management affiliation with Applicant. There is no evidence that he is acting as an agent of, for, or on behalf of Applicant or any person acting for Applicant, or that he is affiliated in any other way with Applicant.

The record also shows that Mr. Anschutz proposes to act as a director and president of Pittsburg and to appoint his personal financial advisor as a director of Pittsburg and Bank. Mr. Anschutz will thus control two of the three seats on Pittsburg's board of directors. Applicant will elect one representative to the board of directors of Pittsburg and has committed not to take any action that would represent or result in control over Pittsburg or Bank for purposes of the Kansas banking statute.

In view of all of the facts of record in this case and for the reasons expressed herein and in its Order of January 18, 1983 regarding Applicant's acquisition of

7. *Whitney National Bank in Jefferson Parish v. Bank of New Orleans & Trust Company*, 379 U.S. 411 (1965).

8. Kan. Stat. Ann. §§ 9-504 and 9-505 (1975).

9. *Fourth Financial Corporation/Coffeyville Bancshares, Inc.*, 69 FEDERAL RESERVE BULLETIN 95 (1983). KIBA acknowledges in its comment that the pending application is "nearly identical" to Applicant's recently approved acquisition of Coffeyville Bancshares, Inc., and that its opposition to that application was filed "on the same grounds [as are] asserted herein."

10. 82 Op. Kan. Att'y Gen. 196 (September 8, 1982).

Coffeyville Bancshares, Inc., the Board concludes that consummation of the proposal will not violate the Kansas banking statute.

Although consummation of the proposed transaction does not appear to allow Applicant to control Pittsburg or Bank for purposes of the Kansas banking statute, the Board concludes, based upon the facts of record and established Board precedent, that Applicant will control Pittsburg and Bank for purposes of the federal BHC Act.¹¹ In the Board's judgment, the long-term option in favor of Applicant to purchase the voting shares of Pittsburg owned by Mr. Anschutz and the other restrictions on the transferability of these shares,¹² Applicant's guarantee of the purchase agreement between Pittsburg and present shareholders of Bank,¹³ and the fact that Applicant will hold approximately 89 percent of the total equity of Pittsburg and will bear substantially all of the risk of loss or receive substantially all of the gain on the proposal, demonstrate that Applicant will control Pittsburg and Bank for purposes of section 2(a)(2) of the Act and the Board's regulations thereunder.¹⁴ In this regard, Applicant has agreed to register and report Pittsburg and Bank as subsidiaries for purposes of the BHC Act and section 23A of the Federal Reserve Act, (12 U.S.C. § 371c).

The Board has also considered KIBA's request for a formal hearing.¹⁵ KIBA contends that a formal hearing is required in this case in order to explore fully and develop information regarding whether Applicant will control Pittsburg for purposes of Kansas law. KIBA has not identified any relevant facts that it considers to

be in dispute or that appear to warrant further investigation. Nor has KIBA shown that the facts before the Board are incomplete or insufficient to permit the Board to carry out its responsibility under the BHC Act or that further investigation would produce additional relevant information. In essence, KIBA disputes the conclusion drawn by the state authorities regarding the question of control under state law. The Board is not required to hold a formal hearing where a party disputes the conclusion to be drawn from established facts or where such proceeding would not serve to develop new or useful facts.¹⁶ Accordingly, the Board concludes that a formal hearing is not warranted in this case, and hereby denies KIBA's request for a hearing.

On the basis of the record, and for the reasons discussed above, the application is hereby approved. The transaction shall not be made before the thirtieth day following the effective date of this Order, or later than three months after that date, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City, pursuant to delegated authority.

By order of the Board of Governors, effective February 14, 1983.

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

(Signed) JAMES MCAFEE,
[SEAL] Associate Secretary of the Board

Guaranty, Inc.,
Beloit, Kansas

Order Approving Acquisition of Shares of a Bank Holding Company

Guaranty, Inc., Beloit, Kansas, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended, 12 U.S.C. § 1841 et seq. ("BHC Act"), has applied for the Board's approval under section 3(a)(3) of the BHC Act, (12 U.S.C. § 1842(a)(3)), to acquire 24.8 percent of the voting

11. Unlike the Kansas banking statute, which focuses only on ownership of voting shares or control of the election of a majority of the board of directors of a bank, the federal BHC Act defines control to include any situation where the Board determines that a company exercises a controlling influence over the management or policies of a bank, without regard to whether that company owns or controls voting shares of the bank or has the ability to elect a majority of the bank's board of directors, (12 U.S.C. § 1841(a)(2)(C)). The federal BHC Act also defines control of a bank or company by a company "acting through one or more persons", (12 U.S.C. § 1841(a)(2)(A)). The Kansas statute has no similar provision.

12. The Board has established a presumption in Regulation Y that attributes control of voting shares to any company that enters into any agreement placing long-term restrictions on the rights of a holder of the voting shares. 12 C.F.R. § 225.2(b)(4).

13. See, e.g., *The Jacobus Company and Inland Financial Corporation*, 60 FEDERAL RESERVE BULLETIN 130 (1974); *Mid America Bancorporation, Inc.*, 60 FEDERAL RESERVE BULLETIN 131 (1974).

14. The Board reached the identical conclusion in its Fourth Financial/Coffeyville order when examining the similarly structured stockholders agreement in that proposal.

15. The BHC Act requires the Board to hold a formal hearing on an application submitted under section 3 of the Act only if the Office of the Comptroller of the Currency, in the case of a national bank, or the state supervisory authority, in the case of a State bank, expresses written disapproval of the proposed transaction. (12 U.S.C. § 1842(b)). This hearing requirement is not triggered in this instance because the Comptroller of the Currency, the supervisor of Bank, expressed no objection to the proposed transaction.

16. *Northwest Bancorporation v. Board of Governors*, 303 F.2d 832, 843-844 (8th Cir. 1982). Moreover, as noted by the Kansas Attorney General, the State Bank Commissioner has a continuing obligation to monitor the future relationship between Applicant and Pittsburg to determine whether Applicant will in fact control Bank through means other than those presented in the structure of the proposal itself. In the event such determination is made in the future, the state has the authority to require termination of the control relationship at that time.

shares and 100 percent of the nonvoting shares of Delphos, Inc., and thereby indirectly to acquire an interest in State Bank of Delphos, Delphos, Kansas ("Delphos Bank").¹

Applicant's investment in the voting and nonvoting shares of Delphos amounts to \$562,000, and will represent about 94 percent of the total equity of Delphos. All officers and directors of Applicant will be officers and directors of Delphos and Delphos Bank. In addition, the officers and directors of Applicant will purchase the remaining 75.2 percent of the voting shares of Delphos.²

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with section 3(b) of the BHC Act. The time for filing comments and views has expired, and the Board has considered all comments received, including those of the Kansas State Bank Commissioner and the Kansas Independent Bankers Association ("KIBA"), in light of the factors set forth in section 3(c) of the BHC Act.

Applicant, a one-bank holding company, controls The Guaranty State Bank & Trust Company, Beloit, Kansas, which holds deposits of \$27.3 million and is one of the smaller banking organizations in Kansas.³ Delphos Bank, with deposits of \$7.9 million, is also one of the smaller banking organizations in the state. Accordingly, consummation of the proposed transaction would not have a significant effect on the concentration of banking resources in Kansas.

Delphos Bank competes in the Ottawa County banking market and is the fourth largest bank in the market with 10.6 percent of the total deposits in commercial banks in that market. Applicant's subsidiary bank is located in a separate banking market and is prohibited from branching into the Ottawa County banking market by state law.⁴ Accordingly, consummation of the proposal would not have any significant effect on competition in the relevant banking markets.

In view of the Board's finding, as discussed below, that Applicant will upon consummation of the proposal control Delphos and Delphos Bank under the federal BHC Act, the Board has evaluated the financial and

managerial resources of Applicant, Delphos and Delphos Bank within the context of the Board's multibank holding company standards. Under these standards, the financial and managerial resources of these organizations are regarded as generally satisfactory, and their future prospects appear favorable. Considerations relating to the convenience and needs of the communities involved are also consistent with approval.

In acting on an application under the BHC Act, the Board is required to consider, in addition to the competitive, financial, managerial and convenience and needs factors set out in the Act, whether the proposal would comply with the provisions of the relevant state law, and the Board may not approve an application that would result in a violation of state law.⁵

KIBA has objected to approval of this application, contending that the proposed acquisition would violate a provision of Kansas law that prohibits a company from owning, controlling or holding with power to vote 25 percent or more of the voting shares of each of two or more banks in Kansas, or controlling in any manner the election of a majority of the directors of each of two or more banks in Kansas.⁶ KIBA contends that, as a result of several factors, including the purchase of 100 percent of Delphos' voting stock, either directly by Applicant or indirectly by Applicant's principals, and the relative size of Applicant's proposed investment, Applicant will control a second Kansas bank in violation of Kansas law. KIBA has requested that the Board order a formal hearing to explore whether under Kansas law a control relationship between Applicant and Delphos will exist upon consummation of the proposal.

In connection with the matter, the Kansas State Bank Commissioner requested an opinion from the Kansas Attorney General regarding the legality of Applicant's proposal under the Kansas banking statute. In response, the Attorney General referred the Bank Commissioner to two opinions issued by the Attorney General on unrelated, although similar, bank holding company applications, stating that these interpretations of Kansas law provided guidance on how the Kansas statute should be interpreted and applied.⁷ The Attorney General further stated that it is the responsibility of the Bank Commissioner to determine whether there are facts or circumstances present in a particular matter that would cause a company to control two banks in violation of Kansas law.

1. Under section 3(a)(3) of the BHC Act, a bank holding company may not, without the prior approval of the Board, acquire directly or indirectly more than five percent of the voting shares of a bank. The Board has held that this requirement applies to the acquisition of a bank holding company of shares of another bank holding company. *State Street Boston Corporation*, 67 FEDERAL RESERVE BULLETIN 862 (1981).

2. Each officer and director will purchase an identical percentage of Delphos' shares for approximately \$3,300 each. Applicant will not extend funds or in any way guarantee these individuals' purchase of Delphos' shares.

3. All banking data are as of June 30, 1982.

4. Kan. Stat. Ann. section 9-1111.

5. *Whitney National Bank in Jefferson Parish v. Bank of New Orleans & Trust Company*, 379 U.S. 411 (1965).

6. Kan. Stat. Ann. §§ 9-504 and 9-505 (1975).

7. 82 Op. Kan. Att'y Gen. 195 and 196 (1982).

In the two opinions interpreting the Kansas banking statute, the Attorney General concluded that, under Kansas law, a company "indirectly controls" voting shares of a bank or the election of a majority of the board of directors of a bank if a factual determination is made that the company controls, within the ordinary dictionary meaning of the term "control," a second company that owns voting shares of a bank or controls the election of a majority of the directors of a bank. The Kansas Attorney General advised the Bank Commissioner that the definition of "control" that should be used in making this factual determination is whether the company has the ability "to exercise restraining or directing influence" over the second company.

As a matter of law, the Attorney General concluded that a company could not be deemed to control indirectly the voting shares of a bank held by shareholders, officers or directors of the company unless there are agreements or understandings between the company and its shareholders, officers or directors that would allow the company to control 25 percent or more of the voting shares of the bank or the election of a majority of its directors. Absent some agreement or understanding, or evidence that the shareholders and management officials of an applicant are acting on behalf of the company with respect to their ownership of or positions with the bank to be acquired, the Attorney General found that there is no legal basis to impute to a corporation control over the voting stock of a bank held by the corporation's stockholders. Moreover, the Attorney General pointed out that Kansas law does not prohibit individuals from owning or controlling more than one bank.

Acting on the basis of the Attorney General's opinion, the Bank Commissioner took sworn testimony from principals of Applicant concerning the proposed transaction. In the course of the State's evidentiary proceeding, the Commissioner established that there are no written or oral agreements or understandings between Applicant and the 12 individuals who will own voting shares of Delphos by which Applicant could vote the shares of or control the election of a majority of the directors of Delphos; that there are no common family or other significant relationships among the individuals; and that the nonvoting common shares to be held by Applicant carry no voting rights that could enable Applicant to control Delphos or Delphos Bank. The record of that proceeding also reflects that there are no agreements among the 12 individuals concerning the ownership of shares of both Applicant and Delphos and that each individual is free to sell his or her shares in either company to any person, without regard to the common interests of the 12 shareholders and Applicant. Applicant will have no option to purchase the shares of Delphos held by these individuals if Kansas law changes to permit such

ownership. Based upon the general legal guidance provided in the opinions of the Attorney General and the evidence reflected in the record, the Commissioner concluded that there was no apparent violation of the Kansas statute.

In interpreting State law, the Board generally has given great weight to opinions of the State Attorney General or relevant state administrative agency where the Board's review of the opinion reveals that it is well reasoned, supported by the facts of record, consistent with the statutory language being interpreted, and not inconsistent with either the apparent intent of the statute or its legislative history.⁸ In this case, the Board concludes that the opinion of the Kansas State Bank Commissioner, entered after a consideration of the contentions of KIBA and all facts developed in the proceeding, is consistent with past administration of the Kansas Banking statute by State authorities and does not appear to contravene the intent of the statute as interpreted by the Kansas Attorney General.

In reaching this conclusion, the Board notes that the control provisions of the Kansas banking statute were modeled after those in the BHC Act as enacted in 1956. The 1970 Amendments to the BHC Act broadened the control provisions of the federal BHC Act to include those situations where a company controlled the voting shares of a bank "acting through one or more other persons" (12 U.S.C. § 1841(a)(2)(A)), or where the Board determines "that the company directly or indirectly exercises a controlling influence over the management or policies of the bank" (12 U.S.C. § 1841(a)(2)(C)). The Kansas statute has never been amended to include these definitions of control. As the Board has previously stated, the Board may find that control of a bank exists for purposes of the BHC Act but not for purposes of the Kansas statute because of these significant differences between the control provisions of the federal and state statutes.⁹

The Board recognizes that the Kansas Attorney General and the State Bank Commissioner have adopted a narrow interpretation of the term "control" in the Kansas statute. However, the Board also recognizes that the primary responsibility for enforcing and ensuring the integrity of the state statute rests with the state, which has formally condoned the proposal. Since this interpretation of the state statute does not impair the Board's ability to interpret or apply the federal BHC Act, the Board will not substitute its judgment for that of the Kansas authority where, as here, there is a basis

8. *Credit and Commerce American Holdings, N.V.*, 65 FEDERAL RESERVE BULLETIN 254, 255 (1979); *Northwest Kansas Banc Shares, Inc.*, 69 FEDERAL RESERVE BULLETIN 98; *Fourth Financial Corporation*, 69 FEDERAL RESERVE BULLETIN 95.

9. *Fourth Financial Corporation*, supra, note 8; *Northwest Kansas Banc Shares, Inc.*, supra, note 8. Because of these differences, the Board concludes that KIBA's reliance on interpretations of control under the federal BHC Act is misplaced.

in the record for the finding of the state authority. The Board does not believe that the Attorney General's or the Commissioner's reliance on the record evidence with respect to the absence of explicit or tacit agreements or arrangements between Applicant and its shareholders concerning the ownership or control of the voting shares of Delphos or Delphos Bank or the election of a majority of the directors of Delphos Bank is unreasonable. In light of all the facts and circumstances of this proposal, including the opinions of the Kansas Attorney General and the factual findings made by the Kansas State Bank Commissioner after the conduct of an evidentiary proceeding, the Board concludes that consummation of the proposal will not result in a violation of Kansas law.

While consummation of the proposed transaction does not appear to allow Applicant to control Delphos or Delphos Bank for purposes of the Kansas banking statute, the Board concludes, based upon the facts of record and established Board precedent, that Applicant will control Delphos and Delphos Bank for purposes of the federal BHC Act. In this case, Applicant will hold 24.8 percent of the voting shares and 100 percent of the nonvoting common shares of Delphos, representing 94 percent of the equity of Delphos. The twelve shareholders and management officials of Applicant who will be shareholders of Delphos will each hold a management position with Delphos and/or Delphos Bank. Under the presumptions of control established by the Board in Regulation Y, Applicant would be presumed to control Delphos and Delphos Bank under the BHC Act.¹⁰ Moreover, the Board has also held that where a company will bear substantially all of the risk of economic gain or loss on an investment in a bank, the voting shares of which are held by the company's officers and directors, the company may be deemed to control that bank for purposes of the BHC Act.¹¹

10. 12 C.F.R. § 225.2(b)(2). See also "Policy Statement on Nonvoting Equity Investments by Bank Holding Companies", (12 C.F.R. § 225.143), 68 FEDERAL RESERVE BULLETIN 413 (1982); *Fourth Financial Corporation*, supra, note 8.

11. In a case substantially similar to the instant proposal, the Board determined that control by a one-bank holding company of nonvoting preferred stock representing 99.6 percent of another bank's total equity coupled with the purchase of 100 percent of the voting stock of the bank by the company's officers and directors represented control of the bank by the company under both the BHC Act and the Oklahoma statute prohibiting the formation of multibank holding companies, (*Security Corporation, Duncan, Oklahoma*, Board letter to J. A. Maurer, June 23, 1982). Applicant's assumption of almost all of the risk of financial gain or loss from the operations of Delphos and Delphos Bank raises the same concerns that underlie the Board's decision in *Security*. The Oklahoma statute in question is identical to the Kansas statute at issue here, except the relevant percentage of voting shares is 15 percent rather than 25 percent. However, in *Security*, the Oklahoma Commissioner found that the transaction would violate state law and there were no applications for approval filed with either the Board or the State of Oklahoma.

The Board's finding that Applicant will control Delphos and Delphos Bank under the federal BHC Act does not bar approval of this application because the federal BHC Act specifically permits the formation and operation of multibank holding companies. The required application for the Board's approval under the BHC Act has been filed and, as noted, the competitive, financial, managerial, and convenience and needs standards in the BHC Act have been met. The proposal also does not involve an interstate bank acquisition that would violate section 3(d) of the BHC Act, and Applicant is not engaged in impermissible nonbanking activities. There is thus no basis for denial of this application under the federal BHC Act.

The Board has also considered KIBA's request for a formal hearing. KIBA contends that a formal hearing is required in this case in order to fully explore and develop information regarding whether Applicant will control Delphos for purposes of Kansas law.

The BHC Act requires the Board to hold a formal hearing regarding an application submitted under section 3 of the Act only in the event that the Office of the Comptroller of the Currency, in the case of a national bank, or the state supervisory authority, in the case of a state-chartered bank, expresses written disapproval of the proposed transaction.¹² This hearing requirement is not triggered in this case because the Kansas State Bank Commissioner, the appropriate banking supervisor for Delphos Bank, has expressed his written approval of the proposed transaction.

Further, KIBA has been given the opportunity to submit facts and arguments to the Board regarding this application, and has not provided any basis to support the belief that the facts already before the Board are incomplete or insufficient to permit the Board to carry out its responsibility under the BHC Act, or that further investigation would produce additional relevant information. Nor has KIBA identified any relevant facts that are in dispute. Rather, KIBA disputes the conclusion drawn by the state authorities regarding the existence of control under state law. The Board is not required to hold a formal hearing where a party disputes the conclusion to be drawn from established facts or where such proceedings would not serve to develop new or useful facts.¹³ Accordingly, based on

12. 12 U.S.C. § 1842(b); *Northwest Bancorporation v. Board of Governors*, 303 F.2d 832, 843-44 (8th Cir. 1962); *Grandview Bank & Trust Co. v. Board of Governors*, 550 F.2d 415 (8th Cir. 1977); and *Farmers & Merchants Bank of Las Cruces v. Board of Governors*, 567 F.2d 1089 (D.C. Cir. 1977).

13. *Northwest Bancorporation* supra, note 12. Moreover, as noted by the Kansas Attorney General in other cases, the State Bank Commissioner would have a continuing obligation to monitor the future relationship between Applicant and Delphos to determine whether Applicant will in fact control Delphos Bank through means other than those presented in the structure of the proposal itself. In the event such determination is made in the future, the state has the authority to require termination of the control relationship at that time.

these facts, the submissions by the parties, and the investigation by the Commissioner, including the depositions of representatives of Applicant, the Board concludes that a formal hearing is not warranted in this case, and hereby denies KIBA's request for a hearing.

On the basis of the record, and for the reasons discussed above, the application is hereby approved. The transaction shall not be made before the thirtieth 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 Kansas City, pursuant to delegated authority.

By order of the Board of Governors, effective February 15, 1983.

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

(Signed) JAMES McAFEE,
[SEAL] Associate Secretary of the Board

Orders Under Section 4 of Bank Holding Company Act

BankAmerica Corporation,
San Francisco, California

Order Approving Application to Engage in Certain Futures Commission Merchant Activities

BankAmerica Corporation, San Francisco, California, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1841 et seq.) (the "Act"), has applied for the Board's approval, under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to engage through its subsidiary, BA Futures, Incorporated, San Francisco, California ("BAFI"), in acting as a futures commission merchant (an "FCM") for nonaffiliated persons, in the execution and clearance of certain futures contracts on major commodity exchanges. Such contracts would cover foreign exchange, government securities, and negotiable money market instruments.

Notice of the application, affording interested persons an opportunity to submit comments and views on the relation of the proposed activity to banking and on the balance of the public interest factors regarding the application, has been duly published (47 *Federal Register* 55733 (1982)). The time for filing comments and views has expired, and the Board has considered the

application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.

Applicant, with consolidated assets of \$122.5 billion, is a bank holding company by virtue of its control of Bank of America, N.T. & S.A. ("Bank").¹ Bank, which holds total domestic deposits of \$55.2 billion and combined domestic and international deposits of \$94 billion, is the largest commercial banking organization in California. Applicant engages in various permissible banking-related activities throughout the United States. The Board recently approved three applications by bank holding companies to engage in FCM activities.² Applicant's proposal generally parallels those proposals, and the Board considers it appropriate to examine Applicant's proposal within the same framework.

Closely Related to Banking

In order to approve an application submitted pursuant to section 4(c)(8) of the Act, the Board is first required to determine that the proposed activity is closely related to banking or managing or controlling banks. Upon consideration of all the facts of record, the Board has determined, for the reasons explained below, that BAFI's proposed activities as an FCM, with respect to the contracts involved in this application, would be closely related to banking.

Foreign Exchange. The Board has determined on five prior occasions that FCM activities or their equivalent with respect to foreign exchange are closely related to banking.³ Upon examination of the record, Applicant's situation appears substantially similar to those presented previously.

Applicant's lead bank, Bank of America, N.T. & S.A., currently trades in the cash and forward markets in foreign exchange for its corporate and institutional customers. Because Bank already has extensive experience in these markets, acting as an FCM in futures markets for this commodity would be an integral adjunct to these present services. Further, it is reasonable to assume that market participants for whom Bank trades would regard futures contracts in foreign exchange as the func-

1. Banking data as of December 31, 1982.

2. *J.P. Morgan & Co. Incorporated*, 68 *FEDERAL RESERVE BULLETIN* 514 (1982); *Bankers Trust New York Corporation*, 68 *FEDERAL RESERVE BULLETIN* 651 (1982); *Citicorp*, 68 *FEDERAL RESERVE BULLETIN* 776 (1982).

3. *Citicorp*, *supra*; *Bankers Trust*, *supra*; *J.P. Morgan*, *supra*; *Republic New York Corporation*, 63 *FEDERAL RESERVE BULLETIN* 951 (1977); and *Standard & Chartered Banking Group, Ltd.*, 38 *Federal Register* 27552 (1973).

tional equivalent of forward contracts for some purposes. Accordingly, the proposed activity could be considered fundamentally a substitute for other services Applicant already provides. On this basis, the Board concludes that Applicant's proposal to act as an FCM for foreign exchange is closely related to banking.

Government Securities and Money Market Instruments. Applicant's proposal also involves the execution and clearance of futures contracts covering U.S. bonds, Treasury bills and notes; GNMA securities; and negotiable money market instruments, that is, domestic and Eurodollar CDs, and Eurodollar and sterling deposit interest rate futures. The Board has examined the portion of this proposal which concerns FCM activities for government securities and negotiable money market instruments in light of Applicant's experience in related markets for these instruments. In 1978, Bank began to buy and sell futures contracts covering various U.S. Government and GNMA securities for its own account. More recently, Bank has expanded its activities to include futures contracts covering money market instruments. In addition, Bank is a primary dealer in U.S. government securities and it trades in the cash and forward markets for government securities and money market instruments for the account of its customers. Applicant's experience in these activities has provided it with useful expertise in areas that are operationally or functionally similar to FCM activities for nonaffiliated persons in government securities and money market instruments. Accordingly, the Board concludes, as it has in three previous orders,⁴ that the proposed FCM activities for these instruments would be closely related to banking.

Balance of Public Benefits and Adverse Effects

In order to approve this application, the Board is also required to determine that the performance of the proposed activities by BAFI, "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 the proposal would provide added convenience to clients of Applicant trading in the cash, forward, and futures markets for the financial instru-

ments involved in this application. The Board expects that the de novo entry of BAFI into the market for FCM services would increase the level of competition among FCMs already in operation. Further, it appears that BAFI is particularly well equipped to provide FCM services to depository institutions in light of Applicant's experience in the depository institution industry. Accordingly, the Board has concluded that the performance of the proposed activities by BAFI can reasonably be expected to produce benefits to the public.

The Board recognizes that the activity of trading futures contracts involves various types of financial risks and potential conflicts of interest, and is susceptible to anticompetitive and manipulative practices. Congress has addressed those types of possible adverse effects, however, through the passage of the Commodity Exchange Act, as amended,⁵ and the creation of the Commodity Futures Trading Commission ("CFTC"). The CFTC also has promulgated regulations to effectuate the provisions of the Commodity Exchange Act.⁶ Applicant has chosen to conduct the proposed activities through a separately incorporated subsidiary that would be subject to the Commodity Exchange Act and regulation by the CFTC and the various commodity exchanges. The Board has considered the impact of the applicable statutes and regulations in its evaluation of the likelihood that significant adverse effects regarding conflicts of interest, unsound banking practices, decreased or unfair competition, or undue concentration of resources would develop in this case.

Conflicts of Interests. Conflicts of interests that could be associated with this proposal fall into two broad categories: those arising out of the general business of engaging in FCM activities, and those arising out of the particular circumstances of an FCM that is a subsidiary of a bank holding company. Rules and regulations promulgated and enforced by the CFTC and the relevant futures exchanges substantially reduce the possibility for significant conflicts in the first category. In addition, BAFI has committed to time-stamp each order to the minute upon receipt, and to time-stamp the order again at execution. Further, BAFI will execute orders in the sequence in which they are received to the extent

5. 7 U.S.C. §§ 1-24.

6. For example, CFTC regulations require FCMs to keep detailed records on many aspects of FCM activities, such as segregation of funds and investments made on behalf of customers, (17 C.F.R. §§ 1.20, .25); prescribe protective procedures for such activities as buying and selling contracts of two customers on opposite sides of the same transactions, (17 C.F.R. § 1.39); and impose minimum financial and related reporting requirements, (17 C.F.R. §§ 1.10-.18).

4. *Citicorp*, supra; *Bankers Trust*, supra; and *J.P. Morgan*, supra.

consistent with customer specifications. The Board concludes that the risk of conflicts of interest arising from the general business of an FCM that may result from consummation of the proposal as submitted is not inconsistent with approval.

With respect to the second category of conflicts, the Board believes that existing statutory and supervisory safeguards, together with Applicant's internal control procedures, will substantially reduce the possibility of significant adverse effects. For example, section 23A of the Federal Reserve Act⁷ would require any extension of credit by Bank to BAFI to be secured by collateral having a value equal to 100 percent or more of the extension of credit. In addition, any loan from Bank to BAFI's customers would be subject to examination by the Comptroller of the Currency.

Furthermore, Applicant maintains internal procedures that generally prohibit disclosure among employees of Applicant and its subsidiaries of confidential information pertaining to customers, whether received from customers or derived from internal sources. Finally, as discussed below, the circumstances of this application alleviate any substantial concern regarding the possibility of voluntary tying. Thus, there appears to be no significant danger that conflicts associated with the fact that BAFI would be a bank holding company subsidiary will develop under this proposal.

Unsound Banking Practices. An FCM, clearing and executing contracts for nonaffiliated persons, is generally exposed to several types of financial risks. However, the Board finds that Applicant's competence, experience, and resources equip it to deal with these risks. Furthermore, the Board believes that the Commodity Exchange Act and regulations issued by the CFTC and the various commodity exchanges are significant factors in ameliorating the general hazards of the FCM activities proposed in the application.⁸

As an FCM for nonaffiliated persons, BAFI would be contractually liable for nonperformance by a customer of BAFI on each futures contract traded by BAFI for that customer. Similarly, in some circumstances, BAFI could be obligated to meet a margin call delivered to a customer of BAFI. Appli-

cant and its subsidiaries appear well prepared to deal with these potential obligations. The risk that a customer of BAFI would default on a contract or fail to meet a margin call are credit risks of a type Bank has significant expertise in evaluating. In addition, the record indicates that BAFI would employ a high degree of credit selectivity in choosing its customers, who will include institutional and commercial clients of Bank.

BAFI would face another type of risk because its membership in certain commodity exchange clearing associations could expose it to contingent liability for the contractual obligations due the association by all clearing members. This potential liability exists through the assessment provisions of certain clearing association guaranty funds into which all clearing members must contribute. In evaluating this element of risk to BAFI, the Board has considered the effect of margin requirements and the level of supervision and regulation imposed on the futures trading industry by the CFTC, the exchanges and their affiliated clearing associations. Clearing associations, in particular, have established various procedures that reduce the likelihood that this type of liability would arise.

The degree of risk associated with providing FCM services as a clearing member on a commodities exchange can be increased through the practice of certain exchanges or clearing associations of requiring the parent corporation of a clearing member to also become a member of that exchange or clearing association. Applicant has committed that BAFI shall not, without the prior consent of the Board, become a clearing member of any exchange that imposes such a requirement and has not waived that requirement for Applicant.

On the basis of all the facts of record, the Board has concluded that the inherent risks of providing FCM services for nonaffiliated persons under the circumstances of this proposal are manageable in view of the expertise and resources of Applicant and its subsidiaries, the commitments entered into by Applicant and BAFI, and the regulatory environment in which the FCM activities would be conducted.

Decreased or Unfair Competition. It is conceivable that a commercial bank in Bank of America's position could exert pressure on its customers to use the services of Bank of America's affiliated FCM, or that a borrower could believe that its use of an affiliated FCM could result in more favorable credit terms for the borrower. Compulsory tying arrangements, however, are prohibited by the Act and by the Board's regulations; and voluntary tying can

7. 12 U.S.C. § 371c.

8. Among the provisions the Board has considered in this regard are the CFTC's net capital requirements, 17 C.F.R. §§ 1.17(a) and (c), 1.52(a), and the sections of the Commodity Exchange Act granting the CFTC authority to establish position limits and to approve or disapprove daily price movement limits established by domestic exchanges on futures contracts, (7 U.S.C. §§ 6a, 7a(12)).

take place only when a firm possesses significant market power.⁹ It appears that Applicant lacks the requisite market power for voluntary tying to occur, in view of the substantial competition in commercial lending and among FCMs. In addition, Applicant has committed that BAFI will advise each customer in writing that doing business with BAFI will not in any way affect any provision of credit to that customer from Bank or any other subsidiary of Applicant.

On the basis of all the facts of record, the Board has determined that in the circumstances of this case, the provision by BAFI of the proposed FCM services to nonaffiliated persons would not result in decreased or unfair competition, conflicts of interests, unsound banking practices, or undue concentration of resources in either commercial banking or the market for FCM services. In considering this application, the Board has placed particular reliance on the following 11 factors, to all of which this Applicant has committed:

1. BAFI shall not trade for its own account.
2. The instruments upon which the proposed futures contracts are based are essentially financial in character and the contracts are of a type that a bank may execute for its own account.
3. BAFI shall have an initial capitalization that is in substantial excess of that required by CFTC regulations, and will maintain fully adequate capitalization.
4. BAFI and Bank have entered into a formal service agreement that specifies the services that Bank will supply to BAFI. These services include the assessment of customer credit risk and continuous monitoring of customer positions and the status of customer margin accounts.
5. Through its proposed service agreement with Bank, BAFI will be able to assess customer credit risks, and will take such assessments into consideration in establishing appropriate position limits for each customer, both with respect to each type of contract and with respect to the customer's aggregate position for all contracts.
6. BAFI shall not, without the prior consent of the Board, become a clearing member of any exchange whose rules require the parent corporation of a clearing member to also become a clearing member, unless the requirement is waived with respect to Applicant.

7. BAFI has committed that it will, in addition to time-stamping orders of all customers to the nearest minute, execute all orders, to the extent consistent with customers' specifications, in strictly chronological sequence, and that it will execute all orders with reasonable promptness with due regard to market conditions.

8. Applicant and its subsidiaries have demonstrated expertise and established capability in the cash, forward, or futures markets for each of the contracts involved.

9. Applicant will require BAFI to advise each of its customers in writing that doing business with BAFI will not in any way affect any provision of credit to that customer by Bank or any other subsidiary of Applicant.

10. Applicant is adequately capitalized to engage in additional nonbanking activities.

11. BAFI will not extend credit to customers for the purpose of meeting initial or maintenance margin required of customers, subject to the limited exception of posting margin on behalf of customers in advance of prompt reimbursement.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the public benefits associated with consummation of this proposal can reasonably be expected to outweigh possible adverse effects, and that the balance of the public interest factors, which the Board is required to consider under section 4(c)(8) of the Act, is favorable. Accordingly, the application is hereby approved.¹⁰

This determination is subject to the conditions set forth in the Board's Order and section 225.4(c) of Regulation Y and 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 proposed activities shall not commence 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.

9. *Citicorp* (Citicorp Person-to-Person Financial Center of Connecticut, Inc.), 67 FEDERAL RESERVE BULLETIN 443, 446 (1981).

10. In connection with this action, the Board hereby delegates authority to the Federal Reserve Bank of San Francisco to approve applications by BankAmerica to open additional offices of BAFI to engage in the same activities approved herein, as well as the authority to approve the provision of FCM services with regard to new financial instruments of the same type authorized herein, pursuant to section 225.4(b)(1) of Regulation Y (12 C.F.R. § 225.4(b)(1)).

By order of the Board of Governors, effective February 17, 1983.

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

(Signed) JAMES MCAFEE,
[SEAL] Associate Secretary of the Board

Bankers Trust New York Corporation,
New York, New York

*Order Approving Application to Engage in Certain
Futures Commission Merchant Activities*

Bankers Trust New York Corporation, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (12 U.S.C. §§ 1841 et seq.) (the "Act"), has applied for the Board's approval, under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to engage through de novo branches of its subsidiary, BT Capital Markets Corp., New York, New York ("BTCM"), in acting as a futures commission merchant (an "FCM") for nonaffiliated persons, in the execution and clearance of certain futures contracts on major commodity exchanges. Such contracts would cover U.S. Government securities, negotiable money market instruments (including, in particular, domestic and Eurodollar certificates of deposit), foreign exchange, and bullion. The de novo branches would be located in Atlanta, Georgia; Dallas, Texas; and Los Angeles, California.

Notice of the application, affording interested persons an opportunity to submit comments on the relation of the proposed activity to banking and on the balance of public interest factors regarding the application, has been duly published (47 *Federal Register* 56,049 (1982)). 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 a bank holding company by virtue of its control of Bankers Trust Company, New York, New York ("Bank") and several other banks. Applicant holds total consolidated deposits of \$24.9 billion, and is the sixth largest commercial banking organization in New York State.¹ Applicant, through certain of its subsidiaries, engages in various permissible nonbanking activities.

In order to approve an application submitted pursuant to section 4(c)(8) of the Act, the Board must determine that the activity proposed is closely related to banking and that performance of the activity by the Applicant "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests or unsound banking practices." (12 U.S.C. § 1843(c)(8)). By Order dated September 20, 1982, the Board approved Applicant's initial application to engage in FCM activities.² In that order, the Board determined that the proposed FCM activities are closely related to banking. Because this application is for the Board's approval of the same activity at additional branch offices, the Board has determined that the same considerations upon which the Board based its finding that the activity is closely related to banking in the previous application are applicable in this proposal. Accordingly, the Board has determined that the activity is closely related to banking.

In approving Applicant's original application to engage in FCM activities, the Board determined that the proposal could reasonably be expected to produce benefits to the public in the form of added convenience to customers of Applicant's subsidiary bank who trade in the cash, forward, and futures markets for the commodities involved in the application. The Board also determined that the de novo entry of BTCM into the market for FCM services would increase the level of competition among FCMs already in operation. Consummation of this proposal would provide added convenience to customers in the Atlanta, Dallas, and Los Angeles markets that BTCM had previously anticipated serving through its existing offices in New York and Chicago and would further enhance competition in the provision of FCM services. Accordingly, the Board has determined that approval of this proposal similarly can reasonably be expected to produce public benefits.

In reviewing Applicant's original application to engage in FCM activities through BTCM, the Board examined the potential adverse effects associated with such activities. The Board determined that the public benefits associated with the performance of the activity by BTCM could reasonably be expected to outweigh possible adverse effects in view of certain commitments made by Applicant and other facts of

1. Banking data are as of June 30, 1982.

2. *Bankers Trust New York Corporation*, 68 *FEDERAL RESERVE BULLETIN* 651 (1982). See also, *J. P. Morgan & Co., Incorporated*, 68 *FEDERAL RESERVE BULLETIN* 514 (1982); *Citicorp*, 68 *FEDERAL RESERVE BULLETIN* 776 (1982); *BankAmerica Corporation*, 69 *FEDERAL RESERVE BULLETIN* 216.

record. The Board has determined that the same considerations that the Board relied on in approving Applicant's original application are applicable in this case. Applicant has committed that each of the proposed branch offices will engage in FCM activities only to the extent and in the manner authorized by the Board's Order of September 20, 1982. The Board has carefully considered the potential for adverse effects arising in connection with this application and, on the basis of all the facts of record in this case, including Applicant's statement that it will abide by its earlier commitments, the Board has determined that the public benefits associated with the proposal can reasonably be expected to outweigh possible adverse effects. Accordingly, the Board has concluded that the balance of the public interest factors that the Board is required to consider under section 4 is favorable, and the application is hereby approved.

Having once reviewed Applicant's proposal and the conditions under which it would be provided, and having determined that the public interest considerations of section 4(c)(8) favor approval of the proposal, the Board has determined that further applications by Applicant either to engage in FCM activities at de novo branch offices of BTCM, or to provide FCM services with regard to new financial instruments of the same type previously approved, may be processed in the same manner as other de novo applications under the provisions of section 225.4(b)(1) of Regulation Y (12 C.F.R. § 225.4(b)(1)). Authority is hereby delegated to the Federal Reserve Bank of New York to accept and take action on such notices properly filed as there prescribed.

The Board's approval of this application is subject to the conditions set forth in section 225.4(c) of Regulation Y and 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 proposed activities shall not commence later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York.

By order of the Board of Governors, effective February 28, 1983.

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

(Signed) JAMES MCAFEE,
Associate Secretary of the Board

[SEAL]

Hongkong and Shanghai Banking Corporation,
Hong Kong, B.C.C.

Kellett, N.V.,
Curacao, Netherlands Antilles

HSBC Holdings, B.V.,
Amsterdam, The Netherlands

Marine Midland Banks, Inc.,
Buffalo, New York

*Order Approving Acquisition of International
Treasury Management Ltd. and Commencement of
Informational, Advisory, and Transactional Services
Related to Foreign Exchange*

The Hongkong and Shanghai Banking Corporation, Hong Kong, B.C.C. ("HSBC"); Kellett, N.V., Curacao, Netherlands Antilles ("Kellett"); HSBC Holdings, B.V., Amsterdam, The Netherlands ("Holdings"); and Marine Midland Banks, Inc., Buffalo, New York ("Marine") (collectively referred to as "Applicants"), each a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), have applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to establish de novo an office in New York of International Treasury Management Limited, Hong Kong, B.C.C. ("ITM"). ITM, a newly formed company organized under the laws of Hong Kong, will offer informational, advisory, and transactional services to customers throughout the United States from its New York office and worldwide from its foreign offices. Marine has also applied for the Board's approval under section 4(c)(13) of the BHC Act (12 U.S.C. § 1843(c)(13)) and section 211.5(c)(2) of the Board's Regulation K (12 C.F.R. § 211.5(c)(2)) to acquire 50 percent of the voting shares of ITM and to engage through ITM in the proposed activities throughout the world. HSBC will indirectly acquire the remaining 50 percent of the shares of ITM through a de novo Bahamian shell corporation, Basingstoke Holdings Ltd.²

1. Kellett, a wholly-owned subsidiary of HSBC, owns 100 percent of the voting shares of Holdings which, in turn, owns 51.05 percent of the voting shares of Marine. Thus, HSBC, Kellett and Holdings are all applicants under section 4(c)(8) because they are each a bank holding company with respect to Marine Midland Bank, N.A. ("Marine Bank"), the subsidiary bank of Marine.

2. The Applicants assert that Marine's investment in ITM should be regarded as a joint venture and that ITM would not be a subsidiary of Marine for the purposes of Regulation K. Under section 211.2(p) of Regulation K (12 C.F.R. § 211.2(p)), a subsidiary is defined as a company of which more than 50 percent of the stock is held by an investor and its affiliates. In this case Marine and Basingstoke are affiliates since they are both subsidiaries of HSBC, (12 U.S.C. § 211.2(a)). Thus, ITM is regarded as a subsidiary of Marine.

At its proposed New York office, ITM intends to offer certain informational, advisory and transactional services, including the following: (1) the provision of general economic information and statistical forecasting with respect to foreign exchange and money markets through timesharing networks. These services would include the analysis of foreign exchange and money market trends in the context of economic and political developments and the provision of information with respect to forward foreign exchange contracts; (2) the provision of advisory services designed to assist customers in monitoring, evaluating, and managing their foreign exchange exposure, including recommendations regarding policies and procedures to enhance a customer's ability to identify, measure, and manage financial risks in a multi-currency environment. ITM would also provide advice on timing of purchases and sales of foreign exchange in both spot and forward markets; and (3) the provision of transactional services with respect to foreign exchange, with ITM arranging, for a fee, for currency "swaps" among customers with complementary foreign exchange exposures. ITM will also arrange for the execution of foreign exchange transactions by HSBC, Marine Bank, and other commercial banks.

Notice of the applications, affording opportunity for interested persons to submit comments and views on whether the proposed activities are closely related to banking and on the balance of public interest factors, has been duly published. The time for filing comments and views has expired and the Board has considered the applications and all comments received in light of the standards set forth in sections 4(c)(8) and (13) of the BHC Act.

HSBC, a bank organized under the laws of Hong Kong, is the 31st largest banking organization in the world with total assets of approximately \$52.3 billion.³ HSBC, directly and indirectly, through over 900 offices worldwide, engages in a broad range of financial and commercial services. Through Kellett and Holdings, HSBC owns 51 percent of the shares of Marine, which is the 14th largest commercial banking organization in the United States with total assets of \$18.8 billion. Marine, through its subsidiary, Marine Bank, offers a full range of banking and trust services from nearly 300 offices in the State of New York. Marine also engages through nonbanking subsidiaries in commercial lending, leasing and credit-related insurance underwriting activities.

Section 4(c)(8) of the BHC Act authorizes a bank holding company to engage in or acquire shares of a company that engages in an activity determined by the Board to be so closely related to banking or managing

or controlling banks as to be a proper incident thereto. Section 225.4(a) of the Board's Regulation Y lists activities that have been determined by the Board to satisfy the standards of section 4(c)(8), and any bank holding company may apply under certain simplified procedures to engage in the listed activities. In addition, a bank holding company may apply to engage in a nonbanking activity if the company is of the opinion that the activity is closely related to banking. As discussed below, ITM's proposed activities include several that the Board has found permissible for bank holding companies, as well as several that the Board has not previously determined to be closely related to banking.

Applicants' proposed activity of providing general information and statistical forecasting with respect to foreign exchange and money markets is an activity that is permissible under section 225.4(a)(5)(iv) of Regulation Y, which authorizes "acting as . . . financial advisor to the extent of . . . furnishing general economic information and advice, [and] general economic statistical forecasting services . . ." (12 C.F.R. § 225.4(a)(5)(iv)). Applicants propose to provide the subject informational services, in part, through timesharing technology. The data processing activities associated with providing the proposed general information and statistical forecasting with respect to foreign exchange and money markets have also been found by the Board to be closely related to banking (12 C.F.R. § 225.4(a)(8))⁴.

ITM's proposed activities of providing advice with respect to foreign exchange operations, policies and procedures and arranging for the execution of foreign exchange transactions have not been found to be closely related to banking.⁵ Accordingly, the Board has reviewed the record to determine whether each activity is closely related to banking or managing or controlling banks. In determining whether an activity

4. The Board has determined that providing customers data processing services with respect to financial, banking, and economic data through timesharing, as well as timesharing itself, are activities that are permissible for bank holding companies. *Citicorp*, 68 FEDERAL RESERVE BULLETIN 505 (1982). Applicants have suggested that the proposed data processing services should be regarded as incidental to providing general informational services. However, in view of the nature and extent of the data processing services proposed, the Board believes that they should be regarded as a separate activity. In this case it appears that the proposed data processing activities are of the type permissible for bank holding companies under Regulation Y.

5. Applicants' proposed activity of providing advice with respect to foreign exchange operations, policies and procedures appears to be similar to the activity of furnishing advice concerning foreign exchange transactions to depository institutions, an activity that is a permissible type of management consulting under Regulation Y, (12 C.F.R. § 225.131). However, a bank holding company may provide this service only to depository organizations, while Applicants propose to provide foreign exchange advice to all types of customers.

The provision of foreign exchange advice is also similar to providing portfolio investment advice, which is also permissible under Regulation Y, (12 C.F.R. § 225.4(a)(5)).

3. Data are as of December 31, 1981.

is closely related to banking under section 4(c)(8) of the BHC Act, the Board has used the following guidelines recognized by the courts: (1) whether banks have generally provided the proposed service; (2) whether banks generally provide services that are operationally or functionally so similar to the proposed service as to equip them particularly well to provide the proposed service; or (3) whether banks generally provide services that are so integrally related to the proposed service as to require their provision is specialized form.⁶ In addition, the Board may consider other factors in deciding what activities are closely related to banking.⁷

Upon consideration of the entire record of this application, the Board has determined that ITM's proposed activities of providing advice concerning foreign exchange operations, policies, and procedures and arranging for the execution of foreign exchange transactions are both closely related to banking.⁸ The Applicants state that these applications represent a reorganization whereby activities currently performed by Marine Bank will be performed by ITM. Moreover, from the record, it appears that a number of commercial banks, including Marine Bank, are currently engaged in providing the proposed foreign exchange advice and transaction services to their customers. Furthermore, banks historically have been engaged in the provision of advice and assistance with respect to foreign exchange.

In order for the Board to approve the subject applications under section 4(c)(8) with respect to ITM's New York activities, the Board must find that Applicants' performance of these activities through ITM can reasonably be expected to produce benefits to the public that outweigh possible adverse effects. Under section 4(c)(13), the Board must find that Marine's overseas activities through ITM are in the public interest and not at variance with the purposes of the BHC Act.

Inasmuch as ITM will be established de novo to perform services currently performed by Marine Bank and HSBC for an expanded customer base, approval of the applications would not result in any adverse

effects on existing or potential competition or otherwise decrease competition. While the comments on the applications and proposed new activities were generally favorable, several comments suggested that conflicts of interest could arise as a result of ITM providing advisory services concerning foreign exchange and arranging for a fee for the execution of foreign exchange transactions. Similarly, concern was expressed that conflicts would arise where ITM's affiliates take positions in foreign exchange. In this regard, in conducting foreign exchange operations, commercial banks do combine the functions of giving advice, executing transactions and taking positions in foreign exchange. Furthermore, ITM does not propose to execute transactions, but rather proposes to arrange for execution by HSBC, Marine Bank, and other commercial banks of transactions for ITM's customers. Thus, the potential for conflicts is reduced since the entity actually executing the transaction will be a separate corporate entity from ITM. In addition, ITM will not itself take positions in foreign exchange. The Board notes that ITM will be dealing with sophisticated foreign-exchange market participants and that there are numerous other sources for quotations of foreign exchange rates. Moreover, in conducting its activities ITM will be required to observe the standards of care and conduct applicable to fiduciaries as a condition of approval of the application.⁹ Based on the foregoing, the Board's judgment is that it is unlikely that the proposal would result in conflicts of interest. In addition, there is no evidence in the record that approval of this proposal would result in any other adverse effects, such as undue concentration of resources, unfair competition, or unsound banking practices.

As noted, Marine has applied for Board approval under section 4(c)(13) of the BHC Act and section 211.5(c)(2) of Regulation K with respect to ITM's overseas activities.¹⁰ ITM's overseas activities are permissible under section 4(c)(13) and Regulation K.¹¹

The Board has previously determined that, when no adverse effects are presented by the proposal, a bank holding company may, with the Board's prior approval, engage in activities overseas that are permissible under Regulation K and in activities in the United States that are closely related to banking under Regulation Y through the same foreign subsidiary.¹² As

6. *National Courier Association v. Board of Governors*, 516 F.2d 1229 (D.C. Cir. 1975).

7. *Alabama Association of Insurance Agents v. Board of Governors*, 553 F.2d 224, 241 (5th Cir. 1976), rehearing denied 558 F.2d 729 (1977), cert. denied, 435 U.S. 904 (1978). See *Board of Governors v. Investment Company Institute*, 450 U.S. 46, 55 (1981).

8. In 1977, the Board approved an application for the acquisition of a New York investment company as an activity closely related to banking company. In its order the Board found that generally all activities permissible to a New York investment company are closely related to banking. While the Order did not specifically discuss foreign exchange transaction services, such services were among those identified by the Board as activities permissible for New York investment companies. *European American Bancorp.*, 63 FEDERAL RESERVE BULLETIN 595 (1977). See also, *Standard and Chartered Banking Group*, 38 Federal Register 27552.

9. The Board has by regulation required that such standards be observed with respect to furnishing portfolio investment advice. 12 C.F.R. § 225.4(a)(5), n. 1.

10. HSBC, Kellett, and Holdings are qualifying foreign banking organizations within the meaning of Regulation K and may therefore engage in such overseas activities without receiving Board approval, (12 C.F.R. § 211.23(f)).

11. 12 C.F.R. § 211.5(d)(8) and (14).

12. See the Board's order approving a proposal by Applicants to acquire *Wardley Marine International Investment Management Ltd.* and to commence investment advisory activities. 68 FEDERAL RESERVE BULLETIN 782 (1982).

discussed above, there is no evidence of adverse effects resulting from the proposal or the structure of the transaction. Accordingly, the Board concludes that Applicants may engage, through ITM, in the proposed activities overseas and in the United States pursuant to authority in sections 4(c)(13) and 4(c)(8) of the BHC Act and the regulations thereunder. This determination is subject to the condition that Applicants obtain the Board's prior approval before ITM engages in any additional activities in the United States.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of public interest factors that the Board is required to consider under section 4(c)(8) is favorable. In addition, the Board concludes that the acquisition by Marine of ITM is in the public interest and not at variance with the purposes of the BHC Act. Accordingly, the applications are hereby approved. This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y and section 211.5(b) of Regulation K, and the Board's authority to require termination or such modification of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions of the BHC Act and the Board's regulations and orders issued thereunder or to prevent evasion thereof.

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

By order of the Board of Governors, effective February 16, 1983.

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

(Signed) JAMES MCAFEE,
[SEAL] Associate Secretary of the Board

Southern Bancorporation, Inc.,
Greenville, North Carolina

Southern National Corporation,
Lumberton, North Carolina

*Order Approving Acquisition of Southern
International Corporation*

Southern Bancorporation, Inc., Greenville, South
Carolina ("Southern"), and Southern National Corpo-

ration, Lumberton, North Carolina ("SNC"), both bank holding companies within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 et. seq.), have applied for the Board's approval under section 4(c)(8) of the Act and section 225.4(b) of the Board's Regulation Y (12 C.F.R. § 225.4(b)), to jointly establish Southern International Corporation, Charlotte, North Carolina ("Southern International"), a de novo company. Southern International would offer various financial services designed primarily to serve customers of Applicant's subsidiary banks in South Carolina and North Carolina.¹ Specifically, Southern International would engage in the following activities: (1) soliciting loans and other extensions of credit, issuing letters of credit and accepting or discounting drafts; (2) collecting and negotiating financial documents, including bills of exchange, promissory notes, checks, drafts, payment receipts, and all types of commercial paper and negotiable instruments; collecting and negotiating commercial documents, including invoices, shipping documents, documents of title, and other similar documents; (3) providing data and information transmission services, facilities and data bases in connection with its international financial activities, where data and information to be transmitted, processed or furnished are financial, banking or economic; (4) providing transfers of funds, whether by check, draft, or similar paper instrument, or by electronic system or any other technologically feasible means in connection with its international financial services; (5) buying and selling foreign currency for the account of others, and; (6) furnishing management consulting advice to nonaffiliated banks concerning the provision of international financial services to their customers.

Except for buying and selling foreign currency for the account of others, all of the activities proposed by Applicants are included on the list of permissible nonbank activities for bank holding companies in Regulation Y. (12 C.F.R. §§ 225.4(a)(1), (8) and (12)). The activity of buying and selling foreign currency has not been included on the Board's list of permissible activities. However, in connection with prior applications, the Board has determined by order that the activity of buying and selling foreign currency is closely related to banking and would be in the public interest.² As noted in these earlier Board decisions, commercial banks historically have engaged in foreign exchange activities, including the buying and selling of

1. Southern Bank and Trust Company, Greenville, South Carolina, is Southern's subsidiary bank. SNC's subsidiary bank is Southern National Bank of North Carolina, Lumberton, North Carolina.

2. *Citicorp*, 68 FEDERAL RESERVE BULLETIN 251 (1982); *European American Bancorp.*, 65 FEDERAL RESERVE BULLETIN 667 (1979). *European American Bancorp.*, 63 FEDERAL RESERVE BULLETIN 595 (1977).

foreign currency for their own account and for the account of others. In addition, national banks are authorized to buy and sell foreign exchange pursuant to 12 U.S.C. § 24 (Seventh).

Notice of the applications, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (47 *Federal Register* 55736, 58365). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.

Southern controls one subsidiary bank with aggregate deposits of approximately \$491 million and is the fifth largest banking organization in Southern Carolina.³ Through its two nonbank subsidiaries, Southern engages in consumer finance and credit-related insurance activities, and in the holding of bank premises. SNC also controls one subsidiary bank, with aggregate deposits of approximately \$622 million, and is the eighth largest banking organization in North Carolina. SNC's non-bank subsidiary engages in underwriting, as a reinsurer, credit life, accident and health insurance.

Neither Southern nor SNC currently engages directly or indirectly in the proposed financial services that Southern International would perform. Accordingly, it is the Board's judgment that consummation of the proposal would not have any adverse effect on existing competition in any relevant market.

The Board has also considered the effects of consummation of this proposal on probable future competition in the relevant line of commerce, particularly in light of the fact that these applications involve the use of a joint venture to establish Southern International. In this regard, although both Southern and SNC could presumably engage in the proposed financial services alone, the Board does not consider either of the joint venturers to be likely independent entrants into the market given their relatively small size, and the fact that neither has a sufficient customer base to justify the cost of independent entry.⁴ In addition, because barriers to entry into the financial services industry are low, there are numerous potential entrants into the market. The loss of either Southern or SNC as a potential entrant, therefore, would have little effect on probable future competition in the market. Accordingly, the Board concludes that consummation of the proposed joint venture would not significantly decrease competition in any market.

Consummation of this proposal may be expected to result in public benefits inasmuch as a de novo corporation, Southern International would provide an additional and convenient source of financial services. Further, there is no evidence in the record to indicate that consummation of the proposal would result in undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest.

Based on the foregoing and other facts of record, the Board concludes that the balance of the public interest factors it must consider under section 4(c)(8) favors approval of the applications. In addition, the financial and managerial resources and future prospects of Southern, SNC, and Southern International are considered consistent with approval, and the Board has determined that the applications should be and hereby are approved. This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y and to the Board's authority to require such modification or termination of the activities of a bank holding company or 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 Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 16, 1983.

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

(Signed) JAMES MCAFEE,
Associate Secretary of the Board

[SEAL]

Trust Company of Georgia,
Atlanta, Georgia

*Order Approving Application to Engage in Equity
Financing and Acting as an Investment or Financial
Adviser*

Trust Company of Georgia, Atlanta, Georgia, 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 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to

3. All banking data are as of June 30, 1982.

4. See, *Florida Coast Banks, Inc.*, 68 FEDERAL RESERVE BULLETIN 781 (1982); *Svenska Handelsbanken*, 68 FEDERAL RESERVE BULLETIN 788 (1982).

engage de novo, through its wholly owned subsidiary, Trust Company Mortgage, Atlanta, Georgia ("Company"), in the activity of arranging equity financing. Although this activity has not been specified by the Board in Regulation Y as permissible for bank holding companies, the Board has determined by order that arranging equity financing, subject to certain conditions, is closely related to banking.¹ Applicant has also applied to engage de novo through Company in the activity of acting as an investment or financial adviser. The Board has determined this activity to be closely related to banking (12 C.F.R. § 225.4(a)(5)).

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

Applicant is the second largest banking organization in Georgia and controls 17 banking subsidiaries with aggregate deposits of \$2.5 billion, representing 12.6 percent of total commercial bank deposits in the state.² Applicant engages through Company in mortgage banking activities for which it has received Board approval under section 4(c)(8) of the Act and sections 225.4(a)(1) and (3) of Regulation Y.

Applicant has applied to engage de novo through Company in arranging equity financing on behalf of institutional investors for commercial and industrial income-producing realty. Equity financing, as proposed by Applicant, involves arranging for the financing of commercial or industrial income-producing real estate through the transfer of the title, control and risk of the project from the owner/developer to one or more investors. Company would represent the owner/developer and would be paid a fee by the owner/developer for this service. The service would be offered only as an alternative to traditional financing arrangements and Company would not solicit for properties to be sold, list or advertise properties for sale, or hold itself out or advertise as a real estate broker or syndicator. This activity would be provided only with respect to commercial or industrial income-producing property and only when the financing arranged exceeds \$1 million. Only institutional or wealthy, professional individual investors would be offered the service.

The Board has determined that, subject to certain conditions to prevent a bank holding company or its subsidiary from engaging in real estate brokerage, development and syndication, equity financing is

closely related to banking.³ Applicant has committed to engage in the equity financing activity subject to the same conditions as those relied on by the Board previously in finding that the activity is closely related to banking.

Specifically, Applicant has committed that Company's function will be limited to acting as an intermediary between developers and investors to arrange financing. Neither Applicant nor any affiliate may acquire an interest in any real estate project for which Company arranges equity financing nor have any role in the development of the project. Neither Company nor any affiliate shall participate in managing, developing or syndicating property for which Company arranges equity financing, nor promote or sponsor the syndication of such property. Neither Company nor any affiliate will provide financing to the investors in connection with an equity financing arrangement. The fee Company receives for arranging equity financing for a project shall not be based on profits derived, or to be derived, from the property and should not be larger than the fee that would be charged by an unaffiliated intermediary. The Board finds that Applicant's proposed equity financing activity will not constitute real estate brokerage, real estate development or real estate syndication, provided the above-mentioned conditions and limitations are observed by Applicant and Company.

There is no evidence in the record to indicate that Applicant's performance of equity financing or acting as an investment or financial adviser would result in any undue concentration of resources, decreased or unfair competition, unsound banking practices, or other adverse effects. Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of public interest factors that the Board is required to consider under section 4(c)(8) of the Act is favorable. This determination is conditioned upon Applicant's strictly limiting its equity financing activities to those described in information provided in connection with this application and as provided in this Order.

Based on the foregoing, the Board has determined that the application should be approved, and the application is hereby approved. This determination is subject to the limitations set forth in this Order, the conditions set forth in section 225.4(c) of Regulation Y, and 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.

1. *BancOhio Corporation*, 69 FEDERAL RESERVE BULLETIN 34 (1983); *BankAmerica Corporation*, 68 FEDERAL RESERVE BULLETIN 647 (1982).

2. All banking data are as of December 31, 1981.

3. *BankAmerica Corporation*, supra note 1, p. 649.

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

By order of the Board of Governors, effective February 16, 1983.

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

(Signed) JAMES MCAFEE,
[SEAL] Associate Secretary of the Board

Orders Under Sections 3 and 4 of Bank Holding Company Act

First Midwest Bancorp, Inc.,
Joliet, Illinois

Order Approving Formation of a Bank Holding Company and Acquisition of Company to Engage in Reinsuring Credit Life and Credit Accident and Health Insurance

First Midwest Bancorp, Inc., Joliet, Illinois, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act ("Act") (12 U.S.C. § 1841 et seq.) to become a bank holding company through acquisition of at least 80 percent of the voting shares of each of 20 banks, five of which will be acquired indirectly through the acquisition of the banks' parent bank holding companies and 15 of which will be acquired directly. Applicant proposes to acquire the following 15 banks directly: Union National Bank and Trust Company of Joliet, Joliet, Illinois; National Bank of Joliet, Joliet, Illinois; The First National Bank of Morris, Morris, Illinois; First National Bank and Trust Company of Quincy, Quincy, Illinois; Bank of Galesburg, Galesburg, Illinois; Midwest National Bank of Lake Forest, Lake Forest, Illinois; National Bank of North Chicago, North Chicago, Illinois; First Farmers National Bank of Knoxville, Knoxville, Illinois; Bank of Danville, Danville, Illinois; Community State Bank, Seneca, Illinois; Bank of Zion, Zion, Illinois; State Bank of Braidwood, Braidwood, Illinois; Community National Bank of Quincy, Quincy, Illinois; Bradley Bank, Bradley, Illinois; Bank of Lakehurst, Waukegan, Illinois. Applicant also proposes to acquire the following five one-bank holding companies and their subsidiary banks: Citizens Bancorp, Inc., Waukegan, Illinois, and thereby indirectly The Citizens National Bank of Waukegan, Waukegan, Illinois; First Security Bancorpora-

tion, Inc., Moline, Illinois, and thereby indirectly Moline National Bank, Moline, Illinois; Danville Bancshares, Inc., Danville, Illinois, and thereby indirectly The Second National Bank of Danville, Danville, Illinois; Streator Bancorp, Inc., Streator, Illinois, and thereby indirectly The Streator National Bank, Streator, Illinois; First Wyandot Investment Corporation, Galesburg, Illinois, and thereby indirectly The First National Bank of Wyandot, Wyandot, Illinois. Together the banks and bank holding companies to be acquired are referred to as "Banks."

Applicant has also applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to acquire Midwest Insurance Company, Joliet, Illinois, which will engage in the activity of reinsuring credit life and credit accident and health policies directly related to extensions of credit by subsidiaries of the bank holding company. These activities have been determined by the Board to be closely related to banking and permissible for bank holding companies (12 C.F.R. § 225.4(a)(10)), and this determination is consistent with the recent amendments to section 4(c)(8) of the Act limiting the permissible insurance activities of bank holding companies.¹

Notice of the applications, affording opportunity for interested persons to submit comments and views, has been given in accordance with sections 3 and 4 of the Act (47 *Federal Register* 51000 (1982)). The time for filing comments and views has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)) and the considerations specified in section 4(c)(8) of the Act.

Applicant, a nonoperating company organized under the laws of Delaware, was created for the purpose of becoming a bank holding company by acquiring Banks. Upon consummation of the proposed transaction, Applicant would become the sixth largest banking organization in Illinois, and control approximately \$1 billion in total deposits, constituting 1.1 percent of total deposits in commercial banks in the state.²

This proposal represents a restructuring of the existing ownership of the Banks from individuals to a corporation owned by the same individuals. All of the banks to be acquired are under the ownership and control of a group of individuals ("the Oberwortmann Group"). These individuals will be principals of Applicant. The 20 banks to be acquired by Applicant compete in 10 banking markets: Chicago, Joliet, Danport-Rock Island, LaSalle County, Danville, Grun-

1. See the Garn-St Germain Depository Institutions Act of 1982, Pub. L. No. 97-320, § 601(A), 96 Stat. 1469 (1982).

2. All deposit data are as of December 31, 1981.

dy County, Knox County, Kankakee, Kewanee, and Quincy-Hannibal. In each of these markets, except Grundy County and Knox County, consummation of the transaction would have no effect upon either existing or potential competition.

Where the principals of an Applicant control other banking organizations in the same market as the bank or banks to be placed in a bank holding company, the Board, in addition to analyzing the competitive effects of the proposal before it, also analyzes the competitive effects of the transaction or series of transactions by means of which the banks involved came under common control.³

Applicant proposes to acquire two banks in the Grundy County banking market, which are owned by the Oberwortmann Group. The First National Bank of Morris, Morris, Illinois ("Morris"), the largest bank in the market, was acquired by the Oberwortmann group in 1965. In 1966, the group acquired State Bank of Braidwood, Braidwood, Illinois ("Braidwood"), which was the sixth largest bank in that market. In view of the fact that Morris and Braidwood controlled 19.2 percent and 5.3 percent, respectively, of the total deposits in commercial banks in the market,⁴ the acquisition of Braidwood by Applicant's principals appears to have eliminated a substantial amount of existing competition in the Grundy County market. However, Braidwood was in poor financial condition in 1966 and any adverse competitive effects of the acquisition of Braidwood by Applicant's principals are mitigated by the fact that the acquisition was requested by that bank's regulatory authority.⁵

Applicant's principals are also principals of Exchange Bank of Gardner, Gardner, Illinois ("Gardner"), which is the seventh largest bank in the Grundy County market. Gardner, which has total deposits of \$12.3 million or 5 percent of the total deposits in commercial banks in the market, was acquired by the Oberwortmann group in 1976. In 1978, the Board considered an application by principals of the Applicant to form a one-bank holding company to control Gardner.⁶ The Board denied that application, finding that acquisition of Gardner in 1976 by the owners of Morris and Braidwood eliminated significant competition that existed at that time between Gardner and the other two banks, increased the concentration of banking resources within the Grundy County banking market, and eliminated an independent banking competi-

tor within the market. In its denial order, the Board found that the proposal contemplated use of the holding company form to further an anticompetitive arrangement.⁷ Applicant's principals now propose to incorporate Morris and Braidwood into a multi-bank holding company. Applicant would acquire no interest in Gardner.

In order to eliminate the anticompetitive effects associated with their control of Gardner, Applicant's principals have committed to transfer all of their interest in Gardner to an independent trustee on or before the date of consummation of the proposal⁸ and to divest Gardner completely on or before June 30, 1983. The Board views this disaffiliation as a positive factor in its analysis of the competitive considerations associated with this application because it will serve to hasten the termination of a longstanding significantly adverse competitive situation in the Grundy County market.⁹ Accordingly, based upon facts of record, the Board considers the competitive effects of the transaction in the Grundy County market do not warrant denial of the application.

The Oberwortmann group controls two banks in the Knox County banking market:¹⁰ Galesburg Bank ("Galesburg") and Knoxville Bank ("Knoxville"). The group acquired Galesburg, the second largest banking institution in the market, in 1965 and Knoxville, the fourth largest institution, in 1966. Combined, Galesburg and Knoxville hold total deposits of \$75.1 million, or 27 percent of market deposits.

Some existing competition was eliminated in 1966 when the Oberwortmann group acquired Knoxville. However, the anticompetitive effects of the transaction that brought these banks under common control are mitigated by several factors. First, although the two banks in question controlled 18.9 percent of the total deposits in commercial banks in the market in 1966, the absolute deposit size of each bank was small

7. Id. at 318.

8. The trust is for a period beginning no later than the date of the consummation of the acquisition and ending no later than June 30, 1983. If Applicant fails to negotiate a transfer of Gardner on or before that date, the trustee is directed to sell the shares of Gardner.

9. The Board's policy with regard to competitive divestitures, as stated in its Order approving the acquisition by *Barnett Banks of Florida, Inc.*, Jacksonville, Florida, of First Marine Banks, Inc., Riviera Beach, Florida, 68 FEDERAL RESERVE BULLETIN 190 (1982), requires that divestitures intended to cure the anticompetitive effects resulting from a merger or acquisition occur on or before the date of consummation of the merger to avoid the existence of anticompetitive effect for even a short period of time. see also *InterFirst Corporation*, 68 FEDERAL RESERVE BULLETIN 243 (1982). Because Applicant does not propose to acquire Gardner and because Applicant's proposal does not serve to cause or maintain an anticompetitive situation, the board does not believe that the divestiture of Gardner must be effected prior to or contemporaneous with consummation of Applicant's proposal.

10. The Knox County banking market is defined as Knox County, Illinois.

3. See *Mid-Nebraska Bancshares, Inc.*, 64 FEDERAL RESERVE BULLETIN 589 (1978), aff'd *sum nom*, *Mid-Nebraska Bancshares, Inc. v. Board of Governors*, 627 F.2d 266 (D.C. Cir. 1980).

4. As of December 31, 1966.

5. See *First Bank Holding Company of Batesville*, 67 FEDERAL RESERVE BULLETIN 347 (1981).

6. *Midwest Bancorp, Inc.*, 64 FEDERAL RESERVE BULLETIN 317 (1978).

and there were six other banks in the market. In 1966, Galesburg had total deposits of \$9.2 million and Knoxville had deposits of \$5.1 million. Second, although in 1966 the Knox County market had a four-firm concentration of 83.4 percent, this level of concentration in the market was attributable largely to the fact that the largest bank in the market held 45 percent of the total deposits in commercial banks in the market. Since 1965, however, the market share of this bank has eroded steadily and now amounts to 38.3 percent of the total deposits in commercial banks in the market. Further, a de novo bank was established in the market in 1967 and now holds a 3.7 percent share of the total commercial banks in the market, demonstrating that successful, procompetitive de novo entry into the market is possible. Thus, the Board concludes that the competitive effects of this transaction in the Knox County market are not so serious as to warrant denial of the proposal.

Accordingly, based on the record as a whole, and in view of Applicant's commitment that Gardner will be transferred to a trustee on or before the date of consummation and divested completely on or before June 30, 1983, the Board concludes that the proposed acquisition would not have any significantly adverse effects on existing or potential competition, or on the concentration of banking resources in any relevant market.

The financial and managerial resources of Applicant and the proposed subsidiary banks and bank holding companies are generally satisfactory and consistent with approval. Moreover, considerations relating to the convenience and needs of the community to be served are consistent with approval.

Applicant has also applied, pursuant to section 4(c)(8) of the Act, to engage in reinsuring credit life and credit accident and health insurance directly related to extensions of credit by the banking subsidiaries of the bank holding company. Credit life insurance and credit accident and health insurance are generally made available by banks and other lenders and are designed to assure repayment of a loan in the event of death or disability of the borrower. In connection with its addition of the underwriting of such insurance to the list of permissible activities for bank holding companies, the Board stated:

To assure that engaging in the underwriting of credit life and credit accident and health insurance can reasonably be expected to be in the public interest, the Board will only approve applications in which an applicant demonstrates that approval will benefit the consumer or result in other public benefits. Normally such a showing would be made by a projected reduction in rates or increase in policy benefits due to bank holding company performance of this service. (12 C.F.R. § 225.4(a)(10), n. 7).

Applicant proposes that, upon consummation of this proposal, it would charge rates that are 4.6 to 5.5 percent below the Illinois maximum rates that are currently being charged by Midwest Insurance Company and has committed to maintain reduced rates following approval of the application, a result the Board regards as being in the public interest. It does not appear that Applicant's acquisition of Midwest Insurance would have any significant adverse effects upon existing or potential competition. 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 interests, 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 favorable and consistent with approval of the application.

Based on the foregoing and all facts of record, the Board has determined that the applications under sections 3(a)(1) and 4(c)(8) of the Act should be and hereby are approved subject to the condition that complete divestiture of Gardner take place as soon as possible but in no event later than June 30, 1983.

The acquisition of Banks shall not be made before the thirtieth calendar day following the effective date of this Order, and neither the acquisition of Banks nor the acquisition of the nonbanking subsidiary shall occur later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago, pursuant to delegated authority. The determination as to Applicant's nonbanking activities are subject to the conditions set forth in section 225.4(c) of Regulation Y (12 C.F.R. § 225.4(c)) 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 February 28, 1983.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, and Partee. Absent and not voting: Governors Teeters, Rice, and Gramley. Governor Wallich abstained from voting on those portions of the proposal that relate to insurance.

(Signed) JAMES MCAFEE,
Associate Secretary of the Board

[SEAL]

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

By the Board of Governors

During February 1983, the Board of Governors approved the applications listed below. Copies are available upon request to Publications Services, MS-138, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

| Applicant | Bank(s) | Board action (effective date) |
|---|---|----------------------------------|
| Barnett Banks of Florida, Inc., Jacksonville, Florida | The State Exchange Bank, Lake City, Florida Treasure Coast Bankcorp, Port St. Lucie, Florida Suncoast Bancorp, Inc., Vero Beach, Florida | February 8, 1983 |
| Broadway Bancshares, Inc., San Antonio, Texas | Broadway Air Force National Bank, Randolph Air Force Base, Bexar County, Texas | February 3, 1983 |
| Commerce Bancorp, Inc., Hamtramck, Michigan | Bank of Commerce, Hamtramck, Michigan The State Bank of Fraser, Fraser, Michigan | February 10, 1983 |
| First Merchants Financial Corporation, Fort Smith, Arkansas | The Merchants National Bank of Fort Smith, Fort Smith, Arkansas | February 16, 1983 |
| First State Bancorp of Princeton, Illinois, Inc., Princeton, Illinois | First State Bank of Princeton, Princeton, Illinois Farmers' State Bank of Sheffield, Sheffield, Illinois | February 22, 1983 |
| High Point Financial Corporation, Branchville, New Jersey | The National Bank of Sussex County, Branchville, New Jersey | February 10, 1983 |
| InterFirst Corporation, Dallas, Texas | InterFirst Bank D/FW Freeport, N.A., Irving, Texas | February 9, 1983 |
| Key Banks Inc., Albany, New York | Bankers Trust Company of Western New York, Jamestown, New York | February 9, 1983 |
| Norstar Bancorp, Inc., Albany, New York | Bank of Commerce, New York, New York | February 25, 1983 |
| Puget Sound Bancorp, Tacoma, Washington | San Juan County Bank, Friday Harbor, Washington | February 24, 1983 |
| Sun Banks of Florida, Inc., Orlando, Florida | The First National Bank of DeFuniak Springs, DeFuniak Springs, Florida | February 18, 1983 |
| Texas American Bancshares, Inc., Fort Worth, Texas | Heritage Bank, Houston, Texas | February 10, 1983 |

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 |
|--|--|--------------|-------------------|
| Alpine Bancorporation Inc., Belvidere, Illinois | The Bank of Cherry Valley, Cherry Valley, Illinois | Chicago | February 4, 1983 |
| Amarillo Western Bancshares, Inc., Amarillo, Texas | Western National Bank, Amarillo, Texas | Dallas | February 17, 1983 |
| American Bank Corporation, Denver, Colorado | American National Bank of Rock Springs, Rock Springs, Wyoming | Kansas City | January 18, 1983 |
| BancTexas Group, Inc., Dallas, Texas | East Texas Bancshares, Inc., Tyler, Texas | Dallas | February 3, 1983 |
| CNB of Lebanon Bancorp, Inc., Lebanon, Kentucky | Citizens National Bank, Lebanon, Kentucky | St. Louis | February 9, 1983 |
| Central Banc System, Inc., Granite City, Illinois | Granite City Trust and Savings Bank, Granite City, Illinois | St. Louis | February 8, 1983 |
| Colonial Bancorporation, Inc., Thiensville, Wisconsin | The First National Bank of Port Washington, Port Washington, Wisconsin | Chicago | January 27, 1983 |
| Continental Bancorp, Inc., Philadelphia, Pennsylvania | York Bancorp, York, Pennsylvania | Philadelphia | January 27, 1983 |
| Cullen/Frost Bankers, Inc., San Antonio, Texas | Northfield National Bank, Houston, Texas | Dallas | February 11, 1983 |
| Downing Investment Co., Inc., Ellis, Kansas | Americus State Bank, Americus, Kansas Ellis State Bank, Ellis, Kansas | Kansas City | February 2, 1983 |
| Eagle Bancorporation, Inc., Highland, Illinois | Time Associates, Inc., Nashville, Illinois | St. Louis | January 28, 1983 |
| F.A.B. Bancorp, Inc., Aurora, Illinois | First American Bank of Aurora, Aurora, Illinois | Chicago | February 4, 1983 |
| F & M Bancorporation, Inc., Kaukauna, Wisconsin | Forest Junction State Bank, Forest Junction, Wisconsin | Chicago | January 28, 1983 |
| FNB Holding Co., West Des Moines, Iowa | First National Bank of West Des Moines, West Des Moines, Iowa | Chicago | February 7, 1983 |
| FTS Financial Inc., Williamsburg, Iowa | Farmers Trust and Savings Bank, Williamsburg, Iowa | | |
| First Bancorp of War, Inc., Welch, West Virginia | Ameribank, Welch, Welch, West Virginia | Richmond | February 14, 1983 |
| First Commonwealth Bancshares, Inc., Bellaire, Texas | The Commonwealth Bank, Bellaire, Texas | Dallas | February 18, 1983 |

Section 3—Continued

| Applicant | Bank(s) | Reserve Bank | Effective date |
|--|--|---------------|-------------------|
| First Financial Bancorp, Monroe, Ohio | First National Bank of Southwest- ern Ohio, Monroe, Ohio The Citizens Commercial Bank & Trust Company, Celina, Ohio | Cleveland | February 18, 1983 |
| First Illinois Corporation, Evanston, Illinois | Northwest Trust & Savings Bank, Arlington Heights, Illinois | Chicago | February 17, 1983 |
| First North Port Bancorp, North Port, Florida | North Port Bank, North Port, Florida | Atlanta | February 23, 1983 |
| First Sterling Bancorp., Inc., Sterling, Illinois | First National Bank of Sterling, Sterling, Illinois | Chicago | February 23, 1983 |
| H & L Investments, Inc., Manhattan, Kansas | First Manhattan Bankshares, Inc., Manhattan, Kansas | Kansas City | February 2, 1983 |
| Hopkins Financial Corporation, Mitchell, South Dakota | Leola State Bank, Leola, South Dakota | Minneapolis | February 4, 1983 |
| Illinois Valley Bancorp, Inc., Morris, Illinois | The Grundy County National Bank, Morris, Illinois | Chicago | February 10, 1983 |
| Intercity Bancorporation, Inc., Schofield, Wisconsin | Intercity State Bank, Schofield, Wisconsin | Chicago | February 18, 1983 |
| Interstate Financial Corporation, Dayton, Ohio | The Waynesville National Waynesville, Ohio | Cleveland | February 16, 1983 |
| Key Banks Inc., Albany, New York | Bankers Trust Company of Western New York, Jamestown, New York | New York | February 2, 1983 |
| Mahnomen Bancshares, Inc., Mahnomen, Minnesota | First National Bank in Mahnomen, Mahnomen, Minnesota | Minneapolis | February 3, 1983 |
| Naperville Financial Corporation Naperville, Illinois | The Naperville National Bank and Trust Company, Naperville, Illinois | Chicago | February 15, 1983 |
| Norstar Bancorp, Inc., Albany, New York | Bank of Commerce, New York, New York | New York | February 2, 1983 |
| Northwest Pennsylvania Corp., Oil City, Pennsylvania | Union Bank & Trust Co., Erie, Pennsylvania | Cleveland | February 18, 1983 |
| Old Second Bancorp, Inc., Aurora, Illinois | Bank of North Aurora, North Aurora, Illinois | Chicago | January 28, 1983 |
| Prairieland Bancorp, Inc. Bushnell, Illinois | Roseville State Bank, Roseville, Illinois | Chicago | February 4, 1983 |
| Security Bancorp, Inc., Southgate, Michigan | The First National Bank of Monroe, Monroe, Michigan | Chicago | February 7, 1983 |
| Security Shares, Inc., Abilene, Texas | Security State Bank, Abilene, Texas | Dallas | February 2, 1983 |
| Smithville Bankshares, Inc., Smithville, Texas | First State Bank of Smithville, Smithville, Texas | Dallas | February 10, 1983 |
| Starr Ban Company, Lamoni, Iowa | State Bank of Lamoni, Lamoni, Iowa | Chicago | January 31, 1983 |
| Town & Country Bancorp, Inc., Springfield, Illinois | Town & Country Bank, Springfield, Illinois | Chicago | February 9, 1983 |
| Utah Bancorporation, Salt Lake City, Utah | Intermountain Thrift and Loan, Salt Lake City, Utah | San Francisco | February 23, 1983 |

Section 3—Continued

| Applicant | Bank(s) | Reserve Bank | Effective date |
|---|---|--------------|-------------------|
| Victoria Bankshares, Inc., Victoria, Texas | First National Bank of Ingleside, Ingleside, Texas | Dallas | February 7, 1983 |
| Wayne County Bancshares, Inc., Waynesboro, Tennessee | Wayne County Bank, Waynesboro, Tennessee | Atlanta | February 23, 1983 |

Sections 3 and 4

| Applicant | Bank(s)/Nonbanking company or activity | Reserve Bank | Effective date |
|---|---|--------------|-------------------|
| Dewco Agency, Inc., Timber Lake, South Dakota | Dewey County Bank, Timber Lake, South Dakota | Minneapolis | February 16, 1983 |
| Le Center Financial Services, Inc., Le Center, Minnesota | First State Bank of Le Center, Le Center, Minnesota To continue to engage in operating a general insurance agency | Minneapolis | January 28, 1983 |
| McKinstry Inc., Julesburg, Colorado | The First National Bank of Jules- burg, Julesburg, Colorado McKinstry-Campbell Insurance Agency, Julesburg, Colorado | Kansas City | February 4, 1983 |
| Metter Financial Services, Inc., Metter, Georgia | Metter Banking Company, Metter, Georgia Metter Systems, Inc., Metter, Georgia | Atlanta | February 11, 1983 |
| Ranchers Investment Corporation, Winner, South Dakota | Ranchers National Bank of Winner, Winner, South Dakota To engage in general insurance ac- tivities | Minneapolis | February 4, 1983 |
| Starbuck Bancshares, Inc., Starbuck, Minnesota | The First National Bank of Star- buck, Starbuck, Minnesota Olson Insurance Agency of Star- buck, Starbuck, Minnesota | Minneapolis | January 31, 1983 |

ORDER APPROVED UNDER BANK MERGER ACT

By Federal Reserve Banks

| Applicant | Bank(s) | Reserve Bank | Effective date |
|--|---|--------------|------------------|
| Lookingglass Banc Corp., Albers, Illinois | Peoples Bank of Albers, Albers, Illinois | St. Louis | February 3, 1983 |

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.

Flagship Banks, Inc. v. Board of Governors, filed January 1983, U.S.D.C. for the District of Columbia.

Flagship Banks, Inc. v. Board of Governors, filed October 1982, U.S.D.C. for the District of Columbia.

Association of Data Processing Service Organizations, Inc., et al. v. Board of Governors, filed August 1982, U.S.C.A. for the District of Columbia.

The Philadelphia Clearing House Association, et al. v. Board of Governors, filed July 1982, U.S.D.C. for the Eastern District of Pennsylvania.

Richter v. Board of Governors, et al., filed May 1982, U.S.D.C. for the Northern District of Illinois.

Wyoming Bancorporation v. Board of Governors, filed May 1982, U.S.C.A. for the Tenth Circuit.

First Bancorporation v. Board of Governors, filed April 1982, U.S.C.A. for the Tenth Circuit.

Charles G. Vick v. Paul A. Volcker, et al., filed March 1982, U.S.D.C. for the District of Columbia.

Jolene Gustafson v. Board of Governors, filed March 1982, U.S.C.A. for the Fifth Circuit.

Edwin F. Gordon v. Board of Governors, et al., filed October 1981, U.S.C.A. for the Eleventh Circuit (two consolidated cases).

Allen Wolfson v. Board of Governors, filed September 1981, U.S.D.C. for the Middle District of Florida.

Bank Stationers Association, Inc., et al. v. Board of Governors, filed July 1981, U.S.D.C. for the Northern District of Georgia.

Public Interest Bounty Hunters v. Board of Governors, et al., filed June 1981, U.S.D.C. for the Northern District of Georgia.

Edwin F. Gordon v. John Heimann, et al., filed May 1981, U.S.C.A. for the Fifth Circuit.

First Bank & Trust Company v. Board of Governors, filed February 1981, U.S.D.C. for the Eastern District of Kentucky.

9 to 5 Organization for Women Office Workers v. Board of Governors, filed December 1980, U.S.D.C. for the District of Massachusetts.

Securities Industry Association v. Board of Governors, et al., filed October 1980, U.S.D.C. for the District of Columbia.

Securities Industry Association v. Board of Governors, et al., filed October 1980, U.S.C.A. for the District of Columbia.

A. G. Becker, Inc. v. Board of Governors, et al., filed October 1980, U.S.D.C. for the District of Columbia.

A. G. Becker, Inc. v. Board of Governors, et al., filed October 1980, U.S.C.A. for the District of Columbia.

A. G. Becker, Inc. v. Board of Governors, et al., filed August 1980, U.S.D.C. for the District of Columbia.

Berkovitz, et al. v. Government of Iran, et al., filed June 1980, U.S.D.C. for the Northern District of California.

Directors of Federal Reserve Banks and Branches

Following is a list of the directorates of the Federal Reserve Banks and Branches as presently constituted. The list shows, in addition to the name of each director, the principal business affiliation, the class of directorship, and the date when the term expires. Each Federal Reserve Bank has nine directors: three Class A and three Class B directors, who are elected by the stockholding member banks, and three Class C directors, who are appointed by the Board of Governors of the Federal Reserve System. All Federal Reserve Bank directors are chosen without discrimination on the basis of race, creed, color, sex, or national origin. Class A directors are representative of the stockholding member banks. Class B directors represent the public and are elected with due but not exclusive consideration to the interests of agriculture, commerce, industry, services, labor, and consumers, and may not be officers, directors, or employees of any bank.

For the purpose of electing Class A and Class B directors, the member banks of each Federal Reserve District are classified by the Board of Governors of the Federal Reserve System into three groups, each of which consists of banks of similar capitalization, and

each group elects one Class A and one Class B director. Class C directors are selected to represent the public with due but not exclusive consideration to the interests of agriculture, commerce, industry, services, labor, and consumers, and may not be officers, directors, employees, or stockholders of any bank. One Class C director is designated by the Board of Governors as Chairman of the board of directors and Federal Reserve Agent and another is appointed Deputy Chairman.

Federal Reserve Branches have either five or seven directors, of whom a majority are appointed by the board of directors of the parent Federal Reserve Bank; the others are appointed by the Board of Governors of the Federal Reserve System. One of the directors appointed by the Board of Governors at each Branch is designated annually as Chairman of the board of that Branch in such a manner as the Federal Reserve Bank may prescribe.

In this list of the directorates, a name followed by footnote reference 1 is a chairman of the Bank's board, that by footnote reference 2 is a deputy chairman, and that by footnote reference 3 indicates a new appointment.

DISTRICT 1—BOSTON

Class A

| | | |
|-------------------------------|--|------|
| Henry S. Woodbridge, Jr. | Chairman of the Board and Chief Executive Officer, Rhode Island Hospital Trust National Bank, Providence, R.I. | 1983 |
| James Stokes Hatch | President and Chief Executive Officer, The Canaan National Bank, Canaan, Conn. | 1984 |
| William W. Treat ³ | President, Bank Meridian, N.A., Hampton, N.H. | 1985 |

Class B

| | | |
|-------------------------------|--|------|
| Joseph A. Baute | Chairman and Chief Executive Officer, Markem Corporation, Keene, N.H. | 1983 |
| George N. Hatsopoulos | Chairman of the Board and President, Thermo Electron Company, Waltham, Mass. | 1984 |
| Matina S. Horner ³ | President, Radcliffe College, Cambridge, Mass. | 1985 |

*Class C**Term
expires
Dec. 31*

| | | |
|----------------------------------|--|------|
| Michael J. Harrington | Harrington Company, Peabody, Mass. | 1983 |
| Robert P. Henderson ¹ | Chairman and Chief Executive Officer, Itek Corporation, Lexington, Mass. | 1984 |
| Thomas I. Atkins ² | General Counsel, National Association for the Advancement of Colored People, New York, N.Y. | 1985 |

*DISTRICT 2—NEW YORK**Class A*

| | | |
|------------------------------|--|------|
| Peter D. Kiernan | Chairman and President, Norstar Bancorp Inc., Albany, N.Y. | 1983 |
| Robert A. Rough | President, The National Bank of Sussex County, Branchville, N.J. | 1984 |
| Alfred Brittain ³ | Chairman of the Board, Bankers Trust Company, New York, N.Y. | 1985 |

Class B

| | | |
|-------------------------|---|------|
| John R. Opel | President and Chief Executive Officer, International Business Machines Corporation, Armonk, N.Y. | 1983 |
| Edward L. Hennessy, Jr. | Chairman of the Board, Allied Chemical Corporation, Morristown, N.J. | 1984 |
| William S. Cook | President, Union Pacific Corporation, New York, N.Y. | 1985 |

Class C

| | | |
|--------------------------------------|--|------|
| Clifton R. Wharton, Jr. ³ | Chancellor, State University of New York System, New York, N.Y. | 1983 |
| Gertrude G. Michelson ² | Senior Vice President, R. H. Macy & Company, Inc., New York, N.Y. | 1984 |
| John Brademas ^{1, 3} | President, New York University, New York, N.Y. | 1985 |

*—BUFFALO BRANCH**Appointed by Federal Reserve Bank*

| | | |
|--------------------------------|--|------|
| Carl F. Ulmer | President, The Evans National Bank of Angola, Angola, N.Y. | 1983 |
| Edward W. Duffy | Chairman of the Board, Marine Midland Bank, N.A., Buffalo, N.Y. | 1984 |
| Frederick G. Ray ³ | Chairman, President, and Chief Executive Officer, Rochester Savings Bank, Rochester, N.Y. | 1985 |
| Donald I. Wickham ³ | President, Tri-Way Farms, Inc., Stanley, N.Y. | 1985 |

Appointed by Board of Governors

| | | |
|------------------------------|---|------|
| John R. Burwell | President, Rollins Container Corporation, Rochester, N.Y. | 1983 |
| George L. Wessel | President, Buffalo AFL/CIO Council, Buffalo, N.Y. | 1984 |
| M. Jane Dickman ¹ | Partner, c/o Touche Ross & Co., Buffalo, N.Y. | 1985 |

DISTRICT 3—PHILADELPHIA

Class A

*Term
expires
Dec. 31*

| | | |
|-----------------------------|---|------|
| Roger S. Hillas | Chairman and President, Provident National Bank, Philadelphia, Pa. | 1983 |
| Douglas Eugene Johnson | Chairman and President, Ocean County National Bank, Point Pleasant Beach, N.J. | 1984 |
| JoAnne Brinzey ³ | Cashier and Chief Executive Officer, The First National Bank at Gallitzin, Gallitzin, Pa. | 1985 |

Class B

| | | |
|--------------------|--|------|
| Harry A. Jensen | President and Chief Executive Officer, Armstrong World Industries, Inc., Lancaster, Pa. | 1983 |
| Richard P. Hauser | Chairman and Chief Executive Officer, John Wanamaker, Philadelphia, Pa. | 1984 |
| Eberhard Faber, IV | Chairman of the Board and Chief Executive Officer, Eberhard Faber, Inc., Wilkes-Barre, Pa. | 1985 |

Class C

| | | |
|----------------------------------|---|------|
| Robert M. Landis ¹ | Partner, Dechert Price & Rhoads, Philadelphia, Pa. | 1983 |
| George E. Bartol, III | Chairman of the Board, Hunt Manufacturing Company, Philadelphia, Pa. | 1984 |
| Nevius M. Curtis ^{2, 3} | President and Chief Executive Officer, Delmarva Power & Light Company, Wilmington, Del. | 1985 |

DISTRICT 4—CLEVELAND

Class A

| | | |
|--------------------------------|---|------|
| J. David Barnes | Chairman of the Board, Mellon Bank, N.A., Pittsburgh, Pa. | 1983 |
| Raymond D. Campbell | Director, The Oberlin Savings Bank Co., Oberlin, Ohio | 1984 |
| William W. Stroud ³ | President, First-Knox National Bank, Mount Vernon, Ohio | 1985 |

Class B

| | | |
|---------------------|--|------|
| E. Mandell de Windt | Chairman of the Board, Eaton Corporation, Cleveland, Ohio | 1983 |
| Richard D. Hannan | Chairman of the Board and President, Mercury Instruments, Inc., Cincinnati, Ohio | 1984 |
| John W. Kessler | President, John W. Kessler Company, Columbus, Ohio | 1985 |

Class C

| | | |
|--------------------------------|---|------|
| William H. Knoell ² | President and Chief Executive Officer, Cyclops Corporation, Pittsburgh, Pa. | 1983 |
| J. L. Jackson ¹ | Executive Vice President and President, Coal Unit, Diamond Shamrock Corporation, Lexington, Ky. | 1984 |
| John D. Anderson | Senior Partner, The Andersons, Maumee, Ohio | 1985 |

—CINCINNATI BRANCH

*Appointed by Federal Reserve Bank**Term
expires
Dec. 31*

| | | |
|---------------------------------|---|------|
| O. T. Dorton | President, Citizens National Bank, Paintsville, Ky. | 1983 |
| Richard J. Fitton | President and Chief Executive Officer, First National Bank of Southwestern Ohio, Hamilton, Ohio | 1984 |
| Sherrill Cleland | President, Marietta College, Marietta, Ohio | 1984 |
| Clement L. Buenger ³ | President, The Fifth Third Bank, Cincinnati, Ohio | 1985 |

Appointed by Board of Governors

| | | |
|--------------------------------|---|------|
| Clifford R. Meyer ¹ | President and Chief Operating Officer, Cincinnati Milacron Inc., Cincinnati, Ohio | 1983 |
| Don Ross | Owner, Dunreath Farm, Lexington, Ky. | 1984 |
| Sister Grace Marie Hiltz | President, Sisters of Charity Health Care Systems, Inc., Cincinnati, Ohio | 1985 |

—PITTSBURGH BRANCH

Appointed by Federal Reserve Bank

| | | |
|------------------------------|--|------|
| Ernest L. Lake | President, The National Bank of North East, North East, Pa. | 1983 |
| Robert C. Milsom | President, Pittsburgh National Bank, Pittsburgh, Pa. | 1984 |
| James S. Pisman, Jr. | Chairman, Aluminum Company of America, Pittsburgh, Pa. | 1984 |
| A. Dean Heasley ³ | President and Chief Executive Officer, Century National Bank & Trust Co., Rochester, Pa. | 1985 |

Appointed by Board of Governors

| | | |
|-----------------------------------|---|------|
| Milton G. Hulme, Jr. ¹ | President and Chief Executive Officer, Mine Safety Appliances Company, Pittsburgh, Pa. | 1983 |
| Quentin C. McKenna | President and Chief Executive Officer, Kennametal Inc., Latrobe, Pa. | 1984 |
| Robert S. Kaplan | Dean, Graduate School of Industrial Administration, Carnegie-Mellon University, Pittsburgh, Pa. | 1985 |

DISTRICT 5—RICHMOND

Class A

| | | |
|---------------------------------|--|------|
| J. Banks Scarborough | Chairman and President, Pee Dee State Bank, Timmonsville, S.C. | 1983 |
| Joseph A. Jennings | Chairman and Chief Executive Officer, United Virginia Bankshares Inc. and United Virginia Bank, Richmond, Va. | 1984 |
| Willard H. Derrick ³ | President and Chief Executive Officer, Sandy Springs National Bank and Savings Institution, Sandy Springs, Md. | 1985 |

Class B

| | | |
|-----------------------|--|------|
| Leon A. Dunn, Jr. | Chairman, President, and Chief Executive Officer, Guardian Corporation and Subsidiaries, Rocky Mount, N.C. | 1983 |
| Paul G. Miller | Chairman of the Board and Chief Executive Officer, Commercial Credit Company, Baltimore, Md. | 1984 |
| James A. Chapman, Jr. | Chairman of the Board and Chief Executive Officer, Inman Mills, Inman, S.C. | 1985 |

*Class C**Term
expires
Dec. 31*

| | | |
|----------------------------------|--|------|
| Steven Muller ¹ | President, The Johns Hopkins University, Baltimore, Md. | 1983 |
| William S. Lee, III ² | Chairman of the Board and Chief Executive Officer, Duke Power Company, Charlotte, N.C. | 1984 |
| Robert A. Georgine ³ | President, The Johns Hopkins University, Baltimore, Md. | 1985 |

*—BALTIMORE BRANCH**Appointed by Federal Reserve Bank*

| | | |
|--------------------------------|--|------|
| Joseph M. Gough, Jr. | President, The First National Bank of St. Mary's, Leonardtown, Md. | 1983 |
| Pearl C. Brackett | Deputy Manager, Baltimore Regional Chapter of the American Red Cross, Baltimore, Md. | 1984 |
| Hugh D. Shires | Senior Vice President, First National Bank of Maryland, Cumberland, Md. | 1985 |
| Howard I. Scraggs ³ | Chairman of the Board, American National Building and Loan Association, Baltimore, Md. | 1985 |

Appointed by Board of Governors

| | | |
|-------------------------------|---|------|
| Robert L. Tate | Chairman, Tate Industries, Baltimore, Md. | 1983 |
| Thomas H. Maddux | Executive Vice President and Chief Operating Officer, Easco Corporation, Baltimore, Md. | 1984 |
| Edward H. Covell ¹ | President, The Covell Company, Easton, Md. | 1985 |

*—CHARLOTTE BRANCH**Appointed by Federal Reserve Bank*

| | | |
|-----------------------------|--|------|
| Nicholas W. Mitchell | Chairman of the Board, Piedmont Federal Savings and Loan Association, Winston-Salem, N.C. | 1983 |
| Hugh M. Chapman | Chairman of the Board, The Citizens & Southern National Bank of South Carolina, Columbia, S.C. | 1984 |
| John G. Medlin ³ | President and Chief Executive Officer, Wachovia Bank and Trust Company and Wachovia Company, N.A., Winston-Salem, N.C. | 1985 |
| Marvin D. Trapp | President and Chief Executive Officer, The National Bank of South Carolina, Sumter, S.C. | 1985 |

Appointed by Board of Governors

| | | |
|----------------------------------|--|------|
| Wallace J. Jorgenson | President, Jefferson-Pilot Broadcasting Co., Charlotte, N.C. | 1983 |
| Henry Ponder ¹ | President, Benedict College, Columbia, S.C. | 1984 |
| George A. Bernhardt ³ | President and Director, Bernhardt Industries, Lenoir, N.C. | 1985 |

*DISTRICT 6—ATLANTA**Class A*

| | | |
|-----------------|---|------|
| Hugh M. Willson | President, Citizens National Bank, Athens, Tenn. | 1983 |
| Guy W. Botts | Chairman of the Board, Barnett Banks of Florida, Inc., Jacksonville, Fla. | 1984 |
| Dan B. Andrews | President, First National Bank, Dickson, Tenn. | 1985 |

Class B

| | | <i>Term expires Dec. 31</i> |
|--------------------------------|--|-------------------------------------|
| Harold B. Blach, Jr. | President, Blach's Inc., Birmingham, Ala. | 1983 |
| Horatio C. Thompson | President, Horatio Thompson Investment, Inc., Baton Rouge, La. | 1984 |
| Bernard F. Sliger ³ | President, Florida State University, Tallahassee, Fla. | 1985 |

Class C

| | | |
|---------------------------------------|---|------|
| William A. Fickling, Jr. ¹ | Chairman and Chief Executive, Charter Medical Corporation, Macon, Ga. | 1983 |
| Jane C. Cousins | President and Chief Executive Officer, Merrill Lynch Realty/Cousins, Miami, Fla. | 1984 |
| John H. Weitnauer, Jr. ² | Chairman and Chief Executive Officer, Richway, Atlanta, Ga. | 1985 |

—BIRMINGHAM BRANCH

Appointed by Federal Reserve Bank

| | | |
|---------------------------|--|------|
| Henry A. Leslie | President and Chief Executive Officer, Union Bank and Trust Company, Montgomery, Ala. | 1983 |
| William M. Schroeder | Chairman and President, Central State Bank, Calera, Ala. | 1984 |
| Grady Gillam ³ | President and Chief Executive Officer, The American National Bank, Gadsden, Ala. | 1985 |
| G. Mack Dove ³ | President, AAA Cooper Transportation Co., Dothan, Ala. | 1985 |

Appointed by Board of Governors

| | | |
|----------------------------------|--|------|
| Samuel R. Hill, Jr. ¹ | President, University of Alabama in Birmingham, Birmingham, Ala. | 1983 |
| Louis J. Willie | Executive Vice President, Booker T. Washington Insurance Co., Birmingham, Ala. | 1984 |
| Martha A. McInnis | Executive Vice President, Alabama Environmental Quality Association, Montgomery, Ala. | 1985 |

—JACKSONVILLE BRANCH

Appointed by Federal Reserve Bank

| | | |
|------------------------------|--|------|
| Gordon W. Campbell | President and Chief Executive Officer, Exchange Bancorporation, Inc., Tampa, Fla. | 1983 |
| Lewis A. Doman | President, The Citizens and Peoples National Bank, Pensacola, Fla. | 1984 |
| E. F. Keen, Jr. ³ | Vice Chairman and President, Ellis Banking Corporation, Bradenton, Fla. | 1985 |
| Roy G. Green ³ | President, First Federal Savings and Loan Association of Jacksonville, Jacksonville, Fla. | 1985 |

Appointed by Board of Governors

| | | |
|-----------------------------------|--|------|
| Joan W. Stein ¹ | Chairman, Regency Square Properties, Inc., Jacksonville, Fla. | 1983 |
| Jerome P. Keuper | President, Florida Institute of Technology, Melbourne, Fla. | 1984 |
| E. William Nash, Jr. ³ | President, South Central Operations, The Prudential Insurance Company, Jacksonville, Fla. | 1985 |

—MIAMI BRANCH

Appointed by Federal Reserve Bank

*Term
expires
Dec. 31*

| | | |
|--------------------------------|--|------|
| Daniel S. Goodrum | Senior Executive Vice President, Sun Banks of Florida, Ft. Lauderdale, Fla. | 1983 |
| E. Llwyd Ecclestone, Jr. | President and Chief Executive Officer, National Investment Co., West Palm Beach, Fla. | 1984 |
| Stephen G. Zahorian | President, Barnett Bank of Fort Myers, N.A., Fort Myers, Fla. | 1984 |
| D. S. Hudson, Jr. ³ | Chairman, First National Bank and Trust Company of Stuart, Stuart, Fla. | 1985 |

Appointed by Board of Governors

| | | |
|-------------------------------|--|------|
| Eugene E. Cohen ¹ | Chief Financial Officer and Treasurer, Howard Hughes Medical Institute, Coconut Grove, Fla. | 1983 |
| Roy Vandegrift, Jr. | President, Vandegrift-Williams Farms, Inc., Pahokee, Fla. | 1984 |
| Sue McCourt Cobb ³ | Attorney, Greenberg, Traurig, Askew, Hoffman, Lipoff, Quentel, and Wolff, P.A., Miami, Fla. | 1985 |

—NASHVILLE BRANCH

Appointed by Federal Reserve Bank

| | | |
|---------------------------------|--|------|
| James F. Smith, Jr. | Chairman and Chief Executive Officer, Park National Bank, Knoxville, Tenn. | 1983 |
| Michael T. Christian | President and Chief Executive Officer, First National Bank of Greeneville, Greeneville, Tenn. | 1984 |
| Owen G. Shell, Jr. ³ | President and Chief Operating Officer, First American Bank of Nashville, N.A., Nashville, Tenn. | 1985 |
| Samuel H. Howard ³ | Vice President and Treasurer, Hospital Corporation of America, Nashville, Tenn. | 1985 |

Appointed by Board of Governors

| | | |
|--|--|------|
| Robert C. H. Mathews, Jr. ¹ | Managing General Partner, R. C. Mathews, Contractor, Nashville, Tenn. | 1983 |
| C. Warren Neel | Dean, College of Business Administration, The University of Tennessee, Knoxville, Tenn. | 1984 |
| Condon S. Bush ³ | President, Bush Brothers & Company, Dandridge, Tenn. | 1985 |

—NEW ORLEANS BRANCH

Appointed by Federal Reserve Bank

| | | |
|-------------------------------------|---|------|
| Paul W. McMullan | Chairman and Chief Executive Officer, First Mississippi National Bank, Hattiesburg, Miss. | 1983 |
| Jerry W. Brents | President and Chief Executive Officer, First National Bank, Lafayette, La. | 1984 |
| Thomas G. Rapier ³ | President and Chief Executive Officer, First National Bank, New Orleans, La. | 1985 |
| Tom Burkett Scott, Jr. ³ | President and Chief Executive Officer, Unifirst Federal Savings and Loan Association, Jackson, Miss. | 1985 |

Appointed by Board of Governors

| | | <i>Term expires Dec. 31</i> |
|--------------------------------|---|-------------------------------------|
| Leslie B. Lampton | President, Ergon, Inc., Jackson, Miss. | 1983 |
| Roosevelt Steptoe ¹ | Professor, Southern University, Baton Rouge Campus, Baton Rouge, La. | 1984 |
| Sharon A. Perlis | Attorney, Metairie, La. | 1985 |

*DISTRICT 7—CHICAGO**Class A*

| | | |
|-------------------------------|--|------|
| Ollie Jay Tomson | President, The Citizens National Bank of Charles City, Charles City, Iowa | 1983 |
| Charles M. Bliss ³ | Chairman of the Board and Chief Executive Officer, Harris Trust and Savings Bank, Chicago, Ill. | 1984 |
| Patrick E. McNarny | President, First National Bank of Logansport, Logansport, Ind. | 1985 |

Class B

| | | |
|-----------------|--|------|
| Leon T. Kendall | Chairman of the Board and Chief Executive Officer, Mortgage Guaranty Insurance Corp., Milwaukee, Wis. | 1983 |
| Dennis W. Hunt | President, Hunt Truck Lines, Inc., Rockwell City, Iowa | 1984 |
| Mary Garst | Manager of Cattle Division, Garst Company, Coon Rapids, Iowa | 1985 |

Class C

| | | |
|------------------------------|--|------|
| John Sagan ¹ | Vice President-Treasurer, Ford Motor Company, Dearborn, Mich. | 1983 |
| Edward F. Brabec | Business Manager, Chicago Journeymen Plumbers, Local Union 130, U.A., Chicago, Ill. | 1984 |
| Stanton R. Cook ² | President, Tribune Company, Chicago, Ill. | 1985 |

*—DETROIT BRANCH**Appointed by Federal Reserve Bank*

| | | |
|-------------------------------------|--|------|
| Lawrence A. Johns | President, Isabella Bank and Trust, Mount Pleasant, Mich. | 1983 |
| James H. Duncan | Chairman and Chief Executive Officer, First American Bank Corporation, Kalamazoo, Mich. | 1984 |
| Thomas R. Ricketts | Chairman and President, Standard Federal Savings and Loan Association, Troy, Mich. | 1984 |
| Charles T. Fisher, III ³ | Chairman and President, National Bank of Detroit, Detroit, Mich. | 1985 |

Appointed by Board of Governors

| | | |
|-------------------------------|--|------|
| Karl D. Gregory | Professor; Management and Economic Consultant, Oakland University, Rochester, Mich. | 1983 |
| Robert E. Brewer | Executive Vice President Finance, K Mart Corporation, Troy, Mich. | 1984 |
| Russell G. Mawby ¹ | President and Trustee, W. K. Kellogg Foundation, Battle Creek, Mich. | 1985 |

DISTRICT 8—ST. LOUIS

Class A

*Term
expires
Dec. 31*

| | | |
|-----------------------|--|------|
| Clarence C. Barksdale | Chairman and Chief Executive Officer, Centerre Bank National Association, St. Louis, Mo. | 1983 |
| George M. Ryrie | President, First National Bank & Trust Co., Alton, Ill. | 1984 |
| Donald L. Hunt | President, First National Bank of Marissa, Marissa, Ill. | 1985 |

Class B

| | | |
|---------------------|---|------|
| Frank A. Jones, Jr. | President, Dietz Forge Company, Memphis, Tenn. | 1983 |
| Jesse M. Shaver | Consultant, Allis-Chalmers Corporation, Louisville, Ky. | 1984 |
| Vacancy | | 1985 |

Class C

| | | |
|-----------------------------------|---|------|
| W. L. Hadley Griffin ¹ | Chairman of the Board, Brown Group, Inc., St. Louis, Mo. | 1984 |
| Mary P. Holt ² | President, Clothes Horse, Little Rock, Mo. | 1985 |
| Robert L. Virgil ³ | Dean, School of Business, Washington University, St. Louis, Mo. | 1985 |

—LITTLE ROCK BRANCH

Appointed by Federal Reserve Bank

| | | |
|------------------------------------|---|------|
| William H. Kennedy, Jr. | Chairman of the Board, National Bank of Commerce of Pine Bluff, Pine Bluff, Ark. | 1983 |
| Gordon E. Parker | Chairman of the Board and President, The First National Bank of El Dorado, El Dorado, Ark. | 1984 |
| D. Eugene Fortson ³ | President and Chief Executive Officer, Worthen Bank and Trust Company, N.A., Little Rock, Ark. | 1985 |
| Wilbur P. Gulley, Jr. ³ | President and Chief Executive Officer, Savers Federal Savings and Loan Association, Little Rock, Ark. | 1985 |

Appointed by Board of Governors

| | | |
|--------------------------------|---|------|
| Richard V. Warner ¹ | Group Vice President, Wood Products Group, Potlatch Corporation, Warren, Ark. | 1983 |
| Sheffield Nelson | Chairman of the Board, President, and Chief Executive Officer, Arkla, Inc., Little Rock, Ark. | 1984 |
| Shirley J. Pine | Department of Communicative Disorders, University of Arkansas at Little Rock, Little Rock, Ark. | 1985 |

—LOUISVILLE BRANCH

Appointed by Federal Reserve Bank

| | | |
|-----------------------------|--|------|
| Frank B. Hower, Jr. | Chairman and Chief Executive Officer, Liberty National Bank and Trust Company, Louisville, Ky. | 1983 |
| R. I. Kerr, Jr. | President and Managing Officer, Greater Louisville First Federal Savings and Loan Association, Louisville, Ky. | 1984 |
| John E. Darnell, Jr. | Chairman of the Board, President, and Chief Executive, The Owensboro National Bank, Owensboro, Ky. | 1984 |
| Allan S. Hanks ³ | President, The Anderson National Bank of Lawrenceburg, Lawrenceburg, Ky. | 1985 |

Appointed by Board of Governors

| | | <i>Term expires Dec. 31</i> |
|--------------------------------------|---|-------------------------------------|
| William C. Ballard, Jr. ¹ | Executive Vice President—Finance and Administration, Humana, Inc., Louisville, Ky. | 1983 |
| Sister Eileen M. Egan | President, Spalding College, Louisville, Ky. | 1984 |
| Henry F. Frigon ³ | Executive Vice President and Chief Financial and Administrative Officer, BATUS, INC., Louisville, Ky. | 1985 |

*—MEMPHIS BRANCH**Appointed by Federal Reserve Bank*

| | | |
|--------------------------------------|--|------|
| Wayne W. Pyeatt | President, Memphis Fire Insurance Company, Memphis, Tenn. | 1983 |
| Edgar H. Bailey | Chairman and President, Leader Federal Savings and Loan Association, Memphis, Tenn. | 1984 |
| William M. Matthews, Jr. | Chairman of the Board and Chief Executive Officer, Union Planters National Bank of Memphis, Memphis, Tenn. | 1984 |
| William H. Brandon, Jr. ³ | President, First National Bank of Phillips County, Helena, Ark. | 1985 |

Appointed by Board of Governors

| | | |
|-------------------------------|--|------|
| Donald B. Weis | President, Tamak Transportation Corp., West Memphis, Ark. | 1983 |
| G. Rives Neblett ¹ | Attorney, Neblett, Bobo & Chapman, Shelby, Miss. | 1984 |
| Patricia W. Shaw | Executive Vice President, Universal Life Insurance Company, Memphis, Tenn. | 1985 |

*DISTRICT 9—MINNEAPOLIS**Class A*

| | | |
|------------------------------|---|------|
| Vern A. Marquardt | President, Commercial National Bank of L'Anse, L'Anse, Mich. | 1983 |
| Dale W. Fern | President and Chairman of the Board, The First National Bank of Baldwin, Wisconsin, Baldwin, Wis. | 1984 |
| Curtis W. Kuehn ³ | Senior Vice President, The First National Bank in Sioux Falls, Sioux Falls, S.D. | 1985 |

Class B

| | | |
|----------------------------------|---|------|
| Harold F. Zigmund | President and Chief Executive Officer, Blandin Paper Company, Grand Rapids, Minn. | 1983 |
| William L. Mathers | President, Mathers Land Co., Inc., Miles City, Mont. | 1984 |
| Richard L. Falconer ³ | District Manager, Northwestern Bell, Bismarck, N.D. | 1985 |

Class C

| | | |
|----------------------------------|--|------|
| William G. Phillips ¹ | Chairman and Chief Executive Officer, International Multifoods, Minneapolis, Minn. | 1984 |
| John B. Davis, Jr. ² | President, Macalester College, St. Paul, Minn. | 1984 |
| Sister Generose Gervais | Administrator, St. Mary's Hospital, Rochester, Minn. | 1985 |

—HELENA BRANCH

Appointed by Federal Reserve Bank

*Term
expires
Dec. 31*

| | | |
|-----------------------------|---|------|
| Roger H. Ulrich | President, The First State Bank of Malta, Malta, Mont. | 1983 |
| Harry W. Newlon | President, First National Bank, Bozeman, Mont. | 1984 |
| Seabrook Pates ³ | President and Chief Executive Officer, Midland Implement Co., Inc., Billings, Mont. | 1985 |

Appointed by Board of Governors

| | | |
|------------------------------|---|------|
| Gene J. Etchart ¹ | Past President, Hinsdale Livestock Company, Glasgow, Mont. | 1983 |
| Ernest B. Corrick | Vice President and General Manager, Champion International Corporation, Timberlands-Rocky Mountain Operation, Missoula, Mont. | 1984 |

DISTRICT 10—KANSAS CITY

Class A

| | | |
|------------------|---|------|
| Wayne D. Angell | President, Council Grove National Bank, Ottawa, Kans. | 1983 |
| John D. Woods | Chairman and Chief Executive Officer, The Omaha National Bank, Omaha, Nebr. | 1984 |
| Howard K. Loomis | President, The Peoples Bank, Pratt, Kans. | 1985 |

Class B

| | | |
|----------------------|--|------|
| James G. Harlow, Jr. | Chairman of the Board and President, Oklahoma Gas and Electric Co., Oklahoma City, Okla. | 1983 |
| Duane Acker | President, Kansas State University, Manhattan, Kans. | 1984 |
| Charles C. Gates | President and Chairman of the Board, Gates Rubber Company, Denver, Colo. | 1985 |

Class C

| | | |
|-----------------------------|--|------|
| John F. Anderson | President and Chief Executive Officer, Farmland Industries, Inc., Kansas City, Mo. | 1983 |
| Doris M. Drury ² | Professor of Economics; Director of Public Affairs Program, University of Denver, Englewood, Colo. | 1984 |
| Paul H. Henson ¹ | Chairman, United Telecommunications, Inc., Kansas City, Mo. | 1985 |

—DENVER BRANCH

Appointed by Federal Reserve Bank

| | | |
|---------------------|--|------|
| Delano E. Scott | Chairman, IntraWest Bank of Steamboat Springs, Steamboat Springs, Colo. | 1983 |
| Kenneth C. Naramore | President, Stockmen's Bank & Trust Company, Gillette, Wyo. | 1983 |
| Donald D. Hoffman | Chairman, Central Bank of Denver, Denver, Colo. | 1984 |
| George S. Jenks | Chairman and Chief Executive Officer, Albuquerque National Bank, Albuquerque, N.M. | 1985 |

Appointed by Board of Governors

| | | |
|-------------------------------|--|------|
| James E. Nielson ¹ | President and Chief Executive Officer, J.N., Inc., Cody, Wyo. | 1984 |
| Alvin F. Grospiron | Denver, Colo. | 1985 |
| Ralph F. Cox ³ | Executive Vice President and Director, Atlantic Richfield Company, Denver, Colo. | 1985 |

—OKLAHOMA CITY BRANCH

| | | <i>Term expires Dec. 31</i> |
|--|---|-------------------------------------|
| <i>Appointed by Federal Reserve Bank</i> | | |
| William H. Crawford | President and Chief Executive Officer, First National Bank and Trust Company, Frederick, Okla. | 1983 |
| Marcus R. Tower | Vice Chairman of the Board; Chairman of the Credit Policy Committee, Bank of Oklahoma, Tulsa, Okla. | 1984 |
| William O. Alexander ³ | President and Chief Executive Officer, Continental Federal Savings & Loan Association, Oklahoma City, Okla. | 1984 |

Appointed by Board of Governors

| | | |
|-----------------------------------|---|------|
| Christine H. Anthony ¹ | Oklahoma City, Okla. | 1983 |
| Samuel R. Noble | Chairman of the Board, Noble Affiliates, Inc., Ardmore, Okla. | 1984 |

—OMAHA BRANCH

Appointed by Federal Reserve Bank

| | | |
|----------------------|--|------|
| Joseph J. Huckfeldt | President, Gering National Bank and Trust Company, Gering, Nebr. | 1983 |
| William W. Cook, Jr. | President, Beatrice National Bank and Trust Company, Beatrice, Nebr. | 1983 |
| Donald J. Murphy | Chairman and Chief Executive Officer, United States National Bank of Omaha, Omaha, Nebr. | 1984 |

Appointed by Board of Governors

| | | |
|-------------------------------|--|------|
| Robert G. Lueder ¹ | President, Lueder Construction Company, Omaha, Nebr. | 1984 |
| Vacancy | | 1985 |

DISTRICT 11—DALLAS

Class A

| | | |
|-----------------|--|------|
| Miles D. Wilson | Chairman of the Board and President, The First National Bank of Bellville, Bellville, Tex. | 1983 |
| Lewis H. Bond | Chairman of the Board and Chief Executive Officer, Texas American Bancshares Inc., Ft. Worth, Tex. | 1984 |
| John P. Gilliam | President and Chief Executive Officer, First National Bank in Valley Mills, Valley Mills, Tex. | 1985 |

Class B

| | | |
|------------------------------------|---|------|
| Kent Gilbreath | Associate Dean, Hankamer School of Business, Baylor University, Waco, Tex. | 1983 |
| J. Wayland Bennett | Professor of Agricultural Finance and Associate Dean, College of Agricultural Sciences, Texas Tech University | 1984 |
| Robert Ted Enloe, III ³ | President and Director, Lomas & Nettleton Financial Corporation, Dallas, Tex. | 1985 |

Class C

| | | |
|------------------------------|---|------|
| John V. James ² | Chairman of the Board, Dresser Industries, Inc., Dallas, Tex. | 1983 |
| Gerald D. Hines ¹ | Owner, Gerald D. Hines Interests, Houston, Tex. | 1984 |
| Robert D. Rogers | President, Texas Industries, Inc., Dallas, Tex. | 1985 |

—EL PASO BRANCH

| | | <i>Term expires Dec. 31</i> |
|--|---|-------------------------------------|
| <i>Appointed by Federal Reserve Bank</i> | | |
| David L. Stone ³ | President, The Portales National Bank, Portales, N.M. | 1983 |
| Ernest M. Schur | Chairman of the Executive Committee, The First National Bank of Odessa, Odessa, Tex. | 1984 |
| Gerald W. Thomas | President, New Mexico State University, Las Cruces, N.M. | 1984 |
| Stanley J. Jarmiolowski | Chairman of the Board and President, First International Bank in El Paso, N.A., El Paso, Tex. | 1985 |

Appointed by Board of Governors

| | | |
|-------------------------------|--|------|
| Chester J. Kesey ¹ | C. J. Kesey Enterprises, Pecos, Tex. | 1983 |
| Mary Carmen Saucedo | Associate Superintendent, Central Area, El Paso Independent School District, El Paso, Tex. | 1984 |
| S. Lee Ware, Jr. ³ | Investor, Oil and Real Estate, Ruidoso, N.M. | 1985 |

—HOUSTON BRANCH

Appointed by Federal Reserve Bank

| | | |
|--------------------|--|------|
| Raymond L. Britton | Labor Arbitrator, and Professor of Law, University of Houston, Houston, Tex. | 1983 |
| Ralph E. David | Chairman of the Board and Chief Executive Officer, Freeport, Tex. | 1984 |
| Thomas B. McDade | Vice Chairman, Texas Commerce Bancshares, Inc., Houston, Tex. | 1984 |
| Will E. Wilson | Chairman of the Board and Chief Executive Officer, First Security Bank of Beaumont, N.A., Beaumont, Tex. | 1985 |

Appointed by Board of Governors

| | | |
|---------------------------------|---|------|
| Paul N. Howell ¹ | Chairman of the Board, Howell Corporation, Houston, Tex. | 1983 |
| George V. Smith, Sr. | President, Smith Pipe & Supply, Inc., Houston, Tex. | 1984 |
| Robert T. Sakowitz ³ | Chairman of the Board and President, Sakowitz Inc., Houston, Tex. | 1985 |

—SAN ANTONIO BRANCH

Appointed by Federal Reserve Bank

| | | |
|-------------------------|---|------|
| John H. Garner | President and Chief Executive Officer, Corpus Christi National Bank, Corpus Christi, Tex. | 1983 |
| Charles E. Cheever, Jr. | Chairman of the Board, Broadway National Bank, San Antonio, Tex. | 1984 |
| Joe D. Barbee | President and Chief Executive Officer, Barbee-Neuhaus Implement Company, Weslaco, Tex. | 1984 |
| George Brannies | Chairman of the Board and President, The Mason National Bank, Mason, Tex. | 1985 |

Appointed by Board of Governors

| | | |
|----------------------------------|--|------|
| Lawrence L. Crum | Professor of Banking and Finance, The University of Texas at Austin, Austin, Tex. | 1983 |
| Carlos A. Zuniga ¹ | Zuniga Freight Services, Inc., Laredo, Tex. | 1984 |
| Robert F. McDermott ³ | Chairman of the Board and President, United Services Automobile Association, San Antonio, Tex. | 1985 |

DISTRICT 12—SAN FRANCISCO

| | | <i>Term expires Dec. 31</i> |
|-----------------------------------|---|-------------------------------------|
| <i>Class A</i> | | |
| Ole R. Mettler | Chairman of the Board and President, Farmers & Merchants Bank of Central California, Lodi, Calif. | 1983 |
| Robert A. Young | Chairman of the Board and President, Northwest National Bank, Vancouver, Wash. | 1984 |
| Spencer F. Eccles | Chairman, President and Chief Executive Officer, First Security Corporation, Salt Lake City, Utah. | 1985 |
| <i>Class B</i> | | |
| J. R. Vaughan | Senior Member, Richards, Watson, Dreyfuss & Gershon, Los Angeles, Calif. | 1983 |
| George H. Weyerhauser | President and Chief Executive Officer, Weyerhauser Company, Tacoma, Wash. | 1984 |
| Togo W. Tanaka | Chairman, Gramercy Enterprises, Inc., Los Angeles, Calif. | 1985 |
| <i>Class C</i> | | |
| Fred W. Andrew | Chairman of the Board, President and Chief Executive Officer, Superior Farming Company, Bakersfield, Calif. | 1983 |
| Alan C. Furth ² | President, Southern Pacific Company, San Francisco, Calif. | 1984 |
| Caroline L. Ahmanson ¹ | Chairman of the Board, Caroline Leonetti, Ltd., Beverly Hills, Calif. | 1985 |

*—LOS ANGELES BRANCH**Appointed by Federal Reserve Bank*

| | | |
|-------------------|---|------|
| James D. McMahon | President and Chief Executive Officer, Western United National Bank (in organization), Valencia, Calif. | 1983 |
| Robert R. Dockson | Chairman and Chief Executive Officer, California Federal Savings, Los Angeles, Calif. | 1984 |
| Bram Goldsmith | Chairman of the Board, City National Bank, Beverly Hills, Calif. | 1985 |
| William L. Tooley | Managing Partner, Tooley and Company, Investment Builders, Los Angeles, Calif. | 1985 |

Appointed by Board of Governors

| | | |
|-----------------------------------|--|------|
| Lola M. McAlpin-Grant | Assistant Dean for Special Projects, Loyola Law School, Los Angeles, Calif. | 1983 |
| Bruce M. Schwaegler ¹ | President, Bullock's-Bullocks Wilshire, Los Angeles, Calif. | 1984 |
| Thomas R. Brown, Jr. ³ | Chairman and Chief Executive Officer, Burr-Brown Research Corporation, Tucson, Ariz. | 1985 |

*—PORTLAND BRANCH**Appointed by Federal Reserve Bank*

| | | |
|------------------------|---|------|
| William S. Naito | Vice President, Norcrest China Company, Portland, Oreg. | 1983 |
| Jack W. Gustavel | President and Chief Executive Officer, The First National Bank of North Idaho, Coeur d'Alene, Idaho | 1984 |
| John A. Elorriaga | Chairman and Chief Executive Officer, United States National Bank of Oregon, Portland, Oreg. | 1984 |
| Herman C. Bradley, Jr. | President and Chief Executive Officer, Tri-County Banking Company, Junction City, Oreg. | 1985 |

Appointed by Board of Governors

*Term
expires
Dec. 31*

| | | |
|------------------------------|---|------|
| John C. Hampton ¹ | President, Willamina Lumber Company, Portland, Oreg. | 1983 |
| Carolyn S. Chambers | Executive Vice President and Treasurer, Liberty Communications, Inc., Eugene, Oreg. | 1984 |
| G. Johnny Parks ³ | Northwest Regional Director, International Longshoremen's & Warehousemen's Union, Portland, Oreg. | 1985 |

—SALT LAKE CITY BRANCH

Appointed by Federal Reserve Bank

| | | |
|--------------------------------|--|------|
| Albert C. Gianoli | President and Chairman of the Board, First National Bank of Ely, Ely, Nev. | 1983 |
| Lela M. Ence | Executive Director, University of Utah Alumni Association, Salt Lake City, Utah | 1984 |
| Fred C. Humphreys ³ | President and Chief Executive Officer, The Idaho First National Bank, Boise, Idaho | 1985 |
| John A. Dahlstrom ³ | Chairman of the Board, Tracy-Collins Bank and Trust Company, Salt Lake City, Utah | 1985 |

Appointed by Board of Governors

| | | |
|--------------------------------|---|------|
| J. L. Terteling | President, The Terteling Company, Inc., Boise, Idaho | 1983 |
| Wendell J. Ashton ¹ | Publisher, Deseret News, Salt Lake City, Utah | 1984 |
| David A. Nimkin ³ | Executive Director, Salt Lake Neighborhood Housing Services, Inc., Salt Lake City, Utah | 1985 |

—SEATTLE BRANCH

Appointed by Federal Reserve Bank

| | | |
|--------------------------------|--|------|
| Lonnie G. Bailey | Executive Vice President and Chief Operating Officer, Farmers & Merchants Bank of Rockford, Spokane, Wash. | 1983 |
| John N. Nordstrom | Co-Chairman of the Board, Nordstrom, Inc., Seattle, Wash. | 1984 |
| G. Robert Truex, Jr. | Chairman, Rainier Bancorporation and Rainier National Bank, Seattle, Wash. | 1984 |
| William W. Philip ³ | Chairman, President, and Chief Executive Officer, Puget Sound Bancorp, Tacoma, Wash. | 1985 |

Appointed by Board of Governors

| | | |
|------------------------------|---|------|
| Virginia L. Parks | Vice President for Finance and Treasurer, Seattle University, Seattle, Wash. | 1983 |
| John W. Ellis ¹ | President and Chief Executive Officer, Puget Sound Power & Light Company, Bellevue, Wash. | 1984 |
| Byron I. Mallot ³ | Chairman and Chief Executive Officer, Sealaksa Corporation, Juneau, Alaska | 1985 |

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1.10 MONETARY AGGREGATES AND INTEREST RATES

| Item | Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent) ¹ | | | | | | | | |
|--|---|-----------------|-----------------|-----------------|--------------------|-------------------|-------------------|-------------------|-------|
| | 1982 | | | | 1982 | | | | 1983 |
| | Q1 ^r | Q2 ^r | Q3 ^r | Q4 ^r | Sept. ^r | Oct. ^r | Nov. ^r | Dec. ^r | Jan. |
| | | | | | | | | | |
| <i>Reserves of depository institutions</i> | | | | | | | | | |
| 1 Total | 7.5 | 6 | 4.8 | 14.8 | 23.6 | 9.4 | 17.5 | 12.8 | 1.9 |
| 2 Required | 7.1 | 1.1 | 4.6 | 13.9 | 21.5 | 8.9 | 17.8 | 10.0 | .5 |
| 3 Nonborrowed | -9 | 4.2 | 11.2 | 16.5 | 10.7 | 23.8 | 13.4 | 12.7 | 5.0 |
| 4 Monetary base ² | 7.9 | 6.6 | 6.7 | 8.5 | 11.3 | 7.2 | 7.9 | 8.4 | 12.7 |
| <i>Concepts of money and liquid assets³</i> | | | | | | | | | |
| 5 M1 | 10.5 | 3.2 | 6.1 | 13.5 | 12.8 | 14.5 | 13.3 | 10.6 | 9.5 |
| 6 M2 | 8.7 | 7.0 | 10.9 | 9.2 | 8.4 | 7.8 | 9.5 | 8.6 | 29.8 |
| 7 M3 | 8.6 | 8.5 | 12.5 | 9.4 | 8.3 | 9.2 | 9.2 | 3.5 | 11.9 |
| 8 L | 10.2 | 10.5 | 11.4 | n.a. | 7.2 | n.a. | n.a. | n.a. | n.a. |
| <i>Time and savings deposits</i> | | | | | | | | | |
| Commercial banks | | | | | | | | | |
| 9 Total | 6.5 | 13.4 | 18.2 | 3.2 | 4.7 | 2.7 | -5.0 | 5.4 | 27.3 |
| 10 Savings ⁴ | 4.5 | 1.7 | -1.8 | 13.4 | 9.1 | 20.3 | 28.8 | -19.5 | -77.8 |
| 11 Small-denomination time ⁵ | 9.1 | 17.0 | 18.7 | -4 | 8.6 | -4.6 | -2.2 | -18.2 | -83.6 |
| 12 Large-denomination time ⁶ | 4.6 | 17.0 | 26.8 | -6.8 | -1.3 | 2.9 | -22.9 | -44.3 | -97.4 |
| 13 Thrift institutions ⁷ | 1.3 | 4.1 | 6.5 | 6.0 | 6.3 | 5.2 | 7.1 | 4.0 | 8.3 |
| 14 Total loans and securities at commercial banks ⁸ | 2.6 | -6.7 | 6.0 | 5.5 | 4.4 | 6.8 | 1.5 | 10.5 | 12.8 |
| <i>Interest rates (levels, percent per annum)</i> | | | | | | | | | |
| | 1982 | | | | 1982 | | | 1983 | |
| | Q1 | Q2 | Q3 | Q4 | Oct. | Nov. | Dec. | Jan. | Feb. |
| | | | | | | | | | |
| <i>Short-term rates</i> | | | | | | | | | |
| 15 Federal funds ⁹ | 14.23 | 14.52 | 11.01 | 9.28 | 9.71 | 9.20 | 8.95 | 8.68 | 8.51 |
| 16 Discount window borrowing ¹⁰ | 12.00 | 12.00 | 10.83 | 9.25 | 9.68 | 9.35 | 8.73 | 8.50 | 8.50 |
| 17 Treasury bills (3-month market yield) ¹¹ | 12.81 | 12.42 | 9.32 | 7.90 | 7.71 | 8.07 | 7.94 | 7.86 | 8.11 |
| 18 Commercial paper (3-month) ^{11,12} | 13.81 | 13.81 | 11.15 | 8.80 | 9.20 | 8.69 | 8.51 | 8.17 | 8.34 |
| <i>Long-term rates</i> | | | | | | | | | |
| Bonds | | | | | | | | | |
| 19 U.S. government ¹³ | 14.27 | 13.74 | 12.94 | 10.72 | 10.97 | 10.57 | 10.62 | 10.78 | 11.03 |
| 20 State and local government ¹⁴ | 13.02 | 12.33 | 11.39 | 9.90 | 9.69 | 10.06 | 9.96 | 9.50 | 9.58 |
| 21 Aaa utility (new issue) ¹⁵ | 15.71 | 15.73 | 14.25 | 12.10 | 12.20 | 11.76 | 11.84 | 12.05 | 12.08 |
| 22 Conventional mortgages ¹⁶ | 17.10 | 16.63 | 15.65 | 13.79 | 13.95 | 13.80 | 13.62 | 13.44 | 13.18 |

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

2. Includes reserve balances at Federal Reserve Banks in the current week plus vault cash held two weeks earlier used to satisfy reserve requirements at all depository institutions plus currency outside the U.S. Treasury, Federal Reserve Banks, the vaults of depository institutions, and surplus vault cash at depository institutions.

3. M1: Averages of daily figures for (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) traveler's 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) negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at banks and thrift institutions, credit union share draft (CUSD) accounts, and demand deposits at mutual savings banks.

M2: M1 plus savings and small-denomination time deposits at all depository institutions, overnight repurchase agreements at commercial banks, overnight Eurodollars held by U.S. residents other than banks at Caribbean branches of member banks, and balances of money market mutual funds (general purpose and broker/dealer).

M3: M2 plus large-denomination time deposits at all depository institutions and term RPs at commercial banks and savings and loan associations and balances of institution-only money market mutual funds.

L: M3 plus other liquid assets such as term Eurodollars held by U.S. residents other than banks, bankers acceptances, commercial paper, Treasury bills and other liquid Treasury securities, and U.S. savings bonds.

4. Savings deposits exclude NOW and ATS accounts at commercial banks and thrifts and CUSD accounts at credit unions.

5. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than \$100,000.

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

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

8. Changes calculated from figures shown in table 1.23. Beginning December 1981, growth rates reflect shifts of foreign loans and securities from U.S. banking offices to international banking facilities.

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

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

11. Quoted on a bank-discount basis.

12. Unweighted average of offering rates quoted by at least five dealers.

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

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

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

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

NOTE: Revisions in reserves of depository institutions reflect the transitional phase-in of reserve requirements as specified in the Monetary Control Act of 1980.

A4 Domestic Financial Statistics □ March 1983

1.11 RESERVES OF DEPOSITORY INSTITUTIONS, RESERVE BANK CREDIT

Millions of dollars

| Factors | Monthly averages of daily figures | | | Weekly averages of daily figures for week ending | | | | | | |
|---|-----------------------------------|----------------|----------------|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | 1982 | | 1983 | | 1983 | | | | | |
| | Dec. | Jan. | Feb. | Jan. 12 | Jan. 19 | Jan. 26 | Feb. 2 | Feb. 9 | Feb. 16 | Feb. 23 |
| SUPPLYING RESERVE FUNDS | | | | | | | | | | |
| 1 Reserve Bank credit outstanding | 159,659 | 157,519 | 155,275 | 157,958 | 158,163 | 155,985 | 153,780 | 154,097 | 155,956 | 156,420 |
| 2 U.S. government securities ¹ | 137,248 | 135,318 | 134,379 | 135,843 | 136,497 | 134,037 | 132,579 | 133,081 | 133,833 | 136,442 |
| 3 Bought outright | 136,139 | 134,862 | 133,961 | 135,464 | 136,210 | 133,739 | 132,579 | 133,081 | 133,833 | 134,771 |
| 4 Held under repurchase agreements | 1,109 | 456 | 418 | 379 | 287 | 298 | 0 | 0 | 0 | 1,671 |
| 5 Federal agency securities | 9,110 | 8,987 | 8,945 | 8,976 | 8,944 | 8,946 | 8,927 | 8,924 | 8,924 | 9,009 |
| 6 Bought outright | 8,939 | 8,934 | 8,924 | 8,937 | 8,937 | 8,928 | 8,927 | 8,924 | 8,924 | 8,924 |
| 7 Held under repurchase agreements | 171 | 53 | 21 | 39 | 7 | 18 | 0 | 0 | 0 | 85 |
| 8 Acceptances | 281 | 126 | 17 | 58 | 55 | 21 | 0 | 0 | 0 | 68 |
| 9 Loans | 699 | 500 | 561 | 425 | 465 | 325 | 383 | 370 | 869 | 476 |
| 10 Float | 2,827 | 2,652 | 1,989 | 2,918 | 1,943 | 2,594 | 2,144 | 1,925 | 2,666 | 1,567 |
| 11 Other Federal Reserve assets | 9,494 | 9,936 | 9,384 | 9,738 | 10,259 | 10,061 | 9,747 | 9,797 | 9,665 | 8,858 |
| 12 Gold stock | 11,148 | 11,146 | 11,142 | 11,148 | 11,146 | 11,144 | 11,144 | 11,144 | 11,143 | 11,139 |
| 13 Special drawing rights certificate account | 4,431 | 4,618 | 4,618 | 4,618 | 4,618 | 4,618 | 4,618 | 4,618 | 4,618 | 4,618 |
| 14 Treasury currency outstanding | 13,786 | 13,786 | 13,786 | 13,786 | 13,786 | 13,786 | 13,786 | 13,786 | 13,786 | 13,786 |
| ABSORBING RESERVE FUNDS | | | | | | | | | | |
| 15 Currency in circulation | 154,269 | 152,672 | 151,650 | 154,167 | 152,614 | 151,188 | 150,581 | 151,321 | 151,846 | 151,881 |
| 16 Treasury cash holdings | 436 | 438 | 457 | 433 | 437 | 443 | 446 | 449 | 456 | 462 |
| Deposits, other than reserves, with Federal Reserve Banks | | | | | | | | | | |
| 17 Treasury | 3,227 | 3,250 | 3,200 | 2,915 | 3,115 | 3,909 | 2,431 | 3,456 | 3,271 | 3,221 |
| 18 Foreign | 277 | 259 | 236 | 257 | 273 | 221 | 267 | 231 | 246 | 210 |
| 19 Other | 571 | 691 | 551 | 657 | 589 | 602 | 596 | 585 | 545 | 506 |
| 20 Required clearing balances | 423 | 460 | 511 | 451 | 459 | 474 | 479 | 500 | 504 | 522 |
| 21 Other Federal Reserve liabilities and capital | 5,017 | 4,868 | 4,776 | 4,881 | 4,927 | 4,865 | 4,818 | 4,701 | 4,792 | 4,770 |
| 22 Reserve accounts ² | 24,804 | 24,431 | 23,440 | 23,748 | 25,298 | 23,830 | 23,710 | 22,400 | 23,843 | 24,389 |
| End-of-month figures | | | | | | | | | | |
| Wednesday figures | | | | | | | | | | |
| 1982 | | 1983 | | 1983 | | | | | | |
| Dec. | Jan. | Feb. | Jan. 12 | Jan. 19 | Jan. 26 | Feb. 2 | Feb. 9 | Feb. 16 | Feb. 23 | |
| SUPPLYING RESERVE FUNDS | | | | | | | | | | |
| 23 Reserve Bank credit outstanding | 163,659 | 152,537 | 153,936 | 162,160 | 161,260 | 157,105 | 156,459 | 155,366 | 158,051 | 159,752 |
| 24 U.S. government securities ¹ | 139,312 | 132,368 | 135,561 | 138,227 | 137,519 | 135,206 | 134,529 | 133,976 | 134,138 | 138,130 |
| 25 Bought outright | 135,607 | 132,368 | 135,561 | 135,574 | 135,510 | 133,121 | 134,529 | 133,976 | 134,138 | 133,965 |
| 26 Held under repurchase agreements | 3,705 | 0 | 0 | 2,653 | 2,009 | 2,085 | 0 | 0 | 0 | 4,165 |
| 27 Federal agency securities | 9,525 | 8,928 | 8,923 | 9,212 | 8,985 | 9,057 | 8,924 | 8,924 | 8,924 | 9,063 |
| 28 Bought outright | 8,937 | 8,928 | 8,923 | 8,937 | 8,937 | 8,928 | 8,924 | 8,924 | 8,924 | 8,924 |
| 29 Held under repurchase agreements | 588 | 0 | 0 | 275 | 48 | 129 | 0 | 0 | 0 | 139 |
| 30 Acceptances | 1,480 | 0 | 0 | 406 | 385 | 148 | 0 | 0 | 0 | 245 |
| 31 Loans | 717 | 354 | 1,155 | 1,823 | 2,186 | 489 | 533 | 541 | 3,518 | 467 |
| 32 Float | 2,735 | 1,006 | -2,664 | 2,459 | 1,956 | 2,216 | 2,639 | 1,896 | 2,690 | 2,658 |
| 33 Other Federal Reserve assets | 9,890 | 9,881 | 10,961 | 10,033 | 10,229 | 9,989 | 9,834 | 10,029 | 8,781 | 9,189 |
| 34 Gold stock | 11,148 | 11,144 | 11,139 | 11,146 | 11,146 | 11,144 | 11,144 | 11,144 | 11,142 | 11,139 |
| 35 Special drawing rights certificate account | 4,618 | 4,618 | 4,618 | 4,618 | 4,618 | 4,618 | 4,618 | 4,618 | 4,618 | 4,618 |
| 36 Treasury currency outstanding | 13,786 | 13,786 | 13,786 | 13,786 | 13,786 | 13,786 | 13,786 | 13,786 | 13,786 | 13,786 |
| ABSORBING RESERVE FUNDS | | | | | | | | | | |
| 37 Currency in circulation | 154,908 | 150,511 | 151,872 | 153,924 | 152,188 | 151,092 | 151,131 | 152,027 | 152,210 | 152,513 |
| 38 Treasury cash holdings | 429 | 448 | 465 | 435 | 437 | 444 | 446 | 450 | 458 | 463 |
| Deposits, other than reserves, with Federal Reserve Banks | | | | | | | | | | |
| 39 Treasury | 5,033 | 2,627 | 2,856 | 2,753 | 3,468 | 2,140 | 3,322 | 2,699 | 4,057 | 2,643 |
| 40 Foreign | 328 | 366 | 352 | 271 | 270 | 217 | 226 | 201 | 197 | 210 |
| 41 Other | 1,033 | 603 | 486 | 581 | 545 | 609 | 635 | 580 | 524 | 504 |
| 42 Required clearing balances | 436 | 478 | 535 | 449 | 460 | 477 | 478 | 500 | 504 | 522 |
| 43 Other Federal Reserve liabilities and capital | 4,990 | 4,850 | 4,988 | 4,858 | 4,857 | 4,728 | 4,601 | 4,649 | 4,652 | 4,706 |
| 44 Reserve accounts ² | 26,053 | 22,201 | 21,924 | 28,438 | 28,584 | 26,944 | 25,168 | 23,807 | 24,994 | 27,733 |

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.

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 of daily figures | | | | | | | | | |
|--|--|---------|--------|---------|---------|---------|--------|--------|----------------------|----------------------|
| | 1981 | 1982 | | | | | | | 1983 | |
| | Dec. | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. ^p |
| | | | | | | | | | | |
| 1 Reserve balances with Reserve Banks ¹ | 26,163 | 24,031 | 24,273 | 24,471 | 23,385 | 24,252 | 24,604 | 24,804 | 24,431 | 23,440 |
| 2 Total vault cash (estimated) | 19,538 | 19,318 | 19,448 | 19,500 | 19,921 | 19,578 | 19,807 | 20,392 | 21,454 | 20,042 |
| 3 Vault cash at institutions with required reserve balances ² | 13,577 | 13,048 | 13,105 | 13,188 | 13,651 | 13,658 | 13,836 | 14,292 | 14,602 | 13,782 |
| 4 Vault cash equal to required reserves at other institutions | 2,178 | 2,488 | 2,486 | 2,518 | 2,927 | 2,677 | 2,759 | 2,757 | 2,829 | 2,484 |
| 5 Surplus vault cash at other institutions ³ | 3,783 | 3,782 | 3,857 | 3,794 | 3,343 | 3,243 | 3,212 | 3,343 | 4,023 | 3,776 |
| 6 Reserve balances + total vault cash ⁴ | 45,701 | 43,349 | 43,721 | 43,971 | 43,306 | 43,830 | 44,411 | 45,196 | 45,885 | 43,482 |
| 7 Reserve balances + total vault cash used to satisfy reserve requirements ^{4,5} | 41,918 | 39,567 | 39,864 | 40,177 | 39,963 | 40,587 | 41,199 | 41,853 | 41,862 | 39,706 |
| 8 Required reserves (estimated) | 41,606 | 39,257 | 39,573 | 39,866 | 39,579 | 40,183 | 40,797 | 41,353 | 41,316 | 39,377 |
| 9 Excess reserve balances at Reserve Banks ^{4,6} | 312 | 310 | 291 | 311 | 384 | 404 | 402 | 500 | 546 | 329 |
| 10 Total borrowings at Reserve Banks | 642 | 1,205 | 669 | 510 | 976 | 455 | 579 | 697 | 500 | 561 |
| 11 Seasonal borrowings at Reserve Banks | 53 | 239 | 225 | 119 | 102 | 86 | 47 | 33 | 33 | 39 |
| 12 Extended credit at Reserve Banks | 149 | 103 | 46 | 94 | 118 | 141 | 188 | 187 | 156 | 277 |
| | Weekly averages of daily figures for week ending | | | | | | | | | |
| | 1982 | | 1983 | | | | | | | |
| | Dec. 22 | Dec. 29 | Jan. 5 | Jan. 12 | Jan. 19 | Jan. 26 | Feb. 2 | Feb. 9 | Feb. 16 ^p | Feb. 23 ^p |
| | | | | | | | | | | |
| 13 Reserve balances with Reserve Banks ¹ | 25,671 | 25,136 | 25,737 | 23,748 | 25,298 | 23,830 | 23,710 | 22,400 | 23,843 | 24,389 |
| 14 Total vault cash (estimated) | 19,506 | 20,496 | 20,105 | 21,463 | 22,187 | 21,836 | 21,228 | 20,952 | 20,386 | 18,680 |
| 15 Vault cash at institutions with required reserve balances ² | 14,112 | 14,406 | 14,126 | 14,516 | 14,801 | 14,892 | 14,513 | 14,074 | 13,772 | 13,217 |
| 16 Vault cash equal to required reserves at other institutions | 2,494 | 2,464 | 2,490 | 3,017 | 3,019 | 2,801 | 2,677 | 2,853 | 2,659 | 2,086 |
| 17 Surplus vault cash at other institutions ³ | 2,900 | 3,626 | 3,489 | 3,930 | 4,367 | 4,143 | 4,038 | 4,025 | 3,955 | 3,377 |
| 18 Reserve balances + total vault cash ⁴ | 45,177 | 45,632 | 45,842 | 45,211 | 47,485 | 45,666 | 44,938 | 43,352 | 44,229 | 43,069 |
| 19 Reserve balances + total vault cash used to satisfy reserve requirements ^{4,5} | 42,277 | 42,006 | 42,353 | 41,281 | 43,118 | 41,523 | 40,900 | 39,327 | 40,274 | 39,692 |
| 20 Required reserves (estimated) | 42,047 | 41,243 | 41,360 | 40,990 | 42,497 | 41,022 | 40,484 | 39,018 | 39,416 | 39,390 |
| 21 Excess reserve balances at Reserve Banks ^{4,6} | 230 | 763 | 993 | 291 | 621 | 501 | 416 | 309 | 858 | 302 |
| 22 Total borrowings at Reserve Banks | 546 | 690 | 1,198 | 425 | 465 | 325 | 383 | 370 | 869 | 476 |
| 23 Seasonal borrowings at Reserve Banks | 38 | 44 | 37 | 31 | 30 | 34 | 37 | 35 | 39 | 45 |
| 24 Extended credit at Reserve Banks | 189 | 191 | 143 | 133 | 113 | 197 | 211 | 234 | 274 | 335 |

1. As of Aug. 13, 1981, excludes required clearing balances of all depository institutions.

2. Before Nov. 13, 1980, the figures shown reflect only the vault cash held by member banks.

3. Total vault cash at institutions without required reserve balances less vault cash equal to their required reserves.

4. Adjusted to include waivers of penalties for reserve deficiencies in accordance with Board policy, effective Nov. 19, 1975, of permitting transitional relief on a graduated basis over a 24-month period when a nonmember bank merged into an

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

5. Reserve balances with Federal Reserve Banks, which exclude required clearing balances plus vault cash at institutions with required reserve balances plus vault cash equal to required reserves at other institutions.

6. Reserve balances with Federal Reserve Banks, which exclude required clearing balances plus vault cash used to satisfy reserve requirements less required reserves. (This measure of excess reserves is comparable to the old excess reserve concept published historically.)

A6 Domestic Financial Statistics □ March 1983

1.13 FEDERAL FUNDS AND REPURCHASE AGREEMENTS Large Member Banks¹

Averages of daily figures, in millions of dollars

| By maturity and source | 1982 and 1983, week ending Wednesday | | | | | | | | |
|--|--------------------------------------|---------------------|---------------------|---------|---------------------|--------|--------|---------|---------|
| | Dec. 29 | Jan. 5 | Jan. 12 | Jan. 19 | Jan. 26 | Feb. 2 | Feb. 9 | Feb. 16 | Feb. 23 |
| <i>One day and continuing contract</i> | | | | | | | | | |
| 1 Commercial banks in United States | 57,614 | 63,310 | 69,120 | 66,138 | 60,143 ^r | 59,405 | 63,549 | 60,970 | 61,055 |
| 2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies .. | 22,007 | 21,949 ^r | 25,588 | 28,792 | 29,051 | 26,980 | 27,928 | 29,014 | 30,612 |
| 3 Nonbank securities dealers | 4,494 | 4,056 | 4,515 | 4,437 | 4,342 | 5,022 | 4,273 | 5,110 | 4,654 |
| 4 All other | 20,707 ^r | 22,302 ^r | 25,995 ^r | 25,279 | 25,232 | 26,054 | 24,697 | 24,468 | 24,727 |
| <i>All other maturities</i> | | | | | | | | | |
| 5 Commercial banks in United States | 6,127 | 5,768 | 4,352 | 4,229 | 4,299 | 4,337 | 4,608 | 4,765 | 4,435 |
| 6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies .. | 11,065 | 10,352 | 8,801 | 8,652 | 8,580 | 8,802 | 9,299 | 9,534 | 9,487 |
| 7 Nonbank securities dealers | 3,866 | 4,072 | 3,439 | 4,270 | 4,809 | 4,914 | 4,986 | 4,898 | 5,010 |
| 8 All other | 13,566 ^r | 13,132 ^r | 8,769 ^r | 9,187 | 8,938 | 8,808 | 8,544 | 9,441 | 9,581 |
| MEMO: Federal funds and resale agreement loans in ma- turities of one day or continuing contract | | | | | | | | | |
| 9 Commercial banks in United States | 21,544 | 23,750 | 27,326 | 27,936 | 24,771 | 23,575 | 23,574 | 24,176 | 25,220 |
| 10 Nonbank securities dealers | 5,115 | 4,848 | 5,328 | 4,641 | 3,968 | 4,749 | 4,638 | 4,137 | 3,897 |

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 | | | Extended credit ¹ | | | | | | |
| | | | | First 60 days of borrowing | | Next 90 days of borrowing | | After 150 days | | Effective date for current rates |
| | Rate on 2/28/83 | Effective date | Previous rate | Rate on 2/28/83 | Previous rate | Rate on 2/28/83 | Previous rate | Rate on 2/28/83 | Previous rate | |
| | Boston | 8½ | 12/14/82 | 9 | 8½ | 9 | 9½ | 10 | 10½ |  | 11 | 12/14/82 |
| New York | ↑ | 12/15/82 | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | 12/15/82 |
| Philadelphia | ↑ | 12/17/82 | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | 12/17/82 |
| Cleveland | ↑ | 12/15/82 | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | 12/15/82 |
| Richmond | ↑ | 12/15/82 | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | 12/15/82 |
| Atlanta | ↑ | 12/14/82 | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | 12/14/82 |
| Chicago | ↓ | 12/14/82 | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | 12/14/82 |
| St. Louis | ↓ | 12/14/82 | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | 12/14/82 |
| Minneapolis | ↓ | 12/14/82 | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | 12/14/82 |
| Kansas City | ↓ | 12/15/82 | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | 12/15/82 |
| Dallas | ↓ | 12/14/82 | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | 12/14/82 |
| San Francisco | 8½ | 12/14/82 | 9 | 8½ | 9 | 9½ | 10 | 10½ | 11 | 12/14/82 |

Range of rates in recent years²

| 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— July 3 | 7-7¼ | 7¼ | 1981— May 5 | 13-14 | 14 |
| 1974— Apr. 25 | 7½-8 | 8 | 10 | 7¼ | 7¼ | 8 | 14 | 14 |
| 30 | 8 | 8 | Aug. 21 | 7¾ | 7¾ | Nov. 2 | 13-14 | 13 |
| Dec. 9 | 7¾-8 | 7¾ | Sept. 22 | 8 | 8 | 6 | 13 | 13 |
| 16 | 7¾ | 7¾ | Oct. 16 | 8-8½ | 8½ | Dec. 4 | 12 | 12 |
| 1975— Jan. 6 | 7¼-7¾ | 7¾ | 20 | 8½ | 8½ | 1982— July 20 | 11½-12 | 11½ |
| 10 | 7¼-7¾ | 7¼ | Nov. 1 | 8½-9½ | 9½ | 23 | 11½ | 11½ |
| 24 | 7¼ | 7¼ | 3 | 9½ | 9½ | Aug. 2 | 11-11½ | 11 |
| Feb. 5 | 6¾-7¼ | 6¾ | 1979— July 20 | 10 | 10 | 3 | 11 | 11 |
| 7 | 6¾ | 6¾ | Aug. 17 | 10-10½ | 10½ | 16 | 10½ | 10½ |
| Mar. 10 | 6¼-6¾ | 6¼ | 20 | 10½ | 10½ | 27 | 10-10½ | 10 |
| 14 | 6¼ | 6¼ | Sept. 19 | 10½-11 | 11 | 30 | 10 | 10 |
| May 16 | 6-6¼ | 6 | 21 | 11 | 11 | Oct. 12 | 9½-10 | 9½ |
| 23 | 6 | 6 | Oct. 8 | 11-12 | 12 | 13 | 9½ | 9½ |
| 1976— Jan. 19 | 5½-6 | 5½ | 10 | 12 | 12 | Nov. 22 | 9-9½ | 9 |
| 23 | 5½ | 5½ | 1980— Feb. 15 | 12-13 | 13 | 26 | 9 | 9 |
| Nov. 22 | 5¼-5½ | 5¼ | 19 | 13 | 13 | Dec. 14 | 8½-9 | 9 |
| 26 | 5¼ | 5¼ | May 29 | 12-13 | 13 | 15 | 8½-9 | 8½ |
| 1977— Aug. 30 | 5¼-5¾ | 5¼ | 30 | 12 | 12 | 17 | 8½ | 8½ |
| 31 | 5¼-5¾ | 5¼ | June 13 | 11-12 | 11 | | | |
| Sept. 2 | 5¾ | 5¾ | 16 | 11 | 11 | | | |
| Oct. 26 | 6 | 6 | July 28 | 10-11 | 10 | | | |
| 1978— Jan. 9 | 6-6½ | 6½ | 29 | 10 | 10 | | | |
| 20 | 6½ | 6½ | Sept. 26 | 11 | 11 | | | |
| May 11 | 6½-7 | 7 | Nov. 17 | 12 | 12 | | | |
| 12 | 7 | 7 | Dec. 5 | 12-13 | 13 | | | |
| | | | 8 | 13 | 13 | | | |
| | | | | | | In effect Feb. 28, 1983 | 8½ | 8½ |

1. 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. See section 201.3(b)(2) of Regulation A.

2. 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*, and *1980*.

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 INSTITUTIONS¹

Percent of deposits

| Type of deposit, and deposit interval in millions of dollars | Member bank requirements before implementation of the Monetary Control Act | | Type of deposit, and deposit interval ³ | Depository institution requirements after implementation of the Monetary Control Act ⁶ | |
|---|--|----------------|---|---|----------------|
| | Percent | Effective date | | Percent | Effective date |
| <i>Net demand²</i> | | | <i>Net transaction accounts^{7,8}</i> | | |
| 0-2 | 7 | 12/30/76 | \$0-\$26.3 million | 3 | 12/30/82 |
| 2-10 | 9½ | 12/30/76 | Over \$26.3 million | 12 | 12/30/82 |
| 10-100 | 11¾ | 12/30/76 | | | |
| 100-400 | 12¾ | 12/30/76 | <i>Nonpersonal time deposits⁹</i> | | |
| Over 400 | 16¼ | 12/30/76 | By original maturity | | |
| <i>Time and savings^{2,3}</i> | | | Less than 3½ years | 3 | 4/29/82 |
| Savings | 3 | 3/16/67 | 3½ years or more | 0 | 4/29/82 |
| <i>Time⁴</i> | | | <i>Eurocurrency liabilities</i> | | |
| 0-5, by maturity | | | All types | 3 | 11/13/80 |
| 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, 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 non-member 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. 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 is about three years, depending on whether their new reserve requirements are greater or less than the old requirements. All new institutions will have a two-year phase-in beginning with the date that they open for business, except for those institutions that have total reservable liabilities of \$50 million or more.

7. Transaction accounts include all deposits on which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers (in excess of three per month) for the purpose of making payments to third persons or others. However, MMDAs and similar accounts offered by institutions not subject to the rules of the Depository Institutions Deregulation Committee (DIDC) that permit no more than six preauthorized, automatic, or other transfers per month of which no more than three can be checks—are not transaction accounts (such accounts are savings deposits subject to time deposit reserve requirements.)

8. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage increase in transaction accounts held by all depository institutions determined as of June 30 each year. Effective Dec. 31, 1981, the amount was increased accordingly from \$25 million to \$26 million; and effective Dec. 30, 1982, to \$26.3 million.

9. In general, nonpersonal time deposits are time deposits, including savings deposits, that are not transaction accounts and in which the 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. After implementation of the Monetary Control Act, nonmembers may maintain reserves on a pass-through basis with certain approved institutions.

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

| Type and maturity of deposit | Commercial banks | | | | Savings and loan associations and mutual savings banks (thrift institutions) | | | |
|--|-----------------------------|----------------|------------------|----------------|--|----------------|------------------|----------------|
| | In effect February 28, 1983 | | Previous maximum | | In effect February 28, 1983 | | Previous maximum | |
| | Percent | Effective date | Percent | Effective date | Percent | Effective date | Percent | Effective date |
| 1 Savings | 5¼ | 7/1/79 | 5 | 7/1/73 | 5½ | 7/1/79 | 5¼ | (1) |
| 2 Negotiable order of withdrawal accounts ² | 5¼ | 12/31/80 | 5 | 1/1/74 | 5¼ | 12/31/80 | 5 | 1/1/74 |
| Time accounts ³ | | | | | | | | |
| Fixed ceiling rates by maturity ⁴ | | | | | | | | |
| 3 14-89 days ⁵ | 5¼ | 8/1/79 | 5 | 7/1/73 | (6) | ..... | (6) | ..... |
| 4 90 days to 1 year | 5¾ | 1/1/80 | 5½ | 7/1/73 | 6 | 1/1/80 | 5¾ | (1) |
| 5 1 to 2 years ⁷ | 6 | 7/1/73 | 5½ | 1/21/70 | 6½ | (1) | 5¾ | 1/21/70 |
| 6 2 to 2½ years ⁷ | 6 | 7/1/73 | 5¾ | 1/21/70 | 6½ | (1) | 6 | 1/21/70 |
| 7 2½ to 4 years ⁷ | 6½ | 7/1/73 | 5¾ | 1/21/70 | 6¾ | (1) | 6 | 1/21/70 |
| 8 4 to 6 years ⁸ | 7¼ | 11/1/73 | (9) | ..... | 7½ | 11/1/73 | (9) | ..... |
| 9 6 to 8 years ⁸ | 7½ | 12/23/74 | 7¼ | 11/1/73 | 7¾ | 12/23/74 | 7½ | 11/1/73 |
| 10 8 years or more ⁸ | 7¾ | 6/1/78 | (6) | ..... | 8 | 6/1/78 | (6) | ..... |
| 11 Issued to governmental units (all maturities) ¹⁰ | 8 | 6/1/78 | 7¾ | 12/23/74 | 8 | 6/1/78 | 7¾ | 12/23/74 |
| 12 IRAs and Keogh (H.R. 10) plans (3 years or more) ^{10,11} | 8 | 6/1/78 | 7¾ | 7/6/77 | 8 | 6/1/78 | 7¾ | 7/6/77 |

1. July 1, 1973, for mutual savings banks; July 6, 1973, for savings and loans.

2. Federally insured commercial banks, savings and loan associations, cooperative banks, and mutual savings banks in Massachusetts and New Hampshire were first permitted to offer negotiable order of withdrawal (NOW) accounts on Jan. 1, 1974. Authorization to issue NOW accounts was extended to similar institutions throughout New England on Feb. 27, 1976, in New York State on Nov. 10, 1978, New Jersey on Dec. 28, 1979, and to similar institutions nationwide effective Dec. 31, 1980. Effective January 5, 1983 the interest rate ceiling is removed for NOW accounts with an initial balance and average maintenance balance of \$2,500.

3. For exceptions with respect to certain foreign time deposits see the BULLETIN for October 1962 (p. 1279), August 1965 (p. 1084), and February 1968 (p. 167).

4. Effective Nov. 10, 1980, the minimum notice period for public unit accounts at savings and loan associations was decreased to 14 days and the minimum maturity period for time deposits at savings and loan associations in excess of \$100,000 was decreased to 14 days. Effective Oct. 30, 1980, the minimum maturity or notice period for time deposits was decreased from 30 to 14 days at mutual savings banks.

5. Effective Oct. 30, 1980, the minimum maturity or notice period for time deposits was decreased from 30 to 14 days at commercial banks.

6. No separate account category.

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

8. No minimum denomination. Until July 1, 1979, the minimum denomination was \$1,000 except for deposits representing funds contributed to an individual retirement account (IRA) or a Keogh (H.R. 10) plan established pursuant to the Internal Revenue Code. The \$1,000 minimum requirement was removed for such accounts in December 1975 and November 1976 respectively.

9. Between July 1, 1973, and Oct. 31, 1973, certificates maturing in 4 years or more with minimum denominations of \$1,000 had no ceiling; however, the amount of such certificates that an institution could issue was limited to 5 percent of its total time and savings deposits. Sales in excess of that amount, as well as certificates of less than \$1,000, were limited to the 6½ percent ceiling on time deposits maturing in 2½ years or more. Effective Nov. 1, 1973, ceilings were reimposed on certificates maturing in 4 years or more with minimum denomination of \$1,000. There is no limitation on the amount of these certificates that banks can issue.

10. Accounts subject to fixed-rate ceilings. See footnote 8 for minimum denomination requirements.

11. Effective Jan. 1, 1980, commercial banks are permitted to pay the same rate as thrifts on IRA and Keogh accounts and accounts of governmental units when such deposits are placed in 2½-year-or-more variable-ceiling certificates or in 26-week money market certificates regardless of the level of the Treasury bill rate.

NOTE. Before Mar. 31, 1980, the maximum rates that could be paid by federally insured commercial banks, mutual savings banks, and savings and loan associations were established by the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board under the provisions of 12 CFR 217, 329, and 526 respectively. Title II of the Depository Institutions Deregulation and Monetary Control Act of 1980 (P.L. 96-221) transferred the authority of the agencies to establish maximum rates of interest payable on deposits to the Depository Institutions Deregulation Committee. The maximum rates on time deposits in denominations of \$100,000 or more with maturities of 30-89 days were suspended in June 1970; the maximum rates for such deposits maturing in 90 days or more were suspended in May 1973. For information regarding previous interest rate ceilings on all types of accounts, see earlier issues of the FEDERAL RESERVE BULLETIN, the Federal Home Loan Bank Board Journal, and the Annual Report of the Federal Deposit Insurance Corporation.

For deposits subject to variable ceiling rates and deposits not subject to interest rate ceilings see page A10.

1.16 Continued

TIME DEPOSITS SUBJECT TO VARIABLE CEILING RATES

7- to 31-day time deposits. Effective Sept. 1, 1982, depository institutions are authorized to issue nonnegotiable time deposits of \$20,000 or more with a maturity or required notice period of 7 to 31 days. The maximum rate of interest payable by thrift institutions is the rate established and announced (auction average on a discount basis) for U.S. Treasury bills with maturities of 91 days at the auction held immediately before the date of deposit or renewal ("bill rate"). Commercial banks may pay the bill rate minus 25 basis points. The interest rate ceiling is suspended when the bill rate is 9 percent or below for the four most recent auctions held before the date of deposit or renewal. Effective January 5, 1983, the minimum denomination required for this deposit is reduced to \$2,500 and the interest rate ceiling is removed.

91-day time deposits. Effective May 1, 1982, depository institutions were authorized to offer time deposits that have a minimum denomination of \$7,500 and a maturity of 91 days. Effective January 5, 1983, the minimum denomination required for this deposit is reduced to \$2,500. The ceiling rate of interest on these deposits is indexed to the discount rate (auction average) on most recently issued 91-day Treasury bills for thrift institutions and the discount rate minimum 25 basis points for commercial banks. The rate differential ends 1 year from the effective date of these instruments and is suspended at any time the Treasury bill discount rate is 9 percent or below for four consecutive auctions. The maximum allowable rates in February 1983 (in percent) for commercial banks and thrifts were as follows: Feb. 1, 8.122; Feb. 8, 8.252; Feb. 15, 8.256; Feb. 23, 7.888.

Six-month money market time deposits. Effective June 1, 1978, commercial banks and thrift institutions were authorized to offer time deposits with a maturity of exactly 26 weeks and a minimum denomination requirement of \$10,000. Effective January 5, 1983, the minimum denomination required for this deposit is reduced to \$2,500. The ceiling rate of interest on these deposits is indexed to the discount rate (auction average) on most recently issued 26-week U.S. Treasury bills. Interest on these certificates may not be compounded. Effective for all 6-month money market certificates issued beginning Nov. 1, 1981, depository institutions may pay rates of interest on these deposits indexed to the higher of (1) the rate for 26-week Treasury bills established immediately before the date of deposit (bill rate) or (2) the average of the four rates for 26-week Treasury bills established for the 4 weeks immediately before the date of deposit (4-week average bill rate). Ceilings are determined as follows:

| <i>Bill rate or 4-week average bill rate</i> | <i>Commercial bank ceiling</i> |
|---|--|
| 7.50 percent or below | 7.75 percent |
| Above 7.50 percent | $\frac{1}{4}$ of 1 percentage point plus the higher of the bill rate or 4-week average bill rate |
| | <i>Thrift ceiling</i> |
| 7.25 percent or below | 7.75 percent |
| Above 7.25 percent, but below 8.50 percent | $\frac{1}{2}$ of 1 percentage point plus the higher of the bill rate or 4-week average bill rate |
| 8.50 percent or above, but below 8.75 percent | 9 percent |
| 8.75 percent or above | $\frac{1}{4}$ of 1 percentage point plus the higher of the bill rate or 4-week average bill rate |

TIME DEPOSITS NOT SUBJECT TO INTEREST RATE CEILINGS

Money market deposit account. 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. No minimum maturity period is required for this account, but depository institutions must reserve the right to require seven days' notice before withdrawals. When the average balance is less than \$2,500, the account is subject to the maximum ceiling rate of interest for NOW accounts; compliance with the average balance requirement may be determined over a period of one month. Depository institutions may not guarantee a rate of interest for this account for a period longer than one month or condition the payment of a rate on a requirement that the funds remain on deposit for longer than one month. No more than six preauthorized, automatic, or other third-party transfers are permitted per month, of which no more than three can be checks. Telephone transfers to third parties or to another account of the same depositor are regarded as preauthorized transfers.

The maximum rates in February 1983 for commercial banks based on the bill rate were as follows: Feb. 1, 8.475; Feb. 8, 8.595; Feb. 15, 8.639; Feb. 23, 8.223; and based on the 4-week average bill rate were as follows: Feb. 1, 8.217; Feb. 8, 8.360; Feb. 15, 8.525; Feb. 23, 8.483. The maximum allowable rates in February 1983 for thrifts based on the bill rate were as follows: Feb. 1, 8.725; Feb. 8, 8.845; Feb. 15, 8.889; Feb. 23, 8.473; and based on the 4-week average bill rate were as follows: Feb. 1, 8.467; Feb. 8, 8.610; Feb. 15, 8.775; Feb. 23, 8.733.

12-month all savers certificates. Effective Oct. 1, 1981, depository institutions are authorized to issue all savers certificates (ASCs) with a 1-year maturity and an annual investment yield equal to 70 percent of the average investment yield for 52-week U.S. Treasury bills as determined by the auction of 52-week Treasury bills held immediately before the calendar week in which the certificate is issued. A maximum lifetime exclusion of \$1,000 (\$2,000 on a joint return) from gross income is generally authorized for interest income from ASCs. The annual investment yield for ASCs issued in December 1982 (in percent) was as follows: Dec. 26, 6.26.

2½-year to less than 3½-year time deposits. Effective Aug. 1, 1981, commercial banks are authorized to pay interest on any variable ceiling nonnegotiable time deposit with an original maturity of 2½ years to less than 4 years at a rate not to exceed $\frac{1}{4}$ of 1 percent below the average 2½-year yield for U.S. Treasury securities as determined and announced by the Treasury Department immediately before the date of deposit. Effective May 1, 1982, the maximum maturity for this category of deposits was reduced to less than 3½ years. Thrift institutions may pay interest on these certificates at a rate not to exceed the average 2½-year yield for Treasury securities as determined and announced by the Treasury Department immediately before the date of deposit. If the announced average 2½-year yield for Treasury securities is less than 9.50 percent, commercial banks may pay 9.25 percent and thrift institutions 9.50 percent for these deposits. These deposits have no required minimum denomination, and interest may be compounded on them. The ceiling rates of interest at which they may be offered vary biweekly. The maximum allowable rates in February 1983 (in percent) for commercial banks were as follows: Feb. 1, 9.45; Feb. 15, 9.65; and for thrift institutions: Feb. 1, 9.70; Feb. 15, 9.90.

Between Jan. 1, 1980, and Aug. 1, 1981, commercial banks and thrift institutions were authorized to offer variable ceiling nonnegotiable time deposits with no required minimum denomination and with maturities of 2½ years or more. Effective Jan. 1, 1980, the maximum rate for commercial banks was $\frac{3}{4}$ percentage point below the average yield on 2½-year U.S. Treasury securities; the ceiling rate for thrift institutions was $\frac{1}{4}$ percentage point higher than that for commercial banks. Effective Mar. 1, 1980, a temporary ceiling of 11¼ percent was placed on these accounts at commercial banks and 12 percent on these accounts at savings and loans. Effective June 2, 1980, the ceiling rates for these deposits at commercial banks and savings and loans were increased $\frac{1}{2}$ percentage point. The temporary ceiling was retained, and a minimum ceiling of 9.25 percent for commercial banks and 9.50 percent for thrift institutions was established.

IRAs and Keogh (H.R. 10) plans (18 months or more). Effective Dec. 1, 1981, depository institutions are authorized to offer time deposits not subject to interest rate ceilings when the funds are deposited to the credit of, or in which the entire beneficial interest is held by, an individual pursuant to an IRA agreement or Keogh (H.R. 10) plan. Such time deposits must have a minimum maturity of 18 months, and additions may be made to the time deposit at any time before its maturity without extending the maturity of all or a portion of the balance of the account.

Time deposits of 3½ years or more. Effective May 1, 1982, depository institutions are authorized to offer negotiable or nonnegotiable time deposits with a minimum original maturity of 3½ years or more that are not subject to interest rate ceilings. Such time deposits have no minimum denomination, but must be made available in a \$500 denomination. Additional deposits may be made to the account during the first year without extending its maturity.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

| Type of transaction | 1980 | 1981 | 1982 | 1982 | | | | | | 1983 |
|--|---------|---------|---------|--------|--------|--------|--------|--------|--------|--------|
| | | | | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. |
| U.S. GOVERNMENT SECURITIES | | | | | | | | | | |
| Outright transactions (excluding matched transactions) | | | | | | | | | | |
| Treasury bills | | | | | | | | | | |
| 1 Gross purchases | 7,668 | 13,899 | 17,067 | 1,905 | 1,721 | 425 | 774 | 2,552 | 1,897 | 0 |
| 2 Gross sales | 7,331 | 6,746 | 8,369 | 1,175 | 651 | 674 | 0 | 0 | 731 | 1,983 |
| 3 Exchange | 0 | 0 | 0 | -200 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 Redemptions | 3,389 | 1,816 | 3,000 | 200 | 600 | 400 | 0 | 0 | 200 | 900 |
| Others within 1 year | | | | | | | | | | |
| 5 Gross purchases | 912 | 317 | 312 | 71 | 0 | 0 | 0 | 88 | 0 | 0 |
| 6 Gross sales | 0 | 23 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 Maturity shift | 12,427 | 13,794 | 17,295 | 382 | 4,938 | 733 | 623 | 2,819 | 906 | 558 |
| 8 Exchange | -18,251 | -12,869 | -14,164 | 0 | -3,914 | -650 | 0 | -1,924 | -943 | -544 |
| 9 Redemptions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 1 to 5 years | | | | | | | | | | |
| 10 Gross purchases | 2,138 | 1,702 | 1,797 | 691 | 0 | 0 | 0 | 485 | 0 | 0 |
| 11 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 Maturity shift | -8,909 | -10,299 | -14,524 | -382 | -4,938 | -733 | -623 | -2,204 | -906 | -553 |
| 13 Exchange | 13,412 | 10,117 | 11,804 | 200 | 3,078 | 650 | 0 | 1,515 | 943 | 544 |
| 5 to 10 years | | | | | | | | | | |
| 14 Gross purchases | 703 | 393 | 388 | 113 | 0 | 0 | 0 | 194 | 0 | 0 |
| 15 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 Maturity shift | -3,092 | -3,495 | -2,172 | 0 | 601 | 0 | 0 | -616 | 0 | -5 |
| 17 Exchange | 2,970 | 1,500 | 2,128 | 0 | 837 | 0 | 0 | 250 | 0 | 0 |
| Over 10 years | | | | | | | | | | |
| 18 Gross purchases | 811 | 379 | 307 | 123 | 0 | 0 | 0 | 132 | 0 | 0 |
| 19 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20 Maturity shift | -426 | 0 | -601 | 0 | -601 | 0 | 0 | 0 | 0 | 0 |
| 21 Exchange | 1,869 | 1,253 | 234 | 0 | 0 | 0 | 0 | 159 | 0 | 0 |
| All maturities | | | | | | | | | | |
| 22 Gross purchases | 12,232 | 16,690 | 19,870 | 2,903 | 1,721 | 425 | 774 | 3,452 | 1,897 | 0 |
| 23 Gross sales | 7,331 | 6,769 | 8,369 | 1,175 | 651 | 674 | 0 | 0 | 731 | 1,983 |
| 24 Redemptions | 3,389 | 1,816 | 3,000 | 200 | 600 | 400 | 0 | 0 | 200 | 900 |
| Matched transactions | | | | | | | | | | |
| 25 Gross sales | 674,000 | 589,312 | 543,804 | 54,646 | 39,403 | 51,983 | 45,655 | 39,579 | 72,123 | 59,398 |
| 26 Gross purchases | 675,496 | 589,647 | 543,173 | 58,753 | 37,962 | 51,554 | 46,370 | 41,724 | 69,088 | 59,043 |
| Repurchase agreements | | | | | | | | | | |
| 27 Gross purchases | 113,902 | 79,920 | 130,774 | 18,267 | 3,755 | 9,649 | 5,618 | 4,161 | 15,229 | 6,747 |
| 28 Gross sales | 113,040 | 78,733 | 130,286 | 18,267 | 2,567 | 7,035 | 9,420 | 4,161 | 11,525 | 10,451 |
| 29 Net change in U.S. government securities | 3,869 | 9,626 | 8,358 | 5,636 | 217 | 1,535 | -2,313 | 5,596 | 1,636 | -6,943 |
| FEDERAL AGENCY OBLIGATIONS | | | | | | | | | | |
| Outright transactions | | | | | | | | | | |
| 30 Gross purchases | 668 | 494 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 31 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 32 Redemptions | 145 | 108 | 189 | 1 | 46 | 5 | 6 | * | 6 | 9 |
| Repurchase agreements | | | | | | | | | | |
| 33 Gross purchases | 28,895 | 13,320 | 18,957 | 4,389 | 1,095 | 1,997 | 1,776 | 739 | 2,566 | 452 |
| 34 Gross sales | 28,863 | 13,576 | 18,638 | 4,389 | 866 | 1,225 | 2,778 | 739 | 1,978 | 1,040 |
| 35 Net change in federal agency obligations | 555 | 130 | 130 | -1 | 183 | 767 | -1,008 | * | 582 | -596 |
| BANKERS ACCEPTANCES | | | | | | | | | | |
| 36 Repurchase agreements, net | 73 | -582 | 1,285 | 0 | 565 | 248 | -813 | 0 | 1,480 | -1,480 |
| 37 Total net change in System Open Market Account | 4,497 | 9,175 | 9,773 | 5,634 | 966 | 2,550 | -4,134 | 5,596 | 3,697 | -9,019 |

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

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements

Millions of dollars

| Account | Wednesday | | | | | End of month | | |
|---|-----------|---------|---------|---------|---------|--------------|---------|---------|
| | 1983 | | | | | 1982 | 1983 | |
| | Jan. 26 | Feb. 2 | Feb. 9 | Feb. 16 | Feb. 23 | Dec. | Jan. | Feb. |
| Consolidated condition statement | | | | | | | | |
| ASSETS | | | | | | | | |
| 1 Gold certificate account..... | 11,144 | 11,144 | 11,144 | 11,142 | 11,139 | 11,148 | 11,144 | 11,139 |
| 2 Special drawing rights certificate account..... | 4,618 | 4,618 | 4,618 | 4,618 | 4,618 | 4,618 | 4,618 | 4,618 |
| 3 Coin..... | 490 | 508 | 517 | 510 | 505 | 438 | 506 | 508 |
| Loans | | | | | | | | |
| 4 To depository institutions..... | 489 | 533 | 541 | 3,518 | 467 | 717 | 354 | 1,155 |
| 5 Other..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Acceptances | | | | | | | | |
| 6 Held under repurchase agreements..... | 148 | 0 | 0 | 0 | 245 | 1,480 | 0 | 0 |
| Federal agency obligations | | | | | | | | |
| 7 Bought outright..... | 8,928 | 8,924 | 8,924 | 8,924 | 8,924 | 8,937 | 8,928 | 8,923 |
| 8 Held under repurchase agreements..... | 129 | 0 | 0 | 0 | 139 | 588 | 0 | 0 |
| U.S. government securities | | | | | | | | |
| Bought outright | | | | | | | | |
| 9 Bills..... | 51,939 | 53,347 | 52,794 | 52,956 | 52,783 | 54,425 | 51,186 | 54,379 |
| 10 Notes..... | 62,626 | 62,626 | 62,626 | 62,187 | 62,187 | 62,626 | 62,626 | 62,187 |
| 11 Bonds..... | 18,556 | 18,556 | 18,556 | 18,995 | 18,995 | 18,556 | 18,556 | 18,995 |
| 12 Total ¹ | 133,121 | 134,529 | 133,976 | 134,138 | 133,965 | 135,607 | 132,368 | 135,561 |
| 13 Held under repurchase agreements..... | 2,085 | 0 | 0 | 0 | 4,165 | 3,705 | 0 | 0 |
| 14 Total U.S. government securities..... | 135,206 | 134,529 | 133,976 | 134,138 | 138,130 | 139,312 | 132,368 | 135,561 |
| 15 Total loans and securities..... | 144,900 | 143,986 | 143,441 | 146,580 | 147,905 | 151,034 | 141,650 | 145,639 |
| 16 Cash items in process of collection..... | 8,832 | 9,989 | 8,125 | 9,921 | 12,413 | 9,807 | 6,620 | 4,207 |
| 17 Bank premises..... | 552 | 551 | 552 | 553 | 552 | 549 | 550 | 552 |
| Other assets | | | | | | | | |
| 18 Denominated in foreign currencies ² | 5,359 | 5,263 | 5,277 | 5,292 | 5,308 | 5,764 | 5,263 | 4,988 |
| 19 All other ³ | 4,078 | 4,020 | 4,200 | 2,936 | 3,329 | 3,577 | 4,068 | 5,421 |
| 20 Total assets..... | 179,973 | 180,079 | 177,874 | 181,552 | 185,769 | 186,935 | 174,419 | 177,072 |
| LIABILITIES | | | | | | | | |
| 21 Federal Reserve notes..... | 138,242 | 138,299 | 139,209 | 139,393 | 139,696 | 141,990 | 137,680 | 139,060 |
| Deposits | | | | | | | | |
| 22 Depository institutions..... | 27,431 | 25,647 | 24,308 | 25,499 | 28,256 | 26,489 | 22,683 | 22,468 |
| 23 U.S. Treasury—General account..... | 2,140 | 3,322 | 2,699 | 4,057 | 2,643 | 5,033 | 2,627 | 2,856 |
| 24 Foreign—Official accounts..... | 217 | 226 | 201 | 197 | 210 | 328 | 366 | 352 |
| 25 Other..... | 599 | 634 | 579 | 523 | 503 | 1,033 | 599 | 477 |
| 26 Total deposits..... | 30,387 | 29,829 | 27,787 | 30,276 | 31,612 | 32,883 | 26,275 | 26,153 |
| 27 Deferred availability cash items..... | 6,616 | 7,350 | 6,229 | 7,231 | 9,755 | 7,072 | 5,614 | 6,871 |
| 28 Other liabilities and accrued dividends ⁴ | 1,705 | 1,669 | 1,612 | 1,603 | 1,639 | 2,272 | 1,708 | 1,709 |
| 29 Total liabilities..... | 176,950 | 177,147 | 174,837 | 178,503 | 182,702 | 184,217 | 171,277 | 173,793 |
| CAPITAL ACCOUNTS | | | | | | | | |
| 30 Capital paid in..... | 1,376 | 1,382 | 1,382 | 1,385 | 1,387 | 1,359 | 1,381 | 1,388 |
| 31 Surplus..... | 1,359 | 1,359 | 1,359 | 1,359 | 1,359 | 1,359 | 1,359 | 1,359 |
| 32 Other capital accounts..... | 288 | 191 | 296 | 305 | 321 | 0 | 402 | 532 |
| 33 Total liabilities and capital accounts..... | 179,973 | 180,079 | 177,874 | 181,552 | 185,769 | 186,935 | 174,419 | 177,072 |
| 34 MEMO: Marketable U.S. government securities held in custody for foreign and international account..... | 111,362 | 112,188 | 112,043 | 113,251 | 112,441 | 106,762 | 112,040 | 112,208 |
| Federal Reserve note statement | | | | | | | | |
| 35 Federal Reserve notes outstanding (issued to bank)..... | 159,988 | 159,621 | 159,480 | 159,731 | 159,821 | 159,979 | 159,546 | 159,741 |
| 36 LESS: Held by bank ⁵ | 21,746 | 21,322 | 20,271 | 20,338 | 20,125 | 17,989 | 21,866 | 20,681 |
| 37 Federal Reserve notes, net..... | 138,242 | 138,299 | 139,209 | 139,393 | 139,696 | 141,990 | 137,680 | 139,060 |
| Collateral for Federal Reserve notes | | | | | | | | |
| 38 Gold certificate account..... | 11,144 | 11,144 | 11,144 | 11,142 | 11,139 | 11,148 | 11,144 | 11,139 |
| 39 Special drawing rights certificate account..... | 4,618 | 4,618 | 4,618 | 4,618 | 4,618 | 4,618 | 4,618 | 4,618 |
| 40 Other eligible assets..... | 0 | 0 | 0 | 0 | 0 | 107 | 0 | 0 |
| 41 U.S. government and agency securities..... | 122,480 | 122,537 | 123,447 | 123,633 | 123,939 | 126,117 | 121,918 | 123,303 |
| 42 Total collateral..... | 138,242 | 138,299 | 139,209 | 139,393 | 139,696 | 141,990 | 137,680 | 139,060 |

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. Includes U.S. government securities held under repurchase agreement against receipt of foreign currencies and foreign currencies warehoused for the U.S. Treasury. 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.

5. Beginning September 1980, Federal Reserve notes held by the Reserve Bank are exempt from the collateral requirement.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

| Type and maturity groupings | Wednesday | | | | | End of month | | |
|--|-----------|---------|---------|---------|---------|--------------|---------|---------|
| | 1983 | | | | | 1982 | 1983 | |
| | Jan. 26 | Feb. 2 | Feb. 9 | Feb. 16 | Feb. 23 | Dec. 31 | Jan. 31 | Feb. 28 |
| | | | | | | | | |
| 1 Loans—Total..... | 489 | 533 | 541 | 3,518 | 467 | 717 | 354 | 1,155 |
| 2 Within 15 days..... | 470 | 517 | 524 | 3,511 | 458 | 697 | 338 | 1,141 |
| 3 16 days to 90 days..... | 19 | 16 | 17 | 7 | 9 | 20 | 16 | 14 |
| 4 91 days to 1 year..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 Acceptances—Total..... | 148 | 0 | 0 | 0 | 245 | 1,480 | 0 | 0 |
| 6 Within 15 days..... | 148 | 0 | 0 | 0 | 245 | 1,480 | 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..... | 135,206 | 134,529 | 133,976 | 134,138 | 138,130 | 139,312 | 132,368 | 135,561 |
| 10 Within 15 days ¹ | 5,204 | 6,145 | 8,046 | 6,298 | 10,288 | 4,396 | 3,755 | 3,916 |
| 11 16 days to 90 days..... | 27,945 | 25,567 | 23,800 | 24,703 | 25,992 | 31,088 | 25,796 | 28,249 |
| 12 91 days to 1 year..... | 38,286 | 39,060 | 38,373 | 41,105 | 39,818 | 40,057 | 39,060 | 40,865 |
| 13 Over 1 year to 5 years..... | 35,106 | 35,092 | 35,092 | 32,279 | 32,279 | 35,102 | 35,092 | 32,778 |
| 14 Over 5 years to 10 years..... | 12,091 | 12,091 | 12,091 | 12,970 | 12,970 | 12,095 | 12,091 | 12,970 |
| 15 Over 10 years..... | 16,574 | 16,574 | 16,574 | 16,783 | 16,783 | 16,574 | 16,574 | 16,783 |
| 16 Federal agency obligations—Total..... | 9,057 | 8,924 | 8,924 | 8,924 | 9,063 | 9,525 | 8,928 | 8,923 |
| 17 Within 15 days ¹ | 228 | 0 | 0 | 198 | 495 | 730 | 99 | 225 |
| 18 16 days to 90 days..... | 690 | 800 | 925 | 728 | 570 | 564 | 690 | 602 |
| 19 91 days to 1 year..... | 1,957 | 1,928 | 1,803 | 1,920 | 1,920 | 1,954 | 1,957 | 1,963 |
| 20 Over 1 year to 5 years..... | 4,715 | 4,736 | 4,736 | 4,618 | 4,618 | 4,780 | 4,715 | 4,543 |
| 21 Over 5 years to 10 years..... | 949 | 942 | 942 | 942 | 942 | 979 | 949 | 1,072 |
| 22 Over 10 years..... | 518 | 518 | 518 | 518 | 518 | 518 | 518 | 518 |

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 | 1978 Dec. | 1979 Dec. | 1980 Dec. | 1981 Dec. | 1982 | | | | | | 1983 | | |
|--|-------------------------------------|--------------|--------------|--------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | |
| | | | | | | | | | | | | | |
| ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS ¹ | Seasonally adjusted | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | 1 Total reserves ² | 32.82 | 34.26 | 36.46 | 37.99 | 38.52 | 38.80 | 39.57 | 39.88 | 40.46 | 40.89 | 40.96 | 40.50 |
| | 2 Nonborrowed reserves | 31.95 | 32.79 | 34.77 | 37.35 | 37.83 | 38.29 | 38.63 | 39.40 | 39.84 | 40.26 | 40.43 | 39.91 |
| | 3 Required reserves | 32.59 | 33.93 | 35.95 | 37.67 | 38.21 | 38.49 | 39.18 | 39.47 | 40.06 | 40.39 | 40.41 | 40.05 |
| | 4 Monetary base ³ | 132.2 | 142.5 | 155.0 | 162.7 | 169.1 | 170.2 | 171.8 | 172.9 | 174.0 | 175.2 | 177.1 | 177.7 |
| | Not seasonally adjusted | | | | | | | | | | | | |
| | 5 Total reserves ² | 33.37 | 34.83 | 37.11 | 38.66 | 38.43 | 38.51 | 39.35 | 40.00 | 40.68 | 41.57 | 42.25 | 40.26 |
| | 6 Nonborrowed reserves | 32.50 | 33.35 | 35.42 | 38.03 | 37.74 | 38.00 | 38.42 | 39.52 | 40.06 | 40.94 | 41.72 | 39.68 |
| | 7 Required reserves | 33.13 | 34.50 | 36.59 | 38.34 | 38.12 | 38.20 | 38.97 | 39.59 | 40.28 | 41.07 | 41.71 | 39.82 |
| 8 Monetary base ³ | 134.8 | 145.4 | 158.0 | 165.8 | 170.0 | 170.4 | 171.4 | 172.9 | 175.1 | 178.4 | 177.3 | 175.5 | |
| NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS ⁴ | | | | | | | | | | | | | |
| 9 Total reserves ² | 41.68 | 43.91 | 40.66 | 41.92 | 39.97 | 40.18 | 39.96 | 40.59 | 41.20 | 41.85 | 41.86 | 39.82 | |
| 10 Nonborrowed reserves | 40.81 | 42.43 | 38.97 | 41.29 | 39.28 | 39.66 | 39.03 | 40.11 | 40.58 | 41.22 | 41.33 | 39.24 | |
| 11 Required reserves | 41.45 | 43.58 | 40.15 | 41.60 | 39.65 | 39.87 | 39.58 | 40.18 | 40.80 | 41.35 | 41.32 | 39.37 | |
| 12 Monetary base ³ | 144.6 | 156.2 | 162.4 | 169.7 | 172.3 | 172.8 | 172.3 | 173.8 | 176.0 | 179.3 | 177.9 | 176.0 | |

For notes see bottom of next page.

1.21 MONEY STOCK MEASURES AND COMPONENTS

Billions of dollars, averages of daily figures

| Item | 1979 Dec.† | 1980 Dec.† | 1981 Dec.† | 1982 Dec.† | 1982 | | | | 1983 Jan. |
|--|---------------|---------------|---------------|---------------|---------|---------|---------|---------|--------------|
| | | | | | Sept.† | Oct.† | Nov.† | Dec.† | |
| Seasonally adjusted | | | | | | | | | |
| MEASURES ¹ | | | | | | | | | |
| 1 M1 | 389.0 | 414.1 | 440.6 | 478.4 | 463.2 | 468.8 | 474.1 | 478.4 | 482.0 |
| 2 M2 | 1,497.5 | 1,630.3 | 1,794.9 | 1,958.8 | 1,917.0 | 1,929.5 | 1,944.7 | 1,958.8 | 2,007.3 |
| 3 M3 | 1,758.4 | 1,936.7 | 2,167.9 | 2,376.9 | 2,333.9 | 2,351.8 | 2,369.9 | 2,376.9 | 2,400.3 |
| 4 L ² | 2,131.8 | 2,343.6 | 2,622.0 | n.a. | 2,837.7 | n.a. | n.a. | n.a. | n.a. |
| SELECTED COMPONENTS | | | | | | | | | |
| 5 Currency | 106.5 | 116.2 | 123.2 | 132.8 | 130.5 | 131.3 | 131.9 | 132.8 | 134.2 |
| 6 Traveler's checks ³ | 3.7 | 4.1 | 4.5 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 4.1 |
| 7 Demand deposits | 262.0 | 266.8 | 236.4 | 239.8 | 234.0 | 236.1 | 237.6 | 239.8 | 239.4 |
| 8 Other checkable deposits ⁴ | 17.0 | 26.9 | 76.6 | 101.3 | 94.3 | 97.0 | 100.1 | 100.7 | 104.4 |
| 9 Savings deposits ⁵ | 423.1 | 400.7 | 344.4 | 359.0 | 350.0 | 358.0 | 366.4 | 359.0 | 334.5 |
| 10 Small-denomination time deposits ⁶ | 635.9 | 731.7 | 828.6 | 859.1 | 883.2 | 877.8 | 874.6 | 859.1 | 797.3 |
| 11 Large-denomination time deposits ⁷ | 222.2 | 258.9 | 302.6 | 333.9 | 336.1 | 339.6 | 340.4 | 333.9 | 310.9 |
| Not seasonally adjusted | | | | | | | | | |
| MEASURES ¹ | | | | | | | | | |
| 12 M1 | 398.8 | 424.7 | 452.1 | 491.2 | 461.0 | 470.6 | 479.1 | 491.2 | 498.6 |
| 13 M2 | 1,502.1 | 1,635.0 | 1,799.6 | 1,963.8 | 1,908.7 | 1,928.4 | 1,943.3 | 1,963.8 | 2,015.7 |
| 14 M3 | 1,766.1 | 1,944.9 | 2,175.9 | 2,384.6 | 2,324.4 | 2,350.2 | 2,368.9 | 2,384.6 | 2,412.1 |
| 15 L ² | 2,138.9 | 2,350.8 | 2,629.7 | n.a. | 2,822.7 | n.a. | n.a. | n.a. | n.a. |
| SELECTED COMPONENTS | | | | | | | | | |
| 16 Currency | 108.2 | 118.3 | 125.4 | 135.2 | 130.2 | 131.3 | 132.7 | 135.2 | 133.2 |
| 17 Traveler's checks ³ | 3.5 | 3.9 | 4.3 | 4.2 | 4.7 | 4.4 | 4.3 | 4.2 | 3.9 |
| 18 Demand deposits | 270.1 | 275.2 | 244.0 | 247.7 | 232.9 | 237.6 | 240.6 | 247.7 | 245.1 |
| 19 Other checkable deposits ⁴ | 17.0 | 27.2 | 78.4 | 104.0 | 93.3 | 97.3 | 97.3 | 104.0 | 82.3 |
| 20 Overnight RPs and Eurodollars ⁸ | 21.2 | 28.4 | 36.1 | 44.2 | 41.5 | 43.9 | 45.1 | 44.2 | 47.5 |
| 21 Savings deposits ⁵ | 420.7 | 398.3 | 342.1 | 356.5 | 348.2 | 357.8 | 363.3 | 356.5 | 334.1 |
| 22 Small-denomination time deposits ⁶ | 633.1 | 728.3 | 824.1 | 853.8 | 879.0 | 875.1 | 871.2 | 853.8 | 798.5 |
| Money market mutual funds | | | | | | | | | |
| 23 General purpose and broker/dealer | 33.4 | 61.4 | 150.9 | 182.1 | 185.1 | 187.6 | 191.1 | 182.1 | 166.6 |
| 24 Institution only | 9.5 | 14.9 | 36.0 | 47.6 | 48.2 | 49.3 | 49.9 | 47.6 | 46.1 |
| 25 Large-denomination time deposits ⁷ | 226.0 | 262.4 | 305.9 | 336.6 | 334.9 | 339.1 | 340.8 | 336.6 | 314.4 |

1. Composition of the money stock measures is as follows:

M1: Averages of daily figures for (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) traveler's 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) negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at banks and thrift institutions, credit union share draft (CUSD) accounts, and demand deposits at mutual savings banks.

M2: M1 plus savings and small-denomination time deposits at all depository institutions, overnight repurchase agreements at commercial banks, overnight Eurodollars held by U.S. residents other than banks at Caribbean branches of member banks and balances of money market mutual funds (general purpose and broker/dealer).

M3: M2 plus large-denomination time deposits at all depository institutions, term RPs at commercial banks and savings and loan associations, and balances of institution-only money market mutual funds.

L: M3 plus other liquid assets such as term Eurodollars held by U.S. residents other than banks, bankers acceptances, commercial paper, Treasury bills and other liquid Treasury securities, and U.S. savings bonds.

3. Outstanding amount of U.S. dollar-denominated traveler's checks of non-bank issuers.

4. Includes ATS and NOW balances at all institutions, credit union share draft balances, and demand deposits at mutual savings banks.

5. Excludes NOW and ATS accounts at commercial banks and thrift institutions and CUSDs at credit unions.

6. Issued in amounts of less than \$100,000 and includes retail RPs.

7. Issued in amounts of \$100,000 or more and are net of the holdings of domestic banks, thrift institutions, the U.S. government, money market mutual funds, and foreign banks and official institutions.

8. Overnight (and continuing contract) RPs are those issued by commercial banks to other than depository institutions and money market mutual funds (general purpose and broker/dealer), and overnight Eurodollars are those issued by Caribbean branches of member banks to U.S. residents other than depository institutions and money market mutual funds (general purpose and broker/dealer).

NOTE: Latest monthly and weekly figures are available from the Board's H.6 (508) release. Back data are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

NOTES TO TABLE 1.20

1. Reserve aggregates include required reserves of member banks and Edge Act corporations and other depository institutions. Discontinuities associated with the implementation of the Monetary Control Act, the inclusion of Edge Act corporation reserves, and other changes in Regulation D have been removed. Beginning with the week ended December 23, 1981, reserve aggregates have been reduced by shifts of reservable liabilities to international banking facilities (IBFs). On the basis of reports of liabilities transferred to IBFs by U.S. commercial banks and U.S. agencies and branches of foreign banks, it is estimated that required reserves were lowered on average \$10 million to \$20 million in December 1981 and \$40 million to \$70 million in January 1982.

2. Reserve balances with Federal Reserve Banks (which exclude required clearing balances) plus vault cash at institutions with required reserve balances plus vault cash equal to required reserves at other institutions.

3. Includes reserve balances and required clearing balances at Federal Reserve Banks in the current week plus vault cash held two weeks earlier used to satisfy reserve requirements at all depository institutions plus currency outside the U.S. Treasury, Federal Reserve Banks, the vaults of depository institutions, and surplus vault cash at depository institutions.

4. Reserves of depository institutions series reflect actual reserve requirement percentages with no adjustments to eliminate the effect of changes in Regulation D including changes associated with the implementation of the Monetary Control Act. Includes required reserves of member banks and Edge Act corporations and beginning November 13, 1980, other depository institutions. Under the transition-

al phase-in program of the Monetary Control Act of 1980, the net changes in required reserves of depository institutions have been as follows: Effective Nov. 13, 1980, a reduction of \$2.9 billion; Feb. 12, 1981, an increase of \$245 million; Mar. 12, 1981, an increase of \$75 million; May 14, 1981, an increase of \$245 million; Aug. 13, 1981, an increase of \$230 million; Sept. 3, 1981, a reduction of \$1.1 billion; Nov. 12, 1981, an increase of \$210 million; Jan. 14, 1982, a reduction of \$60 million; Feb. 11, 1982, an increase of \$170 million; Mar. 4, 1982, an estimated reduction of \$2.0 billion; May 13, 1982, an estimated increase of \$150 million; Aug. 12, 1982, an estimated increase of \$140 million; and Sept. 2, 1982, an estimated reduction of \$1.2 billion. Beginning with the week ended December 23, 1981, reserve aggregates have been reduced by shifts of reservable liabilities to IBFs. On the basis of reports of liabilities transferred to IBFs by U.S. commercial banks and U.S. agencies and branches of foreign banks, it is estimated that required reserves were lowered on average by \$60 million to \$90 million in December 1981 and \$180 million to \$230 million in January 1982, mostly reflecting a reduction in reservable Eurocurrency transactions.

NOTE: Latest monthly and weekly figures are available from the Board's H.3(502) statistical release. Back data and estimates of the impact on required reserves and 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.

1.22 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 | 1980 ¹ | 1981 ¹ | 1982 ¹ | 1982 | | | | | |
|----------------------------------|-------------------------|-------------------|-------------------|----------|----------|----------|----------|----------|------------------------|
| | | | | July | Aug. | Sept. | Oct. | Nov. | Dec. |
| | Seasonally adjusted | | | | | | | | |
| DEBITS TO | | | | | | | | | |
| Demand deposits ² | | | | | | | | | |
| 1 All insured banks | 62,757.8 | 80,858.7 | 90,914.4 | 90,280.7 | 95,177.9 | 94,480.0 | 97,097.0 | 95,475.9 | 97,748.5 ^r |
| 2 Major New York City banks | 25,156.1 | 33,891.9 | 37,932.9 | 36,880.8 | 39,525.3 | 37,986.3 | 42,077.9 | 38,971.6 | 42,104.4 ^r |
| 3 Other banks | 37,601.7 | 46,966.9 | 52,981.6 | 53,399.9 | 55,652.6 | 56,493.7 | 55,019.1 | 56,504.4 | 55,644.1 |
| 4 ATS-NOW accounts ³ | 159.3 | 743.4 | 1,036.2 | 1,049.9 | 1,146.2 | 1,165.4 | 1,109.4 | 1,224.6 | 1,448.1 ^r |
| 5 Savings deposits ⁴ | 670.0 | 672.7 | 721.4 | 773.8 | 770.7 | 707.8 | 637.0 | 697.1 | 889.3 |
| DEPOSIT TURNOVER | | | | | | | | | |
| Demand deposits ² | | | | | | | | | |
| 6 All insured banks | 198.7 | 285.8 | 324.2 | 325.0 | 341.6 | 341.0 | 343.0 | 333.8 | 342.6 ^r |
| 7 Major New York City banks | 803.7 | 1,105.1 | 1,287.6 | 1,265.7 | 1,424.2 | 1,282.5 | 1,298.7 | 1,263.7 | 1,381.2 ^r |
| 8 Other banks | 132.2 | 186.2 | 211.1 | 214.8 | 221.8 | 228.3 | 219.5 | 221.4 | 218.3 |
| 9 ATS-NOW accounts ³ | 9.7 | 14.0 | 14.5 | 15.3 | 16.2 | 15.9 | 14.7 | 15.6 | 18.4 |
| 10 Savings deposits ⁴ | 3.6 | 4.1 | 4.5 | 5.0 | 5.0 | 4.6 | 4.0 | 4.3 | 4.7 |
| | Not seasonally adjusted | | | | | | | | |
| DEBITS TO | | | | | | | | | |
| Demand deposits ² | | | | | | | | | |
| 11 All insured banks | 63,124.4 | 81,197.9 | 91,031.9 | 91,318.9 | 94,968.5 | 95,557.1 | 93,543.3 | 91,838.3 | 107,454.9 ^r |
| 12 Major New York City banks | 25,243.1 | 34,032.0 | 38,001.0 | 37,502.5 | 39,126.7 | 39,634.0 | 39,657.6 | 36,893.5 | 47,576.3 ^r |
| 13 Other banks | 37,881.3 | 47,165.9 | 53,030.9 | 53,816.4 | 55,841.8 | 55,923.1 | 53,885.7 | 54,944.8 | 59,878.6 |
| 14 ATS-NOW accounts ³ | 158.0 | 737.6 | 1,027.1 | 1,021.0 | 1,020.5 | 1,097.3 | 1,098.0 | 1,115.0 | 1,411.9 ^r |
| 15 Savings deposits ⁴ | 669.8 | 672.9 | 720.0 | 778.2 | 763.7 | 695.2 | 672.7 | 663.3 | 878.0 |
| DEPOSIT TURNOVER | | | | | | | | | |
| Demand deposits ² | | | | | | | | | |
| 16 All insured banks | 202.3 | 286.1 | 325.0 | 328.2 | 346.9 | 345.3 | 327.8 | 319.3 | 367.2 ^r |
| 17 Major New York City banks | 814.8 | 1,114.2 | 1,295.7 | 1,305.8 | 1,472.8 | 1,362.5 | 1,220.8 | 1,198.6 | 1,540.7 ^r |
| 18 Other banks | 134.8 | 186.2 | 211.5 | 215.7 | 225.9 | 225.8 | 213.1 | 213.9 | 228.8 |
| 19 ATS-NOW accounts ³ | 9.7 | 14.0 | 14.3 | 14.8 | 14.4 | 15.0 | 14.5 | 14.1 | 17.5 |
| 20 Savings deposits ⁴ | 3.6 | 4.1 | 4.5 | 4.9 | 4.9 | 4.4 | 4.2 | 4.1 | 4.7 |

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 as well as special club accounts, such as Christmas and vacation clubs.

NOTE. Historical data for demand deposits are available back to 1970 estimated in part from the debits series for 233 SMSA's 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.

1.23 LOANS AND SECURITIES All Commercial Banks¹

Billions of dollars; averages of Wednesday figures

| Category | 1981 | 1982 | | | | | 1983 | 1981 | 1982 | | | | | 1983 |
|---|---------------------|--------------------|---------|---------|---------|-------------------|-------------------------|--------------------|---------|---------|---------|-------------------|--|------|
| | Dec. ² | Sept. ³ | Oct. | Nov. | Dec. | Jan. ⁴ | Dec. ² | Sept. ³ | Oct. | Nov. | Dec. | Jan. ⁴ | | |
| | Seasonally adjusted | | | | | | Not seasonally adjusted | | | | | | | |
| 1 Total loans and securities ⁵ | 1,316.3 | 1,389.4 | 1,397.5 | 1,398.5 | 1,412.1 | 1,428.1 | 1,326.1 | 1,391.0 | 1,402.8 | 1,405.4 | 1,422.5 | 1,430.5 | | |
| 2 U.S. Treasury securities | 111.0 | 118.2 | 122.3 | 126.4 | 130.9 | 139.8 | 111.4 | 117.8 | 121.3 | 125.5 | 131.5 | 139.2 | | |
| 3 Other securities | 231.4 | 237.6 | 237.2 | 235.8 | 239.1 | 243.3 | 232.8 | 237.7 | 237.5 | 236.3 | 240.6 | 243.5 | | |
| 4 Total loans and leases ⁵ | 973.9 | 1,033.5 | 1,038.1 | 1,036.4 | 1,042.0 | 1,045.0 | 981.8 | 1,035.5 | 1,044.0 | 1,043.5 | 1,050.4 | 1,047.7 | | |
| 5 Commercial and industrial loans | 358.0 | 392.5 | 394.8 | 392.0 | 392.4 | 395.2 | 360.1 | 392.1 | 395.4 | 393.8 | 394.7 | 394.1 | | |
| 6 Real estate loans | 285.7 | 299.5 | 300.5 | 301.6 | 303.2 | 305.3 | 286.8 | 300.1 | 301.7 | 302.8 | 304.1 | 305.9 | | |
| 7 Loans to individuals | 185.1 | 189.6 | 190.0 | 190.3 | 191.8 | 192.6 | 186.4 | 190.9 | 191.5 | 191.5 | 193.1 | 193.2 | | |
| 8 Security loans | 21.9 | 22.6 | 24.2 | 23.4 | 24.7 | 22.7 | 22.7 | 22.3 | 23.9 | 23.9 | 25.5 | 22.9 | | |
| 9 Loans to nonbank financial institutions | 30.2 | 32.6 | 32.4 | 32.2 | 31.1 | 31.7 | 31.2 | 32.8 | 32.7 | 32.6 | 32.1 | 31.9 | | |
| 10 Agricultural loans | 33.0 | 36.3 | 36.3 | 36.3 | 36.3 | 36.5 | 33.0 | 36.8 | 36.8 | 36.5 | 36.3 | 36.3 | | |
| 11 Lease financing receivables | 12.7 | 13.1 | 13.1 | 13.1 | 13.1 | 13.3 | 12.7 | 13.1 | 13.1 | 13.1 | 13.1 | 13.3 | | |
| 12 All other loans | 47.2 | 47.4 | 46.8 | 47.5 | 49.5 | 47.7 | 49.2 | 47.5 | 48.9 | 49.3 | 51.5 | 50.2 | | |
| MEMO: | | | | | | | | | | | | | | |
| 13 Total loans and securities plus loans sold ^{5,6} | 1,319.1 | 1,392.2 | 1,400.3 | 1,401.5 | 1,415.0 | 1,431.1 | 1,328.9 | 1,393.8 | 1,405.6 | 1,408.3 | 1,425.4 | 1,433.5 | | |
| 14 Total loans plus loans sold ^{5,6} | 976.7 | 1,036.4 | 1,040.9 | 1,039.3 | 1,045.0 | 1,048.0 | 984.7 | 1,038.4 | 1,046.9 | 1,046.4 | 1,053.3 | 1,050.7 | | |
| 15 Total loans sold to affiliates ^{5,6} | 2.8 | 2.8 | 2.8 | 2.9 | 2.9 | 3.0 | 2.8 | 2.8 | 2.8 | 2.9 | 2.9 | 3.0 | | |
| 16 Commercial and industrial loans plus loans sold ⁶ | 360.2 | 394.7 | 397.0 | 394.3 | 394.6 | 397.5 | 362.3 | 394.4 | 397.7 | 396.1 | 396.9 | 396.5 | | |
| 17 Commercial and industrial loans sold ⁶ | 2.2 | 2.3 | 2.2 | 2.3 | 2.3 | 2.3 | 2.2 | 2.3 | 2.2 | 2.3 | 2.3 | 2.3 | | |
| 18 Acceptances held | 8.9 | 9.3 | 9.4 | 8.4 | 8.5 | 8.8 | 9.8 | 9.4 | 9.3 | 8.7 | 9.5 | 9.2 | | |
| 19 Other commercial and industrial loans | 349.1 | 383.1 | 385.3 | 383.6 | 383.8 | 386.4 | 350.3 | 382.7 | 386.1 | 385.1 | 385.2 | 384.9 | | |
| 20 To U.S. addressees ⁷ | 334.9 | 369.8 | 372.7 | 371.5 | 373.5 | 374.1 | 334.3 | 369.6 | 373.4 | 372.6 | 372.7 | 372.7 | | |
| 21 To non-U.S. addressees | 14.2 | 13.3 | 12.6 | 12.1 | 10.3 | 12.3 | 16.1 | 13.1 | 12.7 | 12.6 | 12.4 | 12.2 | | |
| 22 Loans to foreign banks | 19.0 | 13.8 | 13.9 | 14.0 | 13.5 | 13.7 | 20.0 | 14.2 | 14.2 | 14.1 | 14.5 | 14.3 | | |

1. Includes domestically chartered banks; U.S. branches and agencies of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

2. Beginning December 1981, shifts of foreign loans and securities from U.S. banking offices to international banking facilities (IBFs) reduced the levels of several items. Seasonally adjusted data that include adjustments for the amounts shifted from domestic offices to IBFs are available in the Board's G.7 (407) statistical release (available from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551).

3. Reclassification of loans beginning September 29, 1982, increased real estate loans \$0.3 billion and decreased nonbank financial loans \$0.3 billion.

4. Due to loan reclassifications, several categories have breaks in series: beginning January 12, 1983, real estate loans increased \$0.4 billion and loans to individuals decreased \$0.2 billion. As of January 26, 1983, other securities

increased \$0.2 billion and total loans and commercial and industrial loans decreased \$0.2 billion. As of February 2, 1983, real estate loans increased \$0.5 billion and commercial and industrial loans decreased \$0.5 billion.

5. Excludes loans to commercial banks in the United States.

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.

7. United States includes the 50 states and the District of Columbia.

NOTE. Data are prorated averages of Wednesday estimates for domestically chartered banks, based on weekly reports of a sample of domestically chartered banks and quarterly reports of all domestically chartered banks. For foreign-related institutions, data are averages of month-end estimates based on weekly reports from large agencies and branches and quarterly reports from all agencies, branches, investment companies, and Edge Act corporations engaged in banking.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS¹

Monthly averages, billions of dollars

| Source | 1980 | 1981 | 1982 | | | | | | | | | 1983 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | Dec. | Dec. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. |
| Total nondeposit funds | | | | | | | | | | | | |
| 1 Seasonally adjusted ² | 122.0 | 98.5 | 83.4 | 82.0 | 84.2 | 79.8 | 78.1 | 71.5 | 76.2 | 79.1 | 78.7 | 69.8 |
| 2 Not seasonally adjusted | 122.6 | 98.9 | 84.3 | 85.4 | 86.3 | 81.8 | 82.6 | 77.2 | 78.6 | 84.4 | 79.3 | 68.1 |
| Federal funds, RPs, and other borrowings from nonbanks ³ | | | | | | | | | | | | |
| 3 Seasonally adjusted | 111.1 | 114.2 | 113.1 | 113.2 | 113.8 | 114.3 | 116.7 | 114.8 | 121.9 | 121.7 | 124.2 | 129.4 |
| 4 Not seasonally adjusted | 111.6 | 114.6 | 113.9 | 116.6 | 115.9 | 116.3 | 121.2 | 120.5 | 124.2 | 126.9 | 124.7 | 127.7 |
| 5 Net balances due to foreign-related institutions, not seasonally adjusted | 8.2 | -18.6 | -32.5 | -34.0 | -32.5 | -37.3 | -41.4 | -46.1 | -48.5 | -45.5 | -48.4 | -62.6 |
| 6 Loans sold to affiliates, not seasonally adjusted ⁴ | 2.7 | 2.8 | 2.8 | 2.8 | 3.0 | 2.8 | 2.8 | 2.8 | 2.8 | 2.9 | 2.9 | 3.0 |
| MEMO | | | | | | | | | | | | |
| 7 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted ⁵ | -14.7 | -22.5 | -29.8 | -29.9 | -29.2 | -33.0 | -34.4 | -38.7 | -40.4 | -38.4 | -39.5 | -49.9 |
| 8 Gross due from balances | 37.5 | 54.9 | 57.4 | 58.1 | 57.7 | 60.6 | 65.1 | 68.5 | 69.8 | 69.9 | 72.2 | 80.6 |
| 9 Gross due to balances | 22.8 | 32.4 | 27.6 | 28.3 | 28.5 | 27.6 | 30.6 | 29.8 | 29.4 | 31.5 | 32.7 | 30.7 |
| 10 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted ⁶ | 22.9 | 3.9 | -2.7 | -4.1 | -3.3 | -4.4 | -7.0 | -7.3 | -8.1 | -7.1 | -8.9 | -12.7 |
| 11 Gross due from balances | 32.5 | 48.1 | 49.1 | 49.5 | 50.2 | 52.6 | 53.4 | 54.1 | 53.9 | 53.6 | 54.8 | 57.4 |
| 12 Gross due to balances | 55.4 | 52.0 | 46.4 | 45.4 | 46.9 | 48.3 | 46.4 | 46.7 | 45.8 | 46.5 | 45.9 | 44.7 |
| Security RP borrowings | | | | | | | | | | | | |
| 13 Seasonally adjusted ⁷ | 64.0 | 70.0 | 71.9 | 69.0 | 69.1 | 69.3 | 71.9 | 68.5 | 75.2 | 74.4 | 77.8 | 81.8 |
| 14 Not seasonally adjusted | 62.3 | 68.2 | 70.4 | 70.0 | 68.7 | 68.9 | 73.9 | 71.7 | 75.0 | 77.1 | 75.8 | 77.4 |
| U.S. Treasury demand balances ⁸ | | | | | | | | | | | | |
| 15 Seasonally adjusted | 9.5 | 11.8 | 13.6 | 15.3 | 9.9 | 8.4 | 9.2 | 10.6 | 13.6 | 9.8 | 11.5 | 15.5 |
| 16 Not seasonally adjusted | 9.0 | 11.2 | 13.8 | 15.4 | 10.8 | 8.3 | 8.2 | 12.4 | 16.5 | 7.9 | 10.9 | 16.6 |
| Time deposits, \$100,000 or more ⁹ | | | | | | | | | | | | |
| 17 Seasonally adjusted | 267.0 | 324.0 | 334.4 | 341.1 | 349.5 | 360.1 | 367.0 | 366.5 | 367.4 | 360.4 | 347.0 | 318.8 |
| 18 Not seasonally adjusted | 272.4 | 330.3 | 335.6 | 340.0 | 344.6 | 350.5 | 359.2 | 361.6 | 364.7 | 361.5 | 353.6 | 325.0 |
| IBF ADJUSTMENTS FOR SELECTED ITEMS ¹⁰ | | | | | | | | | | | | |
| 19 Items 1 and 2 | | 22.4 | 31.4 | 31.7 | 32.0 | 32.2 | 32.4 | 32.4 | | | | |
| 20 Items 3 and 4 | | 1.7 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | | | | |
| 21 Item 5 | | 20.7 | 29.0 | 29.3 | 29.6 | 29.8 | 30.0 | 30.0 | | | | |
| 22 Item 7 | | 3.1 | 5.0 | 5.0 | 5.0 | 5.1 | 5.1 | 5.1 | | | | |
| 23 Item 10 | | 17.6 | 24.0 | 24.3 | 24.6 | 24.7 | 24.9 | 24.9 | | | | |

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

2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars and loans to affiliates. 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. Includes averages of daily figures for member banks and averages of current and previous month-end data for foreign-related institutions.

4. Loans initially booked by the bank and later sold to affiliates that are still held by affiliates. Averages of Wednesday data.

5. Averages of daily figures for member and nonmember banks.

6. Averages of daily data.

7. Based on daily average data reported by 122 large banks.

8. Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.

9. Averages of Wednesday figures.

10. Estimated effects of shifts of foreign assets from U.S. banking offices to international banking facilities (IBFs).

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

Billions of dollars except for number of banks

| | 1982 | | | | | | | | | 1983 | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. |
| DOMESTICALLY CHARTERED COMMERCIAL BANKS¹ | | | | | | | | | | | |
| 1 Loans and securities, excluding interbank | 1,292.6 | 1,300.7 | 1,315.4 | 1,313.2 | 1,318.8 | 1,337.1 | 1,343.0 | 1,347.0 | 1,370.4 | 1,370.7 | 1,373.7 |
| 2 Loans, excluding interbank | 947.2 | 954.3 | 969.1 | 966.6 | 970.6 | 985.9 | 988.5 | 990.4 | 1,000.8 | 993.3 | 991.4 |
| 3 Commercial and industrial | 336.7 | 341.9 | 348.7 | 346.4 | 346.2 | 354.4 | 355.2 | 354.8 | 357.3 | 355.6 | 356.3 |
| 4 Other | 610.5 | 612.4 | 620.4 | 620.3 | 624.4 | 631.5 | 633.3 | 635.6 | 643.5 | 638.2 | 635.8 |
| 5 U.S. Treasury securities | 113.0 | 111.5 | 113.4 | 113.4 | 113.7 | 115.0 | 119.4 | 122.2 | 129.0 | 136.0 | 141.4 |
| 6 Other securities | 232.4 | 234.9 | 232.9 | 233.2 | 234.5 | 236.2 | 235.1 | 234.4 | 240.5 | 241.6 | 240.8 |
| 7 Cash assets, total | 153.6 | 153.0 | 165.4 | 154.5 | 160.8 | 157.4 | 162.1 | 169.7 | 184.4 | 167.8 | 184.7 |
| 8 Currency and coin | 19.9 | 20.0 | 20.1 | 20.5 | 20.3 | 20.4 | 20.5 | 19.0 | 23.0 | 20.4 | 20.3 |
| 9 Reserves with Federal Reserve Banks | 25.5 | 21.7 | 18.2 | 25.1 | 26.1 | 17.0 | 23.5 | 22.0 | 25.4 | 23.9 | 25.3 |
| 10 Balances with depository institutions | 52.4 | 54.9 | 59.6 | 55.4 | 58.8 | 60.4 | 61.3 | 64.6 | 67.6 | 67.7 | 71.6 |
| 11 Cash items in process of collection | 55.8 | 56.3 | 67.4 | 53.6 | 55.5 | 59.6 | 56.8 | 64.1 | 68.4 | 55.9 | 67.5 |
| 12 Other assets ² | 206.6 | 209.9 | 223.2 | 224.2 | 231.3 | 234.9 | 237.0 | 241.8 | 265.3 | 260.0 | 263.6 |
| 13 Total assets/total liabilities and capital | 1,652.9 | 1,663.6 | 1,704.0 | 1,692.0 | 1,710.9 | 1,729.3 | 1,742.1 | 1,758.6 | 1,820.1 | 1,798.6 | 1,822.0 |
| 14 Deposits | 1,231.0 | 1,244.0 | 1,284.8 | 1,266.4 | 1,279.1 | 1,290.7 | 1,300.2 | 1,316.9 | 1,361.8 | 1,340.4 | 1,368.3 |
| 15 Demand | 315.5 | 315.4 | 345.2 | 314.4 | 315.5 | 323.0 | 326.5 | 338.1 | 363.9 | 324.0 | 337.9 |
| 16 Savings | 226.6 | 227.6 | 228.9 | 227.1 | 229.5 | 230.9 | 238.2 | 244.9 | 296.4 | 361.5 | 395.2 |
| 17 Time | 688.9 | 701.0 | 710.7 | 724.8 | 734.1 | 736.8 | 735.4 | 733.9 | 701.5 | 655.1 | 635.2 |
| 18 Borrowings | 201.1 | 195.1 | 189.7 | 195.4 | 196.0 | 202.8 | 203.7 | 198.1 | 215.1 | 221.6 | 218.0 |
| 19 Other liabilities | 92.4 | 93.9 | 96.6 | 99.1 | 103.9 | 103.4 | 106.2 | 109.3 | 109.2 | 106.4 | 106.0 |
| 20 Residual (assets less liabilities) | 128.4 | 130.6 | 133.0 | 131.1 | 131.9 | 132.5 | 132.0 | 134.3 | 133.9 | 130.3 | 129.6 |
| MEMO: | | | | | | | | | | | |
| 21 U.S. Treasury note balances included in borrowing | 16.6 | 7.1 | 7.5 | 8.0 | 5.9 | 17.0 | 11.7 | 2.4 | 10.7 | 17.1 | 7.0 |
| 22 Number of banks | 14,710 | 14,722 | 14,736 | 14,752 | 14,770 | 14,785 | 14,797 | 14,782 | 14,787 | 14,780 | 14,812 |
| ALL COMMERCIAL BANKING INSTITUTIONS³ | | | | | | | | | | | |
| 23 Loans and securities, excluding interbank | 1,350.7 | 1,358.5 | 1,374.3 | 1,371.3 | 1,376.6 | 1,397.3 | 1,401.7 | 1,413.7 | 1,429.8 | 1,427.4 | 1,429.8 |
| 24 Loans, excluding interbank | 1,000.6 | 1,007.6 | 1,023.7 | 1,020.8 | 1,024.7 | 1,042.4 | 1,042.3 | 1,052.1 | 1,054.9 | 1,044.8 | 1,042.3 |
| 25 Commercial and industrial | 374.7 | 379.3 | 386.7 | 384.4 | 384.5 | 395.0 | 393.1 | 398.3 | 395.9 | 393.0 | 392.9 |
| 26 Other | 625.8 | 628.3 | 637.0 | 636.4 | 640.2 | 647.4 | 649.2 | 653.8 | 659.0 | 652.4 | 650.0 |
| 27 U.S. Treasury securities | 116.1 | 114.3 | 116.2 | 115.7 | 115.8 | 117.2 | 122.7 | 125.7 | 132.8 | 139.5 | 145.1 |
| 28 Other securities | 234.1 | 236.6 | 234.4 | 234.8 | 236.1 | 237.7 | 236.7 | 235.9 | 242.1 | 243.2 | 242.4 |
| 29 Cash assets, total | 168.1 | 167.7 | 180.3 | 169.3 | 176.2 | 173.7 | 178.7 | 181.2 | 200.7 | 183.7 | 200.5 |
| 30 Currency and coin | 19.9 | 20.0 | 20.2 | 20.5 | 20.4 | 20.4 | 20.5 | 19.0 | 23.0 | 20.4 | 20.3 |
| 31 Reserves with Federal Reserve Banks | 26.8 | 23.0 | 19.6 | 26.5 | 27.5 | 18.4 | 25.0 | 23.4 | 26.8 | 25.3 | 26.7 |
| 32 Balances with depository institutions | 64.6 | 67.3 | 72.2 | 67.8 | 71.8 | 74.2 | 75.3 | 74.4 | 81.4 | 81.1 | 84.9 |
| 33 Cash items in process of collection | 56.8 | 57.3 | 68.4 | 54.6 | 56.5 | 60.6 | 57.8 | 64.3 | 69.4 | 56.9 | 68.6 |
| 34 Other assets ² | 280.3 | 285.9 | 300.0 | 299.4 | 306.8 | 310.3 | 313.9 | 323.3 | 341.7 | 333.2 | 330.2 |
| 35 Total assets/total liabilities and capital | 1,799.1 | 1,812.1 | 1,854.7 | 1,840.1 | 1,859.6 | 1,881.3 | 1,894.2 | 1,918.2 | 1,972.2 | 1,944.3 | 1,960.4 |
| 36 Deposits | 1,272.7 | 1,286.2 | 1,325.8 | 1,307.3 | 1,321.7 | 1,335.5 | 1,345.2 | 1,358.1 | 1,409.7 | 1,385.3 | 1,412.6 |
| 37 Demand | 327.9 | 327.9 | 357.4 | 326.8 | 327.7 | 335.1 | 338.9 | 344.9 | 376.2 | 335.9 | 350.2 |
| 38 Savings | 226.9 | 227.8 | 229.1 | 227.4 | 229.7 | 231.1 | 238.5 | 245.1 | 296.7 | 361.9 | 395.6 |
| 39 Time | 717.9 | 730.4 | 739.3 | 753.1 | 764.3 | 769.2 | 767.8 | 768.0 | 736.7 | 687.7 | 666.8 |
| 40 Borrowings | 260.8 | 255.3 | 253.2 | 260.0 | 260.0 | 267.6 | 268.3 | 267.0 | 278.3 | 283.5 | 276.0 |
| 41 Other liabilities | 135.3 | 138.2 | 140.8 | 139.8 | 144.1 | 143.8 | 146.9 | 156.6 | 148.4 | 143.5 | 140.4 |
| 42 Residual (assets less liabilities) | 130.3 | 132.5 | 134.9 | 133.0 | 133.8 | 134.4 | 133.9 | 136.6 | 135.8 | 132.1 | 131.5 |
| MEMO: | | | | | | | | | | | |
| 43 U.S. Treasury note balances included in borrowing | 16.6 | 7.1 | 7.5 | 8.0 | 5.9 | 17.0 | 11.7 | 2.4 | 10.7 | 17.1 | 7.0 |
| 44 Number of banks | 15,215 | 15,235 | 15,235 | 15,271 | 15,289 | 15,311 | 15,330 | 15,318 | 15,329 | 15,332 | 15,366 |

1. Domestically chartered commercial banks include all commercial banks in the United States except branches of foreign banks; included are member and nonmember banks, stock savings banks, and nondeposit trust companies.

2. Other assets include loans to U.S. commercial banks.

3. Commercial banking institutions include domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.

NOTE. Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Data for domestically chartered commercial banks are for the last Wednesday of the month. Data for other banking institutions are estimates made on the last Wednesday of the month based on a weekly reporting sample of foreign-related institutions and quarter-end condition report data.

1.26 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of \$750 Million or More on December 31, 1977, Assets and Liabilities

Millions of dollars, Wednesday figures

| Account | 1982 | 1983 | | | | | | | | Adjustment bank, 1982 |
|--|---------|---------|---------|---------|----------------------|---------------------|---------------------|----------------------|----------------------|-----------------------|
| | Dec. 29 | Jan. 5 | Jan. 12 | Jan. 19 | Jan. 26 ^a | Feb. 2 ^b | Feb. 9 ^c | Feb. 16 ^d | Feb. 23 ^e | |
| 1 Cash items in process of collection | 54,686 | 54,325 | 48,894 | 49,770 | 44,369 | 48,524 | 40,860 | 48,041 | 53,290 | 215 |
| 2 Demand deposits due from banks in the United States .. | 9,424 | 8,713 | 7,493 | 8,162 | 7,247 | 7,079 | 6,604 | 7,629 | 8,235 | 197 |
| 3 All other cash and due from depository institutions | 38,553 | 35,759 | 38,658 | 39,236 | 37,333 | 35,750 | 34,195 | 34,519 | 37,590 | 394 |
| 4 Total loans and securities | 655,562 | 671,742 | 661,699 | 658,713 | 653,895 | 662,792 | 653,273 | 657,877 | 650,267 | 5,369 |
| <i>Securities</i> | | | | | | | | | | |
| 5 U.S. Treasury securities | 44,586 | 48,816 | 47,182 | 46,129 | 46,738 | 48,816 | 47,520 | 48,300 | 47,387 | 354 |
| 6 Trading account | 7,856 | 10,720 | 9,215 | 8,204 | 8,436 | 10,139 | 8,794 | 9,246 | 8,209 | ..... |
| 7 Investment account, by maturity | 36,730 | 38,096 | 37,967 | 37,925 | 38,302 | 38,677 | 38,726 | 39,054 | 39,178 | 354 |
| 8 One year or less | 12,097 | 12,261 | 11,861 | 11,671 | 11,600 | 11,881 | 11,721 | 11,654 | 11,731 | 145 |
| 9 Over one through five years | 22,491 | 23,022 | 23,270 | 23,385 | 23,947 | 24,060 | 24,234 | 24,748 | 24,790 | 175 |
| 10 Over five years | 2,142 | 2,813 | 2,836 | 2,868 | 2,754 | 2,736 | 2,771 | 2,652 | 2,656 | 33 |
| 11 Other securities | 81,277 | 84,902 | 82,175 | 82,271 | 81,783 | 83,022 | 81,194 | 81,574 | 81,514 | 1,190 |
| 12 Trading account | 5,877 | 7,447 | 4,672 | 4,512 | 3,897 | 5,138 | 3,231 | 3,761 | 3,678 | 4 |
| 13 Investment account | 75,400 | 77,454 | 77,503 | 77,758 | 77,887 | 77,883 | 77,963 | 77,813 | 77,836 | 1,186 |
| 14 U.S. government agencies | 15,391 | 16,050 | 16,077 | 16,297 | 16,196 | 16,246 | 16,432 | 16,484 | 16,472 | 475 |
| 15 States and political subdivisions, by maturity | 57,034 | 58,300 | 58,258 | 58,260 | 58,399 | 58,244 | 58,162 | 57,949 | 57,953 | 608 |
| 16 One year or less | 7,162 | 7,416 | 7,226 | 7,244 | 7,152 | 7,171 | 7,104 | 6,995 | 7,156 | 106 |
| 17 Over one year | 49,872 | 50,884 | 51,032 | 51,017 | 51,247 | 51,073 | 51,058 | 50,955 | 50,798 | 503 |
| 18 Other bonds, corporate stocks and securities | 2,975 | 3,104 | 3,168 | 3,201 | 3,292 | 3,393 | 3,370 | 3,380 | 3,410 | 103 |
| <i>Loans</i> | | | | | | | | | | |
| 19 Federal funds sold ¹ | 41,566 | 45,581 | 45,131 | 42,585 | 40,519 | 43,106 | 41,682 | 44,493 | 39,144 | 292 |
| 20 To commercial banks | 29,253 | 33,435 | 32,475 | 30,666 | 28,620 | 29,545 | 28,865 | 31,638 | 27,496 | 292 |
| 21 To nonbank brokers and dealers in securities | 9,347 | 9,257 | 9,506 | 8,893 | 8,561 | 9,777 | 9,242 | 9,192 | 8,305 | ..... |
| 22 To others | 2,966 | 2,888 | 3,150 | 3,027 | 3,338 | 3,784 | 3,575 | 3,664 | 3,343 | ..... |
| 23 Other loans, gross | 501,095 | 505,583 | 500,420 | 500,929 | 498,053 | 501,158 | 496,193 | 496,828 | 495,569 | 3,756 |
| 24 Commercial and industrial | 216,860 | 219,464 | 217,238 | 218,315 | 216,449 | 218,545 | 216,704 | 217,056 | 216,219 | 812 |
| 25 Bankers acceptances and commercial paper | 6,075 | 5,418 | 5,146 | 5,349 | 4,951 | 5,651 | 4,255 | 4,368 | 4,310 | 23 |
| 26 All other | 210,785 | 214,047 | 212,092 | 212,966 | 211,498 | 212,894 | 212,448 | 212,687 | 211,909 | 789 |
| 27 U.S. addressees | 203,968 | 207,360 | 205,397 | 206,309 | 204,849 | 206,263 | 205,815 | 205,968 | 205,172 | 787 |
| 28 Non-U.S. addressees | 6,817 | 6,687 | 6,696 | 6,657 | 6,649 | 6,631 | 6,634 | 6,719 | 6,738 | 2 |
| 29 Real estate | 132,336 | 133,469 | 133,397 | 133,320 | 133,531 | 133,947 | 133,938 | 134,193 | 134,228 | 1,906 |
| 30 To individuals for personal expenditures | 75,551 | 76,533 | 76,275 | 76,037 | 75,895 | 75,616 | 75,228 | 75,211 | 75,020 | 920 |
| To financial institutions | | | | | | | | | | |
| 31 Commercial banks in the United States | 7,804 | 8,119 | 7,842 | 7,687 | 7,439 | 7,522 | 7,475 | 7,484 | 7,798 | 4 |
| 32 Banks in foreign countries | 7,506 | 7,084 | 7,167 | 6,864 | 7,055 | 7,248 | 7,188 | 6,947 | 7,050 | ..... |
| 33 Sales finance, personal finance companies, etc. | 10,693 | 10,494 | 10,359 | 10,406 | 10,331 | 10,251 | 10,125 | 10,216 | 10,129 | 2 |
| 34 Other financial institutions | 16,233 | 16,369 | 16,350 | 15,985 | 16,013 | 16,112 | 16,279 | 16,290 | 15,968 | 34 |
| 35 To nonbank brokers and dealers in securities | 8,321 | 7,855 | 7,279 | 7,415 | 6,643 | 7,131 | 5,823 | 5,839 | 5,160 | ..... |
| 36 To others for purchasing and carrying securities ² | 2,902 | 2,689 | 2,660 | 2,607 | 2,622 | 2,627 | 2,593 | 2,581 | 2,598 | 2 |
| 37 To finance agricultural production | 6,296 | 6,359 | 6,356 | 6,311 | 6,287 | 6,325 | 6,331 | 6,312 | 6,386 | 32 |
| 38 All other | 16,591 | 17,145 | 15,495 | 15,982 | 15,788 | 15,832 | 14,509 | 14,699 | 15,013 | 44 |
| 39 Less: Unearned income | 5,451 | 5,576 | 5,604 | 5,584 | 5,560 | 5,520 | 5,480 | 5,482 | 5,473 | 188 |
| 40 Loan loss reserve | 7,510 | 7,563 | 7,605 | 7,616 | 7,638 | 7,788 | 7,836 | 7,838 | 7,874 | 35 |
| 41 Other loans, net | 488,133 | 492,444 | 487,211 | 487,728 | 484,855 | 487,849 | 482,877 | 483,509 | 482,223 | 3,533 |
| 42 Lease financing receivables | 11,136 | 11,256 | 11,244 | 11,233 | 11,223 | 11,248 | 11,263 | 11,230 | 11,221 | 1 |
| 43 All other assets | 141,168 | 145,975 | 149,480 | 144,758 | 143,164 | 146,225 | 147,146 | 146,430 | 144,724 | 359 |
| 44 Total assets | 910,531 | 927,771 | 917,468 | 911,872 | 897,231 | 911,618 | 893,342 | 905,726 | 905,327 | 6,534 |
| <i>Deposits</i> | | | | | | | | | | |
| 45 Demand deposits | 189,652 | 192,895 | 176,821 | 175,373 | 165,607 | 173,522 | 160,606 | 171,060 | 174,496 | 1,369 |
| 46 Mutual savings banks | 627 | 872 | 759 | 736 | 607 | 729 | 638 | 704 | 654 | 10 |
| 47 Individuals, partnerships, and corporations | 139,364 | 144,936 | 136,104 | 131,204 | 126,162 | 131,260 | 123,161 | 129,121 | 130,715 | 1,216 |
| 48 States and political subdivisions | 5,487 | 6,035 | 4,888 | 5,172 | 5,141 | 5,729 | 4,834 | 4,918 | 4,994 | 70 |
| 49 U.S. government | 1,767 | 3,033 | 2,212 | 4,084 | 2,090 | 1,212 | 1,075 | 2,360 | 1,224 | 9 |
| 50 Commercial banks in the United States | 23,613 | 23,478 | 18,653 | 19,744 | 18,414 | 19,969 | 17,512 | 19,900 | 22,506 | 21 |
| 51 Banks in foreign countries | 6,650 | 5,480 | 5,799 | 5,542 | 5,743 | 5,397 | 5,463 | 5,758 | 5,626 | 2 |
| 52 Foreign governments and official institutions | 1,310 | 1,057 | 1,140 | 998 | 1,053 | 1,160 | 954 | 1,077 | 932 | ..... |
| 53 Certified and officers' checks | 10,833 | 8,004 | 7,265 | 7,891 | 6,398 | 8,067 | 6,967 | 7,220 | 7,845 | 41 |
| 54 Time and savings deposits | 406,773 | 412,367 | 415,185 | 413,494 | 413,353 | 416,778 | 417,457 | 416,398 | 415,704 | 4,275 |
| 55 Savings | 110,640 | 123,794 | 132,129 | 137,805 | 141,724 | 147,847 | 151,207 | 153,688 | 155,580 | 1,449 |
| 56 Individuals and nonprofit organizations | 103,203 | 114,277 | 121,245 | 125,762 | 128,788 | 134,322 | 136,479 | 138,848 | 140,090 | 1,394 |
| 57 Partnerships and corporations operated for profit | 6,635 | 8,594 | 9,904 | 10,903 | 11,810 | 12,356 | 13,468 | 13,555 | 14,220 | 46 |
| 58 Domestic governmental units | 771 | 878 | 936 | 1,078 | 1,029 | 1,075 | 1,130 | 1,182 | 1,179 | 9 |
| 59 All other | 30 | 46 | 44 | 61 | 97 | 94 | 130 | 102 | 90 | ..... |
| 60 Time | 296,133 | 288,573 | 283,056 | 275,689 | 271,629 | 268,931 | 266,250 | 262,710 | 260,124 | 2,826 |
| 61 Individuals, partnerships, and corporations | 258,127 | 251,662 | 246,154 | 239,411 | 235,417 | 232,919 | 230,163 | 226,924 | 224,430 | 2,674 |
| 62 States and political subdivisions | 20,584 | 19,977 | 20,221 | 20,114 | 20,322 | 20,234 | 20,477 | 20,450 | 20,560 | 148 |
| 63 U.S. government | 644 | 614 | 568 | 547 | 398 | 418 | 411 | 410 | 423 | ..... |
| 64 Commercial banks in the United States | 12,119 | 11,778 | 11,706 | 11,237 | 11,178 | 11,120 | 11,086 | 10,882 | 10,813 | 3 |
| 65 Foreign governments, official institutions, and banks | 4,658 | 4,542 | 4,408 | 4,380 | 4,314 | 4,240 | 4,112 | 4,044 | 3,898 | ..... |
| <i>Liabilities for borrowed money</i> | | | | | | | | | | |
| 66 Borrowings from Federal Reserve Banks | 1,123 | 50 | 1,535 | 1,850 | 50 | 1,982 | 185 | 2,911 | ..... | ..... |
| 67 Treasury tax-and-loan notes | 7,938 | 9,449 | 8,764 | 10,554 | 12,993 | 9,484 | 3,342 | 3,182 | 4,854 | ..... |
| 68 All other liabilities for borrowed money ³ | 158,222 | 166,779 | 168,379 | 166,655 | 160,401 | 162,113 | 164,180 | 165,858 | 165,926 | 324 |
| 69 Other liabilities and subordinated notes and debentures .. | 89,411 | 87,264 | 87,762 | 85,114 | 85,907 | 88,414 | 88,164 | 87,044 | 85,180 | 110 |
| 70 Total liabilities | 853,119 | 868,805 | 858,446 | 853,040 | 838,312 | 852,294 | 833,934 | 846,452 | 846,161 | 6,077 |
| 71 Residual (total assets minus total liabilities) ⁴ | 57,412 | 58,966 | 59,022 | 58,832 | 58,919 | 59,324 | 59,407 | 59,273 | 59,166 | 457 |

1. Includes securities purchased under agreements to resell.

2. Other than financial institutions and brokers and dealers.

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. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.27 LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of \$1 Billion or More on December 31, 1977, Assets and Liabilities

Millions of dollars, Wednesday figures

| Account | 1982 | 1983 | | | | | | | | Adjustment bank, 1982 |
|---|----------------|----------------|----------------|----------------|----------------------|---------------------|---------------------|----------------------|----------------------|-----------------------|
| | Dec. 29 | Jan. 5 | Jan. 12 | Jan. 19 | Jan. 26 ^p | Feb. 2 ^p | Feb. 9 ^p | Feb. 16 ^p | Feb. 23 ^p | |
| 1 Cash items in process of collection | 51,767 | 51,057 | 46,005 | 46,767 | 41,835 | 45,652 | 38,400 | 44,974 | 49,988 | 146 |
| 2 Demand deposits due from banks in the United States .. | 8,577 | 7,928 | 6,836 | 7,426 | 6,500 | 6,365 | 6,008 | 7,046 | 7,418 | 180 |
| 3 All other cash and due from depository institutions | 35,695 | 32,858 | 35,586 | 36,016 | 34,211 | 32,735 | 31,299 | 31,395 | 34,452 | 174 |
| 4 Total loans and securities | 611,936 | 624,963 | 615,485 | 612,858 | 608,499 | 616,962 | 608,012 | 612,162 | 605,012 | 3,763 |
| <i>Securities</i> | | | | | | | | | | |
| 5 U.S. Treasury securities | 40,746 | 44,793 | 43,154 | 42,068 | 42,782 | 44,862 | 43,508 | 44,078 | 43,142 | 293 |
| 6 Trading account | 7,782 | 10,621 | 9,112 | 8,084 | 8,328 | 10,026 | 8,668 | 9,134 | 8,094 | ..... |
| 7 Investment account, by maturity | 32,964 | 34,172 | 34,042 | 33,984 | 34,454 | 34,835 | 34,840 | 34,943 | 35,048 | 292 |
| 8 One year or less | 10,701 | 10,722 | 10,372 | 10,189 | 10,177 | 10,443 | 10,285 | 10,162 | 10,243 | 113 |
| 9 Over one through five years | 20,399 | 20,919 | 21,116 | 21,208 | 21,713 | 21,836 | 21,976 | 22,322 | 22,340 | 157 |
| 10 Over five years | 1,863 | 2,532 | 2,555 | 2,588 | 2,563 | 2,556 | 2,579 | 2,459 | 2,464 | 22 |
| 11 Other securities | 74,538 | 77,744 | 75,001 | 75,039 | 74,386 | 75,590 | 73,791 | 74,079 | 74,106 | 774 |
| 12 Trading account | 5,649 | 7,278 | 4,515 | 4,303 | 3,730 | 4,970 | 3,080 | 3,495 | 3,507 | 4 |
| 13 Investment account | 68,889 | 70,467 | 70,486 | 70,736 | 70,656 | 70,620 | 70,711 | 70,584 | 70,599 | 770 |
| 14 U.S. government agencies | 14,148 | 14,639 | 14,643 | 14,858 | 14,778 | 14,797 | 14,992 | 15,056 | 15,030 | 301 |
| 15 States and political subdivisions, by maturity | 51,996 | 52,962 | 52,927 | 52,930 | 52,847 | 52,686 | 52,618 | 52,421 | 52,442 | 379 |
| 16 One year or less | 6,452 | 6,660 | 6,485 | 6,500 | 6,408 | 6,400 | 6,331 | 6,238 | 6,400 | 58 |
| 17 Over one year | 45,544 | 46,302 | 46,442 | 46,430 | 46,439 | 46,286 | 46,287 | 46,182 | 46,042 | 322 |
| 18 Other bonds, corporate stocks and securities | 2,745 | 2,865 | 2,916 | 2,948 | 3,031 | 3,136 | 3,101 | 3,108 | 3,128 | 90 |
| <i>Loans</i> | | | | | | | | | | |
| 19 Federal funds sold ¹ | 36,373 | 39,209 | 39,242 | 37,195 | 35,263 | 37,433 | 36,519 | 39,144 | 34,207 | 161 |
| 20 To commercial banks | 24,889 | 27,888 | 27,517 | 26,128 | 24,078 | 24,581 | 24,315 | 26,994 | 23,187 | 161 |
| 21 To nonbank brokers and dealers in securities | 8,656 | 8,567 | 8,661 | 8,119 | 7,964 | 9,124 | 8,684 | 8,548 | 7,748 | ..... |
| 22 To others | 2,828 | 2,754 | 3,065 | 2,948 | 3,220 | 3,728 | 3,520 | 3,602 | 3,272 | ..... |
| 23 Other loans, gross | 472,254 | 475,324 | 470,266 | 470,726 | 468,234 | 471,360 | 466,481 | 467,154 | 465,877 | 2,724 |
| 24 Commercial and industrial | 205,698 | 207,907 | 205,747 | 206,813 | 205,319 | 207,372 | 205,521 | 205,914 | 205,066 | 562 |
| 25 Bankers acceptances and commercial paper | 5,728 | 5,018 | 4,708 | 4,921 | 4,554 | 5,276 | 3,872 | 3,976 | 3,943 | 9 |
| 26 All other | 199,970 | 202,889 | 201,039 | 201,892 | 200,765 | 202,096 | 201,650 | 201,938 | 201,124 | 553 |
| 27 U.S. addressees | 193,273 | 196,332 | 194,457 | 195,346 | 194,221 | 195,566 | 195,115 | 195,318 | 194,484 | 551 |
| 28 Non-U.S. addressees | 6,697 | 6,556 | 6,582 | 6,546 | 6,544 | 6,529 | 6,534 | 6,620 | 6,639 | 2 |
| 29 Real estate | 124,931 | 125,567 | 125,460 | 125,350 | 125,594 | 126,018 | 126,003 | 126,277 | 126,297 | 1,373 |
| 30 To individuals for personal expenditures | 67,454 | 68,030 | 67,813 | 67,600 | 67,471 | 67,252 | 66,904 | 66,884 | 66,730 | 704 |
| 31 To financial institutions | 7,621 | 7,947 | 7,664 | 7,500 | 7,240 | 7,340 | 7,302 | 7,289 | 7,567 | ..... |
| 32 Commercial banks in the United States | 7,440 | 7,020 | 7,099 | 6,794 | 6,981 | 7,171 | 7,118 | 6,876 | 6,983 | ..... |
| 33 Banks in foreign countries | 10,503 | 10,307 | 10,191 | 10,236 | 10,167 | 10,084 | 9,961 | 10,053 | 9,965 | 2 |
| 34 Sales finance, personal finance companies, etc. | 15,763 | 15,820 | 15,782 | 15,401 | 15,416 | 15,503 | 15,677 | 15,697 | 15,374 | 26 |
| 35 Other financial institutions | 8,268 | 7,786 | 7,237 | 7,377 | 6,610 | 7,091 | 5,797 | 5,815 | 5,122 | ..... |
| 36 To nonbank brokers and dealers in securities | 2,681 | 2,457 | 2,429 | 2,374 | 2,390 | 2,394 | 2,356 | 2,346 | 2,353 | 2 |
| 37 To others for purchasing and carrying securities ² .. | 6,125 | 6,177 | 6,169 | 6,129 | 6,084 | 6,139 | 6,141 | 6,128 | 6,201 | 19 |
| 38 To finance agricultural production | 15,770 | 16,304 | 14,675 | 15,150 | 14,962 | 14,997 | 13,700 | 13,875 | 14,218 | 37 |
| 39 All other | 4,836 | 4,942 | 4,969 | 4,949 | 4,926 | 4,899 | 4,858 | 4,860 | 4,852 | 164 |
| 40 LESS: Unearned income | 7,138 | 7,165 | 7,210 | 7,221 | 7,241 | 7,384 | 7,429 | 7,434 | 7,469 | 25 |
| 41 Loan loss reserve | 460,280 | 463,216 | 458,087 | 458,555 | 456,067 | 459,077 | 454,194 | 454,861 | 453,556 | 2,535 |
| 42 Other loans, net | 10,743 | 10,857 | 10,844 | 10,833 | 10,824 | 10,848 | 10,863 | 10,831 | 10,823 | ..... |
| 43 Lease financing receivables | 136,889 | 141,792 | 145,341 | 140,605 | 139,144 | 142,013 | 142,963 | 142,456 | 140,731 | 296 |
| 44 Total assets | 855,606 | 869,455 | 860,097 | 854,504 | 841,014 | 854,574 | 837,546 | 848,865 | 848,424 | 4,559 |
| <i>Deposits</i> | | | | | | | | | | |
| 45 Demand deposits | 176,773 | 178,610 | 163,988 | 162,715 | 153,497 | 160,854 | 148,882 | 158,583 | 162,039 | 920 |
| 46 Mutual savings banks | 610 | 843 | 736 | 715 | 587 | 694 | 610 | 677 | 626 | 7 |
| 47 Individuals, partnerships, and corporations | 129,320 | 134,121 | 126,156 | 121,680 | 116,831 | 121,511 | 113,874 | 119,485 | 121,175 | 832 |
| 48 States and political subdivisions | 4,870 | 5,341 | 4,276 | 4,607 | 4,538 | 5,150 | 4,279 | 4,373 | 4,424 | 366 |
| 49 U.S. government | 1,619 | 2,717 | 1,946 | 3,445 | 1,890 | 1,028 | 974 | 2,105 | 1,069 | 8 |
| 50 Commercial banks in the United States | 22,003 | 21,570 | 17,059 | 18,193 | 16,835 | 18,287 | 16,113 | 18,262 | 20,785 | 5 |
| 51 Banks in foreign countries | 6,604 | 5,434 | 5,758 | 5,506 | 5,698 | 5,347 | 5,412 | 5,713 | 5,587 | 2 |
| 52 Foreign governments and official institutions | 1,309 | 1,055 | 1,139 | 994 | 1,050 | 1,155 | 953 | 1,075 | 931 | ..... |
| 53 Certified and officers' checks | 10,439 | 7,528 | 6,918 | 7,576 | 6,068 | 7,683 | 6,667 | 6,892 | 7,442 | 31 |
| 54 Time and savings deposits | 380,614 | 384,499 | 387,140 | 385,496 | 385,499 | 388,757 | 389,232 | 388,042 | 387,129 | 3,024 |
| 55 Savings | 102,276 | 114,119 | 121,943 | 127,332 | 131,088 | 136,814 | 139,918 | 142,254 | 144,042 | 990 |
| 56 Individuals and nonprofit organizations | 95,414 | 105,409 | 111,978 | 116,249 | 119,185 | 124,365 | 126,424 | 128,695 | 129,849 | 952 |
| 57 Partnerships and corporations operated for profit .. | 6,102 | 7,833 | 9,044 | 10,007 | 10,842 | 11,351 | 12,319 | 12,362 | 13,012 | 34 |
| 58 Domestic governmental units | 730 | 831 | 877 | 1,020 | 968 | 1,008 | 1,050 | 1,100 | 1,098 | 4 |
| 59 All other | 30 | 46 | 44 | 56 | 92 | 89 | 124 | 96 | 83 | ..... |
| 60 Time | 278,338 | 270,380 | 265,197 | 258,164 | 254,411 | 251,942 | 249,314 | 245,788 | 243,086 | 2,034 |
| 61 Individuals, partnerships, and corporations | 242,564 | 235,767 | 230,598 | 224,147 | 220,400 | 218,202 | 215,570 | 212,324 | 209,715 | 1,917 |
| 62 States and political subdivisions | 18,678 | 17,984 | 18,228 | 18,152 | 18,427 | 18,274 | 18,436 | 18,429 | 18,545 | 114 |
| 63 U.S. government | 576 | 545 | 502 | 483 | 334 | 349 | 339 | 333 | 333 | ..... |
| 64 Commercial banks in the United States | 11,862 | 11,541 | 11,462 | 11,001 | 10,936 | 10,877 | 10,857 | 10,659 | 10,596 | 3 |
| 65 Foreign governments, official institutions, and banks | 4,658 | 4,542 | 4,408 | 4,380 | 4,314 | 4,240 | 4,112 | 4,044 | 3,898 | ..... |
| <i>Liabilities for borrowed money</i> | | | | | | | | | | |
| 66 Borrowings from Federal Reserve Banks | 1,025 | 50 | 1,475 | 1,850 | 50 | 1,902 | 185 | 2,896 | ..... | ..... |
| 67 Treasury tax-and-loan notes | 7,391 | 8,983 | 8,283 | 9,893 | 12,258 | 8,907 | 3,146 | 2,934 | 4,547 | ..... |
| 68 All other liabilities for borrowed money ³ | 148,841 | 156,973 | 158,334 | 156,524 | 150,767 | 152,308 | 154,393 | 155,842 | 156,116 | 224 |
| 69 Other liabilities and subordinated notes and debentures | 87,138 | 85,093 | 85,589 | 82,913 | 83,736 | 86,271 | 86,055 | 85,030 | 83,158 | 76 |
| 70 Total liabilities | 801,782 | 814,208 | 804,809 | 799,391 | 785,809 | 798,999 | 781,892 | 793,327 | 792,988 | 4,245 |
| 71 Residual (total assets minus total liabilities) ⁴ | 53,824 | 55,247 | 55,288 | 55,113 | 55,205 | 55,575 | 55,654 | 55,538 | 55,436 | 314 |

1. Includes securities purchased under agreements to resell.

2. Other than financial institutions and brokers and dealers.

3. Includes federal funds purchased and securities sold under agreement 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. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

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

Millions of dollars, Wednesday figures

| Account | 1982 | 1983 | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------------|---------------------|---------------------|----------------------|----------------------|
| | Dec. 29 | Jan. 5 | Jan. 12 | Jan. 19 | Jan. 26 ^p | Feb. 2 ^p | Feb. 9 ^p | Feb. 16 ^p | Feb. 23 ^p |
| 1 Cash items in process of collection | 18,515 | 15,296 | 15,459 | 17,014 | 14,632 | 14,529 | 13,107 | 14,440 | 16,167 |
| 2 Demand deposits due from banks in the United States .. | 1,513 | 1,271 | 1,424 | 1,881 | 1,485 | 1,235 | 1,367 | 1,420 | 1,637 |
| 3 All other cash and due from depository institutions | 8,117 | 9,438 | 8,864 | 7,142 | 8,497 | 8,845 | 6,445 | 7,463 | 7,508 |
| 4 Total loans and securities¹ | 146,974 | 145,937 | 145,994 | 146,775 | 143,222 | 145,894 | 144,091 | 145,976 | 142,015 |
| <i>Securities</i> | | | | | | | | | |
| 5 U.S. Treasury securities ² | | | | | | | | | |
| 6 Trading account ² | | | | | | | | | |
| 7 Investment account, by maturity | 8,686 | 8,750 | 8,754 | 8,715 | 8,868 | 9,024 | 9,036 | 9,156 | 9,126 |
| 8 One year or less | 1,282 | 1,288 | 1,287 | 1,276 | 1,249 | 1,355 | 1,345 | 1,414 | 1,390 |
| 9 Over one through five years | 6,870 | 6,929 | 6,934 | 6,910 | 7,088 | 7,138 | 7,160 | 7,285 | 7,277 |
| 10 Over five years | 534 | 534 | 534 | 529 | 531 | 531 | 531 | 458 | 459 |
| 11 Other securities ² | | | | | | | | | |
| 12 Trading account ² | | | | | | | | | |
| 13 Investment account | 13,774 | 14,058 | 13,983 | 14,000 | 13,980 | 14,030 | 14,039 | 14,020 | 14,138 |
| 14 U.S. government agencies | 1,577 | 1,542 | 1,530 | 1,512 | 1,496 | 1,495 | 1,495 | 1,503 | 1,513 |
| 15 States and political subdivisions, by maturity | 11,435 | 11,748 | 11,693 | 11,715 | 11,700 | 11,745 | 11,758 | 11,742 | 11,852 |
| 16 One year or less | 1,390 | 1,572 | 1,534 | 1,506 | 1,529 | 1,539 | 1,554 | 1,543 | 1,645 |
| 17 Over one year | 10,045 | 10,175 | 10,159 | 10,209 | 10,172 | 10,206 | 10,204 | 10,199 | 10,207 |
| 18 Other bonds, corporate stocks and securities | 762 | 767 | 760 | 772 | 783 | 790 | 786 | 775 | 774 |
| <i>Loans</i> | | | | | | | | | |
| 19 Federal funds sold ³ | 11,344 | 9,190 | 11,178 | 11,331 | 9,347 | 10,705 | 11,074 | 12,321 | 9,526 |
| 20 To commercial banks | 6,003 | 4,303 | 5,748 | 6,285 | 3,882 | 4,309 | 5,032 | 6,155 | 4,394 |
| 21 To nonbank brokers and dealers in securities | 3,756 | 3,422 | 3,774 | 3,534 | 3,715 | 4,327 | 4,140 | 4,206 | 3,434 |
| 22 To others | 1,586 | 1,464 | 1,656 | 1,511 | 1,750 | 2,069 | 1,902 | 1,960 | 1,698 |
| 23 Other loans, gross | 117,074 | 117,740 | 115,896 | 116,558 | 114,854 | 115,996 | 113,797 | 114,334 | 113,103 |
| 24 Commercial and industrial | 60,750 | 61,510 | 60,988 | 61,360 | 60,684 | 61,418 | 60,537 | 60,710 | 59,797 |
| 25 Bankers acceptances and commercial paper | 1,619 | 1,371 | 1,368 | 1,202 | 1,221 | 1,517 | 1,035 | 1,039 | 1,029 |
| 26 All other | 59,059 | 60,139 | 59,620 | 60,157 | 59,463 | 59,900 | 59,502 | 59,671 | 58,768 |
| 27 U.S. addressees | 57,614 | 58,721 | 58,167 | 58,706 | 58,033 | 58,514 | 58,099 | 58,270 | 57,370 |
| 28 Non-U.S. addressees | 1,445 | 1,418 | 1,453 | 1,451 | 1,430 | 1,386 | 1,403 | 1,400 | 1,397 |
| 29 Real estate | 19,086 | 19,040 | 18,945 | 18,948 | 19,010 | 18,906 | 18,909 | 19,035 | 19,146 |
| 30 To individuals for personal expenditures | 11,723 | 11,719 | 11,622 | 11,571 | 11,525 | 11,480 | 11,449 | 11,451 | 11,428 |
| To financial institutions | | | | | | | | | |
| 31 Commercial banks in the United States | 2,931 | 3,339 | 3,071 | 2,735 | 2,700 | 2,680 | 2,518 | 2,615 | 3,014 |
| 32 Banks in foreign countries | 3,191 | 2,804 | 2,826 | 2,557 | 2,743 | 2,932 | 2,892 | 2,577 | 2,767 |
| 33 Sales finance, personal finance companies, etc. | 4,406 | 4,430 | 4,389 | 4,428 | 4,404 | 4,371 | 4,325 | 4,274 | 4,297 |
| 34 Other financial institutions | 4,818 | 4,792 | 4,756 | 4,757 | 4,858 | 4,853 | 4,784 | 4,940 | 4,809 |
| 35 To nonbank brokers and dealers in securities | 4,655 | 4,418 | 4,534 | 5,080 | 3,725 | 4,221 | 3,428 | 3,684 | 2,728 |
| 36 To others for purchasing and carrying securities ⁴ | 928 | 713 | 687 | 671 | 684 | 705 | 676 | 670 | 656 |
| 37 To finance agricultural production | 387 | 381 | 383 | 412 | 385 | 417 | 419 | 416 | 419 |
| 38 All other | 4,200 | 4,592 | 3,696 | 4,039 | 4,135 | 4,013 | 3,860 | 3,961 | 4,042 |
| 39 Less: Unearned income | 1,474 | 1,449 | 1,453 | 1,452 | 1,447 | 1,430 | 1,414 | 1,414 | 1,417 |
| 40 Loan loss reserve | 2,430 | 2,350 | 2,365 | 2,378 | 2,381 | 2,431 | 2,441 | 2,442 | 2,463 |
| 41 Other loans, net | 113,170 | 113,940 | 112,079 | 112,728 | 111,027 | 112,135 | 109,942 | 110,478 | 109,224 |
| 42 Lease financing receivables | 2,054 | 2,060 | 2,067 | 2,066 | 2,066 | 2,045 | 2,046 | 2,041 | 2,031 |
| 43 All other assets ⁵ | 58,880 | 63,395 | 63,417 | 60,110 | 58,906 | 62,187 | 60,661 | 61,024 | 62,002 |
| 44 Total assets | 236,053 | 237,398 | 237,226 | 234,989 | 228,809 | 234,737 | 227,718 | 232,364 | 231,360 |
| <i>Deposits</i> | | | | | | | | | |
| 45 Demand deposits | 53,766 | 51,308 | 48,075 | 48,650 | 45,179 | 46,904 | 42,163 | 45,424 | 47,890 |
| 46 Mutual savings banks | 266 | 400 | 401 | 380 | 271 | 332 | 275 | 317 | 292 |
| 47 Individuals, partnerships, and corporations | 33,504 | 35,525 | 34,017 | 32,717 | 31,396 | 32,061 | 28,932 | 30,299 | 32,383 |
| 48 States and political subdivisions | 516 | 838 | 599 | 772 | 572 | 996 | 751 | 606 | 669 |
| 49 U.S. government | 442 | 700 | 599 | 1,028 | 574 | 201 | 225 | 551 | 267 |
| 50 Commercial banks in the United States | 6,708 | 5,608 | 3,764 | 4,799 | 4,324 | 4,543 | 3,607 | 4,891 | 5,344 |
| 51 Banks in foreign countries | 5,403 | 4,166 | 4,514 | 4,235 | 4,382 | 4,016 | 4,130 | 4,320 | 4,300 |
| 52 Foreign governments and official institutions | 1,086 | 820 | 913 | 791 | 837 | 952 | 748 | 882 | 700 |
| 53 Certified and officers' checks | 5,840 | 3,249 | 3,267 | 3,929 | 2,824 | 3,802 | 3,495 | 3,557 | 3,934 |
| 54 Time and savings deposits | 74,722 | 73,734 | 75,110 | 74,667 | 75,036 | 75,939 | 75,916 | 75,993 | 75,675 |
| 55 Savings | 14,040 | 15,518 | 17,128 | 18,292 | 19,270 | 20,608 | 21,438 | 22,080 | 22,686 |
| 56 Individuals and nonprofit organizations | 13,203 | 14,538 | 16,018 | 17,060 | 17,908 | 19,046 | 19,394 | 20,230 | 20,431 |
| 57 Partnerships and corporations operated for profit .. | 720 | 859 | 984 | 1,070 | 1,187 | 1,338 | 1,719 | 1,499 | 1,927 |
| 58 Domestic governmental units | 116 | 110 | 122 | 154 | 170 | 215 | 285 | 306 | 292 |
| 59 All other | 1 | 10 | 3 | 8 | 6 | 9 | 40 | 44 | 36 |
| 60 Time | 60,682 | 58,216 | 57,982 | 56,375 | 55,766 | 55,331 | 54,479 | 53,913 | 52,989 |
| 61 Individuals, partnerships, and corporations | 50,702 | 48,689 | 48,226 | 46,626 | 46,049 | 45,852 | 45,058 | 44,518 | 43,626 |
| 62 States and political subdivisions | 2,281 | 2,037 | 2,138 | 2,194 | 2,356 | 2,246 | 2,345 | 2,339 | 2,364 |
| 63 U.S. government | 206 | 210 | 235 | 235 | 85 | 95 | 86 | 86 | 86 |
| 64 Commercial banks in the United States | 5,602 | 5,416 | 5,592 | 5,514 | 5,476 | 5,394 | 5,337 | 5,357 | 5,307 |
| 65 Foreign governments, official institutions, and banks | 1,892 | 1,864 | 1,789 | 1,805 | 1,801 | 1,744 | 1,653 | 1,613 | 1,605 |
| <i>Liabilities for borrowed money</i> | | | | | | | | | |
| 66 Borrowings from Federal Reserve Banks | 150 | | 1,075 | 1,545 | | 1,622 | 150 | 1,300 | |
| 67 Treasury tax-and-loan notes | 2,154 | 1,839 | 2,090 | 2,666 | 3,070 | 2,369 | 938 | 868 | 1,436 |
| 68 All other liabilities for borrowed money ⁶ | 52,862 | 57,382 | 57,557 | 55,760 | 53,225 | 54,774 | 55,681 | 55,956 | 54,405 |
| 69 Other liabilities and subordinated notes and debentures .. | 34,078 | 34,346 | 34,454 | 32,818 | 33,493 | 34,168 | 33,886 | 33,840 | 32,996 |
| 70 Total liabilities | 217,732 | 218,609 | 218,360 | 216,106 | 210,003 | 215,776 | 208,734 | 213,382 | 212,402 |
| 71 Residual (total assets minus total liabilities) ⁷ | 18,322 | 18,789 | 18,866 | 18,882 | 18,805 | 18,960 | 18,984 | 18,983 | 18,958 |

1. Excludes trading account securities.

2. Not available due to confidentiality.

3. Includes securities purchased under agreements to resell.

4. Other than financial institutions and brokers and dealers.

5. Includes trading account securities.

6. Includes federal funds purchased and securities sold under agreements to repurchase.

7. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.29 LARGE WEEKLY REPORTING COMMERCIAL BANKS Balance Sheet Memoranda

Millions of dollars, Wednesday figures

| Account | 1982 | 1983 | | | | | | | | Adjust- ment bank, 1982 |
|---|---------|---------|---------|---------|----------------------|---------------------|---------------------|----------------------|----------------------|----------------------------------|
| | Dec. 29 | Jan. 5 | Jan. 12 | Jan. 19 | Jan. 26 ^P | Feb. 2 ^P | Feb. 9 ^P | Feb. 16 ^P | Feb. 23 ^P | |
| BANKS WITH ASSETS OF \$750 MILLION OR MORE | | | | | | | | | | |
| 1 Total loans (gross) and securities adjusted ¹ | 631,466 | 643,328 | 634,591 | 633,561 | 631,034 | 639,034 | 630,249 | 632,075 | 628,320 | 5,296 |
| 2 Total loans (gross) adjusted ¹ | 505,603 | 509,610 | 505,234 | 505,162 | 502,513 | 507,196 | 501,534 | 502,200 | 499,420 | 3,752 |
| 3 Demand deposits adjusted ² | 109,585 | 112,059 | 107,062 | 101,775 | 100,734 | 103,817 | 101,159 | 100,758 | 97,476 | 1,124 |
| 4 Time deposits in accounts of \$100,000 or more | 187,825 | 180,283 | 177,067 | 171,257 | 169,255 | 167,805 | 166,256 | 163,530 | 162,027 | 487 |
| 5 Negotiable CDs..... | 132,340 | 126,340 | 124,456 | 119,944 | 118,854 | 118,226 | 116,981 | 114,707 | 113,302 | 244 |
| 6 Other time deposits | 55,484 | 53,943 | 52,611 | 51,313 | 50,401 | 49,579 | 49,276 | 48,823 | 48,725 | 242 |
| 7 Loans sold outright to affiliates ³ | 2,891 | 2,917 | 2,974 | 2,998 | 2,965 | 2,972 | 2,969 | 3,001 | 2,965 | ..... |
| 8 Commercial and industrial..... | 2,236 | 2,261 | 2,308 | 2,336 | 2,311 | 2,318 | 2,326 | 2,357 | 2,327 | ..... |
| 9 Other..... | 655 | 656 | 666 | 661 | 654 | 654 | 643 | 644 | 638 | ..... |
| BANKS WITH ASSETS OF \$1 BILLION OR MORE | | | | | | | | | | |
| 10 Total loans (gross) and securities adjusted ¹ | 591,400 | 601,236 | 592,483 | 591,400 | 589,348 | 597,324 | 588,681 | 590,173 | 586,579 | 3,790 |
| 11 Total loans (gross) adjusted ¹ | 476,117 | 478,698 | 474,328 | 474,293 | 472,179 | 476,872 | 471,383 | 472,016 | 469,331 | 2,724 |
| 12 Demand deposits adjusted ² | 101,384 | 103,265 | 98,979 | 94,310 | 92,936 | 95,887 | 93,395 | 93,242 | 90,196 | 761 |
| 13 Time deposits in accounts of \$100,000 or more | 178,745 | 171,353 | 168,300 | 162,721 | 160,906 | 159,620 | 158,074 | 155,318 | 153,644 | 356 |
| 14 Negotiable CDs..... | 127,051 | 121,211 | 119,485 | 115,169 | 114,234 | 113,694 | 112,471 | 110,120 | 108,709 | 229 |
| 15 Other time deposits | 51,694 | 50,142 | 48,815 | 47,552 | 46,672 | 45,926 | 45,604 | 45,198 | 44,936 | 127 |
| 16 Loans sold outright to affiliates ³ | 2,823 | 2,848 | 2,905 | 2,928 | 2,894 | 2,906 | 2,903 | 2,934 | 2,902 | ..... |
| 17 Commercial and industrial..... | 2,179 | 2,202 | 2,250 | 2,281 | 2,253 | 2,266 | 2,276 | 2,306 | 2,277 | ..... |
| 18 Other..... | 644 | 646 | 655 | 647 | 640 | 640 | 627 | 628 | 625 | ..... |
| BANKS IN NEW YORK CITY | | | | | | | | | | |
| 19 Total loans (gross) and securities adjusted ^{1,4} | 141,945 | 142,095 | 140,993 | 141,585 | 140,467 | 142,765 | 140,396 | 141,062 | 138,486 | ..... |
| 20 Total loans (gross) adjusted ¹ | 119,485 | 119,287 | 118,256 | 118,869 | 117,619 | 119,711 | 117,321 | 117,885 | 115,221 | ..... |
| 21 Demand deposits adjusted ² | 28,101 | 29,704 | 28,253 | 25,809 | 25,649 | 27,631 | 25,224 | 25,541 | 26,111 | ..... |
| 22 Time deposits in accounts of \$100,000 or more | 46,772 | 44,500 | 44,688 | 43,336 | 43,080 | 42,797 | 42,231 | 41,814 | 41,141 | ..... |
| 23 Negotiable CDs..... | 35,612 | 33,327 | 33,699 | 32,444 | 32,424 | 32,089 | 31,554 | 31,243 | 30,813 | ..... |
| 24 Other time deposits | 11,159 | 11,173 | 10,988 | 10,892 | 10,656 | 10,707 | 10,677 | 10,571 | 10,328 | ..... |

1. Exclusive of loans and federal funds transactions with domestic commercial banks.

2. All demand deposits except U.S. government and domestic banks less cash items in process of collection.

3. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

4. Excludes trading account securities.

1.291 LARGE WEEKLY REPORTING BRANCHES AND AGENCIES OF FOREIGN BANKS Assets and Liabilities

Millions of dollars, Wednesday figures

| Account | 1982 | 1983 | | | | | | | |
|---|---------|--------|---------|---------|----------------------|---------------------|---------------------|----------------------|----------------------|
| | Dec. 29 | Jan. 5 | Jan. 12 | Jan. 19 | Jan. 26 ^p | Feb. 2 ^p | Feb. 9 ^p | Feb. 16 ^p | Feb. 23 ^p |
| 1 Cash and due from depository institutions | 7,369 | 7,575 | 7,329 | 7,014 | 7,042 | 7,093 | 7,013 | 7,210 | 6,954 |
| 2 Total loans and securities | 45,249 | 43,938 | 44,055 | 42,707 | 42,791 | 42,944 | 42,184 | 41,562 | 41,214 |
| 3 U.S. Treasury securities | 3,107 | 3,340 | 3,144 | 2,970 | 2,900 | 3,293 | 3,446 | 3,479 | 3,052 |
| 4 Other securities | 874 | 893 | 915 | 913 | 888 | 885 | 882 | 887 | 888 |
| 5 Federal funds sold ¹ | 2,617 | 1,982 | 2,622 | 2,289 | 2,861 | 3,036 | 2,205 | 1,755 | 2,225 |
| 6 To commercial banks in United States .. | 2,243 | 1,786 | 2,533 | 2,130 | 2,785 | 2,857 | 2,112 | 1,617 | 2,134 |
| 7 To others | 373 | 197 | 89 | 158 | 76 | 179 | 92 | 138 | 91 |
| 8 Other loans, gross | 38,650 | 37,722 | 37,374 | 36,536 | 36,142 | 35,729 | 35,650 | 35,442 | 35,049 |
| 9 Commercial and industrial | 19,003 | 19,074 | 19,154 | 18,797 | 18,408 | 18,192 | 18,036 | 17,918 | 17,978 |
| 10 Bankers acceptances and commercial paper | 2,816 | 2,741 | 2,847 | 2,701 | 2,717 | 2,619 | 2,588 | 2,680 | 2,747 |
| 11 All other | 16,187 | 16,333 | 16,307 | 16,096 | 15,691 | 15,573 | 15,448 | 15,238 | 15,230 |
| 12 U.S. addressees | 14,217 | 14,288 | 14,328 | 14,143 | 13,761 | 13,647 | 13,509 | 13,307 | 13,270 |
| 13 Non-U.S. addressees | 1,970 | 2,045 | 1,979 | 1,953 | 1,930 | 1,926 | 1,939 | 1,931 | 1,960 |
| 14 To financial institutions | 15,463 | 14,889 | 14,544 | 14,098 | 13,963 | 13,546 | 13,578 | 13,438 | 13,060 |
| 15 Commercial banks in United States .. | 12,285 | 11,684 | 11,466 | 11,045 | 10,902 | 10,476 | 10,590 | 10,593 | 10,288 |
| 16 Banks in foreign countries | 2,622 | 2,626 | 2,479 | 2,464 | 2,497 | 2,512 | 2,415 | 2,276 | 2,210 |
| 17 Nonbank financial institutions | 556 | 578 | 600 | 589 | 564 | 558 | 574 | 569 | 562 |
| 18 For purchasing and carrying securities .. | 480 | 187 | 166 | 175 | 240 | 360 | 312 | 194 | 189 |
| 19 All other | 3,705 | 3,572 | 3,511 | 3,466 | 3,530 | 3,630 | 3,723 | 3,892 | 3,822 |
| 20 Other assets (claims on nonrelated parties) | 12,556 | 11,478 | 11,011 | 10,928 | 10,974 | 10,712 | 10,635 | 10,482 | 10,326 |
| 21 Net due from related institutions | 14,328 | 14,474 | 15,100 | 14,928 | 14,416 | 14,906 | 13,918 | 14,112 | 12,960 |
| 22 Total assets | 79,502 | 77,466 | 77,495 | 75,578 | 75,223 | 75,654 | 73,750 | 73,367 | 71,454 |
| 23 Deposits or credit balances ² | 26,473 | 24,718 | 24,116 | 23,686 | 23,755 | 23,848 | 23,695 | 22,850 | 23,063 |
| 24 Credit balances | 206 | 196 | 184 | 221 | 226 | 230 | 216 | 212 | 218 |
| 25 Demand deposits | 2,104 | 1,676 | 1,904 | 1,897 | 1,764 | 1,852 | 1,764 | 1,796 | 1,942 |
| 26 Individuals, partnerships, and corporations | 871 | 755 | 882 | 874 | 738 | 761 | 747 | 795 | 861 |
| 27 Other | 1,233 | 921 | 1,022 | 1,023 | 1,026 | 1,091 | 1,017 | 1,001 | 1,081 |
| 28 Total time and savings | 24,163 | 22,846 | 22,028 | 21,568 | 21,765 | 21,765 | 21,715 | 20,842 | 20,903 |
| 29 Individuals, partnerships, and corporations | 20,929 | 19,763 | 19,065 | 18,593 | 18,913 | 18,861 | 18,747 | 17,783 | 17,797 |
| 30 Other | 3,234 | 3,083 | 2,963 | 2,975 | 2,852 | 2,904 | 2,968 | 3,060 | 3,106 |
| 31 Borrowings ³ | 32,343 | 33,612 | 34,483 | 32,356 | 31,859 | 32,173 | 31,139 | 32,036 | 30,034 |
| 32 Federal funds purchased ⁴ | 8,356 | 10,350 | 11,330 | 10,138 | 9,308 | 10,196 | 9,490 | 10,610 | 9,200 |
| 33 From commercial banks in United States | 6,877 | 8,834 | 9,968 | 8,981 | 8,242 | 9,084 | 8,083 | 9,054 | 7,738 |
| 34 From others | 1,479 | 1,517 | 1,362 | 1,156 | 1,066 | 1,112 | 1,407 | 1,556 | 1,463 |
| 35 Other liabilities for borrowed money .. | 23,987 | 23,261 | 23,154 | 22,218 | 22,551 | 21,977 | 21,649 | 21,426 | 20,834 |
| 36 To commercial banks in United States .. | 21,198 | 20,578 | 20,404 | 19,508 | 20,025 | 19,598 | 19,407 | 19,240 | 18,502 |
| 37 To others | 2,788 | 2,684 | 2,749 | 2,711 | 2,526 | 2,380 | 2,242 | 2,186 | 2,331 |
| 38 Other liabilities to nonrelated parties .. | 12,196 | 11,292 | 12,122 | 11,929 | 11,731 | 11,789 | 11,812 | 11,615 | 11,320 |
| 39 Net due to related institutions | 8,490 | 7,844 | 6,773 | 7,606 | 7,878 | 7,843 | 7,105 | 6,866 | 7,037 |
| 40 Total liabilities | 79,502 | 77,466 | 77,495 | 75,578 | 75,223 | 75,654 | 73,750 | 73,367 | 71,454 |
| MEMO | | | | | | | | | |
| 41 Total loans (gross) and securities adjusted ⁵ | 30,720 | 30,468 | 30,056 | 29,532 | 29,104 | 29,610 | 29,482 | 29,353 | 28,792 |
| 42 Total loans (gross) adjusted ⁵ | 26,738 | 26,235 | 25,998 | 25,649 | 25,316 | 25,432 | 25,153 | 24,987 | 24,851 |

1. Includes securities purchased under agreements to resell.

2. Balances due to other than directly related institutions.

3. Borrowings from other than directly related institutions.

4. Includes securities sold under agreements to repurchase.

5. Excludes loans and federal funds transactions with commercial banks in United States.

1.30 LARGE WEEKLY REPORTING COMMERCIAL BANKS Domestic Classified Commercial and Industrial Loans

Millions of dollars

| Industry classification | Outstanding | | | | | Net change during | | | | |
|---|-------------|----------|---------|---------|---------|-------------------|--------|--------|--------|-------|
| | 1982 | | | | | 1982 | | | | |
| | Aug. 25 | Sept. 29 | Oct. 27 | Nov. 24 | Dec. 29 | Q3 | Q4 | Oct. | Nov. | Dec. |
| 1 Durable goods manufacturing | 29,117 | 31,424 | 31,345 | 30,124 | 29,940 | 2,347 | -1,484 | -80 | -1,220 | -184 |
| 2 Nondurable goods manufacturing | 24,866 | 25,811 | 24,774 | 24,632 | 23,908 | 512 | -1,904 | -1,037 | -142 | -725 |
| 3 Food, liquor, and tobacco | 4,596 | 4,838 | 4,637 | 4,847 | 4,405 | 34 | -433 | -202 | 210 | -442 |
| 4 Textiles, apparel, and leather | 5,064 | 4,855 | 4,571 | 4,268 | 3,812 | -7 | -1,044 | -284 | -303 | -456 |
| 5 Petroleum refining | 4,717 | 5,323 | 5,464 | 5,518 | 5,627 | 228 | 304 | 141 | 54 | 110 |
| 6 Chemicals and rubber | 5,518 | 5,810 | 5,426 | 5,386 | 5,530 | 259 | -280 | -384 | -39 | 143 |
| 7 Other nondurable goods | 4,971 | 4,985 | 4,677 | 4,614 | 4,534 | 1 | -451 | -308 | -63 | -80 |
| 8 Mining (including crude petroleum and natural gas) | 27,313 | 28,406 | 29,266 | 29,633 | 29,568 | 154 | 1,162 | 860 | 368 | -65 |
| 9 Trade | 28,320 | 29,048 | 28,960 | 28,732 | 28,037 | -142 | -1,011 | -88 | -227 | -696 |
| 10 Commodity dealers | 1,788 | 1,977 | 2,036 | 2,102 | 2,305 | 116 | 328 | 60 | 65 | 204 |
| 11 Other wholesale | 13,488 | 13,975 | 13,692 | 13,652 | 13,648 | 198 | -327 | -283 | -39 | -4 |
| 12 Retail | 13,044 | 13,096 | 13,231 | 12,978 | 12,084 | -456 | -1,012 | 135 | -253 | -894 |
| 13 Transportation, communication, and other public utilities | 24,751 | 24,913 | 24,840 | 25,152 | 24,953 | -89 | 39 | -74 | 313 | -200 |
| 14 Transportation | 8,964 | 8,976 | 8,913 | 9,025 | 9,103 | -251 | 127 | -62 | 112 | 78 |
| 15 Communication | 4,905 | 5,153 | 5,254 | 5,297 | 5,258 | 374 | 106 | 101 | 43 | -38 |
| 16 Other public utilities | 10,882 | 10,785 | 10,672 | 10,830 | 10,591 | -212 | -194 | -112 | 158 | -239 |
| 17 Construction | 7,825 | 7,815 | 7,757 | 7,759 | 7,863 | 55 | 48 | -58 | 2 | 103 |
| 18 Services | 28,938 | 29,196 | 29,587 | 29,472 | 30,502 | 466 | 1,306 | 392 | -115 | 1,029 |
| 19 All other ¹ | 17,536 | 17,916 | 17,966 | 17,945 | 18,502 | 680 | 586 | 50 | -21 | 557 |
| 20 Total domestic loans | 188,667 | 194,530 | 194,494 | 193,452 | 193,272 | 3,982 | -1,258 | -36 | -1,042 | -180 |
| 21 MEMO: Term loans (original maturity more than 1 year) included in domestic loans .. | 87,027 | 89,152 | 89,776 | 89,944 | 90,088 | -655 | 936 | 623 | 168 | 144 |

1. Includes commercial and industrial loans at a few banks with assets of \$1 billion or more that do not classify their loans.

1.31 GROSS DEMAND DEPOSITS of Individuals, Partnerships, and Corporations

Billions of dollars, estimated daily-average balances

| Type of holder | Commercial banks | | | | | | | | |
|---|------------------------|---------------------------|--------------|-------------------|-------|-------|-------|-------|-------|
| | 1978 Dec. | 1979 ² Dec. | 1980 Dec. | 1981 | | | 1982 | | |
| | | | | June ³ | Sept. | Dec. | Mar. | June | Sept. |
| 1 All holders—Individuals, partnerships, and corporations | 294.6 | 302.2 | 315.5 | ↑ | 277.5 | 288.9 | 268.9 | 271.5 | 276.7 |
| 2 Financial business | 27.8 | 27.1 | 29.8 | ↑ | 28.2 | 28.0 | 27.8 | 28.6 | 31.9 |
| 3 Nonfinancial business | 152.7 | 157.7 | 162.3 | n.a. | 148.6 | 154.8 | 138.7 | 141.4 | 142.9 |
| 4 Consumer | 97.4 | 99.2 | 102.4 | ↓ | 82.1 | 86.6 | 84.6 | 83.7 | 83.3 |
| 5 Foreign | 2.7 | 3.1 | 3.3 | ↓ | 3.1 | 2.9 | 3.1 | 2.9 | 2.9 |
| 6 Other | 14.1 | 15.1 | 17.2 | ↓ | 15.5 | 16.7 | 14.6 | 15.0 | 15.7 |
| | Weekly reporting banks | | | | | | | | |
| | 1978 Dec. | 1979 ⁴ Dec. | 1980 Dec. | 1981 | | | 1982 | | |
| | | | | June ³ | Sept. | Dec. | Mar. | June | Sept. |
| 7 All holders—Individuals, partnerships, and corporations | 147.0 | 139.3 | 147.4 | ↑ | 131.3 | 137.5 | 126.8 | 127.9 | 132.1 |
| 8 Financial business | 19.8 | 20.1 | 21.8 | ↑ | 20.7 | 21.0 | 20.2 | 20.2 | 23.4 |
| 9 Nonfinancial business | 79.0 | 74.1 | 78.3 | n.a. | 71.2 | 75.2 | 67.1 | 67.7 | 68.7 |
| 10 Consumer | 38.2 | 34.3 | 35.6 | ↓ | 28.7 | 30.4 | 29.2 | 29.7 | 29.6 |
| 11 Foreign | 2.5 | 3.0 | 3.1 | ↓ | 2.9 | 2.8 | 2.9 | 2.8 | 2.7 |
| 12 Other | 7.5 | 7.8 | 8.6 | ↓ | 7.9 | 8.0 | 7.3 | 7.5 | 7.7 |

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466.

2. Beginning with the March 1979 survey, the demand deposit ownership survey sample was reduced to 232 banks from 349 banks, and the estimation procedure was modified slightly. To aid in comparing estimates based on the old and new reporting sample, the following estimates in billions of dollars for December 1978 have been constructed using the new smaller sample: financial business, 27.0; nonfinancial business, 146.9; consumer, 98.3; foreign, 2.8; and other, 15.1.

3. Demand deposit ownership survey estimates for June 1981 are not available due to unresolved reporting errors.

4. After the end of 1978 the large weekly reporting bank panel was changed to 170 large commercial banks, each of which had total assets in domestic offices exceeding \$750 million as of Dec. 31, 1977. See "Announcements," p. 408 in the May 1978 BULLETIN. Beginning in March 1979, demand deposit ownership estimates for these large banks are constructed quarterly on the basis of 97 sample banks and are not comparable with earlier data. The following estimates in billions of dollars for December 1978 have been constructed for the new large-bank panel: financial business, 18.2; nonfinancial business, 67.2; consumer, 32.8; foreign, 2.5; other, 6.8.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

| Instrument | 1977 Dec. | 1978 Dec. | 1979 ¹ Dec. | 1980 Dec. | 1981 Dec. | 1982 | | | | | 1983 Jan. |
|---|---|--------------|---------------------------|--------------|--------------|---------|---------|---------------------|---------|-------------------|--------------|
| | | | | | | Aug. | Sept. | Oct. | Nov. | Dec. ⁶ | |
| | Commercial paper (seasonally adjusted unless noted otherwise) | | | | | | | | | | |
| 1 All issuers | 65,051 | 83,438 | 112,803 | 124,524 | 165,508 | 177,182 | 173,836 | 170,253 | 165,534 | 166,367 | 165,192 |
| Financial companies ² | | | | | | | | | | | |
| Dealer-placed paper ³ | | | | | | | | | | | |
| 2 Total | 8,796 | 12,181 | 17,359 | 19,790 | 30,188 | 38,066 | 36,692 | 35,130 | 35,304 | 34,590 | 35,304 |
| 3 Bank-related (not seasonally adjusted) | 2,132 | 3,521 | 2,784 | 3,561 | 6,045 | 6,038 | 5,924 | 5,791 | 6,232 | 2,026 | 2,131 |
| Directly placed paper ⁴ | | | | | | | | | | | |
| 4 Total | 40,574 | 51,647 | 64,757 | 67,854 | 81,660 | 81,707 | 81,347 | 79,846 | 79,143 | 83,492 | 82,485 |
| 5 Bank-related (not seasonally adjusted) | 7,102 | 12,314 | 17,598 | 22,382 | 26,914 | 28,901 | 27,761 | 27,712 ⁵ | 27,769 | 31,428 | 31,198 |
| 6 Nonfinancial companies ⁵ | 15,681 | 19,610 | 30,687 | 36,880 | 53,660 | 57,409 | 55,797 | 55,277 | 51,087 | 48,285 | 47,403 |
| | Bankers dollar acceptances (not seasonally adjusted) | | | | | | | | | | |
| 7 Total | 25,450 | 33,700 | 45,321 | 54,744 | 69,226 | 72,709 | 73,818 | 75,811 | 77,125 | 79,543 | n.a. |
| Holder | | | | | | | | | | | |
| 8 Accepting banks | 10,434 | 8,579 | 9,865 | 10,564 | 10,857 | 11,805 | 10,752 | 10,661 | 10,596 | 10,910 | |
| 9 Own bills | 8,915 | 7,653 | 8,327 | 8,963 | 9,743 | 10,740 | 9,370 | 9,399 | 9,455 | 9,471 | |
| 10 Bills bought | 1,519 | 927 | 1,538 | 1,601 | 1,115 | 1,065 | 1,382 | 1,262 | 1,140 | 1,439 | |
| Federal Reserve Banks | | | | | | | | | | | |
| 11 Own account | 954 | 587 | 704 | 776 | 195 | 565 | 813 | 0 | 0 | 1,480 | |
| 12 Foreign correspondents | 362 | 664 | 1,382 | 1,791 | 1,442 | 1,239 | 1,139 | 1,080 | 992 | 949 | |
| 13 Others | 13,700 | 23,870 | 33,370 | 41,614 | 56,926 | 59,664 | 61,927 | 64,070 | 65,537 | 66,204 | |
| Basis | | | | | | | | | | | |
| 14 Imports into United States | 6,378 | 8,574 | 10,270 | 11,776 | 14,765 | 14,921 | 16,075 | 16,511 | 16,716 | 17,683 | |
| 15 Exports from United States | 5,863 | 7,586 | 9,640 | 12,712 | 15,400 | 15,883 | 15,608 | 16,463 | 16,711 | 16,328 | |
| 16 All other | 13,209 | 17,540 | 25,411 | 30,257 | 39,061 | 42,692 | 42,136 | 42,837 | 43,699 | 45,532 | |

1. A change in reporting instructions results in offsetting shifts in the dealer-placed and directly placed financial company paper in October 1979.

2. 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.

3. Includes all financial company paper sold by dealers in the open market.

4. As reported by financial companies that place their paper directly with investors.

5. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.

6. Effective December 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.

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 |
|-------------------|-------|--------------------|-------|-----------------|--------------|----------------|--------------|
| 1981—Nov. 9 | 17.00 | July 29 | 15.50 | 1981—July | 20.39 | 1982—May | 16.50 |
| 17 | 16.50 | Aug. 2 | 15.00 | Aug. | 20.50 | June | 16.50 |
| 20 | 17.00 | 16 | 14.50 | Sept. | 20.08 | July | 16.26 |
| 24 | 16.50 | 18 | 14.00 | Oct. | 18.45 | Aug. | 14.39 |
| Dec. 1 | 16.00 | 23 | 13.50 | Nov. | 16.84 | Sept. | 13.50 |
| 1982—Feb. 2 | 15.75 | Oct. 7 | 13.00 | Dec. | 15.75 | Oct. | 12.52 |
| 18 | 16.50 | 14 | 12.00 | 1982—Jan. | 15.75 | Nov. | 11.85 |
| 23 | 17.00 | Nov. 22 | 11.50 | Feb. | 16.56 | Dec. | 10.79 |
| July 20 | 16.50 | 1983—Jan. 11 | 11.00 | Mar. | 16.50 | 1983—Jan. | 11.16 |
| | 16.00 | Feb. 28 | 10.50 | Apr. | 16.50 | Feb. | 10.98 |

1.34 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, November 1–6, 1982

| Item | All sizes | Size of loan (in thousands of dollars) | | | | | | |
|--|-------------|--|-------------|-------------|--------------|-------------|----------------|--------------|
| | | 1-24 | 25-49 | 50-99 | 100-499 | 500-999 | 1,000 and over | |
| SHORT-TERM COMMERCIAL AND INDUSTRIAL LOANS | | | | | | | | |
| 1 Amount of loans (thousands of dollars) | 37,830,563 | 1,004,140 | 642,584 | 562,394 | 2,129,432 | 913,862 | 32,578,151 | |
| 2 Number of loans | 170,984 | 123,157 | 20,331 | 9,027 | 12,408 | 1,403 | 4,658 | |
| 3 Weighted-average maturity (months)..... | 1.2 | 3.6 | 3.6 | 4.1 | 4.8 | 3.2 | 8 | |
| 4 Weighted-average interest rate (percent per annum) .. | 11.26 | 15.63 | 15.32 | 13.80 | 13.85 | 12.93 | 10.79 | |
| 5 Interquartile range ¹ | 10.38-11.34 | 14.37-16.99 | 13.72-16.45 | 12.68-14.45 | 12.68-15.01 | 12.25-13.80 | 10.38-10.90 | |
| Percentage of amount of loans | | | | | | | | |
| 6 With floating rate | 26.4 | 32.5 | 39.5 | 70.8 | 65.4 | 65.0 | 21.6 | |
| 7 Made under commitment | 70.1 | 40.8 | 35.8 | 64.5 | 54.4 | 68.9 | 72.8 | |
| 8 With no stated maturity | 9.6 | 15.9 | 18.7 | 40.0 | 22.2 | 29.5 | 7.3 | |
| LONG-TERM COMMERCIAL AND INDUSTRIAL LOANS | | | | | | | | |
| | | 1-99 | | | | | | |
| 9 Amount of loans (thousands of dollars) | 4,007,972 | 380,177 | | | 459,970 | 204,266 | 2,963,558 | |
| 10 Number of loans | 25,270 | 22,129 | | | 2,265 | 311 | 565 | |
| 11 Weighted-average maturity (months)..... | 46.2 | 43.9 | | | 26.4 | 45.3 | 49.6 | |
| 12 Weighted-average interest rate (percent per annum) .. | 12.24 | 15.17 | | | 13.98 | 13.02 | 11.54 | |
| 13 Interquartile range ¹ | 10.68-13.55 | 13.80-16.65 | | | 13.50-14.94 | 12.55-13.88 | 10.62-12.68 | |
| Percentage of amount of loans | | | | | | | | |
| 14 With floating rate | 77.8 | 49.0 | | | 67.9 | 81.6 | 82.7 | |
| 15 Made under commitment | 76.1 | 44.1 | | | 32.4 | 69.6 | 87.5 | |
| | | 1-24 | 25-49 | 50-99 | 500 and over | | | |
| CONSTRUCTION AND LAND DEVELOPMENT LOANS | | | | | | | | |
| 16 Amount of loans (thousands of dollars) | 1,433,072 | 157,866 | 179,347 | 85,282 | 531,567 | 479,010 | | |
| 17 Number of loans | 25,255 | 16,181 | 4,750 | 1,278 | 2,806 | 241 | | |
| 18 Weighted-average maturity (months)..... | 11.1 | 14.4 | 16.0 | 6.4 | 8.3 | 12.2 | | |
| 19 Weighted-average interest rate (percent per annum) .. | 15.14 | 16.74 | 17.44 | 18.52 | 15.01 | 13.30 | | |
| 20 Interquartile range ¹ | 12.73-16.09 | 15.02-18.10 | 14.75-18.97 | 14.23-20.57 | 12.69-15.58 | 11.82-14.50 | | |
| Percentage of amount of loans | | | | | | | | |
| 21 With floating rate | 56.6 | 27.8 | 27.2 | 34.9 | 47.4 | 91.1 | | |
| 22 Secured by real estate | 71.6 | 75.0 | 85.6 | 92.8 | 69.2 | 64.3 | | |
| 23 Made under commitment | 39.6 | 44.4 | 43.1 | 29.7 | 21.5 | 58.7 | | |
| 24 With no stated maturity | 2.9 | 3.7 | 4 | 4.8 | 2.1 | 4.0 | | |
| Type of construction | | | | | | | | |
| 25 1- to 4-family | 43.3 | 74.8 | 64.2 | 72.2 | 56.7 | 5.2 | | |
| 26 Multifamily | 12.1 | 1.5 | 18.8 | 7.6 | 4.6 | 22.2 | | |
| 27 Nonresidential | 44.6 | 23.7 | 17.0 | 20.2 | 38.7 | 72.6 | | |
| LOANS TO FARMERS | | All sizes | 1-9 | 10-24 | 25-49 | 50-99 | 100-249 | 250 and over |
| 28 Amount of loans (thousands of dollars) | 1,457,533 | 158,122 | 234,089 | 169,062 | 282,570 | 200,860 | 412,831 | |
| 29 Number of loans | 67,611 | 40,418 | 15,969 | 5,177 | 4,206 | 1,304 | 536 | |
| 30 Weighted-average maturity (months)..... | 5.8 | 5.4 | 7.1 | 6.4 | 5.7 | 6.1 | 4.7 | |
| 31 Weighted-average interest rate (percent per annum) .. | 14.84 | 15.60 | 15.38 | 15.34 | 15.57 | 15.01 | 13.46 | |
| 32 Interquartile range ¹ | 13.96-15.71 | 15.00-16.21 | 14.65-16.11 | 14.57-16.02 | 15.03-16.08 | 14.00-15.57 | 11.01-15.22 | |
| By purpose of loan | | | | | | | | |
| 33 Feeder livestock | 13.90 | 15.48 | 15.19 | 15.22 | 15.01 | 14.35 | 12.66 | |
| 34 Other livestock | 15.49 | 15.46 | 15.42 | 15.34 | 15.58 | * | * | |
| 35 Other current operating expenses | 15.33 | 15.65 | 15.40 | 15.42 | 15.50 | 14.56 | 15.20 | |
| 36 Farm machinery and equipment | 15.68 | 15.53 | 15.16 | 15.76 | * | * | * | |
| 37 Other | 14.53 | 15.62 | 15.66 | 14.84 | 16.26 | 14.65 | 13.74 | |

1. Interest rate range that covers the middle 50 percent of the total dollar amount of loans made.

2. Fewer than 10 sample loans.

NOTE. For more detail, see the Board's E.2 (111) statistical release.

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 | 1980 | 1981 | 1982 | 1982 | | 1983 | | 1983, week ending | | | | |
|--|--------|--------|--------|-------|-------|-------|-------|-------------------|--------|---------|---------|---------|
| | | | | Nov. | Dec. | Jan. | Feb. | Jan. 28 | Feb. 4 | Feb. 11 | Feb. 18 | Feb. 25 |
| MONEY MARKET RATES | | | | | | | | | | | | |
| 1 Federal funds ^{1,2} | 13.36 | 16.38 | 12.26 | 9.20 | 8.95 | 8.68 | 8.51 | 8.44 | 8.53 | 8.50 | 8.62 | 8.47 |
| 2 Commercial paper ^{3,4} | | | | | | | | | | | | |
| 3 1-month | 12.76 | 15.69 | 11.83 | 8.66 | 8.53 | 8.19 | 8.30 | 8.23 | 8.39 | 8.37 | 8.32 | 8.14 |
| 4 3-month | 12.66 | 15.32 | 11.89 | 8.69 | 8.51 | 8.17 | 8.34 | 8.26 | 8.43 | 8.45 | 8.34 | 8.16 |
| 5 6-month | 12.29 | 14.76 | 11.89 | 8.72 | 8.50 | 8.15 | 8.39 | 8.32 | 8.49 | 8.54 | 8.37 | 8.19 |
| Finance paper, directly placed ^{3,4} | | | | | | | | | | | | |
| 6 1-month | 12.44 | 15.30 | 11.64 | 8.51 | 8.35 | 8.03 | 8.25 | 8.15 | 8.33 | 8.36 | 8.27 | 8.09 |
| 7 3-month | 11.49 | 14.08 | 11.23 | 8.39 | 8.18 | 7.96 | 8.24 | 8.03 | 8.23 | 8.34 | 8.31 | 8.07 |
| 8 6-month | 11.28 | 13.73 | 11.20 | 8.42 | 8.20 | 7.97 | 8.26 | 8.01 | 8.21 | 8.35 | 8.36 | 8.08 |
| Bankers acceptances ^{4,5} | | | | | | | | | | | | |
| 9 3-month | 12.72 | 15.32 | 11.89 | 8.76 | 8.54 | 8.19 | 8.36 | 8.32 | 8.52 | 8.45 | 8.34 | 8.16 |
| 10 6-month | 12.25 | 14.66 | 11.83 | 8.77 | 8.50 | 8.19 | 8.41 | 8.46 | 8.60 | 8.52 | 8.39 | 8.18 |
| Certificates of deposit, secondary market ⁶ | | | | | | | | | | | | |
| 11 1-month | 12.91 | 15.91 | 12.04 | 8.82 | 8.64 | 8.28 | 8.40 | 8.32 | 8.46 | 8.45 | 8.42 | 8.27 |
| 12 3-month | 13.07 | 15.91 | 12.27 | 8.95 | 8.66 | 8.36 | 8.54 | 8.51 | 8.68 | 8.63 | 8.54 | 8.34 |
| 13 6-month | 12.99 | 15.77 | 12.57 | 9.13 | 8.80 | 8.46 | 8.77 | 8.74 | 8.96 | 8.91 | 8.77 | 8.50 |
| 14 Eurodollar deposits, 3-month ² | 14.00 | 16.79 | 13.12 | 9.77 | 9.47 | 8.97 | 9.14 | 9.19 | 9.35 | 9.30 | 9.11 | 9.01 |
| U.S. Treasury bills ⁴ | | | | | | | | | | | | |
| Secondary market ⁷ | | | | | | | | | | | | |
| 15 3-month | 11.43 | 14.03 | 10.61 | 8.07 | 7.94 | 7.86 | 8.11 | 8.05 | 8.16 | 8.22 | 8.16 | 7.91 |
| 16 6-month | 11.37 | 13.80 | 11.07 | 8.34 | 8.16 | 7.93 | 8.23 | 8.13 | 8.29 | 8.34 | 8.28 | 8.00 |
| 17 1-year | 10.89 | 13.14 | 11.07 | 8.44 | 8.23 | 8.01 | 8.28 | 8.19 | 8.34 | 8.41 | 8.33 | 8.06 |
| Auction average ⁸ | | | | | | | | | | | | |
| 18 3-month | 11.506 | 14.077 | 10.686 | 8.042 | 8.013 | 7.810 | 8.130 | 8.055 | 8.122 | 8.252 | 8.256 | 7.888 |
| 19 6-month | 11.374 | 13.811 | 11.084 | 8.319 | 8.225 | 7.898 | 8.233 | 8.144 | 8.225 | 8.345 | 8.389 | 7.973 |
| 20 1-year | 10.748 | 13.159 | 11.099 | 8.567 | 8.234 | 8.007 | 8.308 | 8.007 | | | | 8.308 |
| CAPITAL MARKET RATES | | | | | | | | | | | | |
| U.S. Treasury notes and bonds ⁹ | | | | | | | | | | | | |
| Constant maturities ¹⁰ | | | | | | | | | | | | |
| 21 1-year | 12.05 | 14.78 | 12.27 | 9.16 | 8.91 | 8.62 | 8.92 | 8.83 | 8.98 | 9.06 | 8.98 | 8.67 |
| 22 2-year | 11.77 | 14.56 | 12.80 | 9.80 | 9.66 | 9.33 | 9.64 | 9.49 | 9.68 | 9.79 | 9.69 | 9.38 |
| 23 2-1/2-year ¹¹ | | | | | | | | 9.70 | | 9.90 | | 9.50 |
| 24 3-year | 11.55 | 14.44 | 12.92 | 9.98 | 9.88 | 9.64 | 9.91 | 9.87 | 10.00 | 10.06 | 9.95 | 9.66 |
| 25 5-year | 11.48 | 14.24 | 13.01 | 10.38 | 10.22 | 10.03 | 10.26 | 10.22 | 10.38 | 10.45 | 10.28 | 9.95 |
| 26 7-year | 11.43 | 14.06 | 13.06 | 10.53 | 10.49 | 10.36 | 10.56 | 10.58 | 10.74 | 10.78 | 10.59 | 10.17 |
| 27 10-year | 11.46 | 13.91 | 13.00 | 10.55 | 10.54 | 10.46 | 10.72 | 10.68 | 10.88 | 10.92 | 10.75 | 10.40 |
| 28 20-year | 11.39 | 13.72 | 12.92 | 10.57 | 10.62 | 10.78 | 11.03 | 11.01 | 11.16 | 11.21 | 11.06 | 10.71 |
| 29 30-year | 11.30 | 13.44 | 12.76 | 10.54 | 10.54 | 10.63 | 10.88 | 10.87 | 11.01 | 11.05 | 10.91 | 10.59 |
| Composite ¹² | | | | | | | | | | | | |
| 30 Over 10 years (long-term) | 10.81 | 12.87 | 12.23 | 10.18 | 10.33 | 10.37 | 10.60 | 10.61 | 10.74 | 10.77 | 10.62 | 10.30 |
| State and local notes and bonds | | | | | | | | | | | | |
| Moody's series ¹³ | | | | | | | | | | | | |
| 31 Aaa | 7.85 | 10.43 | 10.88 | 9.45 | 9.34 | 9.00 | 8.80 | 8.70 | 9.00 | 8.90 | 8.75 | 8.55 |
| 32 Baa | 9.01 | 11.76 | 12.48 | 10.79 | 10.80 | 10.98 | 10.59 | 11.10 | 11.00 | 10.75 | 10.40 | 10.20 |
| 33 Bond Buyer series ¹⁴ | 8.59 | 11.33 | 11.66 | 10.07 | 9.96 | 9.50 | 9.58 | 9.66 | 9.74 | 9.72 | 9.53 | 9.34 |
| Corporate bonds | | | | | | | | | | | | |
| Seasoned issues ¹⁵ | | | | | | | | | | | | |
| 34 All industries | 12.75 | 15.06 | 14.94 | 13.08 | 13.02 | 12.90 | 13.02 | 12.97 | 13.07 | 13.10 | 13.05 | 12.87 |
| 35 Aa | 11.94 | 14.17 | 13.79 | 11.68 | 11.83 | 11.79 | 12.01 | 11.94 | 12.06 | 12.11 | 12.08 | 11.82 |
| 36 A | 12.50 | 14.75 | 14.41 | 12.51 | 12.44 | 12.35 | 12.58 | 12.45 | 12.60 | 12.69 | 12.61 | 12.43 |
| 37 Aa | 12.89 | 15.29 | 15.43 | 13.81 | 13.66 | 13.53 | 13.52 | 13.53 | 13.58 | 13.58 | 13.54 | 13.40 |
| 38 Baa | 13.67 | 16.04 | 16.11 | 14.30 | 14.14 | 13.94 | 13.95 | 13.96 | 14.01 | 14.02 | 13.97 | 13.81 |
| Aaa utility bonds ¹⁶ | | | | | | | | | | | | |
| 39 New issue | 12.74 | 15.56 | 14.41 | 11.76 | 11.84 | 12.05 | 12.08 | 12.05 | 12.25 | | | 11.90 |
| 40 Recently offered issues | 12.70 | 15.56 | 14.45 | 11.88 | 11.91 | 11.84 | 12.09 | 12.02 | 12.26 | 12.12 | 12.10 | 11.88 |
| MEMO: Dividend/price ratio ¹⁷ | | | | | | | | | | | | |
| 41 Preferred stocks | 10.60 | 12.36 | 12.53 | 11.18 | 11.20 | 11.23 | 11.13 | 11.15 | 11.17 | 11.19 | 11.09 | 11.06 |
| 42 Common stocks | 5.26 | 5.20 | 5.81 | 4.92 | 4.93 | 4.79 | 4.74 | 4.87 | 4.81 | 4.74 | 4.67 | 4.73 |

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 statement week averages—that is, averages for the week ending Wednesday.

3. 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.

4. Yields are quoted on a bank-discount basis, rather than an investment yield basis (which would give a higher figure).

5. 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).

6. Unweighted average of offered rates quoted by at least five dealers early in the day.

7. Unweighted average of closing bid rates quoted by at least five dealers.

8. Rates are recorded in the week in which bills are issued.

9. Yields are based on closing bid prices quoted by at least five dealers.

10. 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.

11. Each weekly figure is calculated on a biweekly basis and is the average of five business days ending on the Monday following the calendar week. The biweekly rate is used to determine the maximum interest rate payable in the following two-week period on small saver certificates. (See table 1.16.)

12. Unweighted averages of yields (to maturity or call) for all outstanding notes and bonds neither due nor callable in less than 10 years, including several very low yielding "flower" bonds.

13. General obligations only, based on figures for Thursday, from Moody's Investors Service.

14. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.

15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.

16. Compilation of the Federal Reserve. Issues included are long-term (20 years or more). New-issue yields are based on quotations on date of offering; those on recently offered issues (included only for first 4 weeks after termination of underwriter price restrictions), on Friday close-of-business quotations.

17. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

1.36 STOCK MARKET Selected Statistics

| Indicator | 1980 | 1981 | 1982 | 1982 | | | | | | | 1983 | | |
|---|---------------|--------------|-------------|--------------|---------------|--------------|--------|--------|--------|--------|--------|--------|--|
| | | | | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | |
| Prices and trading (averages of daily figures) | | | | | | | | | | | | | |
| <i>Common stock prices</i> | | | | | | | | | | | | | |
| 1 New York Stock Exchange (Dec. 31, 1965 = 50)..... | 68.06 | 74.02 | 68.93 | 63.10 | 62.82 | 62.91 | 70.21 | 76.10 | 79.75 | 80.30 | 83.25 | 84.74 | |
| 2 Industrial..... | 78.64 | 85.44 | 78.18 | 71.59 | 71.37 | 70.98 | 80.08 | 86.67 | 90.76 | 92.00 | 95.37 | 97.26 | |
| 3 Transportation..... | 60.52 | 72.61 | 60.41 | 53.07 | 53.40 | 53.98 | 61.39 | 66.64 | 71.92 | 73.40 | 75.65 | 79.44 | |
| 4 Utility..... | 37.35 | 38.90 | 39.75 | 37.34 | 37.20 | 38.19 | 40.36 | 42.67 | 43.46 | 42.93 | 45.59 | 45.92 | |
| 5 Finance..... | 64.28 | 73.52 | 71.99 | 63.19 | 61.59 | 62.84 | 69.66 | 80.59 | 88.66 | 86.22 | 85.66 | 86.57 | |
| 6 Standard & Poor's Corporation (1941-43 = 10) ¹ ... | 118.71 | 128.05 | 119.71 | 109.70 | 109.38 | 109.65 | 122.43 | 132.66 | 138.10 | 139.37 | 145.13 | 146.80 | |
| 7 American Stock Exchange (Aug. 31, 1973 = 100)..... | 300.94 | 343.58 | 282.62 | 254.72 | 250.63 | 253.54 | 286.22 | 308.74 | 333.54 | 333.36 | 360.92 | 373.84 | |
| <i>Volume of trading (thousands of shares)</i> | | | | | | | | | | | | | |
| 8 New York Stock Exchange..... | 44,867 | 46,967 | 64,617 | 50,481 | 54,530 | 76,031 | 73,710 | 98,508 | 88,431 | 76,463 | 88,463 | 85,026 | |
| 9 American Stock Exchange..... | 6,377 | 5,346 | 5,283 | 3,720 | 3,611 | 5,567 | 5,064 | 7,828 | 8,672 | 7,475 | 9,220 | 8,256 | |
| Customer financing (end-of-period balances, in millions of dollars) | | | | | | | | | | | | | |
| 10 Regulated margin credit at brokers-dealers ² | 14,721 | 14,411 | 13,325 | 11,783 | 11,729 | 11,396 | 11,208 | 11,728 | 12,459 | 13,325 | 13,370 | n.a. | |
| 11 Margin stock ³ | 14,500 | 14,150 | 12,980 | 11,540 | 11,470 | 11,150 | 10,950 | 11,450 | 12,170 | 12,980 | 13,070 | | |
| 12 Convertible bonds..... | 219 | 259 | 344 | 242 | 258 | 245 | 257 | 277 | 288 | 344 | 299 | | |
| 13 Subscription issues..... | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | n.a. | |
| <i>Free credit balances at brokers⁴</i> | | | | | | | | | | | | | |
| 14 Margin-account..... | 2,105 | 3,515 | 5,735 | 4,215 | 4,410 | 4,470 | 4,990 | 5,520 | 5,600 | 5,735 | 6,257 | | |
| 15 Cash-account..... | 6,070 | 7,150 | 8,390 | 6,345 | 6,730 | 7,550 | 7,475 | 8,120 | 8,395 | 8,390 | 8,230 | | |
| Margin-account debt at brokers (percentage distribution, end of period) | | | | | | | | | | | | | |
| 16 Total..... | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | n.a. | |
| <i>By equity class (in percent)⁵</i> | | | | | | | | | | | | | |
| 17 Under 40..... | 14.0 | 37.0 | 21.0 | 43.0 | 44.0 | 30.0 | 27.0 | 21.0 | 20.0 | 21.0 | 18.0 | | |
| 18 40-49..... | 30.0 | 24.0 | 24.0 | 21.0 | 23.0 | 26.0 | 26.0 | 24.0 | 21.0 | 24.0 | 23.0 | n.a. | |
| 19 50-59..... | 25.0 | 17.0 | 24.0 | 16.0 | 13.0 | 18.0 | 20.0 | 22.0 | 25.0 | 24.0 | 25.0 | | |
| 20 60-69..... | 14.0 | 10.0 | 14.0 | 9.0 | 9.0 | 12.0 | 12.0 | 16.0 | 15.0 | 14.0 | 16.0 | | |
| 21 70-79..... | 9.0 | 6.0 | 9.0 | 6.0 | 6.0 | 8.0 | 8.0 | 9.0 | 10.0 | 9.0 | 9.0 | n.a. | |
| 22 80 or more..... | 8.0 | 6.0 | 8.0 | 5.0 | 5.0 | 6.0 | 7.0 | 8.0 | 9.0 | 8.0 | 9.0 | | |
| Special miscellaneous-account balances at brokers (end of period) | | | | | | | | | | | | | |
| 23 Total balances (millions of dollars) ⁶ | 21,690 | 25,870 | 35,598 | 29,798 | 29,773 | 31,102 | 31,644 | 33,689 | 34,909 | 35,598 | 35,654 | n.a. | |
| <i>Distribution by equity status (percent)</i> | | | | | | | | | | | | | |
| 24 Net credit status..... | 47.8 | 58.0 | 62.0 | 59.0 | 59.0 | 60.0 | 61.0 | 61.0 | 62.0 | 62.0 | 57.0 | | |
| 25 Debt status, equity of..... | 44.4 | 31.0 | 29.0 | 28.0 | 26.0 | 28.0 | 27.0 | 29.0 | 29.0 | 29.0 | 35.0 | n.a. | |
| 26 Less than 60 percent..... | 7.7 | 11.0 | 9.0 | 13.0 | 14.0 | 12.0 | 12.0 | 10.0 | 9.0 | 9.0 | 8.0 | | |
| Margin requirements (percent of market value and effective date) ⁷ | | | | | | | | | | | | | |
| | Mar. 11, 1968 | June 8, 1968 | May 6, 1970 | Dec. 6, 1971 | Nov. 24, 1972 | Jan. 3, 1974 | | | | | | | |
| 27 Margin stocks..... | 70 | 80 | 65 | 55 | 65 | 50 | | | | | | | |
| 28 Convertible bonds..... | 50 | 60 | 50 | 50 | 50 | 50 | | | | | | | |
| 29 Short sales..... | 70 | 80 | 65 | 55 | 65 | 50 | | | | | | | |

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2. Margin credit includes all credit extended to purchase or carry stocks or related equity instruments and secured at least in part by stock. Credit extended is end-of-month data for member firms of the New York Stock Exchange.

In addition to assigning a current loan value to margin stock generally, Regulations T and U permit special loan values for convertible bonds and stock acquired through exercise of subscription rights.

3. A distribution of this total by equity class is shown on lines 17-22.

4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.

5. Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.

6. Balances that may be used by customers as the margin deposit required for additional purchases. Balances may arise as transfers based on loan values of other collateral in the customer's margin account or deposits of cash (usually sales proceeds) occur.

7. Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act 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 | 1979 | 1980 | 1981 | 1982 | | | | | | | | 1983 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-------------------|-------------------|
| | | | | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. ^r | Jan. ^p |
| Savings and loan associations | | | | | | | | | | | | |
| 1 Assets | 578,962 | 630,712 | 664,167 | 687,273 | 692,759 | 697,690 | 703,399 | 691,077 | 692,549 | 697,189 | 706,045 | 716,088 |
| 2 Mortgages | 475,688 | 503,192 | 518,547 | 514,046 | 512,997 | 510,678 | 509,776 | 493,899 | 489,923 | 488,614 | 482,234 | 481,346 |
| 3 Cash and investment securities ¹ | 46,341 | 57,928 | 63,123 | 70,302 | 70,824 | 72,854 | 74,141 | 74,692 | 75,638 | 78,122 | 84,767 | 91,912 |
| 4 Other | 56,933 | 69,592 | 82,497 | 102,925 | 108,938 | 114,158 | 119,482 | 122,486 | 126,988 | 130,453 | 139,044 | 142,830 |
| 5 Liabilities and net worth | 578,962 | 630,712 | 664,167 | 687,273 | 692,759 | 697,690 | 703,399 | 691,077 | 692,549 | 697,189 | 706,045 | 716,088 |
| 6 Savings capital | 470,004 | 511,636 | 525,061 | 535,215 | 538,667 | 539,830 | 542,648 | 547,628 | 547,112 | 548,439 | 566,189 | 583,029 |
| 7 Borrowed money | 55,232 | 64,586 | 88,782 | 94,117 | 96,850 | 98,433 | 98,803 | 99,771 | 100,881 | 102,948 | 97,979 | 89,284 |
| 8 FHLBB | 40,441 | 47,045 | 62,794 | 65,216 | 66,925 | 67,019 | 66,374 | 65,567 | 65,015 | 64,202 | 63,861 | 60,148 |
| 9 Other | 14,791 | 17,541 | 25,988 | 28,901 | 29,925 | 31,414 | 32,429 | 34,204 | 35,866 | 38,746 | 34,118 | 29,136 |
| 10 Loans in process | 9,582 | 8,767 | 6,385 | 6,766 | 7,116 | 7,250 | 7,491 | 8,084 | 8,484 | 8,967 | 9,934 | 10,258 |
| 11 Other | 11,506 | 12,394 | 15,544 | 25,756 | 24,671 | 27,375 | 29,965 | 19,202 | 20,018 | 21,048 | 15,720 | 17,675 |
| 12 Net worth ² | 32,638 | 33,329 | 28,395 | 25,419 | 25,455 | 24,802 | 24,492 | 24,476 | 24,538 | 24,754 | 26,157 | 26,100 |
| 13 MEMO: Mortgage loan commitments outstanding ³ | 16,007 | 16,102 | 15,225 | 16,622 | 16,828 | 15,924 | 16,943 | 17,256 | 18,407 | 19,682 | 18,054 | 18,961 |
| Mutual savings banks ⁴ | | | | | | | | | | | | |
| 14 Assets | 163,405 | 171,564 | 175,728 | 174,952 | 175,091 | 175,563 | 175,563 | 173,487 | 172,908 | 172,287 | 174,204 | ↑ |
| Loans | | | | | | | | | | | | |
| 15 Mortgage | 98,908 | 99,865 | 99,997 | 96,334 | 96,346 | 96,231 | 94,448 | 94,382 | 94,261 | 94,017 | 94,452 | |
| 16 Other | 9,253 | 11,733 | 14,753 | 17,409 | 16,546 | 17,104 | 16,919 | 17,458 | 17,035 | 16,702 | 16,876 | |
| Securities | | | | | | | | | | | | |
| 17 U.S. government ⁵ | 7,658 | 8,949 | 9,810 | 9,968 | 10,112 | 10,036 | 9,653 | 9,404 | 9,219 | 9,456 | 9,685 | |
| 18 State and local government | 2,930 | 2,390 | 2,288 | 2,259 | 2,253 | 2,247 | 2,214 | 2,191 | 2,505 | 2,496 | 2,500 | |
| 19 Corporate and other ⁶ | 37,086 | 39,282 | 37,791 | 37,486 | 36,958 | 36,670 | 35,956 | 35,845 | 35,599 | 35,753 | 36,286 | |
| 20 Cash | 3,156 | 4,334 | 5,442 | 5,469 | 6,040 | 6,167 | 6,405 | 6,695 | 6,749 | 6,291 | 6,920 | |
| 21 Other assets | 4,412 | 5,011 | 5,649 | 6,027 | 6,836 | 7,109 | 7,185 | 7,514 | 7,540 | 7,572 | 7,485 | n.a. |
| 22 Liabilities | 163,405 | 171,564 | 175,728 | 174,952 | 175,091 | 175,563 | 172,780 | 173,487 | 172,908 | 172,287 | 174,204 | ↓ |
| 23 Deposits | 146,006 | 154,805 | 155,110 | 153,354 | 154,273 | 154,204 | 151,897 | 153,089 | 152,210 | 151,304 | 155,225 | |
| 24 Regular ⁷ | 144,070 | 151,416 | 153,003 | 151,253 | 152,030 | 151,845 | 149,613 | 150,795 | 149,928 | 149,167 | 152,735 | |
| 25 Ordinary savings | 61,123 | 53,971 | 49,425 | 47,895 | 47,942 | 47,534 | 46,856 | 47,496 | 48,520 | 49,208 | 56,548 | |
| 26 Time | 82,947 | 97,445 | 103,578 | 103,358 | 104,088 | 104,310 | 102,756 | 103,299 | 101,408 | 99,959 | 110,330 | |
| 27 Other | 1,936 | 2,086 | 2,108 | 2,101 | 2,243 | 2,359 | 2,285 | 2,294 | 2,283 | 2,137 | 2,490 | |
| 28 Other liabilities | 5,873 | 6,695 | 10,632 | 12,246 | 11,230 | 11,940 | 11,691 | 11,166 | 11,556 | 11,893 | 9,742 | |
| 29 General reserve accounts | 11,525 | 11,368 | 9,986 | 9,352 | 9,588 | 9,419 | 21,145 | 9,232 | 9,141 | 9,089 | 9,238 | |
| 30 MEMO: Mortgage loan commitments outstanding ⁸ | 3,182 | 1,476 | 1,293 | 998 | 1,010 | 992 | 1,056 | 1,217 | 1,281 | 1,400 | 1,285 | |
| Life insurance companies | | | | | | | | | | | | |
| 31 Assets | 432,282 | 479,210 | 525,803 | 543,470 | 547,075 | 551,124 | 557,094 | 563,321 | 571,902 | 578,200 | ↑ | ↑ |
| Securities | | | | | | | | | | | | |
| 32 Government | 338 | 21,378 | 25,209 | 27,835 | 28,243 | 28,694 | 30,263 | 30,759 | 31,791 | 32,682 | | |
| 33 United States ⁹ | 4,888 | 5,345 | 8,167 | 10,187 | 10,403 | 10,774 | 12,214 | 12,606 | 13,538 | 14,370 | | |
| 34 State and local | 6,428 | 6,701 | 7,151 | 7,543 | 7,643 | 7,705 | 7,799 | 7,834 | 7,871 | 7,935 | | |
| 35 Foreign ¹⁰ | 9,022 | 9,332 | 9,891 | 10,105 | 10,197 | 10,215 | 10,250 | 10,319 | 10,382 | 10,377 | n.a. | n.a. |
| 36 Business | 222,332 | 238,113 | 255,769 | 264,107 | 265,080 | 267,627 | 270,029 | 273,539 | 279,918 | 283,650 | | |
| 37 Bonds | 178,171 | 190,747 | 208,098 | 217,594 | 219,006 | 221,503 | 221,642 | 223,783 | 226,879 | 229,101 | | |
| 38 Stocks | 48,757 | 47,366 | 47,670 | 46,513 | 46,074 | 46,124 | 48,387 | 49,756 | 53,039 | 54,549 | | |
| 39 Mortgages | 119,421 | 131,030 | 137,747 | 139,455 | 139,539 | 140,044 | 140,244 | 140,404 | 140,678 | 140,956 | | |
| 40 Real estate | 13,007 | 15,063 | 18,278 | 19,713 | 19,959 | 20,198 | 20,176 | 20,268 | 20,293 | 20,480 | | |
| 41 Policy loans | 44,825 | 41,411 | 48,706 | 50,992 | 51,438 | 51,867 | 52,238 | 52,525 | 52,751 | 52,916 | | |
| 42 Other assets | 27,563 | 31,702 | 40,094 | 41,368 | 42,816 | 42,694 | 44,144 | 45,826 | 46,471 | 47,516 | ↓ | ↓ |
| Credit unions | | | | | | | | | | | | |
| 43 Total assets/liabilities and capital | 65,854 | 71,709 | 77,682 | 82,858 | 84,107 | 84,423 | 85,102 | 86,554 | 88,144 | 89,261 | ↑ | ↑ |
| 44 Federal | 35,934 | 39,801 | 42,382 | 45,077 | 45,705 | 45,931 | 46,310 | 47,076 | 47,649 | 48,272 | | |
| 45 State | 29,920 | 31,908 | 35,300 | 37,781 | 38,402 | 38,492 | 38,792 | 39,478 | 40,495 | 40,989 | | |
| 46 Loans outstanding | 53,125 | 47,774 | 50,448 | 49,556 | 49,919 | 50,133 | 50,733 | 51,047 | 50,934 | 50,936 | | |
| 47 Federal | 28,698 | 25,627 | 27,458 | 27,073 | 27,295 | 27,351 | 27,659 | 27,862 | 27,789 | 27,824 | n.a. | n.a. |
| 48 State | 24,426 | 22,147 | 22,990 | 22,483 | 22,624 | 22,782 | 23,074 | 23,185 | 23,145 | 23,139 | | |
| 49 Savings | 56,232 | 64,399 | 68,871 | 73,602 | 74,834 | 75,088 | 75,331 | 76,874 | 78,529 | 79,799 | | |
| 50 Federal (shares) | 35,530 | 36,348 | 37,574 | 40,213 | 40,710 | 40,969 | 41,178 | 41,961 | 42,852 | 43,413 | | |
| 51 State (shares and deposits) | 25,702 | 28,051 | 31,297 | 33,389 | 34,124 | 34,119 | 34,153 | 34,913 | 35,677 | 36,386 | ↓ | ↓ |

For notes see bottom of opposite page.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

| Type of account or operation | Fiscal year 1980 | Fiscal year 1981 | Fiscal year 1982 | Calendar year | | | | | |
|--|------------------|------------------|------------------|---------------|---------|----------|---------|---------|--------|
| | | | | 1981 | 1982 | | 1982 | | 1983 |
| | | | | H2 | H1 | H2 | Nov. | Dec. | Jan. |
| <i>U.S. budget</i> | | | | | | | | | |
| 1 Receipts ¹ | 517,112 | 599,272 | 617,776 | 301,777 | 322,478 | 286,338 | 42,007 | 54,498 | 57,505 |
| 2 Outlays ^{1,2} | 576,675 | 657,204 | 728,375 | 358,558 | 348,678 | 390,846 | 66,166 | 72,436 | 67,087 |
| 3 Surplus, or deficit (-) | -59,563 | -57,932 | -110,609 | -56,780 | -26,200 | -104,508 | -24,159 | -17,938 | -9,582 |
| 4 Trust funds | 8,801 | 6,817 | 5,456 | -8,085 | -17,690 | -6,576 | -5,750 | 3,382 | -3,623 |
| 5 Federal funds ³ | -68,364 | -64,749 | -116,065 | -48,697 | -43,889 | -97,934 | -18,409 | -21,320 | -5,959 |
| <i>Off-budget entities (surplus, or deficit (-))</i> | | | | | | | | | |
| 6 Federal Financing Bank outlays | -14,549 | -20,769 | -14,142 | -8,728 | -7,942 | -4,923 | -559 | -198 | -271 |
| 7 Other ⁴ | 303 | -236 | -3,190 | -1,752 | 227 | -2,267 | -127 | 33 | -63 |
| <i>U.S. budget plus off-budget, including Federal Financing Bank</i> | | | | | | | | | |
| 8 Surplus, or deficit (-) | -73,808 | -78,936 | -127,940 | -67,260 | -33,914 | -111,699 | -24,845 | -18,103 | -9,916 |
| Source or financing | | | | | | | | | |
| 9 Borrowing from the public | 70,515 | 79,329 | 134,993 | 54,081 | 41,728 | 119,609 | 25,923 | 29,895 | 6,419 |
| 10 Cash and monetary assets (decrease, or increase (-)) ⁵ | -355 | -1,878 | -11,911 | -1,111 | -408 | -9,057 | 7,231 | -13,002 | 2,179 |
| 11 Other ⁶ | 3,648 | 1,485 | 4,858 | 14,290 | -7,405 | 1,146 | -8,309 | 1,211 | 1,318 |
| MEMO: | | | | | | | | | |
| 12 Treasury operating balance (level, end of period) | 20,990 | 18,670 | 29,164 | 12,046 | 10,999 | 19,773 | 5,210 | 19,773 | 17,502 |
| 13 Federal Reserve Banks | 4,102 | 3,520 | 10,975 | 4,301 | 4,099 | 5,033 | 2,247 | 5,033 | 2,627 |
| 14 Tax and loan accounts | 16,888 | 15,150 | 18,189 | 7,745 | 6,900 | 14,740 | 2,963 | 14,740 | 14,875 |

1. The *Budget of the U.S. Government, Fiscal Year 1983*, has reclassified supplemental medical insurance premiums and voluntary hospital insurance premiums, previously included in other social insurance receipts, as offsetting receipts in the health function.

2. Effective Oct. 1, 1980, the Pension Benefit Guaranty Corporation was reclassified from an off-budget agency to an on-budget agency in the Department of Labor.

3. Half-year figures are calculated as a residual (total surplus/deficit less trust fund surplus/deficit).

4. Other off-budget includes Postal Service Fund; Rural Electrification and Telephone Revolving Fund; and Rural Telephone Bank; it also includes petroleum acquisition and transportation and strategic petroleum reserve effective November 1981.

5. Includes U.S. Treasury operating cash accounts; special drawing rights; gold tranche drawing rights; loans to International Monetary Fund; and other cash and monetary assets.

6. Includes accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

SOURCE: "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," *Treasury Bulletin*, and the *Budget of the United States Government, Fiscal Year 1984*.

NOTES TO TABLE 1.37

1. Holdings of stock of the Federal Home Loan Banks are included in "other assets."

2. Includes net undistributed income, which is accrued by most, but not all, associations.

3. Excludes figures for loans in process, which are shown as a liability.

4. The NAMS reports that, effective April 1979, balance sheet data are not strictly comparable with previous months. Beginning April 1979, data are reported on a net-of-valuation-reserves basis. Before that date, data were reported on a gross-of-valuation-reserves basis.

5. Beginning April 1979, includes obligations of U.S. government agencies. Before that date, this item was included in "Corporate and other."

6. Includes securities of foreign governments and international organizations and, before April 1979, nonguaranteed issues of U.S. government agencies.

7. Excludes checking, club, and school accounts.

8. Commitments outstanding (including loans in process) of banks in New York State as reported to the Savings Banks Association of the state of New York.

9. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.

10. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE. *Savings and loan associations*: Estimates by the FHLBB for all associations in the United States. Data are based on monthly reports of federally insured associations and annual reports of other associations. Even when revised, data for current and preceding year are subject to further revision.

Mutual savings banks: Estimates of National Association of Mutual Savings Banks for all savings banks in the United States.

Life insurance companies: Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

Credit unions: Estimates by the National Credit Union Administration for a group of federal and state-chartered credit unions that account for about 30 percent of credit union assets. Figures are preliminary and revised annually to incorporate recent benchmark data.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

| Source or type | Fiscal year 1980 | Fiscal year 1981 | Fiscal year 1982 | Calendar year | | | | | |
|---|------------------------|------------------------|------------------------|---------------|---------|---------|--------|--------|--------|
| | | | | 1981 | 1982 | | 1982 | | 1983 |
| | | | | H2 | H1 | H2 | Nov. | Dec. | Jan. |
| RECEIPTS | | | | | | | | | |
| 1 All sources ¹ | 517,112 | 599,272 | 617,766 | 301,777 | 322,478 | 286,338 | 42,007 | 54,498 | 57,505 |
| 2 Individual income taxes, net | 244,069 | 285,917 | 297,744 | 147,035 | 150,565 | 145,676 | 22,452 | 24,946 | 34,151 |
| 3 Withheld | 223,763 | 256,332 | 267,513 | 134,199 | 133,575 | 131,567 | 22,079 | 23,843 | 20,953 |
| 4 Presidential Election Campaign Fund | 39 | 41 | 39 | 5 | 34 | 5 | 0 | 0 | 0 |
| 5 Nonwithheld | 63,746 | 76,844 | 84,691 | 17,391 | 66,174 | 20,040 | 1,153 | 1,906 | 13,217 |
| 6 Refunds | 43,479 | 47,299 | 54,498 | 4,559 | 49,217 | 5,938 | 779 | 804 | 18 |
| Corporation income taxes | | | | | | | | | |
| 7 Gross receipts | 72,380 | 73,733 | 65,991 | 31,056 | 37,836 | 25,661 | 1,630 | 9,402 | 2,394 |
| 8 Refunds | 7,780 | 12,596 | 16,784 | 738 | 8,028 | 11,467 | 2,310 | 1,238 | 1,230 |
| 9 Social insurance taxes and contributions, net | 157,803 | 182,720 | 201,498 | 91,592 | 108,079 | 94,278 | 14,902 | 15,776 | 17,071 |
| 10 Payroll employment taxes and contributions ² | 133,025 | 156,932 | 172,744 | 82,984 | 88,795 | 85,063 | 12,924 | 15,138 | 15,479 |
| 11 Self-employment taxes and contributions ³ | 5,723 | 6,041 | 7,941 | 244 | 7,357 | 177 | 0 | 0 | 415 |
| 12 Unemployment insurance | 15,336 | 15,763 | 16,600 | 6,355 | 9,809 | 6,857 | 1,629 | 264 | 789 |
| 13 Other net receipts ⁴ | 3,719 | 3,984 | 4,212 | 2,009 | 2,119 | 2,181 | 349 | 373 | 387 |
| 14 Excise taxes | 24,329 | 40,839 | 36,311 | 22,097 | 17,525 | 16,556 | 2,925 | 2,674 | 2,707 |
| 15 Customs deposits | 7,174 | 8,083 | 8,854 | 4,661 | 4,310 | 4,299 | 692 | 724 | 485 |
| 16 Estate and gift taxes | 6,389 | 6,787 | 7,991 | 3,742 | 4,208 | 3,445 | 472 | 572 | 553 |
| 17 Miscellaneous receipts ⁵ | 12,748 | 13,790 | 16,161 | 8,441 | 7,984 | 7,891 | 1,243 | 1,643 | 1,374 |
| OUTLAYS | | | | | | | | | |
| 18 All types ^{1,6} | 576,675 | 657,204 | 728,375 | 358,558 | 346,286 | 390,846 | 66,166 | 72,436 | 67,087 |
| 19 National defense | 135,856 | 159,765 | 187,418 | 87,421 | 93,154 | 100,419 | 16,937 | 18,141 | 16,297 |
| 20 International affairs | 10,733 | 11,130 | 9,982 | 4,655 | 5,183 | 4,406 | 45 | 1,044 | 804 |
| 21 General science, space, and technology | 5,722 | 6,359 | 7,070 | 3,388 | 3,370 | 3,903 | 771 | 838 | 487 |
| 22 Energy | 6,313 | 10,277 | 4,674 | 4,394 | 2,814 | 2,059 | 504 | 362 | 296 |
| 23 Natural resources and environment | 13,812 | 13,525 | 12,934 | 7,296 | 5,636 | 6,940 | 1,100 | 1,060 | 1,007 |
| 24 Agriculture | 4,762 | 5,572 | 14,875 | 5,181 | 7,087 | 13,260 | 3,322 | 5,326 | 3,223 |
| 25 Commerce and housing credit | 7,788 | 3,946 | 3,865 | 1,825 | 1,410 | 2,244 | -52 | 968 | 1,213 |
| 26 Transportation | 21,120 | 23,381 | 20,560 | 10,753 | 9,915 | 10,686 | 1,876 | 1,567 | 1,718 |
| 27 Community and regional development | 10,068 | 9,394 | 7,165 | 4,269 | 3,193 | 4,186 | 718 | 638 | 504 |
| 28 Education, training, employment, social services | 30,767 | 31,402 | 26,300 | 13,878 | 12,595 | 12,187 | 2,058 | 2,019 | 2,259 |
| 29 Health ¹ | 55,220 | 65,982 | 74,017 | 35,322 | 37,213 | 39,073 | 6,644 | 6,895 | 6,612 |
| 30 Income security ⁶ | 193,100 | 225,101 | 248,343 | 129,269 | 112,782 | 133,779 | 22,987 | 24,263 | 23,010 |
| 31 Veterans benefits and services | 21,183 | 22,988 | 23,955 | 12,880 | 10,865 | 13,241 | 2,069 | 3,202 | 837 |
| 32 Administration of justice | 4,570 | 4,696 | 4,671 | 2,290 | 2,334 | 2,373 | 419 | 382 | 448 |
| 33 General government | 4,505 | 4,614 | 4,726 | 2,311 | 2,410 | 2,322 | 524 | 451 | 337 |
| 34 General-purpose fiscal assistance | 8,584 | 6,856 | 6,393 | 3,043 | 3,325 | 3,152 | 302 | 58 | 1,269 |
| 35 Net Interest ⁷ | 52,458 | 68,726 | 84,697 | 39,950 | 41,880 | 44,948 | 8,469 | 6,611 | 7,616 |
| 36 Undistributed offsetting receipts ⁸ | -9,887 | -16,509 | -13,270 | -9,564 | -6,490 | -8,333 | -2,529 | -1,389 | -849 |

1. The *Budget of the U.S. Government, Fiscal Year 1983* has reclassified supplemental medical insurance premiums and voluntary hospital insurance premiums, previously included in other social insurance receipts, as offsetting receipts in the health function.

2. Old-age, disability, and hospital insurance, and railroad retirement accounts.

3. Old-age, disability, and hospital insurance.

4. Federal employee retirement contributions and civil service retirement and disability fund.

5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.

6. Effective Oct. 1, 1980, the Pension Benefit Guaranty Corporation was reclassified from an off-budget agency to an on-budget agency in the Department of Labor.

7. Net interest function includes interest received by trust funds.

8. 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 1984*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

| Item | 1980 | 1981 | | | | 1982 | | | |
|---|---------|---------|---------|----------|---------|---------|---------|----------|---------|
| | Dec. 31 | Mar. 31 | June 30 | Sept. 30 | Dec. 31 | Mar. 31 | June 30 | Sept. 30 | Dec. 31 |
| 1 Federal debt outstanding | 936.7 | 970.9 | 977.4 | 1,003.9 | 1,034.7 | 1,066.4 | 1,084.7 | 1,147.0 | 1,201.9 |
| 2 Public debt securities | 930.2 | 964.5 | 971.2 | 997.9 | 1,028.7 | 1,061.3 | 1,079.6 | 1,142.0 | 1,197.1 |
| 3 Held by public | 737.7 | 773.7 | 771.3 | 789.8 | 825.5 | 858.9 | 867.9 | 925.6 | 987.7 |
| 4 Held by agencies | 192.5 | 190.9 | 199.9 | 208.1 | 203.2 | 202.4 | 211.7 | 216.4 | 209.4 |
| 5 Agency securities | 6.5 | 6.4 | 6.2 | 6.1 | 6.0 | 5.1 | 5.0 | 5.0 | 4.8 |
| 6 Held by public | 5.0 | 4.9 | 4.7 | 4.6 | 4.6 | 3.9 | 3.9 | 3.7 | 3.7 |
| 7 Held by agencies | 1.5 | 1.5 | 1.5 | 1.5 | 1.4 | 1.2 | 1.1 | 1.3 | 1.1 |
| 8 Debt subject to statutory limit | 931.2 | 965.5 | 972.2 | 998.8 | 1,029.7 | 1,062.2 | 1,080.5 | 1,142.9 | 1,197.9 |
| 9 Public debt securities | 929.6 | 963.9 | 970.6 | 997.2 | 1,028.1 | 1,060.7 | 1,079.0 | 1,141.4 | 1,196.5 |
| 10 Other debt ¹ | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.5 | 1.5 | 1.5 | 1.4 |
| 11 MEMO: Statutory debt limit | 935.1 | 985.0 | 985.0 | 999.8 | 1,079.8 | 1,079.8 | 1,143.1 | 1,143.1 | 1,290.2 |

1. Includes guaranteed debt of government agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

NOTE: Data from *Treasury Bulletin* (U.S. Treasury Department).

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

| Type and holder | 1978 | 1979 | 1980 | 1981 | 1982 | | | 1983 | |
|---|-------|-------|-------|---------|---------|---------|---------|--------------------|---------|
| | | | | | Oct. | Nov. | Dec. | Jan. | Feb. |
| 1 Total gross public debt | 789.2 | 845.1 | 930.2 | 1,028.7 | 1,142.8 | 1,161.7 | 1,197.1 | 1,201.0 | 1,215.3 |
| By type | | | | | | | | | |
| 2 Interest-bearing debt | 782.4 | 844.0 | 928.9 | 1,027.3 | 1,136.8 | 1,160.5 | 1,195.5 | 1,199.6 | 1,213.7 |
| 3 Marketable | 487.5 | 530.7 | 623.2 | 720.3 | 824.7 | 852.5 | 881.5 | 888.7 ⁶ | 907.7 |
| 4 Bills | 161.7 | 172.6 | 216.1 | 245.0 | 283.9 | 293.5 | 311.8 | 308.1 | 314.9 |
| 5 Notes | 265.8 | 283.4 | 321.6 | 375.3 | 438.1 | 454.2 | 465.0 | 473.0 | 481.3 |
| 6 Bonds | 60.0 | 74.7 | 85.4 | 99.9 | 102.7 | 104.7 | 104.6 | 107.6 | 111.5 |
| 7 Nonmarketable ¹ | 294.8 | 313.2 | 305.7 | 307.0 | 312.2 | 308.0 | 314.0 | 310.9 | 306.1 |
| 8 Convertible bonds ² | 2.2 | 2.2 | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 9 State and local government series | 24.3 | 24.6 | 23.8 | 23.0 | 23.8 | 25.0 | 25.7 | 25.6 | 25.7 |
| 10 Foreign issues ³ | 29.6 | 28.8 | 24.0 | 19.0 | 14.6 | 14.9 | 14.7 | 14.0 | 12.7 |
| 11 Government | 28.0 | 23.6 | 17.6 | 14.9 | 12.2 | 12.5 | 13.0 | 12.7 | 11.4 |
| 12 Public | 1.6 | 5.3 | 6.4 | 4.1 | 2.4 | 2.4 | 1.7 | 1.3 | 1.3 |
| 13 Savings bonds and notes | 80.9 | 79.9 | 72.5 | 68.1 | 67.8 | 68.1 | 68.0 | 68.1 | 68.3 |
| 14 Government account series ⁴ | 157.5 | 177.5 | 185.1 | 196.7 | 205.7 | 199.9 | 205.4 | 203.0 | 199.1 |
| 15 Non-interest-bearing debt | 6.8 | 1.2 | 1.3 | 1.4 | 6.0 | 1.2 | 1.6 | 1.4 | 1.6 |
| By holder ⁵ | | | | | | | | | |
| 16 U.S. government agencies and trust funds | 170.0 | 187.1 | 192.5 | 203.3 | ↑ | ↑ | ↑ | ↑ | ↑ |
| 17 Federal Reserve Banks | 109.6 | 117.5 | 121.3 | 131.0 | ↑ | ↑ | ↑ | ↑ | ↑ |
| 18 Private investors | 508.6 | 540.5 | 616.4 | 694.5 | ↑ | ↑ | ↑ | ↑ | ↑ |
| 19 Commercial banks | 93.2 | 96.4 | 116.0 | 109.4 | ↑ | ↑ | ↑ | ↑ | ↑ |
| 20 Mutual savings banks | 5.0 | 4.7 | 5.4 | 5.2 | ↑ | ↑ | ↑ | ↑ | ↑ |
| 21 Insurance companies | 15.7 | 16.7 | 20.1 | 19.1 | ↑ | ↑ | ↑ | ↑ | ↑ |
| 22 Other companies | 19.6 | 22.9 | 25.7 | 37.8 | n.a. | n.a. | n.a. | n.a. | n.a. |
| 23 State and local governments | 64.4 | 69.9 | 78.8 | 85.6 | ↑ | ↑ | ↑ | ↑ | ↑ |
| Individuals | | | | | | | | | |
| 24 Savings bonds | 80.7 | 79.9 | 72.5 | 68.0 | ↓ | ↓ | ↓ | ↓ | ↓ |
| 25 Other securities | 30.3 | 36.2 | 56.7 | 75.6 | ↓ | ↓ | ↓ | ↓ | ↓ |
| 26 Foreign and international ⁶ | 137.8 | 124.4 | 127.7 | 141.4 | ↓ | ↓ | ↓ | ↓ | ↓ |
| 27 Other miscellaneous investors ⁷ | 58.9 | 90.1 | 106.9 | 152.3 | ↓ | ↓ | ↓ | ↓ | ↓ |

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.

2. These nonmarketable bonds, also known as Investment Series B Bonds, may be exchanged (or converted) at the owner's option for 1½ percent, 5-year marketable Treasury notes. Convertible bonds that have been so exchanged are removed from this category and recorded in the notes category (line 5).

3. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.

4. Held almost entirely by U.S. government agencies and trust funds.

5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

6. Consists of investments of foreign balances and international accounts in the United States.

7. Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, certain government deposit accounts, and government sponsored agencies.

NOTE: Gross public debt excludes guaranteed agency securities.

Data by type of security from *Monthly Statement of the Public Debt of the United States* (U.S. Treasury Department); data by holder from *Treasury Bulletin*.

1.42 U.S. GOVERNMENT MARKETABLE SECURITIES Ownership, by maturity▲

▲Series discontinued.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Transactions

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

| Item | 1979 | 1980 | 1981 | 1982 | | 1983 | 1983, week ending Wednesday | | | | | |
|---|--------|--------|--------|--------|--------|--------|-----------------------------|---------|--------|--------|---------|---------|
| | | | | Nov. | Dec. | Jan. | Jan. 19 | Jan. 26 | Feb. 2 | Feb. 9 | Feb. 16 | Feb. 23 |
| Immediate delivery ¹ | | | | | | | | | | | | |
| 1 U.S. government securities..... | 13,183 | 18,331 | 24,728 | 35,933 | 31,388 | 35,724 | 34,744 | 39,180 | 35,047 | 34,501 | 39,963 | 44,144 |
| By maturity | | | | | | | | | | | | |
| 2 Bills..... | 7,915 | 11,413 | 14,768 | 19,275 | 18,473 | 19,439 | 20,938 | 20,742 | 18,261 | 16,473 | 21,748 | 21,292 |
| 3 Other within 1 year..... | 454 | 421 | 621 | 748 | 645 | 819 | 719 | 1,125 | 655 | 643 | 911 | 637 |
| 4 1-5 years..... | 2,417 | 3,330 | 4,360 | 6,875 | 5,351 | 6,973 | 6,268 | 8,813 | 7,949 | 7,213 | 8,390 | 12,259 |
| 5 5-10 years..... | 1,121 | 1,464 | 2,451 | 4,162 | 3,794 | 4,263 | 4,290 | 4,208 | 3,269 | 4,479 | 4,351 | 5,108 |
| 6 Over 10 years..... | 1,276 | 1,704 | 2,528 | 4,873 | 3,124 | 4,229 | 3,610 | 4,291 | 4,913 | 5,692 | 4,563 | 4,847 |
| By type of customer | | | | | | | | | | | | |
| 7 U.S. government securities dealers..... | 1,448 | 1,484 | 1,640 | 2,151 | 2,156 | 2,219 | 2,299 | 2,544 | 1,544 | 1,922 | 1,706 | 2,141 |
| 8 U.S. government securities brokers..... | 5,170 | 7,610 | 11,750 | 16,819 | 14,165 | 17,130 | 16,311 | 18,965 | 17,325 | 17,237 | 19,648 | 21,702 |
| 9 All others ² | 6,564 | 9,237 | 11,337 | 16,962 | 15,066 | 16,376 | 16,134 | 17,670 | 16,178 | 15,341 | 18,609 | 20,302 |
| 10 Federal agency securities..... | 2,723 | 3,258 | 3,306 | 4,951 | 4,521 | 5,199 | 6,026 | 4,846 | 3,902 | 3,472 | 5,185 | 4,965 |
| 11 Certificates of deposit..... | 1,764 | 2,472 | 4,477 | 4,848 | 4,347 | 4,747 | 4,560 | 4,354 | 4,794 | 3,746 | 3,890 | 4,824 |
| 12 Bankers acceptances..... | | | 1,807 | 2,895 | 2,446 | 2,827 | 2,570 | 2,567 | 2,524 | 2,057 | 2,364 | 3,109 |
| 13 Commercial paper..... | | | 6,128 | 7,392 | 6,915 | 7,911 | 8,058 | 7,664 | 8,036 | 7,252 | 7,265 | 8,055 |
| Futures transactions ³ | | | | | | | | | | | | |
| 14 Treasury bills..... | | | 3,523 | 387 | 4,280 | 5,166 | 5,121 | 6,814 | 6,140 | 4,999 | 6,801 | 6,178 |
| 15 Treasury coupons..... | n.a. | n.a. | 1,330 | 794 | 1,534 | 1,667 | 1,526 | 1,989 | 1,579 | 1,631 | 1,958 | 2,529 |
| 16 Federal agency securities..... | | | 234 | 195 | 254 | 169 | 164 | 186 | 159 | 182 | 233 | 281 |
| Forward transactions ⁴ | | | | | | | | | | | | |
| 17 U.S. government securities..... | | | 365 | 6,747 | 1,086 | 1,035 | 1,349 | 1,562 | 1,895 | 2,236 | 1,220 | 1,525 |
| 18 Federal agency securities..... | | | 1,370 | 969 | 1,073 | 1,136 | 1,469 | 942 | 857 | 968 | 1,405 | 1,184 |

1. Before 1981, data for immediate transactions include forward transactions.

2. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.

3. Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.

4. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days

from the date of the transaction for government securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

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

Transactions are market purchases and sales of U.S. government securities dealers reporting to the Federal Reserve Bank of New York. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

1.44 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing

Averages of daily figures, in millions of dollars

| Item | 1979 | 1980 | 1981 | 1982 | | 1983 | 1983, week ending Wednesday | | | | |
|--|-------|--------|--------|--------|---------------------|--------|-----------------------------|---------|---------|--------|--------|
| | | | | Nov. | Dec. | Jan. | Jan. 12 | Jan. 19 | Jan. 26 | Feb. 2 | Feb. 9 |
| Positions | | | | | | | | | | | |
| Net immediate ¹ | | | | | | | | | | | |
| 1 U.S. government securities..... | 3,223 | 4,306 | 9,033 | 8,417 | 14,814 ^r | 14,670 | 15,505 | 13,888 | 14,640 | 12,176 | 13,244 |
| 2 Bills..... | 3,813 | 4,103 | 6,485 | 3,654 | 8,732 | 9,953 | 9,031 | 9,526 | 11,004 | 10,660 | 10,257 |
| 3 Other within 1 year..... | -325 | -1,062 | -1,526 | 593 | 428 | -230 | -35 | -325 | -482 | -675 | -584 |
| 4 1-5 years..... | -455 | 434 | 1,488 | 2,850 | 4,249 | 3,091 | 3,761 | 2,292 | 3,143 | 2,163 | 2,204 |
| 5 5-10 years..... | 160 | 166 | 292 | -274 | -36 ^r | -193 | 382 | -73 | -874 | -930 | -205 |
| 6 Over 10 years..... | 30 | 665 | 2,294 | 1,594 | 1,442 ^r | 2,049 | 2,366 | 2,468 | 1,849 | 958 | 1,571 |
| 7 Federal agency securities..... | 1,471 | 797 | 2,277 | 5,680 | 5,948 ^r | 5,125 | 5,352 | 5,573 | 4,513 | 4,208 | 4,523 |
| 8 Certificates of deposit..... | 2,794 | 3,115 | 3,435 | 5,316 | 6,850 ^r | 6,180 | 6,231 | 5,793 | 5,669 | 6,130 | 5,969 |
| 9 Bankers acceptances..... | ↑ | ↑ | 1,746 | 3,240 | 4,037 ^r | 3,551 | 3,590 | 3,546 | 3,502 | 3,142 | 3,014 |
| 10 Commercial paper..... | ↑ | ↑ | 2,658 | 3,265 | 3,157 ^r | 3,436 | 3,391 | 3,539 | 3,362 | 3,533 | 3,267 |
| Futures positions | | | | | | | | | | | |
| 11 Treasury bills..... | n.a. | n.a. | -8,934 | 1,761 | -4,913 ^r | -7,108 | -9,586 | -8,184 | -4,803 | -1,281 | -747 |
| 12 Treasury coupons..... | n.a. | n.a. | -2,733 | -2,700 | -2,304 ^r | -2,142 | -2,667 | -2,354 | -1,615 | -1,031 | -947 |
| 13 Federal agency securities..... | | | 522 | -344 | -335 ^r | -343 | -494 | -326 | -233 | -66 | -153 |
| Forward positions | | | | | | | | | | | |
| 14 U.S. government securities..... | ↓ | ↓ | -603 | -828 | -1,235 | -1,397 | -1,309 | -1,697 | -1,713 | -1,033 | -1,041 |
| 15 Federal agency securities..... | ↓ | ↓ | -451 | -2,028 | -2,108 | -2,329 | -2,598 | -2,645 | -1,873 | -1,573 | -2,039 |
| Financing ² | | | | | | | | | | | |
| Reverse repurchase agreements ³ | ↑ | ↑ | | | | | | | | | |
| 16 Overnight and continuing..... | | | 14,568 | 22,186 | 29,053 | 27,038 | 29,157 | 25,803 | 25,001 | 25,818 | |
| 17 Term agreements..... | | | 32,048 | 55,024 | 61,639 | 49,013 | 49,164 | 49,171 | 48,990 | 50,747 | |
| Repurchase agreements ⁴ | n.a. | n.a. | | | | | | | | | n.a. |
| 18 Overnight and continuing..... | | | 35,919 | 43,112 | 57,009 | 59,753 | 60,438 | 56,805 | 56,893 | 58,250 | |
| 19 Term agreements..... | ↓ | ↓ | 29,449 | 54,999 | 50,073 | 43,846 | 44,157 | 44,198 | 45,023 | 43,761 | |

For notes see opposite page.

1.45 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

| Agency | 1978 | 1979 | 1980 | 1982 | | | | | | |
|--|---------|---------|---------|---------|---------|--------------------|--------------------|---------|---------|---------|
| | | | | June | July | Aug. | Sept. | Oct. | Nov. | Dec. |
| 1 Federal and federally sponsored agencies ¹ | 137,063 | 163,290 | 193,229 | 238,787 | 242,565 | 243,623 | 246,050 | 245,698 | 243,634 | 247,218 |
| 2 Federal agencies..... | 23,488 | 24,715 | 28,606 | 32,274 | 32,302 | 32,280 | 32,606 | 32,713 | 32,772 | 33,055 |
| 3 Defense Department ² | 968 | 738 | 610 | 419 | 408 | 399 | 388 | 377 | 364 | 354 |
| 4 Export-Import Bank ^{3,4} | 8,711 | 9,191 | 11,250 | 13,939 | 13,938 | 13,918 | 14,042 | 14,000 | 13,999 | 14,218 |
| 5 Federal Housing Administration ⁵ | 588 | 537 | 477 | 358 | 353 | 345 | 335 | 323 | 311 | 288 |
| 6 Government National Mortgage Association participation certificates ⁶ | 3,141 | 2,979 | 2,817 | 2,165 | 2,165 | 2,165 | 2,165 | 2,165 | 2,165 | 2,165 |
| 7 Postal Service ⁷ | 2,364 | 1,837 | 1,770 | 1,471 | 1,471 | 1,471 | 1,471 | 1,471 | 1,471 | 1,471 |
| 8 Tennessee Valley Authority..... | 7,460 | 8,997 | 11,190 | 13,715 | 13,760 | 13,775 | 14,010 | 14,185 | 14,270 | 14,365 |
| 9 United States Railway Association ⁷ | 356 | 436 | 492 | 207 | 207 | 207 | 195 | 192 | 192 | 194 |
| 10 Federally sponsored agencies ¹ | 113,575 | 138,575 | 164,623 | 206,513 | 210,263 | 211,343 | 213,444 | 212,985 | 210,862 | 214,163 |
| 11 Federal Home Loan Banks..... | 27,563 | 33,330 | 41,258 | 61,883 | 62,058 | 61,747 | 61,251 | 60,904 | 60,356 | 61,447 |
| 12 Federal Home Loan Mortgage Corporation..... | 2,262 | 2,771 | 2,536 | 3,099 | 3,099 | 3,099 | 3,099 | 3,099 | 3,099 | 3,099 |
| 13 Federal National Mortgage Association..... | 41,080 | 48,486 | 55,185 | 62,660 | 65,563 | 65,733 | 68,130 | 67,916 | 66,852 | 70,052 |
| 14 Federal Land Banks..... | 20,360 | 16,006 | 12,365 | 8,217 | 7,652 | 7,652 | 7,652 | 6,813 | 6,813 | 6,813 |
| 15 Federal Intermediate Credit Banks..... | 11,469 | 2,676 | 1,821 | 926 | 926 | 926 | 926 | 926 | 926 | 926 |
| 16 Banks for Cooperatives..... | 4,843 | 584 | 584 | 220 | 220 | 220 | 220 | 220 | 220 | 220 |
| 17 Farm Credit Banks ¹ | 5,081 | 33,216 | 48,153 | 64,506 | 65,743 | 65,657 | 65,553 | 66,449 | 65,877 | 65,014 |
| 18 Student Loan Marketing Association..... | 915 | 1,505 | 2,720 | 5,000 | 5,000 | 6,307 ^r | 6,611 ^r | 6,657 | 6,718 | 6,591 |
| 19 Other..... | 2 | 1 | 1 | 2 | 2 | 2 | 2 | 1 | 1 | 1 |
| MEMO: | | | | | | | | | | |
| 20 Federal Financing Bank debt ^{1,8} | 51,298 | 67,383 | 87,460 | 120,241 | 121,261 | 122,623 | 124,357 | 125,064 | 125,707 | 126,424 |
| Lending to federal and federally sponsored agencies | | | | | | | | | | |
| 21 Export-Import Bank ⁴ | 6,898 | 8,353 | 10,654 | 13,829 | 13,829 | 13,823 | 13,954 | 13,954 | 13,954 | 14,177 |
| 22 Postal Service ⁷ | 2,114 | 1,587 | 1,520 | 1,221 | 1,221 | 1,221 | 1,221 | 1,221 | 1,221 | 1,221 |
| 23 Tennessee Valley Authority..... | 5,635 | 7,272 | 9,465 | 11,990 | 12,035 | 12,050 | 12,285 | 12,460 | 12,545 | 12,640 |
| 24 United States Railway Association ⁷ | 356 | 436 | 492 | 207 | 207 | 207 | 195 | 192 | 192 | 194 |
| Other Lending ⁹ | | | | | | | | | | |
| 25 Farmers Home Administration..... | 23,825 | 32,050 | 39,431 | 52,346 | 52,711 | 53,311 | 53,736 | 53,661 | 53,661 | 53,261 |
| 26 Rural Electrification Administration..... | 4,604 | 6,484 | 9,196 | 15,454 | 15,688 | 15,916 | 16,282 | 16,600 | 16,750 | 17,157 |
| 27 Other..... | 6,951 | 9,696 | 13,982 | 20,194 | 20,570 | 21,095 | 21,684 | 26,976 | 27,384 | 27,774 |

1. In September 1977 the Farm Credit Banks issued their first consolidated bonds, and in January 1979 they began issuing these bonds on a regular basis to replace the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks, and the Banks for Cooperatives. Line 17 represents those consolidated bonds outstanding, as well as any discount notes that have been issued. Lines 1 and 10 reflect the addition of this item.

2. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.

3. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.

4. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.

5. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.

6. Certificates of participation issued prior to fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing

and Urban Development; Small Business Administration; and the Veterans Administration.

7. Off-budget.

8. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.

9. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

NOTES TO TABLE 1.44

1. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs). The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Securities owned, and hence dealer positions, do not include securities to resell (reverse RPs). Before 1981, data for immediate positions include forward positions.

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

3. Includes all reverse repurchase agreements, including those that have been arranged to make delivery on short sales and those for which the securities obtained have been used as collateral on borrowings, i.e., matched agreements.

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

NOTE. Data for positions are averages of daily figures, in terms of par value, based on the number of trading days in the period. Positions are shown net and are on a commitment basis. Data for financing are based on Wednesday figures, in terms of actual money borrowed or lent.

A36 Domestic Financial Statistics □ March 1983

1.46 NEW SECURITY ISSUES of State and Local Governments

Millions of dollars

| Type of issue or issuer, or use | 1979 | 1980 | 1981 | 1982 | | | | | | |
|---|---------------|---------------|---------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------|
| | | | | June ¹ | July ¹ | Aug. ¹ | Sept. ¹ | Oct. ¹ | Nov. ¹ | Dec. |
| 1 All issues, new and refunding¹ | 43,365 | 48,367 | 47,732 | 5,783 | 5,583 | 6,510 | 6,497 | 8,260 | 9,850 | 9,085 |
| <i>Type of issue</i> | | | | | | | | | | |
| 2 General obligation | 12,109 | 14,100 | 12,394 | 1,806 | 974 | 1,683 | 1,701 | 2,262 | 3,352 | 1,543 |
| 3 U.S. government loans ² | 53 | 38 | 34 | 16 | 22 | 25 | 30 | 30 | 34 | 37 |
| 4 Revenue | 31,256 | 34,267 | 35,338 | 3,977 | 4,609 | 4,827 | 4,796 | 5,998 | 6,498 | 7,542 |
| 5 U.S. government loans ² | 67 | 57 | 55 | 45 | 49 | 52 | 54 | 57 | 57 | 62 |
| <i>Type of issuer</i> | | | | | | | | | | |
| 6 State | 4,314 | 5,304 | 5,288 | 1,074 | 257 | 835 | 1,077 | 1,010 | 1,088 | 169 |
| 7 Special district and statutory authority | 23,434 | 26,972 | 27,499 | 2,867 | 3,695 | 3,654 | 3,455 | 5,101 | 5,269 | 5,824 |
| 8 Municipalities, counties, townships, school districts | 15,617 | 16,090 | 14,945 | 1,842 | 1,631 | 2,021 | 1,965 | 2,149 | 3,493 | 3,092 |
| 9 Issues for new capital, total | 41,505 | 46,736 | 46,530 | 5,693 | 5,396 | 6,083 | 6,294 | 7,073 | 9,106 | 8,886 |
| <i>Use of proceeds</i> | | | | | | | | | | |
| 10 Education | 5,130 | 4,572 | 4,547 | 717 | 293 | 516 | 830 | 532 | 716 | 810 |
| 11 Transportation | 2,441 | 2,621 | 3,447 | 245 | 118 | 768 | 551 | 636 | 1,286 | 1,338 |
| 12 Utilities and conservation | 8,594 | 8,149 | 10,037 | 830 | 1,272 | 685 | 283 | 1,335 | 1,961 | 1,830 |
| 13 Social welfare | 15,968 | 19,958 | 12,729 | 2,307 | 2,705 | 2,500 | 2,542 | 2,619 | 2,204 | 2,963 |
| 14 Industrial aid | 3,836 | 3,974 | 7,651 | 416 | 562 | 728 | 1,048 | 556 | 729 | 1,066 |
| 15 Other purposes | 5,536 | 7,462 | 8,119 | 1,178 | 446 | 886 | 1,040 | 1,395 | 2,210 | 879 |

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.

1.47 NEW SECURITY ISSUES of Corporations

Millions of dollars

| Type of issue or issuer, or use | 1980 | 1981 | 1982 | 1982 | | | | | | |
|------------------------------------|---------------|---------------|---------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------|
| | | | | June ¹ | July ¹ | Aug. ¹ | Sept. ¹ | Oct. ¹ | Nov. ¹ | Dec. |
| 1 All issues¹ | 73,694 | 69,992 | 83,787 | 4,928 | 6,222 | 9,318 | 8,247 | 9,988 | 8,802 | 9,830 |
| 2 Bonds | 53,206 | 44,643 | 53,225 | 3,228 | 3,934 | 6,553 | 5,762 | 7,120 | 5,412 | 5,636 |
| <i>Type of offering</i> | | | | | | | | | | |
| 3 Public | 41,587 | 37,653 | 43,427 | 2,398 | 2,868 | 5,546 | 5,308 | 6,425 | 4,927 | 4,264 |
| 4 Private placement | 11,619 | 6,989 | 9,798 | 830 | 1,066 | 1,007 | 454 | 695 | 485 | 1,372 |
| <i>Industry group</i> | | | | | | | | | | |
| 5 Manufacturing | 15,409 | 12,325 | 13,307 | 462 | 1,638 | 1,602 | 1,730 | 2,044 | 2,138 | 1,204 |
| 6 Commercial and miscellaneous | 6,693 | 5,229 | 5,681 | 343 | 493 | 1,202 | 481 | 417 | 523 | 565 |
| 7 Transportation | 3,329 | 2,054 | 1,474 | 82 | 58 | 402 | 64 | 285 | 88 | 120 |
| 8 Public utility | 9,557 | 8,963 | 12,155 | 761 | 717 | 934 | 1,021 | 1,663 | 1,246 | 944 |
| 9 Communication | 6,683 | 4,280 | 2,265 | 176 | 84 | 205 | 311 | 208 | 115 | 372 |
| 10 Real estate and financial | 11,534 | 11,793 | 18,343 | 1,403 | 944 | 2,208 | 2,156 | 2,504 | 1,302 | 2,431 |
| 11 Stocks² | 20,489 | 25,349 | 30,563 | 1,700 | 2,288 | 2,765 | 2,485 | 2,868 | 3,390 | 4,194 |
| <i>Type</i> | | | | | | | | | | |
| 12 Preferred | 3,631 | 1,797 | 5,115 | 67 | 644 | 622 | 522 | 611 | 573 | 421 |
| 13 Common | 16,858 | 23,522 | 25,448 | 1,633 | 1,644 | 2,143 | 1,963 | 2,257 | 2,817 | 3,773 |
| <i>Industry group</i> | | | | | | | | | | |
| 14 Manufacturing | 4,839 | 5,073 | 5,650 | 502 | 187 | 718 | 345 | 666 | 481 | 920 |
| 15 Commercial and miscellaneous | 5,245 | 7,557 | 7,770 | 317 | 615 | 375 | 742 | 640 | 1,024 | 693 |
| 16 Transportation | 549 | 779 | 709 | 52 | 5 | 62 | 84 | 80 | 225 | 22 |
| 17 Public utility | 6,230 | 5,577 | 7,517 | 277 | 331 | 759 | 1,003 | 620 | 752 | 742 |
| 18 Communication | 567 | 1,778 | 2,227 | 17 | 96 | 495 | 4 | 33 | 14 | 1,361 |
| 19 Real estate and financial | 3,059 | 4,585 | 6,690 | 534 | 1,054 | 357 | 307 | 829 | 894 | 455 |

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. Beginning in August 1981, gross stock offerings include new equity volume from swaps of debt for equity.

SOURCE: Securities and Exchange Commission and the Board of Governors of the Federal Reserve System.

1.48 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

| Item | 1981 | 1982 | 1982 | | | | | | | 1983 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | | | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | |
| INVESTMENT COMPANIES ¹ | | | | | | | | | | |
| 1 Sales of own shares ² | 20,596 | 45,675 | 3,061 | 3,304 | 4,322 | 4,709 | 5,668 | 5,815 | 5,291 | 8,085 |
| 2 Redemptions of own shares ³ | 15,866 | 30,078 | 2,038 | 2,145 | 2,335 | 3,052 | 3,046 | 3,493 | 4,835 | 4,233 |
| 3 Net sales..... | 4,730 | 15,597 | 1,023 | 1,159 | 1,987 | 1,657 | 2,622 | 2,322 | 456 | 3,852 |
| 4 Assets ⁴ | 55,207 | 76,741 | 54,238 | 54,592 | 62,212 | 63,783 | 70,964 | 74,864 | 76,841 | 80,102 |
| 5 Cash position ⁵ | 5,277 | 5,999 | 6,298 | 5,992 | 6,039 | 5,556 | 5,948 | 5,838 | 6,040 | 6,940 |
| 6 Other..... | 49,930 | 70,742 | 47,940 | 48,600 | 56,173 | 58,227 | 65,016 | 69,026 | 70,801 | 73,162 |

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.

1.49 CORPORATE PROFITS AND THEIR DISTRIBUTION

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

| Account | 1979 | 1980 | 1981 | 1981 | | | | 1982 | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| 1 Corporate profits with inventory valuation and capital consumption adjustment..... | 194.8 | 181.6 | 190.6 | 200.3 | 185.1 | 193.1 | 183.9 | 157.1 | 155.4 | 166.2 |
| 2 Profits before tax..... | 252.7 | 242.4 | 232.1 | 253.1 | 225.4 | 233.3 | 216.5 | 171.6 | 171.7 | 180.3 |
| 3 Profits tax liability..... | 87.6 | 84.6 | 81.2 | 91.5 | 79.2 | 82.4 | 71.6 | 56.7 | 55.3 | 60.9 |
| 4 Profits after tax..... | 165.1 | 157.8 | 150.9 | 161.6 | 146.2 | 150.9 | 144.9 | 114.9 | 116.3 | 119.4 |
| 5 Dividends..... | 52.7 | 58.1 | 65.1 | 61.5 | 64.0 | 66.8 | 68.1 | 68.8 | 69.3 | 70.5 |
| 6 Undistributed profits..... | 112.4 | 99.7 | 85.8 | 100.1 | 82.2 | 84.1 | 76.8 | 46.1 | 47.0 | 48.8 |
| 7 Inventory valuation..... | -43.1 | -43.0 | -24.6 | -35.5 | -22.8 | -23.0 | -17.1 | -4.4 | -9.4 | -10.3 |
| 8 Capital consumption adjustment..... | -14.8 | -17.8 | -16.8 | -17.3 | -17.5 | -17.1 | -15.5 | -10.1 | -6.9 | -3.8 |

SOURCE. Survey of Current Business (U.S. Department of Commerce).

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1.50 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, except for ratio

| Account | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | | | 1982 | |
|---|--------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | | | | | Q2 | Q3 | Q4 | Q1 | Q2 |
| 1 Current assets | 827.4 | 912.7 | 1,043.7 | 1,218.2 | 1,333.5 | 1,388.3 | 1,410.9 | 1,427.1 | 1,423.6 | 1,419.4 |
| 2 Cash..... | 88.2 | 97.2 | 105.5 | 118.0 | 127.1 | 126.2 | 125.1 | 131.7 | 121.3 | 123.4 |
| 3 U.S. government securities..... | 23.5 | 18.2 | 17.3 | 17.0 | 19.3 | 19.9 | 18.0 | 17.9 | 17.1 | 17.4 |
| 4 Notes and accounts receivable..... | 292.9 | 330.3 | 388.0 | 461.1 | 510.6 | 533.1 | 542.4 | 536.7 | 537.8 | 534.4 |
| 5 Inventories..... | 342.5 | 376.9 | 431.6 | 505.5 | 543.7 | 565.3 | 577.0 | 587.1 | 593.8 | 589.2 |
| 6 Other..... | 80.3 | 90.1 | 101.3 | 116.7 | 132.7 | 143.8 | 148.3 | 153.6 | 153.6 | 155.0 |
| 7 Current liabilities | 495.1 | 557.1 | 669.3 | 807.8 | 890.9 | 931.5 | 967.2 | 980.0 | 985.7 | 982.6 |
| 8 Notes and accounts payable..... | 282.1 | 317.6 | 382.9 | 461.2 | 515.2 | 525.9 | 549.5 | 562.9 | 555.0 | 554.9 |
| 9 Other..... | 213.0 | 239.6 | 286.4 | 346.6 | 375.7 | 405.5 | 417.7 | 417.1 | 430.8 | 427.8 |
| 10 Net working capital | 332.4 | 355.5 | 374.4 | 410.5 | 442.6 | 456.8 | 443.7 | 447.1 | 437.9 | 436.8 |
| 11 MEMO: Current ratio ¹ | 1.671 | 1.638 | 1.559 | 1.508 | 1.497 | 1.490 | 1.459 | 1.456 | 1.444 | 1.445 |

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

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.

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

SOURCE: Federal Trade Commission.

1.51 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment

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

| Industry ¹ | 1981 | 1982 | 1983 ¹ | 1981 | 1982 | | | | 1983 | |
|---|---------------|---------------|-------------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|
| | | | | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 ¹ | Q2 ¹ |
| 1 Total nonfarm business | 321.49 | 316.43 | 310.92 | 327.83 | 327.72 | 323.22 | 315.79 | 302.77 | 302.25 | 302.20 |
| <i>Manufacturing</i> | | | | | | | | | | |
| 2 Durable goods industries..... | 61.84 | 56.44 | 54.22 | 60.78 | 60.84 | 59.03 | 57.14 | 50.50 | 52.76 | 50.85 |
| 3 Nondurable goods industries..... | 64.95 | 63.23 | 61.69 | 66.14 | 67.48 | 64.74 | 62.32 | 59.59 | 60.05 | 60.45 |
| <i>Nonmanufacturing</i> | | | | | | | | | | |
| 4 Mining..... | 16.86 | 15.45 | 15.46 | 16.81 | 17.60 | 16.56 | 14.63 | 13.31 | 14.56 | 14.62 |
| 5 Transportation..... | | | | | | | | | | |
| 6 Railroad..... | 4.24 | 4.38 | 4.21 | 4.18 | 4.56 | 4.73 | 3.94 | 4.31 | 3.69 | 4.49 |
| 7 Air..... | 3.81 | 3.93 | 3.33 | 4.82 | 3.20 | 3.54 | 4.11 | 4.85 | 3.71 | 3.64 |
| 8 Other..... | 4.00 | 3.64 | 3.46 | 4.12 | 4.23 | 4.06 | 3.24 | 3.25 | 3.56 | 3.46 |
| Public utilities | | | | | | | | | | |
| 9 Electric..... | 29.74 | 33.40 | 33.09 | 31.14 | 30.95 | 32.26 | 34.98 | 35.12 | 33.38 | 32.94 |
| 10 Gas and other..... | 8.65 | 8.55 | 7.91 | 8.60 | 9.17 | 9.14 | 8.40 | 7.77 | 7.61 | 8.43 |
| 11 Trade and services..... | 86.33 | 86.95 | 87.78 | 88.33 | 87.80 | 88.85 | 87.31 | 84.00 | 85.38 | 85.23 |
| 12 Communication and other ² | 41.06 | 40.46 | 39.78 | 42.92 | 41.89 | 40.33 | 39.73 | 40.06 | 37.55 | 38.09 |

1. Anticipated by business.

2. "Other" consists of construction; social services and membership organizations; and forestry, fisheries, and agricultural services.

SOURCE: Survey of Current Business (U.S. Dept. of Commerce).

1.52 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

| Account | 1977 | 1978 | 1979 | 1980 | 1981 | | 1982 | | | |
|--|-------|-------|-------------------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| ASSETS | | | | | | | | | | |
| Accounts receivable, gross | | | | | | | | | | |
| 1 Consumer | 44.0 | 52.6 | 65.7 | 73.6 | 84.5 | 85.5 | 85.1 | 88.0 | 88.3 | 89.5 |
| 2 Business | 55.2 | 63.3 | 70.3 | 72.3 | 76.9 | 80.6 | 80.9 | 82.6 | 82.2 | 81.0 |
| 3 Total | 99.2 | 116.0 | 136.0 | 145.9 | 161.3 | 166.1 | 166.0 | 170.6 | 170.5 | 170.4 |
| 4 Less: Reserves for unearned income and losses..... | 12.7 | 15.6 | 20.0 | 23.3 | 27.7 | 28.9 | 29.1 | 30.2 | 30.4 | 30.5 |
| 5 Accounts receivable, net | 86.5 | 100.4 | 116.0 | 122.6 | 133.6 | 137.2 | 136.9 | 140.4 | 140.1 | 139.8 |
| 6 Cash and bank deposits | 2.6 | 3.5 | 24.9 ¹ | 27.5 | 34.5 | 34.2 | 35.0 | 37.3 | 39.1 | 39.7 |
| 7 Securities | .9 | 1.3 | | | | | | | | |
| 8 All other | 14.3 | 17.3 | | | | | | | | |
| 9 Total assets | 104.3 | 122.4 | 140.9 | 150.1 | 168.1 | 171.4 | 171.9 | 177.8 | 179.2 | 179.5 |
| LIABILITIES | | | | | | | | | | |
| 10 Bank loans | 5.9 | 6.5 | 8.5 | 13.2 | 14.7 | 15.4 | 15.4 | 14.5 | 16.8 | 18.6 |
| 11 Commercial paper | 29.6 | 34.5 | 43.3 | 43.4 | 51.2 | 51.2 | 46.2 | 50.3 | 46.7 | 45.8 |
| Debt | | | | | | | | | | |
| 12 Short-term, n.e.c. | 6.2 | 8.1 | 8.2 | 7.5 | 11.9 | 9.6 | 9.0 | 9.3 | 9.9 | 8.7 |
| 13 Long-term, n.e.c. | 36.0 | 43.6 | 46.7 | 52.4 | 50.7 | 54.8 | 59.0 | 60.3 | 60.9 | 63.5 |
| 14 Other | 11.5 | 12.6 | 14.2 | 14.3 | 17.1 | 17.8 | 19.0 | 18.9 | 20.5 | 18.7 |
| 15 Capital, surplus, and undivided profits | 15.1 | 17.2 | 19.9 | 19.4 | 22.4 | 22.8 | 23.3 | 24.5 | 24.5 | 24.2 |
| 16 Total liabilities and capital | 104.3 | 122.4 | 140.9 | 150.1 | 168.1 | 171.4 | 171.9 | 177.8 | 179.2 | 179.5 |

1. Beginning Q1 1979, asset items on lines 6, 7, and 8 are combined.

NOTE. Components may not add to totals due to rounding.

1.53 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

| Type | Accounts receivable outstanding Dec. 31, 1982 ¹ | Changes in accounts receivable | | | Extensions | | | Repayments | | |
|---|--|--------------------------------|--------|--------|------------|--------|--------|------------|--------|--------|
| | | 1982 | | | 1982 | | | 1982 | | |
| | | Oct. | Nov. | Dec. | Oct. | Nov. | Dec. | Oct. | Nov. | Dec. |
| 1 Total | 80,952 | -1,215 | -1,891 | -571 | 18,041 | 22,319 | 20,031 | 19,256 | 24,210 | 20,602 |
| 2 Retail automotive (commercial vehicles) | 12,570 | -82 | 430 | 142 | 842 | 1,330 | 1,036 | 924 | 900 | 894 |
| 3 Wholesale automotive | 12,074 | -596 | -1,416 | -1,087 | 4,500 | 6,637 | 4,965 | 5,096 | 8,053 | 6,052 |
| 4 Retail paper on business, industrial, and farm equipment | 28,191 | -608 | -476 | 222 | 971 | 1,297 | 1,420 | 1,579 | 1,773 | 1,198 |
| 5 Loans on commercial accounts receivable and factored commercial accounts receivable | 9,073 | 54 | -13 | -350 | 10,102 | 11,310 | 10,493 | 10,048 | 11,323 | 10,843 |
| 6 All other business credit | 19,044 | 17 | -416 | 502 | 1,626 | 1,745 | 2,117 | 1,609 | 2,161 | 1,615 |

1. Not seasonally adjusted.

1.54 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

| Item | 1980 | 1981 | 1982 | 1982 | | | | | | 1983 |
|---|---|---------|--------|--------|--------|--------|--------|--------|--------|--------|
| | | | | July | Aug. | Sept. | Oct. | Nov. | Dec. |  | Jan. |
| | Terms and yields in primary and secondary markets | | | | | | | | | |
| PRIMARY MARKETS | | | | | | | | | | |
| Conventional mortgages on new homes | | | | | | | | | | |
| Terms ¹ | | | | | | | | | | |
| 1 Purchase price (thousands of dollars) | 83.4 | 90.4 | 94.6 | 98.4 | 91.4 | 95.0 | 99.1 | 97.9 | 91.8 | 88.9 |
| 2 Amount of loan (thousands of dollars) | 59.2 | 65.3 | 69.8 | 73.1 | 66.5 | 71.6 | 74.4 | 75.6 | 67.6 | 65.4 |
| 3 Loan/price ratio (percent) | 73.2 | 74.8 | 76.6 | 77.3 | 74.1 | 78.7 | 77.9 | 79.0 | 75.2 | 75.2 |
| 4 Maturity (years) | 28.2 | 27.7 | 27.6 | 28.4 | 26.4 | 28.1 | 28.4 | 27.9 | 26.9 | 26.5 |
| 5 Fees and charges (percent of loan amount) ² | 2.09 | 2.67 | 2.95 | 3.15 | 2.87 | 3.04 | 2.74 | 2.76 | 2.98 | 2.46 |
| 6 Contract rate (percent per annum) | 12.25 | 14.16 | 14.47 | 15.01 | 15.05 | 14.34 | 13.86 | 13.26 | 13.09 | 13.00 |
| Yield (percent per annum) | | | | | | | | | | |
| 7 FHLBB series ³ | 12.65 | 14.74 | 15.12 | 15.70 | 15.68 | 14.98 | 14.41 | 13.81 | 13.69 | 13.49 |
| 8 HUD series ⁴ | 13.95 | 16.52 | 15.79 | 16.50 | 15.40 | 15.05 | 13.95 | 13.80 | 13.62 | 13.44 |
| SECONDARY MARKETS | | | | | | | | | | |
| Yield (percent per annum) | | | | | | | | | | |
| 9 FHA mortgages (HUD series) ⁵ | 13.44 | 16.31 | 15.31 | 16.29 | 14.61 | 14.03 | 12.99 | 12.82 | 12.80 | 12.87 |
| 10 GNMA securities ⁶ | 12.55 | 15.29 | 14.68 | 15.56 | 14.51 | 13.57 | 12.83 | 12.66 | 12.60 | 12.29 |
| FNMA auctions ⁷ | | | | | | | | | | |
| 11 Government-underwritten loans | 14.11 | 16.70 | 15.95 | 15.78 | 15.78 | 15.36 | 13.92 | 13.75 | 13.72 | 13.44 |
| 12 Conventional loans | 14.43 | 16.64 | 15.95 | 16.85 | 15.78 | 15.36 | 13.92 | 13.75 | 13.72 | 13.44 |
| Activity in secondary markets | | | | | | | | | | |
| FEDERAL NATIONAL MORTGAGE ASSOCIATION | | | | | | | | | | |
| Mortgage holdings (end of period) | | | | | | | | | | |
| 13 Total | 55,104 | 58,675 | 66,031 | 66,158 | 67,810 | 68,841 | 69,152 | 70,126 | 71,814 | 73,106 |
| 14 FHA/VA-insured | 37,365 | 39,341 | 39,718 | 39,853 | 39,922 | 39,871 | 39,523 | 39,174 | 39,057 | 38,924 |
| 15 Conventional | 17,725 | 19,334 | 26,312 | 26,305 | 27,888 | 28,970 | 29,629 | 30,952 | 32,757 | 34,182 |
| Mortgage transactions (during period) | | | | | | | | | | |
| 16 Purchases | 8,099 | 6,112 | 15,116 | 1,354 | 1,931 | 1,670 | 1,449 | 1,681 | 2,495 | 2,045 |
| 17 Sales | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mortgage commitments ⁸ | | | | | | | | | | |
| 18 Contracted (during period) | 8,083 | 9,331 | 22,105 | 2,016 | 1,820 | 1,482 | 1,426 | 2,795 | 3,055 | 2,006 |
| 19 Outstanding (end of period) | 3,278 | 3,717 | 7,606 | 7,674 | 6,900 | 6,587 | 6,268 | 7,286 | 7,606 | 7,487 |
| Auction of 4-month commitments to buy Government-underwritten loans | | | | | | | | | | |
| 20 Offered | 8,605.4 | 2,487.2 | 307.4 | 8.9 | 43.3 | 16.4 | 2.5 | 27.0 | 4.6 | 2.0 |
| 21 Accepted | 4,002.0 | 1,478.0 | 104.3 | 0.0 | 5.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Conventional loans | | | | | | | | | | |
| 22 Offered | 3,639.2 | 2,524.7 | 445.3 | 37.2 | 70.1 | 27.5 | 13.6 | 22.1 | 23.2 | 7.8 |
| 23 Accepted | 1,748.5 | 1,392.3 | 237.6 | 23.6 | 42.9 | 0.0 | 8.9 | 11.4 | 15.3 | 0.0 |
| FEDERAL HOME LOAN MORTGAGE CORPORATION | | | | | | | | | | |
| Mortgage holdings (end of period) ⁹ | | | | | | | | | | |
| 24 Total | 4,362 | 5,245 | 5,153 | 5,309 | 5,201 | 5,207 | 4,957 | 4,676 | 4,733 | n.a. |
| 25 FHA/VA | 2,116 | 2,236 | 1,921 | 2,232 | 2,216 | 2,225 | 1,016 | 1,012 | 1,009 | n.a. |
| 26 Conventional | 2,246 | 3,010 | 3,224 | 3,077 | 2,985 | 2,982 | 3,891 | 3,663 | 3,724 | n.a. |
| Mortgage transactions (during period) | | | | | | | | | | |
| 27 Purchases | 3,723 | 3,789 | 23,671 | 2,237 | 2,529 | 1,799 | 2,000 | 1,917 | 3,916 | n.a. |
| 28 Sales | 2,527 | 3,531 | 24,164 | 2,204 | 2,619 | 1,923 | 2,197 | 2,182 | 3,798 | n.a. |
| Mortgage commitments ¹⁰ | | | | | | | | | | |
| 29 Contracted (during period) | 3,859 | 6,974 | 28,187 | 2,189 | 2,768 | 2,892 | 2,506 | 1,714 | 1,068 | n.a. |
| 30 Outstanding (end of period) | 447 | 3,518 | 7,549 | 8,544 | 9,318 | 10,211 | 10,572 | 10,407 | 7,549 | 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, rounded to the nearest 5 basis points; from Department of Housing and Urban Development.

5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates.

6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assum-

ing prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are unweighted averages of Monday quotations for the month.

7. Average gross yields (before deduction of 38 basis points for mortgage servicing) on accepted bids in Federal National Mortgage Association's auctions of 4-month commitments to purchase home mortgages, assuming prepayment in 12 years for 30-year mortgages. No adjustments are made for FNMA commitment fees or stock related requirements. Monthly figures are unweighted averages for auctions conducted within the month.

8. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.

9. Includes participation as well as whole loans.

10. Includes conventional and government-underwritten loans.

1.55 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

| Type of holder, and type of property | 1980 | 1981 | 1982 | 1981 | | 1982 | | | |
|---|-----------|---------------------|------------------------|-----------|---------------------|---------------------|---------------------|------------------------|------------------------|
| | | | | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| 1 All holders | 1,471,786 | 1,583,732 | 1,654,446 ^r | 1,561,813 | 1,583,732 | 1,603,450 | 1,624,707 | 1,633,059 ^r | 1,654,446 ^r |
| 2 1- to 4-family | 986,979 | 1,060,633 | 1,104,528 ^r | 1,047,799 | 1,060,633 | 1,071,462 | 1,082,971 | 1,089,504 ^r | 1,104,528 ^r |
| 3 Multifamily | 137,134 | 141,442 | 148,218 ^r | 140,243 | 141,442 | 143,812 | 145,559 | 145,399 ^r | 148,218 ^r |
| 4 Commercial | 255,655 | 279,930 | 294,641 ^r | 273,765 | 279,930 | 284,261 | 290,693 | 291,740 | 294,641 ^r |
| 5 Farm | 92,018 | 101,727 | 107,059 ^r | 100,006 | 101,727 | 103,915 | 105,484 | 106,416 | 107,059 ^r |
| 6 Major financial institutions | 997,168 | 1,040,827 | 1,021,225 | 1,034,032 | 1,040,827 | 1,041,702 | 1,042,904 | 1,027,027 | 1,021,225 |
| 7 Commercial banks ¹ | 263,030 | 284,536 | 301,742 | 279,017 | 284,536 | 289,365 | 294,022 | 298,342 | 301,742 |
| 8 1- to 4-family | 160,326 | 170,013 | 177,122 | 167,550 | 170,013 | 171,350 | 172,596 | 175,126 | 177,122 |
| 9 Multifamily | 12,924 | 15,132 | 15,841 | 14,481 | 15,132 | 15,338 | 15,431 | 15,666 | 15,841 |
| 10 Commercial | 81,081 | 91,026 | 100,269 | 88,588 | 91,026 | 94,256 | 97,522 | 99,050 | 100,269 |
| 11 Farm | 8,699 | 8,365 | 8,510 | 8,398 | 8,365 | 8,421 | 8,473 | 8,500 | 8,510 |
| 12 Mutual savings banks | 99,865 | 99,997 | 93,882 | 99,994 | 99,997 | 97,464 | 96,346 | 94,382 | 93,882 |
| 13 1- to 4-family | 67,489 | 68,187 | 63,708 | 68,116 | 68,187 | 66,305 | 65,381 | 63,849 | 63,708 |
| 14 Multifamily | 16,058 | 15,960 | 14,946 | 15,939 | 15,960 | 15,536 | 15,338 | 15,026 | 14,946 |
| 15 Commercial | 16,278 | 15,810 | 15,200 | 15,909 | 15,810 | 15,594 | 15,598 | 15,479 | 15,200 |
| 16 Farm | 40 | 40 | 28 | 30 | 40 | 29 | 29 | 28 | 28 |
| 17 Savings and loan associations | 503,192 | 518,547 | 484,297 | 518,985 | 518,547 | 516,111 | 512,997 | 493,899 | 484,297 |
| 18 1- to 4-family | 419,763 | 433,142 | 400,563 | 433,923 | 433,142 | 430,178 | 425,890 | 410,535 | 400,563 |
| 19 Multifamily | 38,142 | 37,699 | 36,177 | 37,990 | 37,699 | 37,986 | 38,321 | 36,894 | 36,177 |
| 20 Commercial | 45,287 | 47,706 | 47,557 | 47,072 | 47,706 | 47,947 | 48,786 | 46,970 | 47,557 |
| 21 Life insurance companies | 131,081 | 137,747 | 141,304 | 136,036 | 137,747 | 138,762 | 139,539 | 140,404 | 141,304 |
| 22 1- to 4-family | 17,943 | 17,201 | 16,975 | 17,376 | 17,201 | 17,086 | 16,451 | 16,865 | 16,975 |
| 23 Multifamily | 19,514 | 19,283 | 19,107 | 19,441 | 19,283 | 19,199 | 18,982 | 18,967 | 19,107 |
| 24 Commercial | 80,666 | 88,163 | 92,322 | 86,070 | 88,163 | 89,529 | 91,113 | 91,640 | 92,322 |
| 25 Farm | 12,958 | 13,100 | 12,900 | 13,149 | 13,100 | 12,948 | 12,993 | 12,932 | 12,900 |
| 26 Federal and related agencies | 114,300 | 126,112 | 139,291 ^r | 121,772 | 126,112 | 128,721 | 131,485 | 134,449 ^r | 139,291 ^r |
| 27 Government National Mortgage Association | 4,642 | 4,765 | 4,556 | 4,382 | 4,765 | 4,438 | 4,669 | 4,110 | 4,556 |
| 28 1- to 4-family | 704 | 693 | 683 | 696 | 693 | 689 | 688 | 682 | 683 |
| 29 Multifamily | 3,938 | 4,072 | 3,873 | 3,686 | 4,072 | 3,749 | 3,981 | 3,428 | 3,873 |
| 30 Farmers Home Administration | 3,492 | 2,235 | 1,785 | 1,562 | 2,235 | 2,469 | 1,335 | 947 | 1,785 ^r |
| 31 1- to 4-family | 916 | 914 | 783 | 500 | 914 | 715 | 491 | 302 | 783 ^r |
| 32 Multifamily | 610 | 473 | 218 | 242 | 473 | 615 | 179 | 46 | 218 ^r |
| 33 Commercial | 411 | 506 | 377 | 325 | 506 | 499 | 256 | 164 | 377 ^r |
| 34 Farm | 1,555 | 342 | 407 | 495 | 342 | 640 | 409 | 435 | 407 ^r |
| 35 Federal Housing and Veterans Administration | 5,640 | 5,999 | 5,947 ^r | 6,005 | 5,999 | 6,003 | 5,908 | 5,362 ^r | 5,947 ^r |
| 36 1- to 4-family | 2,051 | 2,289 | 2,097 ^r | 2,240 | 2,289 | 2,266 | 2,218 | 2,130 ^r | 2,097 ^r |
| 37 Multifamily | 3,589 | 3,710 | 3,850 | 3,765 | 3,710 | 3,737 | 3,690 | 3,232 ^r | 3,850 |
| 38 Federal National Mortgage Association | 57,327 | 61,412 | 71,814 | 59,682 | 61,412 | 62,544 | 65,008 | 68,841 | 71,814 |
| 39 1- to 4-family | 51,775 | 55,986 | 66,500 | 54,227 | 55,986 | 57,142 | 59,631 | 63,495 | 66,500 |
| 40 Multifamily | 5,552 | 5,426 | 5,314 | 5,455 | 5,426 | 5,402 | 5,377 | 5,346 | 5,314 |
| 41 Federal Land Banks | 38,131 | 46,446 | 50,433 | 44,708 | 46,446 | 47,947 | 49,270 | 49,983 | 50,433 |
| 42 1- to 4-family | 2,099 | 2,788 | 3,077 | 2,605 | 2,788 | 2,874 | 2,954 | 3,029 | 3,077 |
| 43 Farm | 36,032 | 43,658 | 47,356 | 42,103 | 43,658 | 45,073 | 46,316 | 46,954 | 47,356 |
| 44 Federal Home Loan Mortgage Corporation | 5,068 | 5,255 | 4,756 | 5,433 | 5,255 | 5,320 | 5,295 | 5,206 | 4,756 |
| 45 1- to 4-family | 3,873 | 4,018 | 3,494 | 4,166 | 4,018 | 4,075 | 4,042 | 3,944 | 3,494 |
| 46 Multifamily | 1,195 | 1,237 | 1,262 | 1,267 | 1,237 | 1,245 | 1,253 | 1,262 | 1,262 |
| 47 Mortgage pools or trusts ² | 142,258 | 162,990 | 214,430 ^r | 158,140 | 162,990 | 172,292 | 183,647 | 198,365 | 214,430 ^r |
| 48 Government National Mortgage Association | 93,874 | 105,790 | 118,402 ^r | 103,750 | 105,790 | 108,592 | 111,459 | 114,776 | 118,402 ^r |
| 49 1- to 4-family | 91,602 | 103,007 | 115,293 ^r | 101,068 | 103,007 | 105,701 | 108,487 | 111,728 | 115,293 ^r |
| 50 Multifamily | 2,272 | 2,783 | 3,109 | 2,682 | 2,783 | 2,891 | 2,972 | 3,048 | 3,109 |
| 51 Federal Home Loan Mortgage Corporation | 16,854 | 19,843 ^r | 41,278 ^r | 17,936 | 19,843 ^r | 23,960 ^r | 28,693 ^r | 35,121 ^r | 41,278 ^r |
| 52 1- to 4-family | 13,471 | 16,605 | 46,903 | 14,401 | 16,605 | 21,781 | 27,193 | 35,686 | 46,903 |
| 53 Multifamily | 3,383 | 3,955 | 8,825 | 3,535 | 3,955 | 4,964 | 6,056 | 7,568 | 8,825 |
| 54 Federal National Mortgage Association ³ | n.a. | 717 | 14,450 | n.a. | 717 | 2,786 | 4,556 | 8,133 | 14,450 |
| 55 1- to 4-family | n.a. | 717 | 14,450 | n.a. | 717 | 2,786 | 4,556 | 8,133 | 14,450 |
| 56 Farmers Home Administration | 31,530 | 36,640 | 40,300 ^r | 36,454 | 36,640 | 36,955 | 38,939 | 40,335 | 40,300 ^r |
| 57 1- to 4-family | 16,683 | 18,378 | 20,005 ^r | 18,407 | 18,378 | 18,740 | 19,357 | 20,079 | 20,005 ^r |
| 58 Multifamily | 2,612 | 3,426 | 4,344 ^r | 3,488 | 3,426 | 3,447 | 4,044 | 4,344 | 4,344 ^r |
| 59 Commercial | 5,271 | 6,161 | 7,011 ^r | 6,040 | 6,161 | 6,351 | 6,762 | 7,056 | 7,011 ^r |
| 60 Farm | 6,964 | 8,675 | 8,940 ^r | 8,519 | 8,675 | 8,417 | 8,776 | 8,856 | 8,940 ^r |
| 61 Individual and others ⁴ | 218,060 | 253,808 | 279,500 | 247,869 | 253,803 | 260,735 | 266,671 | 273,218 | 279,500 |
| 62 1- to 4-family ⁵ | 138,284 | 167,412 | 187,325 | 162,524 | 167,412 | 172,560 | 177,592 | 182,554 | 187,325 |
| 63 Multifamily | 27,345 | 28,286 | 31,352 | 28,272 | 28,286 | 29,703 | 29,935 | 30,572 | 31,352 |
| 64 Commercial | 26,661 | 30,558 | 31,905 | 29,761 | 30,558 | 30,085 | 30,656 | 31,381 | 31,905 |
| 65 Farm | 25,770 | 27,547 | 28,918 | 27,312 | 27,547 | 28,387 | 28,488 | 28,711 | 28,918 |

1. Includes loans held by nondeposit trust companies but not bank trust departments.

2. Outstanding principal balances of mortgages backing securities insured or guaranteed by the agency indicated.

3. Outstanding balances on FNMA's issues of securities backed by pools of conventional mortgages held in trust. The program was implemented by FNMA in October 1981.

4. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and U.S. agencies for which amounts are small or for which separate data are not readily available.

5. Includes a new estimate of residential mortgage credit provided by individuals.

NOTE. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Department of Commerce. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations when required, are estimated mainly by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

1.56 CONSUMER INSTALLMENT CREDIT¹ Total Outstanding, and Net Change

Millions of dollars

| Holder, and type of credit | 1979 | 1980 | 1981 | 1982 | | | | | | |
|----------------------------|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | | | June | July | Aug. | Sept. | Oct. | Nov. | Dec. |
| | Amounts outstanding (end of period) | | | | | | | | | |
| 1 Total | 312,024 | 313,472 | 333,375 | 331,851 | 332,471 | 333,808 | 335,948 | 334,871 | 336,991 | 343,372 |
| By major holder | | | | | | | | | | |
| 2 Commercial banks | 154,177 | 147,013 | 149,300 | 146,775 | 146,745 | 147,275 | 148,280 | 147,926 | 148,270 | 150,643 |
| 3 Finance companies | 68,318 | 76,756 | 89,818 | 93,009 | 93,353 | 93,207 | 93,357 | 92,541 | 93,462 | 94,322 |
| 4 Credit unions | 46,517 | 44,041 | 45,954 | 45,882 | 45,698 | 46,154 | 46,846 | 46,645 | 46,832 | 47,253 |
| 5 Retailers ² | 28,119 | 28,448 | 29,551 | 26,645 | 26,710 | 26,751 | 26,829 | 27,046 | 27,639 | 30,202 |
| 6 Savings and loans | 8,424 | 9,911 | 11,598 | 12,312 | 12,520 | 12,833 | 13,051 | 13,457 | 13,672 | 13,891 |
| 7 Gasoline companies | 3,729 | 4,468 | 4,403 | 4,398 | 4,600 | 4,714 | 4,669 | 4,322 | 4,141 | 4,063 |
| 8 Mutual savings banks | 2,740 | 2,835 | 2,751 | 2,830 | 2,845 | 2,874 | 2,916 | 2,934 | 2,975 | 2,998 |
| By major type of credit | | | | | | | | | | |
| 9 Automobile | 116,362 | 116,838 | 126,431 | 128,415 | 128,359 | 128,281 | 129,085 | 128,619 | 129,594 | 130,504 |
| 10 Commercial banks | 67,367 | 61,536 | 59,181 | 58,140 | 58,131 | 58,222 | 58,762 | 58,796 | 58,996 | 59,128 |
| 11 Indirect paper | 38,338 | 35,233 | 35,097 | 34,903 | 34,979 | 34,996 | 35,449 | 35,490 | 35,686 | 35,962 |
| 12 Direct loans | 29,029 | 26,303 | 24,084 | 23,237 | 23,152 | 23,226 | 23,313 | 23,306 | 23,310 | 23,166 |
| 13 Credit unions | 22,244 | 21,060 | 21,975 | 21,940 | 21,852 | 22,071 | 22,402 | 22,306 | 22,395 | 22,596 |
| 14 Finance companies | 26,751 | 34,242 | 45,275 | 48,335 | 48,376 | 47,988 | 47,921 | 47,518 | 48,203 | 48,780 |
| 15 Revolving | 56,937 | 58,352 | 63,049 | 59,302 | 59,824 | 60,475 | 60,932 | 60,811 | 61,500 | 66,273 |
| 16 Commercial banks | 29,862 | 29,765 | 33,110 | 31,974 | 32,205 | 32,691 | 33,104 | 33,085 | 33,371 | 35,777 |
| 17 Retailers | 23,346 | 24,119 | 25,536 | 22,930 | 23,019 | 23,070 | 23,159 | 23,404 | 23,988 | 26,433 |
| 18 Gasoline companies | 3,729 | 4,468 | 4,403 | 4,398 | 4,600 | 4,714 | 4,669 | 4,322 | 4,141 | 4,063 |
| 19 Mobile home | 16,838 | 17,322 | 18,486 | 18,543 | 18,601 | 18,741 | 18,778 | 18,814 | 18,821 | 18,768 |
| 20 Commercial banks | 10,647 | 10,371 | 10,300 | 9,924 | 9,857 | 9,790 | 9,723 | 9,631 | 9,578 | 9,464 |
| 21 Finance companies | 3,390 | 3,745 | 4,494 | 4,731 | 4,801 | 4,916 | 4,953 | 4,971 | 4,970 | 4,965 |
| 22 Savings and loans | 2,307 | 2,737 | 3,203 | 3,400 | 3,458 | 3,544 | 3,604 | 3,716 | 3,775 | 3,836 |
| 23 Credit unions | 494 | 469 | 489 | 488 | 486 | 491 | 498 | 496 | 498 | 503 |
| 24 Other | 121,887 | 120,960 | 125,409 | 125,591 | 125,687 | 126,311 | 127,153 | 126,627 | 127,076 | 127,827 |
| 25 Commercial banks | 46,301 | 45,341 | 46,709 | 46,737 | 46,552 | 46,572 | 46,691 | 46,414 | 46,325 | 46,274 |
| 26 Finance companies | 38,177 | 38,769 | 40,049 | 39,943 | 40,176 | 40,303 | 40,483 | 40,052 | 40,289 | 40,577 |
| 27 Credit unions | 23,779 | 22,512 | 23,490 | 23,454 | 23,360 | 23,592 | 23,946 | 23,844 | 23,939 | 24,154 |
| 28 Retailers | 4,773 | 4,329 | 4,015 | 3,715 | 3,691 | 3,681 | 3,670 | 3,642 | 3,651 | 3,769 |
| 29 Savings and loans | 6,117 | 7,174 | 8,395 | 8,912 | 9,063 | 9,289 | 9,447 | 9,741 | 9,897 | 10,055 |
| 30 Mutual savings banks | 2,740 | 2,835 | 2,751 | 2,830 | 2,845 | 2,874 | 2,916 | 2,934 | 2,975 | 2,998 |
| | Net change (during period) ³ | | | | | | | | | |
| 31 Total | 38,381 | 1,448 | 19,894 | 1,349 | 570 | 66 | 1,092 | -324 | 2,523 | 2,192 |
| By major holder | | | | | | | | | | |
| 32 Commercial banks | 18,161 | -7,163 | 2,284 | -100 | -66 | -252 | 481 | -49 | 904 | 1,099 |
| 33 Finance companies | 14,020 | 8,438 | 13,062 | 874 | 195 | -142 | 115 | -393 | 1,133 | 845 |
| 34 Credit unions | 2,185 | -2,475 | 1,913 | 38 | -69 | 179 | 346 | -32 | 418 | 169 |
| 35 Retailers ² | 2,132 | 329 | 1,103 | 304 | 297 | -109 | 60 | -88 | -98 | -35 |
| 36 Savings and loans | 1,327 | 1,485 | 1,682 | 187 | 196 | 268 | 181 | 328 | 194 | 171 |
| 37 Gasoline companies | 509 | 739 | -65 | 38 | 3 | 65 | -115 | -115 | -39 | -93 |
| 38 Mutual savings banks | 47 | 95 | -85 | 8 | 14 | 57 | 24 | 25 | 11 | 36 |
| By major type of credit | | | | | | | | | | |
| 39 Automobile | 14,715 | 477 | 9,595 | 655 | 61 | -402 | 505 | -78 | 1,816 | 1,303 |
| 40 Commercial banks | 6,857 | -5,830 | -2,355 | -240 | 101 | -146 | 435 | 52 | 600 | 479 |
| 41 Indirect paper | 4,488 | -3,104 | -136 | -52 | 225 | -129 | 332 | 72 | 496 | 463 |
| 42 Direct loans | 2,369 | -2,726 | -2,219 | -188 | -124 | -17 | 103 | -20 | 104 | 16 |
| 43 Credit unions | 1,044 | -1,184 | 914 | 28 | -26 | 65 | 159 | -12 | 232 | 62 |
| 44 Finance companies | 6,814 | 7,491 | 11,033 | 867 | -14 | -321 | -89 | -118 | 984 | 762 |
| 45 Revolving | 8,628 | 1,415 | 4,697 | 507 | 612 | 143 | 210 | 108 | 107 | 532 |
| 46 Commercial banks | 5,521 | -97 | 3,345 | 219 | 266 | 162 | 243 | 246 | 202 | 680 |
| 47 Retailers | 2,598 | 773 | 1,417 | 250 | 343 | -84 | 82 | -23 | -56 | -55 |
| 48 Gasoline companies | 509 | 739 | -65 | 38 | 3 | 65 | -115 | -115 | -39 | -93 |
| 49 Mobile home | 1,603 | 483 | 1,161 | 67 | 63 | 141 | 10 | -4 | 40 | -68 |
| 50 Commercial banks | 1,102 | -276 | -74 | -58 | -57 | -62 | -67 | -97 | -19 | -90 |
| 51 Finance companies | 238 | 355 | 749 | 64 | 73 | 108 | 20 | -7 | 3 | -25 |
| 52 Savings and loans | 240 | 430 | 466 | 60 | 47 | 94 | 54 | 100 | 53 | 44 |
| 53 Credit unions | 23 | -25 | 20 | 1 | 0 | 1 | 3 | 0 | 3 | 3 |
| 54 Other | 13,435 | -927 | 4,441 | 120 | -166 | 184 | 367 | -350 | 560 | 425 |
| 55 Commercial banks | 4,681 | -960 | 1,368 | -21 | -376 | -206 | -130 | -250 | 121 | 30 |
| 56 Finance companies | 6,986 | 592 | 1,280 | -57 | 136 | 71 | 184 | -268 | 146 | 108 |
| 57 Credit unions | 1,118 | -1,266 | 975 | 9 | -43 | 113 | 184 | -20 | 183 | 104 |
| 58 Retailers | -466 | -444 | -314 | 54 | -46 | -25 | -22 | -65 | -42 | 20 |
| 59 Savings and loans | 1,087 | 1,056 | 1,217 | 127 | 149 | 174 | 127 | 228 | 141 | 127 |
| 60 Mutual savings banks | 47 | 95 | -85 | 8 | 14 | 57 | 24 | 25 | 11 | 36 |

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

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

3. Net change equals extensions minus liquidations (repayments, charge-offs and other credit); figures for all months are seasonally adjusted.

NOTE: Total consumer noninstallment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to, not seasonally adjusted, \$71.3 billion at the end of 1979, \$74.8 billion at the end of 1980, and \$80.2 billion at the end of 1981.

1.57 CONSUMER INSTALLMENT CREDIT Extensions and Liquidations

Millions of dollars; monthly data are seasonally adjusted.

| Holder, and type of credit | 1979 | 1980 | 1981 | 1982 | | | | | | |
|----------------------------|---------|---------|---------|------------|--------|--------|--------|--------|--------|--------|
| | | | | June | July | Aug. | Sept. | Oct. | Nov. | Dec. |
| | | | | Extensions | | | | | | |
| 1 Total | 324,777 | 306,076 | 336,341 | 29,737 | 27,514 | 27,579 | 28,268 | 28,062 | 31,610 | 30,462 |
| By major holder | | | | | | | | | | |
| 2 Commercial banks | 154,733 | 134,960 | 146,186 | 13,460 | 12,485 | 12,499 | 12,750 | 13,322 | 14,616 | 13,992 |
| 3 Finance companies | 61,518 | 60,801 | 66,344 | 5,700 | 4,607 | 4,685 | 4,894 | 4,427 | 6,231 | 5,752 |
| 4 Credit unions | 34,926 | 29,594 | 35,444 | 2,887 | 2,711 | 2,904 | 3,092 | 2,897 | 3,438 | 3,315 |
| 5 Retailers ¹ | 47,676 | 49,942 | 53,430 | 4,762 | 4,785 | 4,396 | 4,684 | 4,431 | 4,383 | 4,518 |
| 6 Savings and loans | 5,901 | 6,621 | 8,142 | 785 | 803 | 863 | 786 | 961 | 884 | 871 |
| 7 Gasoline companies | 18,005 | 22,253 | 24,902 | 1,969 | 1,944 | 2,021 | 1,876 | 1,835 | 1,867 | 1,799 |
| 8 Mutual savings banks | 2,018 | 1,905 | 1,893 | 174 | 179 | 211 | 186 | 189 | 191 | 215 |
| By major type of credit | | | | | | | | | | |
| 9 Automobile | 93,901 | 83,454 | 94,404 | 8,182 | 7,332 | 7,112 | 7,546 | 7,970 | 10,329 | 9,618 |
| 10 Commercial banks | 53,554 | 41,109 | 42,792 | 3,404 | 3,687 | 3,454 | 3,702 | 4,296 | 4,796 | 4,472 |
| 11 Indirect paper | 29,623 | 22,558 | 24,941 | 2,036 | 2,324 | 1,957 | 2,077 | 2,785 | 3,016 | 2,744 |
| 12 Direct loans | 23,931 | 18,551 | 17,851 | 1,368 | 1,363 | 1,497 | 1,625 | 1,511 | 1,780 | 1,728 |
| 13 Credit unions | 17,397 | 15,294 | 18,084 | 1,497 | 1,389 | 1,499 | 1,579 | 1,514 | 1,786 | 1,743 |
| 14 Finance companies | 22,950 | 27,051 | 33,527 | 3,281 | 2,256 | 2,159 | 2,265 | 2,160 | 3,747 | 3,403 |
| 15 Revolving | 120,174 | 128,068 | 140,135 | 13,361 | 12,551 | 12,497 | 12,464 | 12,340 | 12,489 | 12,336 |
| 16 Commercial banks | 61,048 | 61,593 | 67,370 | 7,141 | 6,237 | 6,512 | 6,336 | 6,455 | 6,638 | 6,473 |
| 17 Retailers | 41,121 | 44,222 | 47,863 | 4,251 | 4,370 | 3,964 | 4,252 | 4,050 | 3,984 | 4,064 |
| 18 Gasoline companies | 18,055 | 22,253 | 24,902 | 1,969 | 1,944 | 2,021 | 1,876 | 1,835 | 1,867 | 1,799 |
| 19 Mobile home | 6,471 | 5,093 | 6,028 | 459 | 441 | 581 | 452 | 476 | 484 | 455 |
| 20 Commercial banks | 4,542 | 2,937 | 3,106 | 180 | 173 | 194 | 191 | 174 | 237 | 196 |
| 21 Finance companies | 797 | 898 | 1,313 | 129 | 133 | 193 | 105 | 81 | 84 | 84 |
| 22 Savings and loans | 948 | 1,146 | 1,432 | 137 | 123 | 181 | 140 | 207 | 147 | 157 |
| 23 Credit unions | 184 | 113 | 176 | 13 | 12 | 13 | 16 | 14 | 16 | 18 |
| 24 Other | 104,231 | 89,461 | 95,774 | 7,735 | 7,190 | 7,389 | 7,806 | 7,276 | 8,308 | 8,053 |
| 25 Commercial banks | 35,589 | 29,321 | 32,918 | 2,735 | 2,388 | 2,339 | 2,521 | 2,397 | 2,945 | 2,851 |
| 26 Finance companies | 37,771 | 32,852 | 31,504 | 2,290 | 2,218 | 2,333 | 2,524 | 2,186 | 2,400 | 2,265 |
| 27 Credit unions | 17,345 | 14,187 | 17,182 | 1,377 | 1,310 | 1,392 | 1,497 | 1,369 | 1,636 | 1,554 |
| 28 Retailers | 6,555 | 5,720 | 5,567 | 511 | 415 | 432 | 432 | 381 | 399 | 454 |
| 29 Savings and loans | 4,953 | 5,476 | 6,710 | 648 | 680 | 682 | 646 | 754 | 737 | 714 |
| 30 Mutual savings banks | 2,018 | 1,905 | 1,893 | 174 | 179 | 211 | 186 | 189 | 191 | 215 |
| Liquidations | | | | | | | | | | |
| 31 Total | 286,396 | 304,628 | 316,447 | 28,388 | 26,944 | 27,513 | 27,176 | 28,386 | 29,087 | 28,270 |
| By major holder | | | | | | | | | | |
| 32 Commercial banks | 136,572 | 142,123 | 143,902 | 13,560 | 12,551 | 12,751 | 12,269 | 13,371 | 13,712 | 12,893 |
| 33 Finance companies | 47,498 | 52,363 | 53,282 | 4,826 | 4,412 | 4,827 | 4,779 | 4,820 | 5,098 | 4,907 |
| 34 Credit unions | 32,741 | 32,069 | 33,531 | 2,849 | 2,780 | 2,725 | 2,746 | 2,929 | 3,020 | 3,146 |
| 35 Retailers ¹ | 45,544 | 49,613 | 52,327 | 4,458 | 4,488 | 4,505 | 4,624 | 4,519 | 4,481 | 4,553 |
| 36 Savings and loans | 4,574 | 5,136 | 6,640 | 598 | 607 | 595 | 605 | 633 | 690 | 700 |
| 37 Gasoline companies | 17,496 | 21,514 | 24,967 | 1,931 | 1,941 | 1,956 | 1,991 | 1,950 | 1,906 | 1,892 |
| 38 Mutual savings banks | 1,971 | 1,810 | 1,978 | 166 | 165 | 154 | 162 | 164 | 180 | 179 |
| By major type of credit | | | | | | | | | | |
| 39 Automobile | 79,186 | 82,977 | 84,809 | 7,527 | 7,271 | 7,514 | 7,041 | 8,048 | 8,513 | 8,315 |
| 40 Commercial banks | 46,697 | 46,939 | 45,147 | 3,644 | 3,586 | 3,600 | 3,267 | 4,244 | 4,196 | 3,993 |
| 41 Indirect paper | 25,135 | 25,662 | 25,077 | 2,088 | 2,099 | 2,086 | 1,745 | 2,713 | 2,520 | 2,281 |
| 42 Direct loans | 21,562 | 21,277 | 20,070 | 1,556 | 1,487 | 1,514 | 1,522 | 1,531 | 1,676 | 1,712 |
| 43 Credit unions | 16,353 | 16,478 | 17,169 | 1,469 | 1,415 | 1,434 | 1,420 | 1,526 | 1,554 | 1,681 |
| 44 Finance companies | 16,136 | 19,560 | 22,494 | 2,414 | 2,270 | 2,480 | 2,354 | 2,278 | 2,763 | 2,641 |
| 45 Revolving | 111,546 | 126,653 | 135,438 | 12,854 | 11,939 | 12,354 | 12,254 | 12,232 | 12,382 | 11,804 |
| 46 Commercial banks | 55,527 | 61,690 | 64,025 | 6,922 | 5,971 | 6,350 | 6,093 | 6,209 | 6,436 | 5,793 |
| 47 Retailers | 38,523 | 43,449 | 46,446 | 4,001 | 4,027 | 4,048 | 4,170 | 4,073 | 4,040 | 4,119 |
| 48 Gasoline companies | 17,496 | 21,514 | 24,967 | 1,931 | 1,941 | 1,956 | 1,991 | 1,950 | 1,906 | 1,892 |
| 49 Mobile home | 4,868 | 4,610 | 4,867 | 392 | 378 | 440 | 442 | 480 | 444 | 523 |
| 50 Commercial banks | 3,440 | 3,213 | 3,180 | 238 | 226 | 258 | 258 | 271 | 256 | 286 |
| 51 Finance companies | 559 | 543 | 564 | 65 | 60 | 85 | 85 | 88 | 81 | 109 |
| 52 Savings and loans | 708 | 716 | 966 | 77 | 76 | 87 | 86 | 107 | 94 | 113 |
| 53 Credit unions | 161 | 138 | 156 | 12 | 12 | 12 | 13 | 14 | 13 | 15 |
| 54 Other | 90,796 | 90,388 | 91,333 | 7,615 | 7,356 | 7,205 | 7,439 | 7,626 | 7,748 | 7,628 |
| 55 Commercial banks | 30,908 | 30,281 | 31,550 | 2,756 | 2,764 | 2,545 | 2,651 | 2,647 | 2,824 | 2,821 |
| 56 Finance companies | 30,803 | 32,260 | 30,224 | 2,347 | 2,082 | 2,262 | 2,340 | 2,454 | 2,254 | 2,157 |
| 57 Credit unions | 16,227 | 15,453 | 16,207 | 1,368 | 1,353 | 1,279 | 1,313 | 1,389 | 1,453 | 1,450 |
| 58 Retailers | 7,021 | 6,164 | 5,881 | 457 | 461 | 457 | 454 | 446 | 441 | 434 |
| 59 Savings and loans | 3,866 | 4,420 | 5,493 | 521 | 531 | 508 | 519 | 526 | 596 | 587 |
| 60 Mutual savings banks | 1,971 | 1,810 | 1,978 | 166 | 165 | 154 | 162 | 164 | 180 | 179 |

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

1.58 FUNDS RAISED IN U.S. CREDIT MARKETS

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

| Transaction category, sector | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1980 | | 1981 | | 1982 | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | | | H1 | H2 | H1 | H2 | H1 | H2 |
| Nonfinancial sectors | | | | | | | | | | | | |
| 1 Total net borrowing by domestic nonfinancial sectors | 243.4 | 317.7 | 368.6 | 388.8 | 355.0 | 391.1 | 384.4 | 325.1 | 384.9 | 402.7 | 379.6 | 365.1 |
| By sector and instrument | | | | | | | | | | | | |
| 2 U.S. government | 69.0 | 56.8 | 53.7 | 37.4 | 79.2 | 87.4 | 46.1 | 63.3 | 95.1 | 81.9 | 92.9 | 99.3 |
| 3 Treasury securities | 69.1 | 57.6 | 55.1 | 38.8 | 79.8 | 87.8 | 46.6 | 63.9 | 95.7 | 82.4 | 93.2 | 100.6 |
| 4 Agency issues and mortgages | -1 | -9 | -1.4 | -1.4 | -6 | -5 | -5 | -6 | -6 | -5 | -4 | -1.4 |
| 5 Private domestic nonfinancial sectors | 174.3 | 260.9 | 314.9 | 351.5 | 275.8 | 303.7 | 338.3 | 261.9 | 289.7 | 320.8 | 286.7 | 265.8 |
| 6 Debt capital instruments | 123.6 | 169.8 | 198.7 | 216.0 | 204.1 | 175.0 | 213.1 | 203.8 | 204.4 | 196.5 | 153.5 | 157.5 |
| 7 Tax-exempt obligations | 15.7 | 21.9 | 28.4 | 29.8 | 35.9 | 32.9 | 32.8 | 30.7 | 41.0 | 35.1 | 30.6 | 53.1 |
| 8 Corporate bonds | 22.8 | 21.0 | 20.1 | 22.5 | 33.2 | 23.9 | 22.6 | 37.3 | 29.0 | 24.7 | 23.0 | 13.4 |
| 9 Mortgages | | | | | | | | | | | | |
| 10 Home mortgages | 63.9 | 94.3 | 112.1 | 120.1 | 96.7 | 78.6 | 113.9 | 96.5 | 96.9 | 95.2 | 62.0 | 54.8 |
| 11 Multifamily residential | 3.9 | 7.1 | 9.2 | 7.8 | 8.8 | 4.6 | 6.9 | 8.1 | 9.5 | 5.1 | 4.1 | 8.5 |
| 12 Commercial | 11.6 | 18.4 | 21.7 | 23.9 | 20.2 | 25.3 | 25.4 | 20.3 | 20.1 | 27.4 | 23.2 | 22.2 |
| 13 Farm | 5.7 | 7.1 | 7.2 | 11.8 | 9.3 | 9.8 | 11.5 | 10.9 | 7.8 | 9.0 | 10.5 | 5.4 |
| 14 Other debt instruments | 50.7 | 91.1 | 116.2 | 135.5 | 71.7 | 128.8 | 125.2 | 58.1 | 85.4 | 124.3 | 133.2 | 108.3 |
| 15 Consumer credit | 25.4 | 40.2 | 48.8 | 45.4 | 4.9 | 25.3 | 41.0 | -3.3 | 13.0 | 29.4 | 21.2 | 14.4 |
| 16 Bank loans n.e.c. | 4.4 | 26.7 | 37.1 | 49.2 | 35.4 | 51.1 | 39.6 | 18.0 | 52.7 | 47.7 | 54.6 | 77.1 |
| 17 Open market paper | 4.0 | 2.9 | 5.2 | 11.1 | 6.6 | 19.2 | 17.4 | 20.3 | -7.1 | 10.7 | 27.6 | 4.4 |
| 18 Other | 16.9 | 21.3 | 25.1 | 29.7 | 24.9 | 33.1 | 27.2 | 23.0 | 26.7 | 36.5 | 29.8 | 12.4 |
| 19 By borrowing sector | 174.3 | 260.9 | 314.9 | 351.5 | 275.8 | 303.7 | 338.3 | 261.9 | 289.7 | 320.8 | 286.7 | 265.8 |
| 20 State and local governments | 15.2 | 15.4 | 19.1 | 20.2 | 27.3 | 22.3 | 22.5 | 21.8 | 32.8 | 25.1 | 19.5 | 41.5 |
| 21 Households | 89.5 | 137.3 | 169.3 | 176.5 | 117.5 | 120.4 | 165.8 | 115.2 | 119.8 | 141.0 | 99.9 | 83.6 |
| 22 Farm | 10.2 | 12.3 | 14.6 | 21.4 | 14.4 | 16.4 | 22.7 | 15.7 | 13.0 | 19.9 | 12.8 | 8.4 |
| 23 Nonfarm noncorporate | 15.4 | 28.3 | 32.4 | 34.4 | 33.8 | 40.5 | 37.0 | 27.5 | 40.2 | 41.8 | 39.3 | 34.9 |
| 24 Corporate | 44.0 | 67.6 | 79.4 | 99.0 | 82.8 | 104.1 | 90.3 | 81.7 | 83.9 | 93.0 | 115.2 | 97.4 |
| 25 Foreign net borrowing in U.S. | 19.3 | 13.5 | 33.8 | 20.2 | 27.2 | 27.3 | 26.6 | 29.0 | 25.3 | 34.0 | 20.6 | 17.4 |
| 26 Bonds | 8.6 | 5.1 | 4.2 | 3.9 | .8 | 5.5 | 4.9 | 2.0 | -4 | 3.3 | 7.6 | 2.2 |
| 27 Bank loans n.e.c. | 5.6 | 3.1 | 19.1 | 2.3 | 11.5 | 3.7 | 2.6 | 5.9 | 17.2 | 5.0 | 2.3 | -4 |
| 28 Open market paper | 1.9 | 2.4 | 6.6 | 11.2 | 10.1 | 13.9 | 16.3 | 15.7 | 4.5 | 20.6 | 7.1 | 12.5 |
| 29 U.S. government loans | 3.3 | 3.0 | 3.9 | 2.9 | 4.7 | 4.3 | 2.8 | 5.4 | 4.0 | 5.0 | 3.6 | 3.2 |
| 29 Total domestic plus foreign | 262.7 | 331.2 | 402.3 | 409.1 | 382.2 | 418.4 | 411.0 | 354.2 | 410.2 | 436.7 | 400.2 | 382.5 |
| Financial sectors | | | | | | | | | | | | |
| 30 Total net borrowing by financial sectors | 22.7 | 48.8 | 75.0 | 80.7 | 61.3 | 80.7 | 76.1 | 57.6 | 65.0 | 85.8 | 75.5 | 93.3 |
| By instrument | | | | | | | | | | | | |
| 31 U.S. government related | 14.3 | 21.9 | 36.7 | 47.3 | 43.6 | 45.1 | 50.8 | 47.3 | 39.8 | 42.5 | 47.8 | 59.3 |
| 32 Sponsored credit agency securities | 2.5 | 7.0 | 23.1 | 24.3 | 24.4 | 30.1 | 25.8 | 27.1 | 21.7 | 26.9 | 33.3 | 21.4 |
| 33 Mortgage pool securities | 12.2 | 16.1 | 13.6 | 23.1 | 19.2 | 15.0 | 25.0 | 20.2 | 18.1 | 15.6 | 14.5 | 37.9 |
| 34 Loans from U.S. government | -4 | -1.2 | | | | | | | | | | |
| 35 Private financial sectors | 8.4 | 26.9 | 38.3 | 33.4 | 17.7 | 35.6 | 25.3 | 10.3 | 25.2 | 43.4 | 27.8 | 34.0 |
| 36 Corporate bonds | 9.8 | 10.1 | 7.5 | 7.8 | 7.1 | -8 | 7.7 | 9.9 | 4.4 | -2.1 | .4 | -3.4 |
| 37 Mortgages | 2.1 | 3.1 | .9 | -1.2 | -9 | -2.9 | -2.9 | -5.3 | 3.5 | -2.3 | -3.5 | 1.9 |
| 38 Bank loans n.e.c. | -3.7 | -3 | 2.8 | -4 | -4 | 2.2 | .5 | .1 | -9 | 3.7 | .7 | 5.9 |
| 39 Open market paper | 2.2 | 9.6 | 14.6 | 18.0 | 4.8 | 20.9 | 10.8 | -1 | 9.7 | 24.8 | 17.0 | 16.0 |
| 40 Loans from Federal Home Loan Banks | -2.0 | 4.3 | 12.5 | 9.2 | 7.1 | 16.2 | 9.2 | 5.8 | 8.5 | 19.3 | 13.2 | 13.8 |
| By sector | | | | | | | | | | | | |
| 41 Sponsored credit agencies | 2.1 | 5.8 | 23.1 | 24.3 | 24.4 | 30.1 | 25.8 | 27.1 | 21.7 | 26.9 | 33.3 | 21.4 |
| 42 Mortgage pools | 12.2 | 16.1 | 13.6 | 23.1 | 19.2 | 15.0 | 25.0 | 20.2 | 18.1 | 15.6 | 14.5 | 37.9 |
| 43 Private financial sectors | 8.2 | 30.3 | 40.8 | 36.6 | 24.9 | 44.1 | 27.9 | 17.7 | 32.0 | 53.0 | 35.3 | 50.7 |
| 44 Commercial banks | 2.3 | 1.1 | 1.3 | 1.6 | .5 | .4 | 1.8 | .8 | .3 | .2 | .5 | .6 |
| 45 Bank affiliates | 5.4 | 2.0 | 7.2 | 6.5 | 6.9 | 8.3 | 4.9 | 5.8 | 8.0 | 6.9 | 9.7 | 9.7 |
| 46 Savings and loan associations | .1 | 9.9 | 14.3 | 11.4 | 6.6 | 13.1 | 10.2 | .1 | 13.2 | 19.2 | 6.9 | 16.6 |
| 47 Finance companies | 4.3 | 16.9 | 18.1 | 16.6 | 6.3 | 14.1 | 11.0 | 6.0 | 6.5 | 17.3 | 11.0 | 7.6 |
| 48 REITs | -1.9 | -2.5 | -1.4 | -1.3 | -2.2 | .2 | -1.1 | -2.0 | -2.5 | .2 | .2 | .1 |
| All sectors | | | | | | | | | | | | |
| 49 Total net borrowing | 285.4 | 379.9 | 477.4 | 489.7 | 443.5 | 499.1 | 487.1 | 411.8 | 475.2 | 522.5 | 475.7 | 475.8 |
| 50 U.S. government securities | 83.8 | 79.9 | 90.5 | 84.8 | 122.9 | 132.6 | 97.0 | 110.7 | 135.1 | 124.5 | 140.7 | 158.7 |
| 51 State and local obligations | 15.7 | 21.9 | 28.4 | 29.8 | 35.9 | 32.9 | 32.8 | 30.7 | 41.0 | 35.1 | 30.6 | 53.1 |
| 52 Corporate and foreign bonds | 41.2 | 36.1 | 31.8 | 34.2 | 41.1 | 28.5 | 35.2 | 49.3 | 33.0 | 26.0 | 30.9 | 12.2 |
| 53 Mortgages | 87.1 | 129.9 | 151.0 | 162.4 | 134.0 | 115.2 | 154.7 | 130.4 | 137.7 | 134.3 | 96.2 | 92.7 |
| 54 Consumer credit | 25.4 | 40.2 | 48.8 | 45.4 | 4.9 | 25.3 | 41.0 | -3.3 | 13.0 | 29.4 | 21.2 | 14.4 |
| 55 Bank loans n.e.c. | 6.2 | 29.5 | 59.0 | 51.0 | 46.5 | 57.0 | 42.7 | 24.0 | 69.0 | 56.4 | 57.6 | 82.5 |
| 56 Open market paper | 8.1 | 15.0 | 26.4 | 40.3 | 21.6 | 54.0 | 44.5 | 35.9 | 7.2 | 56.2 | 51.8 | 32.8 |
| 57 Other loans | 17.8 | 27.4 | 41.5 | 41.8 | 36.6 | 53.7 | 39.2 | 34.1 | 39.2 | 60.7 | 46.6 | 29.4 |
| External corporate equity funds raised in U.S. | | | | | | | | | | | | |
| 58 Total new share issues | 10.6 | 6.5 | 1.9 | -3.8 | 22.1 | -2.9 | -1.7 | 16.3 | 27.9 | 11.2 | -17.0 | 16.3 |
| 59 Mutual funds | -2.4 | .9 | -1 | .1 | 5.0 | 7.7 | .8 | 5.5 | 4.5 | 8.9 | 6.5 | 14.5 |
| 60 All other | 13.1 | 5.6 | 1.9 | -3.9 | 17.1 | -10.6 | -9 | 10.8 | 23.4 | 2.3 | -23.5 | 1.8 |
| 61 Nonfinancial corporations | 10.5 | 2.7 | -1 | -7.8 | 12.9 | -11.5 | -6.1 | 6.9 | 18.8 | .9 | -23.8 | -1 |
| 62 Financial corporations | 2.2 | 2.5 | 2.5 | 3.2 | 2.1 | .9 | 3.4 | 1.9 | 2.3 | .8 | 1.0 | 2.2 |
| 63 Foreign shares purchased in U.S. | .3 | .4 | -5 | .8 | 2.1 | * | 1.7 | 1.9 | 2.2 | .7 | -7 | -2 |

1.59 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 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1980 | | 1981 | | 1982 | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | | | | | H1 | H2 | H1 | H2 | H1 | H2 |
| 1 Total funds advanced in credit markets to domestic nonfinancial sectors | 243.4 | 317.7 | 368.6 | 388.8 | 355.0 | 391.1 | 384.4 | 325.1 | 384.9 | 402.7 | 379.6 | 365.1 |
| <i>By public agencies and foreign</i> | | | | | | | | | | | | |
| 2 Total net advances | 49.8 | 79.2 | 101.9 | 74.6 | 95.8 | 95.9 | 101.0 | 104.6 | 87.0 | 98.7 | 93.2 | 92.1 |
| 3 U.S. government securities | 23.1 | 34.9 | 36.1 | -6.3 | 15.7 | 17.2 | 16.6 | 20.5 | 10.9 | 15.9 | 18.5 | ..... |
| 4 Residential mortgages | 12.3 | 20.0 | 25.7 | 35.8 | 31.7 | 23.4 | 36.7 | 34.9 | 28.5 | 21.4 | 25.5 | 47.4 |
| 5 FHLB advances to savings and loans | -2.0 | 4.3 | 12.5 | 9.2 | 7.1 | 16.2 | 9.2 | 5.8 | 8.5 | 19.3 | 13.2 | 13.8 |
| 6 Other loans and securities | 16.4 | 20.1 | 27.6 | 35.9 | 41.3 | 39.1 | 38.6 | 43.4 | 39.1 | 42.1 | 36.0 | 30.9 |
| <i>Total advanced, by sector</i> | | | | | | | | | | | | |
| 7 U.S. government | 7.9 | 10.0 | 17.1 | 19.0 | 23.7 | 24.2 | 18.7 | 24.6 | 22.8 | 27.1 | 21.2 | 14.0 |
| 8 Sponsored credit agencies | 16.8 | 22.4 | 39.9 | 52.4 | 44.4 | 46.0 | 56.9 | 45.2 | 43.7 | 44.3 | 47.7 | 60.5 |
| 9 Monetary authorities | 9.8 | 7.1 | 7.0 | 7.7 | 4.5 | 9.2 | 14.0 | 14.9 | -5.9 | -3.7 | 22.1 | -6.3 |
| 10 Foreign | 15.2 | 39.6 | 38.0 | -4.6 | 23.2 | 16.6 | 11.3 | 19.9 | 26.5 | 30.9 | 2.2 | 24.0 |
| <i>Agency and foreign borrowing not in line 1</i> | | | | | | | | | | | | |
| 11 Sponsored credit agencies & mortgage pools | 14.3 | 21.9 | 36.7 | 47.3 | 43.6 | 45.1 | 50.8 | 47.3 | 39.8 | 42.5 | 47.8 | 59.3 |
| 12 Foreign | 19.3 | 13.5 | 33.8 | 20.2 | 27.2 | 27.3 | 26.6 | 29.0 | 25.3 | 34.0 | 20.6 | 17.4 |
| <i>Private domestic funds advanced</i> | | | | | | | | | | | | |
| 13 Total net advances | 227.1 | 273.9 | 337.1 | 381.8 | 329.9 | 367.6 | 360.8 | 296.9 | 362.9 | 380.5 | 354.7 | 349.8 |
| 14 U.S. government securities | 60.7 | 45.1 | 54.3 | 91.1 | 107.2 | 115.4 | 80.5 | 90.2 | 124.2 | 108.5 | 122.3 | 158.7 |
| 15 State and local obligations | 15.7 | 21.9 | 28.4 | 29.8 | 35.9 | 32.9 | 32.8 | 30.7 | 41.0 | 35.1 | 30.6 | 53.1 |
| 16 Corporate and foreign bonds | 30.5 | 22.2 | 22.4 | 23.7 | 25.8 | 20.6 | 24.1 | 31.6 | 20.1 | 18.6 | 22.7 | * |
| 17 Residential mortgages | 55.4 | 81.4 | 95.5 | 92.0 | 73.7 | 59.7 | 84.0 | 69.6 | 77.8 | 78.8 | 40.5 | 15.8 |
| 18 Other mortgages and loans | 62.9 | 107.6 | 149.1 | 154.3 | 94.4 | 155.3 | 148.7 | 80.6 | 108.3 | 158.7 | 151.8 | 135.9 |
| 19 LESS: Federal Home Loan Bank advances | -2.0 | 4.3 | 12.5 | 9.2 | 7.1 | 16.2 | 9.2 | 5.8 | 8.5 | 19.3 | 13.2 | 13.8 |
| <i>Private financial intermediation</i> | | | | | | | | | | | | |
| 20 Credit market funds advanced by private financial institutions | 190.9 | 261.7 | 302.9 | 292.2 | 257.9 | 301.3 | 260.7 | 245.4 | 270.4 | 326.3 | 276.3 | 277.8 |
| 21 Commercial banking | 59.6 | 87.6 | 128.7 | 121.1 | 99.7 | 103.5 | 108.1 | 64.7 | 134.8 | 107.8 | 99.2 | 120.9 |
| 22 Savings institutions | 70.2 | 81.6 | 73.6 | 55.5 | 54.1 | 24.6 | 48.9 | 34.9 | 73.2 | 43.9 | 5.3 | 29.7 |
| 23 Insurance and pension funds | 49.7 | 69.0 | 75.0 | 66.4 | 74.4 | 75.8 | 60.1 | 84.3 | 64.4 | 75.8 | 75.8 | 87.6 |
| 24 Other finance | 11.4 | 23.5 | 25.6 | 49.2 | 29.8 | 97.4 | 43.6 | 61.5 | -1.9 | 98.8 | 95.9 | 39.5 |
| 25 Sources of funds | 190.9 | 261.7 | 302.9 | 292.2 | 257.9 | 301.3 | 260.7 | 245.4 | 270.4 | 326.3 | 276.3 | 277.8 |
| 26 Private domestic deposits and RP's | 124.4 | 138.9 | 141.1 | 142.5 | 167.8 | 211.2 | 145.9 | 162.5 | 173.1 | 212.0 | 210.3 | 158.4 |
| 27 Credit market borrowing | 8.4 | 26.9 | 38.3 | 33.4 | 17.7 | 35.6 | 25.3 | 10.3 | 25.2 | 43.4 | 27.8 | 34.0 |
| 28 Other sources | 58.0 | 96.0 | 123.5 | 116.4 | 72.4 | 54.6 | 89.5 | 72.7 | 72.1 | 70.9 | 38.2 | 85.4 |
| 29 Foreign funds | -4.7 | 1.2 | 6.3 | 25.6 | -23.0 | -8.8 | 3.4 | -20.0 | -26.0 | -7 | -16.8 | -18.2 |
| 30 Treasury balances | -1.1 | 4.3 | 6.8 | 4 | -2.6 | -1.1 | -7 | -6.1 | 1.0 | 6.0 | -8.2 | -4.9 |
| 31 Insurance and pension reserves | 34.3 | 51.4 | 62.2 | 49.1 | 65.4 | 70.8 | 43.8 | 70.3 | 60.5 | 66.0 | 75.6 | 77.7 |
| 32 Other, net | 28.5 | 39.1 | 48.3 | 41.3 | 32.6 | -6.4 | 43.0 | 28.6 | 36.6 | -4 | -12.3 | 30.7 |
| <i>Private domestic nonfinancial investors</i> | | | | | | | | | | | | |
| 33 Direct lending in credit markets | 44.7 | 39.0 | 72.5 | 122.9 | 89.7 | 101.9 | 125.4 | 61.7 | 117.7 | 97.5 | 106.2 | 106.0 |
| 34 U.S. government securities | 15.9 | 24.6 | 36.3 | 61.4 | 38.3 | 50.4 | 54.9 | 23.3 | 53.3 | 43.0 | 57.7 | 58.8 |
| 35 State and local obligations | 3.3 | -8 | 3.6 | 9.4 | 12.6 | 20.3 | 11.5 | 6.2 | 18.9 | 22.8 | 17.8 | 41.8 |
| 36 Corporate and foreign bonds | 11.8 | -5.1 | -2.9 | 10.2 | 9.3 | -7.9 | 16.9 | 7.8 | 10.8 | -9.2 | -6.6 | -26.4 |
| 37 Open-market paper | 1.9 | 9.6 | 15.6 | 12.1 | -3.4 | 3.5 | 14.6 | -8.1 | 1.4 | -1.4 | 8.4 | 7.8 |
| 38 Other | 11.8 | 10.7 | 19.9 | 29.8 | 32.9 | 35.6 | 27.6 | 32.5 | 33.3 | 42.3 | 29.0 | 24.1 |
| 39 Deposits and currency | 133.4 | 148.5 | 152.3 | 151.9 | 179.2 | 221.0 | 149.9 | 172.4 | 186.1 | 218.6 | 223.4 | 158.4 |
| 40 Currency | 7.3 | 8.3 | 9.3 | 7.9 | 10.3 | 9.5 | 6.3 | 9.3 | 11.3 | 5.8 | 13.2 | 2.1 |
| 41 Checkable deposits | 10.4 | 17.2 | 16.3 | 19.2 | 4.2 | 18.3 | 22.5 | -2.5 | 11.0 | 26.5 | 10.1 | 8.6 |
| 42 Small time and savings accounts | 123.7 | 93.5 | 63.7 | 61.0 | 79.5 | 46.6 | 50.7 | 73.4 | 85.7 | 26.9 | 66.3 | 79.3 |
| 43 Money market fund shares | * | 2 | 6.9 | 34.4 | 29.2 | 107.5 | 38.6 | 61.9 | -3.4 | 104.1 | 110.8 | 39.4 |
| 44 Large time deposits | 12.0 | 25.8 | 46.6 | 21.2 | 48.3 | 36.3 | 39.4 | 24.4 | 72.1 | 46.8 | 25.7 | 30.1 |
| 45 Security RPs | 2.3 | 2.2 | 7.5 | 6.6 | 6.5 | 2.5 | -5.3 | 5.3 | 7.8 | 7.7 | -2.6 | 1.0 |
| 46 Foreign deposits | 1.7 | 1.3 | 2.0 | 1.5 | 1.1 | .3 | -2.3 | .6 | 1.7 | .8 | -2 | -2.0 |
| 47 Total of credit market instruments, deposits and currency | 178.1 | 187.5 | 224.9 | 274.8 | 269.0 | 322.8 | 275.3 | 234.1 | 303.8 | 316.1 | 329.6 | 264.4 |
| 48 Public holdings as percent of total | 19.0 | 23.9 | 25.3 | 18.2 | 25.1 | 22.9 | 24.6 | 29.5 | 21.2 | 22.6 | 23.3 | 24.1 |
| 49 Private financial intermediation (in percent) | 84.0 | 95.6 | 89.9 | 76.5 | 78.2 | 82.0 | 72.3 | 82.7 | 74.5 | 85.8 | 77.9 | 79.4 |
| 50 Total foreign funds | 10.5 | 40.8 | 44.3 | 21.0 | .2 | 7.8 | 14.8 | * | .5 | 30.3 | -14.6 | 5.8 |
| MEMO: Corporate equities not included above | | | | | | | | | | | | |
| 51 Total net issues | 10.6 | 6.5 | 1.9 | -3.8 | 22.1 | -2.9 | -1.7 | 16.3 | 27.9 | 11.2 | -17.0 | 16.3 |
| 52 Mutual fund shares | -2.4 | .9 | -1 | .1 | 5.0 | 7.7 | -8 | 5.5 | 4.5 | 8.9 | 6.5 | 14.5 |
| 53 Other equities | 13.1 | 5.6 | 1.9 | -3.9 | 17.1 | -10.6 | -9 | 10.8 | 23.4 | 2.3 | -23.5 | 1.8 |
| 54 Acquisitions by financial institutions | 12.5 | 7.4 | 4.6 | 10.4 | 14.6 | 22.9 | 14.2 | 8.6 | 20.7 | 25.3 | 20.5 | 20.8 |
| 55 Other net purchases | -1.9 | -8 | -2.7 | -14.2 | 7.5 | -25.8 | -15.9 | 7.7 | 7.2 | -14.1 | -37.5 | -4.4 |

NOTES BY LINE NUMBER.

1. Line 1 of table 1.58.
2. Sum of lines 3-6 or 7-10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28, 33, and 39 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
30. Demand deposits at commercial banks.
31. Excludes net investment of these reserves in corporate equities.

32. Mainly retained earnings and net miscellaneous liabilities.

33. Line 12 less line 20 plus line 27.

34-38. Lines 14-18 less amounts acquired by private finance. Line 38 includes mortgages.

40. Mainly an offset to line 9.

47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.

48. Line 2/line 1.

49. Line 20/line 13.

50. Sum of lines 10 and 29.

51, 53. Includes issues by financial institutions.

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

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

1967 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

| Measure | 1980 | 1981 | 1982 | 1982 | | | | | | | 1983 | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------------|--------------|--------------|--------------|
| | | | | June | July | Aug. | Sept. | Oct. | Nov. ⁷ | Dec. | Jan. | Feb. |
| 1 Industrial production¹ | 147.0 | 151.0 | 138.6 | 138.7 | 138.8 | 138.4 | 137.3 | 135.7 | 134.9 | 135.2 | 136.9 | 137.3 |
| Market groupings | | | | | | | | | | | | |
| 2 Products, total | 146.7 | 150.6 | 141.8 | 142.1 | 142.6 | 142.0 | 140.8 | 139.3 | 139.0 | 140.0 | 140.9 | 141.1 |
| 3 Final, total | 145.3 | 149.5 | 141.5 | 142.1 | 142.5 | 141.2 | 140.0 | 138.7 | 138.3 | 139.5 | 140.1 | 140.2 |
| 4 Consumer goods | 145.4 | 147.9 | 142.6 | 144.8 | 145.8 | 144.1 | 143.4 | 142.2 | 141.3 | 142.1 | 143.7 | 144.4 |
| 5 Equipment | 145.2 | 151.5 | 139.8 | 138.4 | 138.0 | 137.3 | 135.2 | 134.0 | 134.2 | 135.9 | 135.2 | 134.3 |
| 6 Intermediate | 151.9 | 154.4 | 143.3 | 141.9 | 142.8 | 144.7 | 143.7 | 141.6 | 141.8 | 141.9 | 143.7 | 144.4 |
| 7 Materials | 147.6 | 151.6 | 133.7 | 133.5 | 133.0 | 132.8 | 132.0 | 130.0 | 128.4 | 127.8 | 130.8 | 131.5 |
| Industry groupings | | | | | | | | | | | | |
| 8 Manufacturing | 146.7 | 150.4 | 137.6 | 137.7 | 138.1 | 138.0 | 137.1 | 135.0 | 134.0 | 134.5 | 136.3 | 137.1 |
| Capacity utilization (percent) ^{1,2} | | | | | | | | | | | | |
| 9 Manufacturing | 79.1 | 78.5 | 69.8 | 70.0 | 70.0 | 69.8 | 69.2 | 68.0 | 67.4 | 67.5 | 68.3 | 68.5 |
| 10 Industrial materials industries | 80.0 | 79.9 | 68.9 | 68.8 | 68.5 | 68.2 | 67.7 | 66.6 | 65.7 | 65.2 | 66.6 | 66.9 |
| 11 Construction contracts (1977 = 100) ³ | 107.0 | 111.0 | 111.0 | 111.0 | 98.0 | 112.0 | 117.0 | 105.0 | 122.0 | 131.0 | 127.0 | n.a. |
| 12 Nonagricultural employment, total ⁴ | 137.4 | 138.5 | 136.2 | 136.5 | 136.1 | 135.7 | 135.7 | 135.1 | 134.9 | 134.6 | 135.1 | 134.8 |
| 13 Goods-producing, total | 110.1 | 109.3 | 102.5 | 102.9 | 102.3 | 101.5 | 101.0 | 99.7 | 99.0 | 98.2 | 99.3 | 98.8 |
| 14 Manufacturing, total | 104.3 | 103.7 | 96.9 | 97.3 | 96.7 | 96.0 | 95.5 | 94.2 | 93.5 | 93.2 | 93.6 | 93.7 |
| 15 Manufacturing, production-worker | 99.3 | 98.0 | 89.3 | 89.8 | 89.2 | 88.4 | 87.8 | 86.2 | 85.3 | 85.1 | 85.5 | 85.8 |
| 16 Service-producing | 152.4 | 154.4 | 154.7 | 154.9 | 154.6 | 154.5 | 154.7 | 154.4 | 154.5 | 154.3 | 154.7 | 154.6 |
| 17 Personal income, total | 342.9 | 383.5 | 408.0 | 407.3 | 410.8 | 411.4 | 412.3 | 414.5 | 417.7 | 418.7 | 418.9 | ..... |
| 18 Wages and salary disbursements | 317.6 | 349.9 | 365.5 | 366.0 | 367.6 | 367.8 | 367.7 | 368.0 | 368.2 | 369.8 | 373.7 | ..... |
| 19 Manufacturing | 264.3 | 288.1 | 285.3 | 288.4 | 287.7 | 286.4 | 284.5 | 281.3 | 280.0 | 279.5 | 282.3 | ..... |
| 20 Disposable personal income ⁵ | 332.9 | 370.3 | 396.7 | 393.4 | 400.6 | 400.9 | 402.0 | 404.1 | 407.4 | 408.0 | 408.0 | ..... |
| 21 Retail sales ⁶ | 303.8 | 330.6 | 326.0 | 338.6 | 341.9 | 340.3 | 343.5 | 347.4 | 353.4 | 353.3 | 352.0 | 350.6 |
| Prices ⁷ | | | | | | | | | | | | |
| 22 Consumer | 246.8 | 272.4 | 289.1 | 290.6 | 292.2 | 292.8 | 293.3 | 294.1 | 293.6 | 292.4 | 292.6 | ..... |
| 23 Producer finished goods | 247.0 | 269.8 | 280.6 | 279.9 | 281.7 | 282.3 | 281.2 | 284.1 | 284.9 | 285.1 | 283.6 | ..... |

1. The industrial production and capacity utilization series have been revised back to January 1979.

2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, and Department of Commerce.

3. Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.

4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).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 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

| Series | 1982 | | | | 1982 | | | | 1982 | | | |
|--------------------------------------|---------------------|--------------|--------------|-----------------|-----------------------------------|--------------|--------------|--------------|----------------------------|-------------|-------------|-----------------|
| | Q1 | Q2 | Q3 | Q4 ⁷ | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 ⁷ |
| | Output (1967 = 100) | | | | Capacity (percent of 1967 output) | | | | Utilization rate (percent) | | | |
| 1 Manufacturing | 139.8 | 138.1 | 137.7 | 134.5 | 195.2 | 196.4 | 197.7 | 198.9 | 71.6 | 70.3 | 69.7 | 67.6 |
| 2 Primary processing | 137.1 | 132.3 | 132.4 | 129.3 | 198.6 | 199.5 | 200.4 | 201.3 | 69.1 | 66.3 | 66.1 | 64.2 |
| 3 Advanced processing | 141.6 | 141.2 | 140.5 | 137.3 | 193.5 | 194.9 | 196.2 | 197.6 | 73.2 | 72.5 | 71.6 | 69.5 |
| 4 Materials | 138.7 | 134.7 | 132.6 | 128.7 | 192.6 | 193.7 | 194.6 | 195.5 | 72.0 | 69.6 | 68.1 | 65.8 |
| 5 Durable goods | 130.9 | 127.1 | 124.7 | 117.0 | 196.4 | 197.3 | 198.3 | 199.2 | 66.7 | 64.4 | 62.9 | 58.8 |
| 6 Metal materials | 90.9 | 77.0 | 73.0 | 66.3 | 142.3 | 142.4 | 142.3 | 142.4 | 63.9 | 54.1 | 51.3 | 46.6 |
| 7 Nondurable goods | 161.0 | 156.8 | 155.1 | 157.1 | 214.6 | 216.1 | 217.4 | 218.9 | 75.0 | 72.6 | 71.3 | 71.8 |
| 8 Textile, paper, and chemical | 164.5 | 160.5 | 158.4 | 161.0 | 225.6 | 227.3 | 228.8 | 230.5 | 72.9 | 70.6 | 69.2 | 69.9 |
| 9 Textile | 101.3 | 101.8 | 102.0 | 103.0 | 142.1 | 142.4 | 142.8 | 143.1 | 71.3 | 71.5 | 71.5 | 72.0 |
| 10 Paper | 146.1 | 142.0 | 145.9 | 147.8 | 163.8 | 164.6 | 165.4 | 166.3 | 89.2 | 86.3 | 88.2 | 88.9 |
| 11 Chemical | 200.0 | 194.0 | 188.5 | 192.1 | 287.3 | 289.6 | 291.9 | 294.3 | 69.6 | 67.0 | 64.6 | 65.3 |
| 12 Energy materials | 129.8 | 125.5 | 123.8 | 121.7 | 156.5 | 157.0 | 157.6 | 158.2 | 82.9 | 79.9 | 78.5 | 76.9 |

2.11 Continued

| Series | Previous cycle ¹ | | Latest cycle ² | | 1982 | 1982 | | | | | | | 1983 | |
|---------------------------------------|-----------------------------|------|---------------------------|------|------|------|------|-------------------|-------|-------------------|-------------------|-------------------|------|------|
| | High | Low | High | Low | Feb. | June | July | Aug. | Sept. | Oct. ^r | Nov. ^r | Dec. ^r | Jan. | Feb. |
| Capacity utilization rate (percent) | | | | | | | | | | | | | | |
| 13 Manufacturing | 88.0 | 69.0 | 87.2 | 74.9 | 72.2 | 70.0 | 70.0 | 69.8 | 69.2 | 68.0 | 67.4 | 67.5 | 68.3 | 68.5 |
| 14 Primary processing | 93.8 | 68.2 | 90.1 | 71.0 | 70.0 | 65.7 | 65.7 | 66.1 | 66.4 | 65.0 | 63.9 | 63.7 | 65.0 | 65.2 |
| 15 Advanced processing | 85.5 | 69.4 | 86.2 | 77.2 | 73.6 | 72.3 | 72.3 | 71.7 | 70.7 | 69.6 | 69.2 | 69.6 | 70.0 | 70.2 |
| 16 Materials | 92.6 | 69.4 | 88.8 | 73.8 | 72.9 | 68.8 | 68.5 | 68.2 | 67.7 | 66.6 | 65.7 | 65.2 | 66.6 | 66.9 |
| 17 Durable goods | 91.5 | 63.6 | 88.4 | 68.2 | 67.4 | 64.0 | 63.7 | 63.1 | 61.9 | 59.6 | 58.4 | 58.2 | 60.3 | 60.9 |
| 18 Metal materials | 98.3 | 68.6 | 96.0 | 59.6 | 64.7 | 52.2 | 50.7 | 51.2 | 51.9 | 48.6 | 45.5 | 45.6 | 51.0 | 52.4 |
| 19 Nondurable goods | 94.5 | 67.2 | 91.6 | 77.5 | 76.5 | 70.9 | 70.2 | 71.0 | 72.8 | 72.5 | 71.9 | 71.1 | 71.8 | 71.7 |
| 20 Textile, paper, and chemical | 95.1 | 65.3 | 92.2 | 75.3 | 74.4 | 68.8 | 68.0 | 68.9 | 70.7 | 70.3 | 69.9 | 69.5 | 69.9 | 69.9 |
| 21 Textile | 92.6 | 57.9 | 90.6 | 80.9 | 71.9 | 69.6 | 69.8 | 72.3 | 72.3 | 73.0 | 71.6 | 71.3 | 70.2 | 70.7 |
| 22 Paper | 99.4 | 72.4 | 97.7 | 89.3 | 90.7 | 85.3 | 86.0 | 88.6 | 89.8 | 89.7 | 90.0 | 86.9 | 88.4 | 88.0 |
| 23 Chemical | 95.5 | 64.2 | 91.3 | 70.7 | 71.3 | 65.0 | 63.7 | 63.9 ^r | 66.2 | 65.4 | 65.1 | 65.3 | 65.7 | 65.7 |
| 24 Energy materials | 94.6 | 84.8 | 88.3 | 82.7 | 83.2 | 79.8 | 80.0 | 79.0 | 76.6 | 77.6 | 76.8 | 76.4 | 77.2 | 77.1 |

1. Monthly high 1973; monthly low 1975.

2. Preliminary; monthly highs December 1978 through January 1980; monthly lows July 1980 through October 1980.

2.12 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

| Category | 1980 | 1981 | 1982 | 1982 | | | | | 1983 | |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | | | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. |
| HOUSEHOLD SURVEY DATA | | | | | | | | | | |
| 1 Noninstitutional population ¹ | 169,847 | 172,272 | 174,451 | 174,707 | 174,888 | 175,069 | 175,238 | 175,381 | 175,543 | 175,693 |
| 2 Labor force (including Armed Forces) ¹ | 109,042 | 110,812 | 112,383 | 112,810 | 113,056 | 112,940 | 113,222 | 113,311 | 112,737 | 112,741 |
| 3 Civilian labor force | 106,940 | 108,670 | 110,204 | 110,614 | 110,858 | 110,752 | 111,042 | 111,129 | 110,548 | 110,553 |
| Employment | | | | | | | | | | |
| 4 Nonagricultural industries ² | 95,938 | 97,030 | 96,125 | 96,254 | 96,180 | 95,763 | 95,670 | 95,682 | 95,691 | 95,670 |
| 5 Agriculture | 3,364 | 3,368 | 3,401 | 3,429 | 3,363 | 3,413 | 3,466 | 3,411 | 3,412 | 3,393 |
| Unemployment | | | | | | | | | | |
| 6 Number | 7,637 | 8,273 | 10,678 | 10,931 | 11,315 | 11,576 | 11,906 | 12,036 | 11,446 | 11,490 |
| 7 Rate (percent of civilian labor force) ... | 7.1 | 7.6 | 9.7 | 9.9 | 10.2 | 10.5 | 10.7 | 10.8 | 10.4 | 10.4 |
| 8 Not in labor force | 60,805 | 61,460 | 62,061 | 61,897 | 61,832 | 62,129 | 62,016 | 62,070 | 62,806 | 62,952 |
| ESTABLISHMENT SURVEY DATA | | | | | | | | | | |
| 9 Nonagricultural payroll employment ³ | 90,406 | 91,105 | 89,619 | 89,312 | 89,264 | 88,877 | 88,750 | 88,565 | 88,895 | 88,715 |
| 10 Manufacturing | 20,285 | 20,173 | 18,849 | 18,672 | 18,572 | 18,325 | 18,181 | 18,131 | 18,197 | 18,221 |
| 11 Mining | 1,020 | 1,104 | 1,122 | 1,086 | 1,075 | 1,058 | 1,046 | 1,037 | 1,028 | 1,015 |
| 12 Contract construction | 4,399 | 4,307 | 3,917 | 3,899 | 3,883 | 3,856 | 3,854 | 3,818 | 3,916 | 3,782 |
| 13 Transportation and public utilities | 5,143 | 5,152 | 5,057 | 5,025 | 5,031 | 5,007 | 4,992 | 4,983 | 4,959 | 4,951 |
| 14 Trade | 20,386 | 20,736 | 20,547 | 20,550 | 20,492 | 20,441 | 20,425 | 20,316 | 20,500 | 20,431 |
| 15 Finance | 5,168 | 5,330 | 5,350 | 5,360 | 5,367 | 5,357 | 5,363 | 5,377 | 5,390 | 5,401 |
| 16 Service | 17,901 | 18,598 | 19,000 | 19,048 | 19,084 | 19,074 | 19,135 | 19,148 | 19,179 | 19,177 |
| 17 Government | 16,249 | 16,056 | 15,784 | 15,672 | 15,763 | 15,742 | 15,754 | 15,755 | 15,726 | 15,737 |

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 1979 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value

Monthly data are seasonally adjusted

| Grouping | 1967 pro- por- tion | 1982 avg. | 1982 | | | | | | | | | | | | 1983 | |
|---------------------------------------|------------------------------|--------------|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------------------|-------|-------------------|-------------------|--|
| | | | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. ^a | Dec. | Jan. ^b | Feb. ^c | |
| | | | Index (1967 = 100) | | | | | | | | | | | | | |
| MAJOR MARKET | | | | | | | | | | | | | | | | |
| 1 Total index | 100.00 | 138.6 | 142.9 | 141.7 | 140.2 | 139.2 | 138.7 | 138.8 | 138.4 | 137.3 | 135.7 | 134.9 | 135.2 | 136.9 | 137.3 | |
| 2 Products | 60.71 | 141.8 | 144.6 | 143.7 | 142.9 | 142.3 | 142.1 | 142.6 | 142.0 | 140.8 | 139.3 | 139.0 | 140.0 | 140.9 | 141.1 | |
| 3 Final products | 47.82 | 141.5 | 144.1 | 143.3 | 142.6 | 142.2 | 142.1 | 142.5 | 141.2 | 140.0 | 138.7 | 138.3 | 139.5 | 140.1 | 140.2 | |
| 4 Consumer goods | 27.68 | 142.6 | 141.8 | 141.5 | 142.1 | 143.6 | 144.8 | 145.8 | 144.1 | 143.4 | 142.2 | 141.3 | 142.1 | 143.7 | 144.4 | |
| 5 Equipment | 20.14 | 139.8 | 147.3 | 145.9 | 143.4 | 140.4 | 138.4 | 138.0 | 137.3 | 135.2 | 134.0 | 134.2 | 135.9 | 135.2 | 134.3 | |
| 6 Intermediate products | 12.89 | 143.3 | 146.3 | 145.2 | 143.7 | 142.6 | 141.9 | 142.8 | 144.7 | 143.7 | 141.6 | 141.8 | 141.9 | 143.7 | 144.4 | |
| 7 Materials | 39.29 | 133.7 | 140.4 | 138.5 | 136.2 | 134.3 | 133.5 | 133.0 | 132.8 | 132.0 | 130.0 | 128.4 | 127.8 | 130.8 | 131.5 | |
| Consumer goods | | | | | | | | | | | | | | | | |
| 8 Durable consumer goods | 7.89 | 129.3 | 125.9 | 128.1 | 130.7 | 132.6 | 134.6 | 137.3 | 132.9 | 131.3 | 126.5 | 124.6 | 126.2 | 131.4 | 134.0 | |
| 9 Automotive products | 2.83 | 129.5 | 117.5 | 125.0 | 129.9 | 138.9 | 143.0 | 149.7 | 135.5 | 135.5 | 123.6 | 120.7 | 128.7 | 134.3 | 143.2 | |
| 10 Autos and utility vehicles | 2.03 | 99.0 | 82.0 | 93.6 | 100.5 | 111.8 | 117.1 | 127.7 | 107.1 | 105.8 | 89.6 | 86.9 | 99.0 | 107.0 | 119.2 | |
| 11 Autos | 1.90 | 86.6 | 70.5 | 79.8 | 87.2 | 96.1 | 101.9 | 114.6 | 93.3 | 94.3 | 79.5 | 77.7 | 87.9 | 97.1 | 107.2 | |
| 12 Auto parts and allied goods | .80 | 206.9 | 207.8 | 204.5 | 204.6 | 207.6 | 208.6 | 205.4 | 207.6 | 210.7 | 210.0 | 206.6 | 204.0 | 203.5 | 204.0 | |
| 13 Home goods | 5.06 | 129.2 | 130.6 | 129.9 | 131.1 | 129.1 | 129.9 | 130.4 | 131.4 | 128.9 | 128.1 | 126.8 | 124.9 | 129.7 | 128.9 | |
| 14 Appliances, A/C, and TV | 1.40 | 102.6 | 103.5 | 97.0 | 102.7 | 100.5 | 106.4 | 102.7 | 104.5 | 99.4 | 106.1 | 104.8 | 94.5 | 110.1 | 108.4 | |
| 15 Appliances and TV | 1.33 | 104.6 | 104.1 | 97.4 | 103.1 | 101.5 | 108.8 | 106.1 | 108.6 | 104.1 | 110.5 | 108.4 | 98.6 | 113.5 | ..... |  |
| 16 Carpeting and furniture | 1.07 | 149.8 | 147.8 | 151.3 | 151.8 | 145.9 | 149.0 | 151.4 | 152.5 | 153.3 | 151.9 | 151.4 | 152.2 | 151.2 | ..... |  |
| 17 Miscellaneous home goods | 2.59 | 135.1 | 138.1 | 138.9 | 138.0 | 137.7 | 134.9 | 136.7 | 137.2 | 134.9 | 130.1 | 128.6 | 130.1 | 131.5 | 130.6 | |
| 18 Nondurable consumer goods | 19.79 | 148.0 | 148.1 | 146.8 | 146.6 | 147.9 | 148.8 | 149.1 | 148.6 | 148.2 | 148.5 | 147.9 | 148.5 | 148.6 | 148.6 | |
| 19 Clothing | 4.29 | 108.2 | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |  |
| 20 Consumer staples | 15.50 | 159.0 | 159.2 | 158.1 | 158.3 | 159.0 | 159.9 | 159.7 | 159.4 | 158.8 | 159.1 | 158.1 | 158.8 | 158.9 | 159.0 | |
| 21 Consumer foods and tobacco | 8.33 | 149.7 | 151.1 | 149.6 | 148.1 | 149.9 | 150.9 | 149.9 | 149.6 | 148.6 | 150.2 | 149.0 | 149.9 | ..... | ..... |  |
| 22 Nonfood staples | 7.17 | 169.7 | 168.7 | 168.0 | 170.0 | 169.5 | 170.4 | 171.2 | 170.8 | 170.7 | 169.5 | 168.7 | 169.2 | 169.2 | 169.0 | |
| 23 Consumer chemical products | 2.63 | 219.9 | 218.2 | 217.8 | 218.3 | 216.6 | 219.8 | 222.3 | 222.4 | 221.7 | 220.0 | 218.9 | 220.9 | 223.0 | ..... |  |
| 24 Consumer paper products | 1.92 | 127.7 | 130.2 | 127.8 | 128.7 | 126.7 | 126.7 | 128.1 | 129.4 | 128.2 | 125.3 | 125.1 | 127.4 | 129.2 | ..... |  |
| 25 Consumer energy products | 2.62 | 150.2 | 147.2 | 147.6 | 151.9 | 153.6 | 152.8 | 151.4 | 149.3 | 150.6 | 151.1 | 150.2 | 148.0 | 144.4 | ..... |  |
| 26 Residential utilities | 1.45 | 170.8 | 171.6 | 170.4 | 174.5 | 173.7 | 171.1 | 167.7 | 169.7 | 169.5 | 169.1 | 171.5 | 169.3 | ..... | ..... |  |
| Equipment | | | | | | | | | | | | | | | | |
| 27 Business | 12.63 | 157.9 | 171.6 | 169.0 | 164.9 | 159.9 | 156.7 | 154.9 | 153.9 | 150.5 | 147.1 | 146.4 | 148.3 | 146.7 | 145.0 | |
| 28 Industrial | 6.77 | 135.0 | 155.9 | 151.2 | 145.9 | 138.9 | 134.0 | 131.3 | 128.4 | 123.8 | 118.3 | 117.2 | 118.3 | 117.9 | 113.9 | |
| 29 Building and mining | 1.44 | 214.2 | 274.9 | 256.9 | 242.2 | 224.4 | 209.0 | 200.4 | 190.8 | 182.1 | 169.3 | 165.7 | 172.7 | 173.3 | 156.7 | |
| 30 Manufacturing | 3.85 | 107.2 | 116.8 | 116.3 | 114.0 | 109.7 | 107.5 | 106.0 | 104.4 | 101.6 | 98.0 | 97.5 | 97.0 | 96.7 | 95.9 | |
| 31 Power | 1.47 | 123.0 | 141.1 | 139.0 | 134.8 | 131.5 | 129.9 | 129.6 | 130.1 | 124.7 | 121.0 | 121.0 | 120.7 | 118.9 | 119.0 | |
| 32 Commercial transit, farm | 5.86 | 184.4 | 189.9 | 189.5 | 186.9 | 184.1 | 183.0 | 182.2 | 183.3 | 181.4 | 180.5 | 180.2 | 182.9 | 180.1 | 181.0 | |
| 33 Commercial | 3.26 | 253.5 | 256.4 | 257.8 | 253.1 | 247.7 | 247.5 | 248.8 | 253.5 | 254.0 | 253.5 | 254.8 | 258.6 | 256.0 | 255.5 | |
| 34 Transit | 1.93 | 103.8 | 110.4 | 110.5 | 110.9 | 110.9 | 108.3 | 106.3 | 102.0 | 95.5 | 93.2 | 92.3 | 95.2 | 91.1 | 94.4 | |
| 35 Farm | .67 | 80.6 | 95.1 | 84.9 | 83.5 | 85.8 | 84.1 | 76.9 | 75.8 | 76.1 | 76.8 | 70.7 | 66.8 | 67.0 | ..... |  |
| 36 Defense and space | 7.51 | 109.4 | 106.5 | 107.0 | 107.2 | 107.7 | 107.6 | 109.5 | 109.5 | 109.5 | 111.9 | 113.6 | 115.0 | 115.9 | 116.3 | |
| Intermediate products | | | | | | | | | | | | | | | | |
| 37 Construction supplies | 6.42 | 124.3 | 127.5 | 125.6 | 123.6 | 122.2 | 123.1 | 124.1 | 127.1 | 125.5 | 122.5 | 123.4 | 122.8 | 125.6 | 126.2 | |
| 38 Business supplies | 6.47 | 162.2 | 165.1 | 164.6 | 163.7 | 162.8 | 160.6 | 161.4 | 162.1 | 161.8 | 160.5 | 160.1 | 160.9 | 161.7 | ..... |  |
| 39 Commercial energy products | 1.14 | 181.2 | 184.1 | 184.5 | 183.5 | 180.3 | 178.3 | 179.8 | 178.1 | 179.2 | 180.4 | 182.4 | 183.5 | 183.1 | ..... |  |
| Materials | | | | | | | | | | | | | | | | |
| 40 Durable goods materials | 20.35 | 125.0 | 132.4 | 130.7 | 128.1 | 126.6 | 126.6 | 126.0 | 125.1 | 123.0 | 118.5 | 116.4 | 116.2 | 120.5 | 121.8 | |
| 41 Durable consumer parts | 4.58 | 95.3 | 92.2 | 94.1 | 94.7 | 98.9 | 103.1 | 103.8 | 101.0 | 97.1 | 91.4 | 90.0 | 91.1 | 94.8 | 97.1 | |
| 42 Equipment parts | 5.44 | 166.8 | 180.1 | 177.5 | 173.9 | 170.0 | 168.3 | 166.1 | 164.1 | 158.3 | 155.4 | 155.1 | 155.0 | 157.1 | 157.6 | |
| 43 Durable materials n.e.c. | 10.34 | 116.1 | 125.1 | 122.2 | 118.8 | 116.1 | 115.1 | 114.8 | 115.4 | 115.8 | 111.1 | 107.7 | 106.8 | 112.7 | 114.0 | |
| 44 Basic metal materials | 5.57 | 79.8 | 94.3 | 88.6 | 82.3 | 79.4 | 77.4 | 75.7 | 76.1 | 77.7 | 73.0 | 69.1 | 67.9 | 75.8 | ..... |  |
| 45 Nondurable goods materials | 10.47 | 157.5 | 164.2 | 162.0 | 160.3 | 156.6 | 153.5 | 152.3 | 154.5 | 158.5 | 158.2 | 157.3 | 155.9 | 157.7 | 157.9 | |
| 46 Textile, paper, and chemical | 7.62 | 161.1 | 167.9 | 166.6 | 164.4 | 160.4 | 156.7 | 155.3 | 157.7 | 162.2 | 161.5 | 161.0 | 160.4 | 161.6 | 162.1 | |
| 47 Textile materials | 1.85 | 102.2 | 102.2 | 104.5 | 104.5 | 101.8 | 99.1 | 99.6 | 103.2 | 103.3 | 104.4 | 102.5 | 102.1 | 100.6 | ..... |  |
| 48 Paper materials | 1.62 | 145.6 | 148.5 | 146.7 | 143.5 | 141.8 | 140.7 | 142.1 | 146.6 | 148.9 | 148.9 | 149.7 | 144.8 | 147.6 | ..... |  |
| 49 Chemical materials | 4.15 | 193.5 | 204.9 | 202.2 | 199.3 | 193.9 | 188.7 | 185.4 | 186.5 | 193.7 | 192.0 | 191.6 | 192.6 | 194.4 | ..... |  |
| 50 Containers, nondurable | 1.70 | 161.4 | 166.7 | 161.3 | 159.8 | 157.2 | 158.5 | 158.1 | 162.8 | 167.3 | 164.9 | 160.8 | 155.2 | 159.5 | ..... |  |
| 51 Nondurable materials n.e.c. | 1.14 | 127.9 | 136.0 | 132.4 | 134.2 | 130.6 | 124.8 | 123.4 | 120.1 | 121.1 | 125.5 | 127.4 | 127.2 | 128.4 | ..... |  |
| 52 Energy materials | 8.48 | 125.2 | 130.3 | 128.2 | 125.8 | 125.4 | 125.4 | 126.0 | 124.5 | 121.0 | 122.6 | 121.4 | 121.0 | 122.4 | 122.4 | |
| 53 Primary energy | 4.65 | 116.0 | 119.5 | 119.2 | 117.3 | 116.9 | 116.6 | 117.2 | 113.8 | 111.1 | 114.4 | 113.7 | 114.0 | 116.2 | ..... |  |
| 54 Converted fuel materials | 3.82 | 136.3 | 143.4 | 139.1 | 136.1 | 135.7 | 136.0 | 136.7 | 137.4 | 133.0 | 132.6 | 130.8 | 129.4 | 130.0 | ..... |  |
| Supplementary groups | | | | | | | | | | | | | | | | |
| 55 Home goods and clothing | 9.35 | 119.5 | 120.1 | 118.9 | 118.9 | 119.5 | 120.2 | 121.4 | 121.3 | 120.1 | 119.9 | 119.6 | 118.5 | 121.4 | 120.7 | |
| 56 Energy, total | 12.23 | 135.7 | 138.9 | 137.6 | 136.7 | 136.5 | 136.2 | 136.4 | 134.8 | 132.7 | 134.1 | 133.3 | 132.6 | 132.8 | 132.6 | |
| 57 Products | 3.76 | 159.6 | 158.4 | 158.8 | 161.5 | 161.7 | 160.5 | 160.0 | 158.0 | 159.3 | 160.0 | 160.0 | 158.7 | 156.2 | ..... |  |
| 58 Materials | 8.48 | 125.2 | 130.3 | 128.2 | 125.8 | 125.4 | 125.4 | 126.0 | 124.5 | 121.0 | 122.6 | 121.4 | 121.0 | 122.4 | 122.4 | |

2.13 Continued

| Grouping | SIC code | 1967 proportion | 1982 avg. | 1982 | | | | | | | | | | | | 1983 | |
|---|----------|-----------------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------------------|-------|-------------------|-------------------|--|
| | | | | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. ^r | Dec. | Jan. ^p | Feb. ^e | |
| Index (1967 = 100) | | | | | | | | | | | | | | | | | |
| MAJOR INDUSTRY | | | | | | | | | | | | | | | | | |
| 1 Mining and utilities | | 12.05 | 146.3 | 155.6 | 153.1 | 151.6 | 148.8 | 145.2 | 142.6 | 141.3 | 139.7 | 140.4 | 140.4 | 140.3 | 140.7 | 139.0 | |
| 2 Mining | | 6.36 | 126.2 | 142.4 | 138.1 | 134.1 | 128.9 | 123.5 | 120.1 | 116.9 | 114.7 | 115.9 | 116.8 | 118.7 | 121.2 | 116.2 | |
| 3 Utilities | | 5.69 | 168.8 | 170.4 | 170.0 | 171.0 | 170.9 | 169.4 | 167.7 | 168.5 | 167.5 | 167.8 | 166.7 | 164.5 | 162.4 | 164.5 | |
| 4 Electric | | 3.88 | 190.5 | 192.5 | 191.7 | 193.1 | 193.4 | 191.6 | 189.2 | 189.9 | 188.2 | 188.4 | 188.3 | 185.6 | 182.9 | 185.9 | |
| 5 Manufacturing | | 87.95 | 137.6 | 140.9 | 140.1 | 138.7 | 137.9 | 137.7 | 138.1 | 138.0 | 137.1 | 135.0 | 134.0 | 134.5 | 136.3 | 137.1 | |
| 6 Nondurable | | 35.97 | 156.2 | 157.8 | 157.3 | 156.1 | 155.0 | 155.3 | 155.7 | 156.9 | 156.7 | 156.2 | 155.3 | 155.8 | 156.9 | 156.8 | |
| 7 Durable | | 51.98 | 124.7 | 129.3 | 128.2 | 126.7 | 126.1 | 125.5 | 125.9 | 124.9 | 123.5 | 120.3 | 119.3 | 119.8 | 122.1 | 123.4 | |
| Mining | | | | | | | | | | | | | | | | | |
| 8 Metal | 10 | .51 | 82.3 | 120.8 | 109.9 | 108.8 | 90.0 | 71.8 | 58.1 | 53.4 | 55.4 | 63.1 | 70.4 | 74.0 | 78.1 | ..... |  |
| 9 Coal | 11.12 | .69 | 142.7 | 156.0 | 155.6 | 146.2 | 149.2 | 144.4 | 140.3 | 135.8 | 127.9 | 143.2 | 134.1 | 129.7 | 144.8 | 136.6 | |
| 10 Oil and gas extraction | 13 | 4.40 | 131.1 | 146.6 | 141.4 | 137.7 | 132.7 | 129.1 | 127.0 | 123.3 | 121.0 | 119.1 | 120.3 | 123.3 | 124.0 | 117.8 | |
| 11 Stone and earth minerals | 14 | .75 | 112.1 | 120.5 | 121.6 | 119.6 | 114.6 | 106.6 | 103.8 | 105.7 | 106.3 | 108.5 | 111.9 | 111.9 | 112.7 | ..... |  |
| Nondurable manufactures | | | | | | | | | | | | | | | | | |
| 12 Foods | 20 | 8.75 | 151.1 | 151.7 | 150.8 | 149.7 | 150.5 | 151.0 | 151.0 | 150.7 | 149.0 | 151.5 | 152.0 | 152.4 | ..... | ..... |  |
| 13 Tobacco products | 21 | .67 | 118.0 | 126.7 | 116.1 | 118.6 | 123.6 | 121.4 | 120.6 | 113.3 | 110.6 | 113.0 | 109.9 | ..... | ..... | ..... |  |
| 14 Textile mill products | 22 | 2.68 | 124.6 | 125.8 | 126.0 | 126.3 | 123.5 | 123.7 | 124.3 | 125.9 | 126.1 | 125.9 | 123.1 | 122.6 | 120.0 | ..... |  |
| 15 Apparel products | 23 | 3.31 | 108.7 | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |  |
| 16 Paper and products | 26 | 3.21 | 150.8 | 151.5 | 150.6 | 149.8 | 146.5 | 146.8 | 147.0 | 152.5 | 154.3 | 155.0 | 154.5 | 151.1 | 156.1 | 155.3 | |
| 17 Printing and publishing | 27 | 4.72 | 144.2 | 146.4 | 145.9 | 144.2 | 143.8 | 142.6 | 143.9 | 145.3 | 144.3 | 142.0 | 141.7 | 144.2 | 146.0 | 145.8 | |
| 18 Chemicals and products | 28 | 7.74 | 196.1 | 201.3 | 200.3 | 198.6 | 193.6 | 193.2 | 194.1 | 195.6 | 196.4 | 194.1 | 192.8 | 196.0 | 197.2 | ..... |  |
| 19 Petroleum products | 29 | 1.79 | 121.8 | 119.5 | 121.3 | 120.8 | 122.2 | 124.3 | 124.7 | 121.4 | 122.6 | 123.8 | 120.0 | 119.0 | 118.6 | 115.5 | |
| 20 Rubber and plastic products | 30 | 2.24 | 254.7 | 251.8 | 253.4 | 255.1 | 257.0 | 258.9 | 256.8 | 261.1 | 262.0 | 256.3 | 250.2 | 249.7 | 250.6 | ..... |  |
| 21 Leather and products | 31 | .86 | 60.9 | 64.0 | 61.2 | 60.6 | 61.1 | 62.3 | 62.9 | 60.8 | 60.9 | 59.5 | 57.7 | 56.0 | 59.5 | ..... |  |
| Durable manufactures | | | | | | | | | | | | | | | | | |
| 22 Ordnance, private and government .. | 19.91 | 3.64 | 86.9 | 83.8 | 83.8 | 85.2 | 86.3 | 86.5 | 87.1 | 86.5 | 86.9 | 89.5 | 91.9 | 92.5 | 93.3 | 93.1 | |
| 23 Lumber and products | 24 | 1.64 | 112.6 | 104.9 | 103.5 | 106.2 | 110.6 | 112.2 | 116.9 | 120.3 | 119.9 | 117.2 | 119.1 | 121.4 | 125.0 | ..... |  |
| 24 Furniture and fixtures | 25 | 1.37 | 151.9 | 148.4 | 150.2 | 151.8 | 151.1 | 152.5 | 154.5 | 156.7 | 155.7 | 154.3 | 152.4 | 153.0 | 153.4 | ..... |  |
| 25 Clay, glass, stone products | 32 | 2.74 | 128.2 | 135.0 | 131.5 | 127.0 | 125.0 | 126.1 | 126.9 | 128.8 | 130.4 | 128.1 | 127.3 | 125.4 | 127.8 | ..... |  |
| 26 Primary metals | 33 | 6.57 | 75.2 | 88.5 | 83.0 | 76.4 | 75.2 | 72.8 | 72.9 | 72.9 | 73.2 | 69.6 | 63.6 | 62.9 | 71.2 | 75.8 | |
| 27 Iron and steel | 331.2 | 4.21 | 61.7 | 78.5 | 73.0 | 65.1 | 62.4 | 58.0 | 58.1 | 57.4 | 56.4 | 54.1 | 47.5 | 46.7 | 57.3 | ..... |  |
| 28 Fabricated metal products | 34 | 5.93 | 114.8 | 121.4 | 121.1 | 119.1 | 115.8 | 115.0 | 115.5 | 114.3 | 112.3 | 107.6 | 107.0 | 107.3 | 108.1 | 108.1 | |
| 29 Nonelectrical machinery | 35 | 9.15 | 149.0 | 160.0 | 157.3 | 153.7 | 150.0 | 147.4 | 147.1 | 147.2 | 144.9 | 140.4 | 139.6 | 139.0 | 137.9 | 136.9 | |
| 30 Electrical machinery | 36 | 8.05 | 169.3 | 172.9 | 172.6 | 172.2 | 170.9 | 170.8 | 170.3 | 169.7 | 167.0 | 165.4 | 165.5 | 165.3 | 169.2 | 169.9 | |
| 31 Transportation equipment | 37 | 9.27 | 104.9 | 102.0 | 104.4 | 105.9 | 110.0 | 111.6 | 112.7 | 107.0 | 105.3 | 100.8 | 100.2 | 103.7 | 105.7 | 110.2 | |
| 32 Motor vehicles and parts | 371 | 4.50 | 109.8 | 98.6 | 105.6 | 110.7 | 119.8 | 124.0 | 127.2 | 116.7 | 113.5 | 103.0 | 101.7 | 108.8 | 113.5 | 123.3 | |
| 33 Aerospace and miscellaneous transportation equipment | 372-9 | 4.77 | 100.4 | 105.3 | 103.2 | 101.3 | 100.8 | 99.9 | 99.0 | 97.8 | 97.6 | 98.6 | 98.7 | 98.9 | 98.3 | 97.8 | |
| 34 Instruments | 38 | 2.11 | 161.9 | 164.5 | 163.0 | 162.8 | 163.8 | 164.8 | 165.2 | 165.5 | 161.9 | 157.4 | 155.8 | 155.2 | 156.0 | 156.0 | |
| 35 Miscellaneous manufactures | 39 | 1.51 | 137.1 | 144.5 | 145.3 | 144.6 | 141.7 | 136.8 | 134.7 | 133.9 | 132.9 | 129.6 | 129.5 | 129.1 | 131.3 | 130.8 | |
| Gross value (billions of 1972 dollars, annual rates) | | | | | | | | | | | | | | | | | |
| MAJOR MARKET | | | | | | | | | | | | | | | | | |
| 36 Products, total | | 507.4 | 579.6 | 588.1 | 586.8 | 582.1 | 586.1 | 584.1 | 585.8 | 578.5 | 575.3 | 570.0 | 568.4 | 572.7 | 575.5 | 580.4 | |
| 37 Final | | 390.9 | 451.0 | 457.1 | 456.6 | 453.5 | 458.3 | 456.7 | 457.2 | 449.2 | 446.3 | 442.8 | 441.3 | 445.0 | 445.9 | 450.4 | |
| 38 Consumer goods | | 277.5 | 308.0 | 306.3 | 306.9 | 306.7 | 312.3 | 313.1 | 314.9 | 309.1 | 309.3 | 306.6 | 305.6 | 307.0 | 308.3 | 313.0 | |
| 39 Equipment | | 113.4 | 143.0 | 150.8 | 149.7 | 146.8 | 146.0 | 143.5 | 142.3 | 140.1 | 137.0 | 136.2 | 135.7 | 138.0 | 137.6 | 137.4 | |
| 40 Intermediate | | 116.6 | 128.6 | 131.1 | 130.2 | 128.6 | 127.8 | 127.4 | 128.7 | 129.3 | 129.0 | 127.2 | 127.1 | 127.7 | 129.5 | 130.0 | |

1. 1972 dollar value.

NOTE: Published groupings include some series and subtotals not shown separately. For description and historical data, see *Industrial Production—1976 Revision* (Board of Governors of the Federal Reserve System: Washington, D.C.), December 1977.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

| Item | 1980 | 1981 | 1982 ¹ | 1982 | | | | | | | 1983 |
|---|---|---------|-------------------|------------------|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|---------|
| | | | | June | July | Aug. | Sept. | Oct. ² | Nov. ² | Dec. ² | Jan. |
| | Private residential real estate activity (thousands of units) | | | | | | | | | | |
| NEW UNITS | | | | | | | | | | | |
| 1 Permits authorized | 1,191 | 986 | 985 | 929 | 1,062 | 888 | 1,003 | 1,172 | 1,192 | 1,305 | 1,512 |
| 2 1-family | 710 | 564 | 538 | 516 | 500 | 497 | 561 | 651 | 729 | 736 | 893 |
| 3 2-or-more-family | 480 | 421 | 448 | 413 | 562 | 391 | 442 | 521 | 463 | 569 | 619 |
| 4 Started | 1,292 | 1,084 | 1,061 | 910 ² | 1,185 ² | 1,046 ² | 1,134 ² | 1,142 | 1,361 | 1,263 | 1,716 |
| 5 1-family | 852 | 705 | 662 | 617 ² | 625 ² | 651 ² | 683 ² | 716 | 868 | 837 | 1,110 |
| 6 2-or-more-family | 440 | 379 | 399 | 293 ² | 560 ² | 395 ² | 451 ² | 426 | 493 | 426 | 606 |
| 7 Under construction, end of period ¹ | 896 | 682 | 720 | 660 | 673 | 670 | 687 | 687 | 711 | 726 | n.a. |
| 8 1-family | 515 | 382 | 399 | 384 | 377 | 373 | 379 | 381 | 393 | 408 | n.a. |
| 9 2-or-more-family | 382 | 301 | 321 | 276 | 296 | 296 | 308 | 306 | 317 | 317 | n.a. |
| 10 Completed | 1,502 | 1,266 | 1,005 | 939 | 1,007 | 1,002 | 929 | 1,116 | 1,058 | 1,017 | n.a. |
| 11 1-family | 957 | 818 | 631 | 582 | 693 | 638 | 585 | 684 | 685 | 636 | n.a. |
| 12 2-or-more-family | 545 | 447 | 374 | 357 | 314 | 364 | 344 | 432 | 373 | 381 | n.a. |
| 13 Mobile homes shipped | 222 | 241 | 239 | 252 ² | 240 ² | 234 | 222 | 224 | 251 | 243 | n.a. |
| Merchant builder activity in 1-family units | | | | | | | | | | | |
| 14 Number sold | 545 | 436 | 412 | 369 | 364 ² | 389 ² | 473 | 481 | 544 | 524 | 576 |
| 15 Number for sale, end of period ¹ | 342 | 278 | 257 | 254 | 250 | 248 | 247 | 245 | 246 | 252 | 259 |
| Price (thousands of dollars) ² | | | | | | | | | | | |
| Median | | | | | | | | | | | |
| 16 Units sold | 64.7 | 68.8 | 69.3 | 69.3 | 70.9 | 70.1 | 67.7 | 69.7 | 73.7 | 71.6 | 75.5 |
| Average | | | | | | | | | | | |
| 17 Units sold | 76.4 | 83.1 | 83.8 | 84.9 | 86.5 | 86.5 | 79.6 | 79.9 | 88.4 | 85.6 | 91.8 |
| EXISTING UNITS (1-family) | | | | | | | | | | | |
| 18 Number sold | 2,881 | 2,350 | 1,942 | 1,980 | 1,890 | 1,820 | 1,840 | 1,930 | 2,120 | 2,260 | 2,610 |
| Price of units sold (thousands of dollars) ² | | | | | | | | | | | |
| 19 Median | 62.1 | 66.1 | 67.7 | 69.4 | 69.2 | 68.9 | 67.3 | 66.9 | 67.7 | 67.8 | 68.3 |
| 20 Average | 72.7 | 78.0 | 80.4 | 82.3 | 82.0 | 82.0 | 80.0 | 79.3 | 80.4 | 80.6 | 80.6 |
| | Value of new construction ³ (millions of dollars) | | | | | | | | | | |
| CONSTRUCTION | | | | | | | | | | | |
| 21 Total put in place | 230,748 | 238,198 | 228,724 | 231,589 | 227,638 | 228,053 | 228,136 | 228,779 | 235,822 | 234,660 | 255,494 |
| 22 Private | 175,701 | 185,221 | 178,567 | 182,651 | 178,734 | 176,644 | 177,002 | 177,682 | 183,777 | 186,942 | 200,180 |
| 23 Residential | 87,261 | 86,566 | 74,351 | 75,251 | 73,436 | 72,139 | 71,451 | 74,042 | 78,899 | 83,272 | 90,356 |
| 24 Nonresidential, total | 88,440 | 98,655 | 104,216 | 107,400 | 105,298 | 104,505 | 105,551 | 103,640 | 104,878 | 103,670 | 109,824 |
| Buildings | | | | | | | | | | | |
| 25 Industrial | 13,839 | 17,031 | 16,670 | 18,424 | 16,404 | 16,691 | 16,587 | 17,072 | 15,838 | 15,257 | 16,824 |
| 26 Commercial | 29,940 | 34,243 | 37,125 | 38,048 | 37,512 | 36,091 | 37,129 | 35,677 | 37,769 | 37,516 | 40,455 |
| 27 Other | 8,654 | 9,543 | 10,421 | 10,579 | 10,130 | 10,499 | 10,506 | 10,778 | 11,100 | 11,476 | 12,690 |
| 28 Public utilities and other | 36,007 | 37,838 | 40,000 | 40,349 | 41,252 | 41,224 | 41,329 | 40,113 | 40,171 | 39,421 | 39,855 |
| 29 Public | 55,047 | 52,977 | 50,157 | 48,938 | 48,904 | 51,409 | 51,134 | 51,097 | 52,045 | 47,718 | 55,314 |
| 30 Military | 1,880 | 1,966 | 2,202 | 1,901 | 2,261 | 2,481 | 2,674 | 2,347 | 2,468 | 2,485 | 2,688 |
| 31 Highway | 13,808 | 13,304 | 13,180 | 13,073 | 14,119 | 13,327 | 13,464 | 14,314 | 13,906 | 12,417 | 14,709 |
| 32 Conservation and development | 5,089 | 5,225 | 4,983 | 5,051 | 5,055 | 5,036 | 4,719 | 4,546 | 4,718 | 4,595 | 5,178 |
| 33 Other | 34,270 | 32,482 | 29,792 | 28,913 | 27,469 | 30,565 | 30,277 | 29,890 | 30,953 | 28,221 | 32,739 |

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 | From 12 months earlier | | From 3 months earlier (at annual rate) | | | | From 1 month earlier | | | | | Index level Jan. 1983 (1967 = 100) ¹ |
|--|------------------------|--------------|--|------|-------|------|----------------------|------|------|------|--------------|---|
| | 1982 Jan. | 1983 Jan. | 1982 | | | | 1982 | | | | 1983 Jan. | |
| | | | Mar. | June | Sept. | Dec. | Sept. | Oct. | Nov. | Dec. | | |
| CONSUMER PRICES ² | | | | | | | | | | | | |
| 1 All items | 8.4 | 3.6 | 1.3 | 9.8 | 4.1 | .5 | .1 | .4 | .0 | -.3 | .2 | 292.6 |
| 2 Food | 4.6 | 2.5 | 5.0 | 6.2 | .6 | .8 | .2 | .2 | .0 | .0 | .1 | 288.1 |
| 3 Energy items | 9.1 | -.5 | -17.7 | 7.5 | 8.1 | 10.2 | .5 | 1.3 | .8 | .3 | -2.5 | 414.5 |
| 4 All items less food and energy | 9.3 | 4.4 | 4.1 | 9.6 | 4.7 | -.3 | .2 | .4 | -.1 | -.5 | .1 | 280.3 |
| 5 Commodities | 5.8 | 6.1 | 5.3 | 9.9 | 2.4 | 5.4 | .0 | .6 | .3 | .3 | .6 | 237.4 |
| 6 Services | 12.3 | 3.0 | 2.9 | 11.3 | 4.6 | -4.8 | -.1 | .1 | -.3 | -1.0 | .1 | 330.2 |
| PRODUCER PRICES | | | | | | | | | | | | |
| 7 Finished goods | 6.5 | 2.1 | .9 | 4.6 | 4.2 | 4.6 | .1 | .4 | .6 | .2 | -1.0 | 283.6 |
| 8 Consumer foods | 2.2 | .7 | 6.8 | 10.2 | -5.2 | -2.6 | -.4 | .0 | .0 | .1 | -.2 | 258.3 |
| 9 Consumer energy | 11.1 | -3.7 | -21.9 | -9.2 | 30.9 | 7.1 | .4 | .6 | 2.0 | -.9 | -4.2 | 811.3 |
| 10 Other consumer goods | 6.6 | 3.8 | 3.8 | 5.7 | 4.2 | 6.5 | .3 | .6 | .6 | .4 | -1.0 | 237.2 |
| 11 Capital equipment | 8.5 | 3.4 | 3.6 | 5.2 | 3.5 | 3.9 | -.1 | .2 | .3 | .5 | -.1 | 285.7 |
| 12 Intermediate materials ³ | 6.2 | -.3 | -2.3 | -.5 | 2.3 | 1.5 | .2 | .1 | .3 | .0 | -.4 | 315.3 |
| 13 Excluding energy | 5.5 | .5 | .3 | .0 | 1.0 | 1.2 | .4 | .0 | .2 | .2 | -.1 | 290.8 |
| Crude materials | | | | | | | | | | | | |
| 14 Foods | -10.4 | -1.2 | 23.3 | 15.8 | -26.4 | 1.3 | -3.0 | -1.0 | 1.0 | .4 | 1.1 | 239.6 |
| 15 Energy | 15.2 | 1.1 | -5.8 | 1.6 | 8.7 | 5.8 | .9 | 1.0 | 1.7 | -1.2 | -1.2 | 810.0 |
| 16 Other | -8.7 | -7.7 | -35.7 | 19.2 | 2.9 | -7.9 | .6 | -.6 | -.9 | -.5 | -2.9 | 231.0 |

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 | 1980 | 1981 | 1982 | 1981 | 1982 | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|-----------------|--|
| | | | | Q4 | Q1 | Q2 | Q3 | Q4 ^a | |
| GROSS NATIONAL PRODUCT | | | | | | | | | |
| 1 Total | 2,633.1 | 2,937.7 | 3,057.6 | 3,003.2 | 2,995.5 | 3,045.2 | 3,088.2 | 3,101.4 | |
| By source | | | | | | | | | |
| 2 Personal consumption expenditures | 1,667.2 | 1,843.2 | 1,971.3 | 1,884.5 | 1,919.4 | 1,947.8 | 1,986.3 | 2,031.5 | |
| 3 Durable goods | 214.3 | 234.6 | 242.5 | 229.6 | 237.9 | 240.7 | 240.3 | 251.2 | |
| 4 Nondurable goods | 670.4 | 734.5 | 762.0 | 746.5 | 749.1 | 755.0 | 768.4 | 775.3 | |
| 5 Services | 782.5 | 874.1 | 966.8 | 908.3 | 932.4 | 952.1 | 977.6 | 1,005.0 | |
| 6 Gross private domestic investment | 402.4 | 471.5 | 420.5 | 468.9 | 414.8 | 431.5 | 443.3 | 392.4 | |
| 7 Fixed investment | 412.4 | 451.1 | 443.3 | 455.7 | 450.4 | 447.7 | 438.6 | 436.6 | |
| 8 Nonresidential | 309.2 | 346.1 | 347.6 | 360.2 | 357.0 | 352.2 | 344.2 | 336.9 | |
| 9 Structures | 110.5 | 129.7 | 141.4 | 139.6 | 141.4 | 143.6 | 141.3 | 139.2 | |
| 10 Producers' durable equipment | 198.6 | 216.4 | 206.2 | 220.6 | 215.6 | 208.6 | 203.0 | 197.7 | |
| 11 Residential structures | 103.2 | 105.0 | 95.8 | 95.5 | 93.4 | 95.5 | 94.3 | 99.8 | |
| 12 Nonfarm | 98.3 | 99.7 | 90.1 | 89.4 | 87.9 | 89.6 | 88.7 | 94.1 | |
| 13 Change in business inventories | -10.0 | 20.5 | -22.8 | 13.2 | -35.6 | -16.2 | 4.7 | -44.2 | |
| 14 Nonfarm | -5.7 | 15.0 | -23.1 | 6.0 | -36.0 | -15.0 | 3.7 | -45.3 | |
| 15 Net exports of goods and services | 25.2 | 26.1 | 18.5 | 23.5 | 31.3 | 34.9 | 6.9 | .8 | |
| 16 Exports | 339.2 | 367.3 | 349.2 | 367.9 | 359.9 | 365.8 | 349.5 | 321.5 | |
| 17 Imports | 314.0 | 341.3 | 330.7 | 344.4 | 328.6 | 330.9 | 342.5 | 320.7 | |
| 18 Government purchases of goods and services | 538.4 | 596.9 | 647.3 | 626.3 | 630.1 | 630.9 | 651.7 | 676.7 | |
| 19 Federal | 197.2 | 229.0 | 257.7 | 250.5 | 249.7 | 244.3 | 259.0 | 277.9 | |
| 20 State and local | 341.2 | 368.0 | 389.6 | 375.7 | 380.4 | 386.6 | 392.7 | 398.9 | |
| By major type of product | | | | | | | | | |
| 21 Final sales, total | 2,643.1 | 2,917.3 | 3,080.4 | 2,989.9 | 3,031.1 | 3,061.4 | 3,083.5 | 3,145.6 | |
| 22 Goods | 1,141.9 | 1,289.2 | 1,280.9 | 1,298.5 | 1,269.4 | 1,283.1 | 1,295.5 | 1,275.7 | |
| 23 Durable | 477.3 | 528.1 | 493.7 | 504.9 | 482.4 | 505.9 | 516.9 | 469.5 | |
| 24 Nondurable | 664.6 | 761.1 | 787.3 | 793.6 | 787.0 | 777.2 | 778.6 | 806.2 | |
| 25 Services | 1,225.6 | 1,364.3 | 1,492.3 | 1,421.5 | 1,444.4 | 1,476.7 | 1,509.5 | 1,538.7 | |
| 26 Structures | 265.7 | 284.2 | 284.3 | 283.3 | 281.7 | 285.3 | 283.2 | 287.0 | |
| 27 Change in business inventories | -10.0 | 20.5 | -22.8 | 13.2 | -35.6 | -16.2 | 4.7 | -44.2 | |
| 28 Durable goods | -5.2 | 8.7 | -18.3 | -5.6 | -30.9 | -6.6 | 10.1 | -45.8 | |
| 29 Nondurable goods | -4.8 | 11.8 | -4.6 | 18.9 | -4.8 | -9.6 | -5.4 | 1.6 | |
| 30 MEMO: Total GNP in 1972 dollars | 1,474.0 | 1,502.6 | 1,476.0 | 1,490.1 | 1,470.7 | 1,478.4 | 1,481.1 | 1,473.9 | |
| NATIONAL INCOME | | | | | | | | | |
| 31 Total | 2,117.1 | 2,352.5 | 2,436.6 | 2,404.5 | 2,396.9 | 2,425.2 | 2,455.6 | 2,468.7 | |
| 32 Compensation of employees | 1,598.6 | 1,767.6 | 1,856.4 | 1,813.4 | 1,830.8 | 1,850.7 | 1,868.3 | 1,875.9 | |
| 33 Wages and salaries | 1,356.1 | 1,494.0 | 1,560.6 | 1,531.1 | 1,541.5 | 1,556.6 | 1,570.0 | 1,574.3 | |
| 34 Government and government enterprises | 260.2 | 283.1 | 302.3 | 292.3 | 296.3 | 300.0 | 303.5 | 309.2 | |
| 35 Other | 1,095.9 | 1,210.9 | 1,258.3 | 1,238.8 | 1,245.2 | 1,256.6 | 1,266.4 | 1,265.1 | |
| 36 Supplement to wages and salaries | 242.5 | 273.6 | 295.8 | 282.3 | 289.3 | 294.1 | 298.3 | 301.6 | |
| 37 Employer contributions for social insurance | 115.3 | 133.2 | 142.1 | 136.5 | 140.2 | 141.7 | 142.8 | 143.6 | |
| 38 Other labor income | 127.3 | 140.4 | 153.8 | 145.8 | 149.1 | 152.5 | 155.5 | 157.9 | |
| 39 Proprietors' income ¹ | 116.3 | 124.7 | 120.4 | 124.1 | 116.4 | 117.3 | 118.4 | 129.3 | |
| 40 Business and professional ¹ | 96.9 | 100.7 | 101.3 | 99.5 | 98.6 | 99.9 | 101.7 | 104.9 | |
| 41 Farm ¹ | 19.4 | 24.0 | 19.1 | 24.6 | 17.8 | 17.4 | 16.6 | 24.4 | |
| 42 Rental income of persons ² | 32.9 | 33.9 | 34.1 | 33.6 | 33.9 | 34.2 | 34.6 | 33.9 | |
| 43 Corporate profits ¹ | 181.6 | 190.6 | 160.5 | 183.9 | 157.1 | 155.4 | 166.2 | 163.3 | |
| 44 Profits before tax ³ | 242.5 | 232.1 | 174.6 | 216.5 | 171.6 | 171.7 | 180.3 | 174.8 | |
| 45 Inventory valuation adjustment | -43.0 | -24.6 | -9.3 | -17.1 | -4.4 | -9.4 | -10.3 | -12.9 | |
| 46 Capital consumption adjustment | -17.8 | -16.8 | -4.8 | -15.5 | -10.1 | -6.9 | -3.8 | 1.5 | |
| 47 Net interest | 187.7 | 235.7 | 265.2 | 249.5 | 258.7 | 267.5 | 268.1 | 266.4 | |

1. With inventory valuation and capital consumption adjustments.

2. With capital consumption adjustment.

3. For after-tax profits, dividends, and the like, see table 1.49.

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 | 1980 | 1981 | 1982 | 1981 | 1982 | | | |
|--|---------|---------|---------|---------|---------|---------|---------|-----------------|
| | | | | Q4 | Q1 | Q2 | Q3 | Q4 ^a |
| PERSONAL INCOME AND SAVING | | | | | | | | |
| 1 Total personal income..... | 2,160.2 | 2,404.1 | 2,570.6 | 2,494.6 | 2,510.5 | 2,552.7 | 2,592.5 | 2,626.9 |
| 2 Wage and salary disbursements..... | 1,356.1 | 1,493.9 | 1,560.6 | 1,531.2 | 1,541.6 | 1,556.6 | 1,570.0 | 1,574.3 |
| 3 Commodity-producing industries..... | 468.0 | 510.8 | 509.9 | 517.7 | 514.3 | 513.6 | 510.2 | 501.5 |
| 4 Manufacturing..... | 354.4 | 386.4 | 382.6 | 388.7 | 385.1 | 385.6 | 383.8 | 375.8 |
| 5 Distributive industries..... | 330.5 | 361.4 | 376.0 | 368.3 | 371.4 | 375.4 | 378.4 | 378.6 |
| 6 Service industries..... | 297.5 | 338.6 | 372.5 | 352.8 | 359.5 | 367.6 | 377.8 | 385.0 |
| 7 Government and government enterprises..... | 260.2 | 283.1 | 302.3 | 292.4 | 296.5 | 300.0 | 303.5 | 309.2 |
| 8 Other labor income..... | 127.3 | 140.4 | 153.8 | 145.8 | 149.1 | 152.5 | 155.5 | 157.9 |
| 9 Proprietors' income ¹ | 116.3 | 124.7 | 120.4 | 124.1 | 116.4 | 117.3 | 118.4 | 129.3 |
| 10 Business and professional ¹ | 96.9 | 100.7 | 101.3 | 99.5 | 98.6 | 99.9 | 101.7 | 104.9 |
| 11 Farm ¹ | 19.4 | 24.0 | 19.1 | 24.6 | 17.8 | 17.4 | 16.6 | 24.4 |
| 12 Rental income of persons ² | 32.9 | 33.9 | 34.1 | 33.6 | 33.9 | 34.2 | 34.6 | 33.9 |
| 13 Dividends..... | 55.9 | 62.5 | 67.0 | 65.2 | 65.8 | 66.1 | 67.2 | 68.8 |
| 14 Personal interest income..... | 256.3 | 308.5 | 371.8 | 351.0 | 359.7 | 372.0 | 378.2 | 377.2 |
| 15 Transfer payments..... | 297.2 | 336.3 | 374.7 | 350.7 | 354.6 | 365.2 | 381.0 | 397.8 |
| 16 Old-age survivors, disability, and health insurance benefits..... | 154.2 | 182.0 | 204.5 | 192.8 | 194.7 | 197.5 | 209.2 | 216.6 |
| 17 LESS: Personal contributions for social insurance..... | 88.7 | 104.9 | 111.7 | 107.0 | 110.6 | 111.4 | 112.4 | 112.5 |
| 18 EQUALS: Personal income..... | 2,160.2 | 2,404.1 | 2,570.6 | 2,494.6 | 2,510.5 | 2,552.7 | 2,592.5 | 2,626.9 |
| 19 LESS: Personal tax and nontax payments..... | 336.2 | 386.7 | 397.2 | 393.2 | 393.4 | 401.2 | 394.4 | 399.7 |
| 20 EQUALS: Disposable personal income..... | 1,824.1 | 2,029.2 | 2,173.4 | 2,101.4 | 2,117.1 | 2,151.5 | 2,198.1 | 2,227.1 |
| 21 LESS: Personal outlays..... | 1,717.9 | 1,898.9 | 2,030.7 | 1,942.7 | 1,977.9 | 2,007.2 | 2,046.1 | 2,091.6 |
| 22 EQUALS: Personal saving..... | 106.2 | 130.2 | 142.7 | 158.6 | 139.1 | 144.3 | 152.0 | 135.5 |
| MEMO: | | | | | | | | |
| Per capita (1972 dollars)..... | | | | | | | | |
| 23 Gross national product..... | 6,474 | 6,536 | 6,360 | 6,458 | 6,360 | 6,380 | 6,376 | 6,328 |
| 24 Personal consumption expenditures..... | 4,087 | 4,122 | 4,124 | 4,088 | 4,104 | 4,121 | 4,117 | 4,154 |
| 25 Disposable personal income..... | 4,472 | 4,538 | 4,547 | 4,559 | 4,527 | 4,552 | 4,555 | 4,554 |
| 26 Saving rate (percent)..... | 5.8 | 6.4 | 6.6 | 7.5 | 6.6 | 6.7 | 6.9 | 6.1 |
| GROSS SAVING | | | | | | | | |
| 27 Gross saving..... | 406.3 | 477.5 | 414.5 | 476.3 | 428.8 | 441.5 | 422.4 | n.a. |
| 28 Gross private saving..... | 438.3 | 504.7 | 530.8 | 547.7 | 520.3 | 529.0 | 546.1 | n.a. |
| 29 Personal saving..... | 106.2 | 130.2 | 142.7 | 158.6 | 139.1 | 144.3 | 152.0 | 135.5 |
| 30 Undistributed corporate profits ¹ | 38.9 | 44.4 | 31.8 | 44.3 | 32.5 | 30.7 | 34.8 | n.a. |
| 31 Corporate inventory valuation adjustment..... | -43.0 | -24.6 | -9.3 | -17.1 | -4.4 | -9.4 | -10.3 | -12.9 |
| Capital consumption allowances | | | | | | | | |
| 32 Corporate..... | 181.2 | 206.2 | 225.1 | 216.0 | 218.9 | 223.4 | 227.5 | 230.4 |
| 33 Noncorporate..... | 112.0 | 123.9 | 131.3 | 128.7 | 129.8 | 130.5 | 131.9 | 132.8 |
| 34 Wage accruals less disbursements..... | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 35 Government surplus, or deficit (-), national income and product accounts..... | -33.2 | -28.2 | -116.4 | -72.5 | -90.7 | -87.5 | -123.7 | n.a. |
| 36 Federal..... | -61.4 | -60.0 | -148.2 | -101.7 | -118.4 | -119.6 | -156.0 | n.a. |
| 37 State and local..... | 28.2 | 31.7 | 31.9 | 29.1 | 27.7 | 32.1 | 32.3 | n.a. |
| 38 Capital grants received by the United States, net..... | 1.2 | 1.1 | .0 | 1.1 | .0 | .0 | .0 | .0 |
| 39 Gross investment..... | 410.1 | 475.6 | 414.6 | 469.0 | 421.3 | 442.3 | 426.0 | 368.7 |
| 40 Gross private domestic..... | 402.4 | 471.5 | 420.5 | 468.9 | 414.8 | 431.5 | 443.3 | 392.4 |
| 41 Net foreign..... | 7.8 | 4.1 | -5.9 | 0.1 | 6.5 | 10.8 | -17.3 | -23.7 |
| 42 Statistical discrepancy..... | 3.9 | -1.9 | .2 | -7.2 | -7.5 | .8 | 3.6 | n.a. |

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

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

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

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

| Item credits or debits | 1979 | 1980 | 1981 | 1981 | | 1982 | | |
|---|----------|----------|----------|---------|---------|---------|---------|-----------------|
| | | | | Q3 | Q4 | Q1 | Q2 | Q3 ^p |
| 1 Balance on current account | -466 | 1,520 | 4,471 | 751 | -927 | 1,088 | 2,231 | -4,227 |
| 2 Not seasonally adjusted | | | | -1,834 | 1,293 | 742 | 2,841 | -6,471 |
| 3 Merchandise trade balance ² | -27,346 | -25,338 | -27,889 | -7,845 | -9,185 | -5,873 | -5,695 | -12,458 |
| 4 Merchandise exports | 184,473 | 224,237 | 236,254 | 57,694 | 57,593 | 55,780 | 55,174 | 52,480 |
| 5 Merchandise imports | -211,819 | -249,575 | -264,143 | -65,539 | -66,778 | -61,653 | -60,869 | -64,938 |
| 6 Military transactions, net | -2,035 | -2,472 | -1,541 | 61 | -528 | 167 | 247 | 527 |
| 7 Investment income, net ³ | 31,215 | 29,910 | 33,037 | 8,183 | 8,529 | 6,861 | 7,688 | 7,418 |
| 8 Other service transactions, net | 3,262 | 6,203 | 7,472 | 2,160 | 2,127 | 1,981 | 1,731 | 1,939 |
| 9 Remittances, pensions, and other transfers | -2,011 | -2,101 | -2,104 | -558 | -562 | -575 | -671 | -602 |
| 10 U.S. government grants (excluding military) | -3,549 | -4,681 | -4,504 | -1,250 | -1,308 | -1,473 | -1,069 | -1,051 |
| 11 Change in U.S. government assets, other than official reserve assets, net (increase, -) | -3,743 | -5,126 | -5,137 | -1,257 | -987 | -904 | -1,547 | -2,418 |
| 12 Change in U.S. official reserve assets (increase, -) | -1,133 | -8,155 | -5,175 | -4 | 262 | -1,089 | -1,132 | -794 |
| 13 Gold | -65 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 Special drawing rights (SDRs) | -1,136 | -16 | -1,823 | -225 | -134 | -400 | -241 | -434 |
| 15 Reserve position in International Monetary Fund | -189 | -1,667 | -2,491 | -647 | -358 | -547 | -814 | -459 |
| 16 Foreign currencies | 257 | -6,472 | -861 | 868 | 754 | -142 | -77 | 99 |
| 17 Change in U.S. private assets abroad (increase, -) ³ | -59,469 | -72,746 | -98,982 | -15,996 | -46,952 | -29,208 | -35,111 | -23,152 |
| 18 Bank-reported claims | -26,213 | -46,838 | -84,531 | -15,254 | -42,645 | -32,708 | -36,923 | -21,032 |
| 19 Nonbank-reported claims | -3,307 | -3,146 | -331 | 855 | -508 | 4,112 | -304 | n.a. |
| 20 U.S. purchase of foreign securities, net | -4,726 | -3,524 | -5,429 | -618 | -2,843 | -531 | -441 | -3,103 |
| 21 U.S. direct investments abroad, net ³ | -25,222 | -19,238 | -8,691 | -979 | -956 | -81 | 2,557 | 983 |
| 22 Change in foreign official assets in the United States (increase, +) | -13,697 | 15,442 | 4,785 | -5,835 | 8,119 | -3,122 | 1,998 | 2,102 |
| 23 U.S. Treasury securities | -22,435 | 9,708 | 4,983 | -4,635 | 4,439 | -1,344 | -2,076 | 4,880 |
| 24 Other U.S. government obligations | 463 | 2,187 | 1,289 | 545 | -246 | -296 | 258 | -101 |
| 25 Other U.S. government liabilities ⁴ | -73 | 561 | -69 | -337 | 275 | -182 | 387 | -509 |
| 26 Other U.S. liabilities reported by U.S. banks | 7,213 | -159 | -4,083 | -2,382 | 3,436 | -1,516 | 3,393 | -2,160 |
| 27 Other foreign official assets ⁵ | 1,135 | 3,145 | 2,665 | 974 | 215 | 216 | 36 | -8 |
| 28 Change in foreign private assets in the United States (increase, +) ³ | 52,157 | 39,042 | 73,136 | 22,715 | 30,988 | 28,202 | 27,621 | 13,952 |
| 29 U.S. bank-reported liabilities | 32,607 | 10,743 | 41,262 | 16,916 | 20,476 | 25,423 | 22,552 | 10,224 |
| 30 U.S. nonbank-reported liabilities | 1,362 | 6,530 | 532 | 1,006 | -457 | -982 | -2,304 | n.a. |
| 31 Foreign private purchases of U.S. Treasury securities, net | 4,960 | 2,645 | 2,932 | -446 | 1,238 | 1,277 | 2,095 | 1,308 |
| 32 Foreign purchases of other U.S. securities, net | 1,351 | 5,457 | 7,109 | 761 | 396 | 1,319 | 2,497 | 134 |
| 33 Foreign direct investments in the United States, net ³ | 11,877 | 13,666 | 21,301 | 4,478 | 9,335 | 1,165 | 2,781 | 2,286 |
| 34 Allocation of SDRs | 1,139 | 1,152 | 1,093 | 0 | 0 | 0 | 0 | 0 |
| 35 Discrepancy | 25,212 | 28,870 | 25,809 | -374 | 9,497 | 5,032 | 5,940 | 14,537 |
| 36 Owing to seasonal adjustments | | | | -2,144 | 2,474 | -899 | 574 | -1,973 |
| 37 Statistical discrepancy in recorded data before seasonal adjustment | 25,212 | 28,870 | 25,809 | 1,770 | 7,023 | 5,931 | 5,366 | 16,510 |
| MEMO: | | | | | | | | |
| 38 Changes in official assets | | | | | | | | |
| 39 U.S. official reserve assets (increase, -) | -1,133 | -8,155 | -5,175 | -4 | 262 | -1,089 | -1,132 | -794 |
| 40 Foreign official assets in the United States (increase, +) | -13,624 | 14,881 | 4,854 | -5,498 | 7,844 | -2,940 | 1,611 | 2,611 |
| 41 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above) | 5,543 | 12,769 | 13,314 | 2,935 | 2,230 | 4,988 | 3,073 | 164 |
| 42 Transfers under military grant programs (excluded from lines 4, 6, and 10 above) | 465 | 631 | 602 | 132 | 64 | 93 | 125 | 137 |

1. Seasonal factors are no longer calculated for lines 12 through 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 shown from merchandise data and are included in line 6.

3. Includes reinvested earnings of incorporated affiliates.

4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.

5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

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

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted

| Item | 1980 | 1981 | 1982 | 1982 [*] | | | | | | 1983 |
|---|---------|---------|---------|-------------------|--------|--------|--------|--------|--------|--------|
| | | | | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. |
| 1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments | 220,626 | 233,677 | 212,193 | 18,060 | 17,463 | 17,320 | 16,671 | 15,852 | 16,347 | 17,393 |
| 2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses | 244,871 | 261,305 | 243,952 | 19,849 | 22,930 | 20,581 | 21,006 | 18,892 | 19,154 | 20,021 |
| 3 Trade balance | -24,245 | -27,628 | -31,759 | -1,790 | -5,467 | -3,261 | -4,335 | -3,041 | -2,808 | -2,628 |

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" (U.S. Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

| Type | 1979 | 1980 | 1981 | 1982 | | | | | 1983 | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | | | | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. |
| 1 Total ¹ | 18,956 | 26,756 | 30,075 | 31,233 | 31,864 | 31,711 | 34,006 | 33,958 | 33,936 | 34,233 |
| 2 Gold stock, including Exchange Stabilization Fund ¹ | 11,172 | 11,160 | 11,151 | 11,148 | 11,148 | 11,148 | 11,148 | 11,148 | 11,144 | 11,139 |
| 3 Special drawing rights ^{2,3} | 2,724 | 2,610 | 4,095 | 4,601 | 4,809 | 4,801 | 4,929 | 5,250 | 5,267 | 5,284 |
| 4 Reserve position in International Monetary Fund ² | 1,253 | 2,852 | 5,055 | 6,433 | 6,406 | 6,367 | 7,185 | 7,348 | 8,035 | 8,594 |
| 5 Foreign currencies ^{4,5} | 3,807 | 10,134 | 9,774 | 9,051 | 8,630 | 9,395 | 10,744 | 10,212 | 9,490 | 9,216 |

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.

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. Beginning November 1978, valued at current market exchange rates.

5. Includes U.S. government securities held under repurchase agreement against receipt of foreign currencies, if any.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

| Assets | 1979 | 1980 | 1981 | 1982 | | | | | 1983 | |
|---|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | | | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. |
| 1 Deposits | 429 | 411 | 505 | 347 | 396 | 326 | 386 | 328 | 366 | 352 |
| Assets held in custody | | | | | | | | | | |
| 2 U.S. Treasury securities ¹ | 95,075 | 102,417 | 104,680 | 104,136 | 106,117 | 107,636 | 107,467 | 112,544 | 115,872 | 116,428 |
| 3 Earmarked gold | 15,169 | 14,965 | 14,804 | 14,761 | 14,726 | 14,706 | 14,711 | 14,716 | 14,717 | 14,752 |

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.

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

Millions of dollars, end of period

| Asset account | 1979 | 1980 | 1981 | 1982 | | | | | | |
|----------------------------------|-----------------------|---------|---------|-------------------|---------|-------------------|--------------------|---------|---------|-------------------|
| | | | | June ^r | July | Aug. ^r | Sept. ^r | Oct. | Nov. | Dec. ^p |
| | All foreign countries | | | | | | | | | |
| 1 Total, all currencies | 364,409 | 401,135 | 462,790 | 459,154 | 465,633 | 471,710 | 471,085 | 463,601 | 468,376 | 468,168 |
| 2 Claims on United States | 32,302 | 28,460 | 63,743 | 83,604 | 82,555 | 88,936 | 90,267 | 89,036 | 90,877 | 91,672 |
| 3 Parent bank | 25,929 | 20,202 | 43,267 | 58,614 | 55,962 | 60,315 | 60,872 | 61,283 | 62,472 | 61,696 |
| 4 Other | 6,373 | 8,258 | 20,476 | 24,990 | 26,593 | 28,621 | 29,395 | 27,753 | 28,405 | 29,976 |
| 5 Claims on foreigners | 317,330 | 354,960 | 378,899 | 356,657 | 363,842 | 362,437 | 360,462 | 354,373 | 357,071 | 357,056 |
| 6 Other branches of parent bank | 79,662 | 77,019 | 87,821 | 87,163 | 89,446 | 91,593 | 93,283 | 90,030 | 91,891 | 90,875 |
| 7 Banks | 123,420 | 146,448 | 150,708 | 137,683 | 142,763 | 138,517 | 135,454 | 133,365 | 133,239 | 133,214 |
| 8 Public borrowers | 26,097 | 28,033 | 28,197 | 25,291 | 24,654 | 24,521 | 24,333 | 23,850 | 23,340 | 23,979 |
| 9 Nonbank foreigners | 88,151 | 103,460 | 112,173 | 106,520 | 106,979 | 107,806 | 107,392 | 107,128 | 108,601 | 108,988 |
| 10 Other assets | 14,777 | 17,715 | 20,148 | 18,893 | 19,236 | 20,337 | 20,356 | 20,192 | 20,428 | 19,440 |
| 11 Total payable in U.S. dollars | 267,713 | 291,798 | 350,678 | 353,847 | 359,978 | 366,148 | 369,746 | 361,804 | 363,483 | 360,600 |
| 12 Claims on United States | 31,171 | 27,191 | 62,142 | 82,037 | 80,912 | 87,328 | 88,613 | 87,316 | 89,001 | 89,952 |
| 13 Parent bank | 25,632 | 19,896 | 42,721 | 58,117 | 55,283 | 59,634 | 60,207 | 60,538 | 61,655 | 61,040 |
| 14 Other | 5,539 | 7,295 | 19,421 | 23,920 | 25,629 | 27,694 | 28,406 | 26,778 | 27,346 | 28,912 |
| 15 Claims on foreigners | 229,120 | 255,391 | 276,882 | 260,530 | 267,267 | 266,420 | 268,253 | 261,896 | 261,671 | 258,622 |
| 16 Other branches of parent bank | 61,525 | 58,541 | 69,398 | 70,386 | 72,488 | 74,252 | 77,470 | 74,032 | 74,759 | 73,274 |
| 17 Banks | 96,261 | 117,342 | 122,055 | 110,274 | 115,072 | 111,712 | 110,591 | 107,448 | 106,606 | 105,711 |
| 18 Public borrowers | 21,629 | 23,491 | 22,877 | 19,957 | 19,306 | 19,043 | 18,984 | 18,659 | 18,187 | 18,301 |
| 19 Nonbank foreigners | 49,705 | 56,017 | 62,552 | 59,913 | 60,401 | 61,413 | 61,208 | 61,757 | 62,119 | 61,336 |
| 20 Other assets | 7,422 | 9,216 | 11,654 | 11,280 | 11,799 | 12,400 | 12,880 | 12,592 | 12,811 | 12,026 |
| | United Kingdom | | | | | | | | | |
| 21 Total, all currencies | 130,873 | 144,717 | 157,229 | 158,466 | 164,106 | 164,523 | 167,189 | 164,582 | 165,687 | 161,067 |
| 22 Claims on United States | 11,117 | 7,509 | 11,823 | 20,744 | 23,962 | 27,031 | 27,534 | 27,829 | 28,677 | 27,354 |
| 23 Parent bank | 9,338 | 5,275 | 7,885 | 16,768 | 19,680 | 22,730 | 22,970 | 23,717 | 24,278 | 23,017 |
| 24 Other | 1,779 | 2,234 | 3,938 | 3,976 | 4,282 | 4,301 | 4,564 | 4,112 | 4,399 | 4,337 |
| 25 Claims on foreigners | 115,123 | 131,142 | 138,888 | 131,860 | 133,964 | 130,814 | 132,746 | 129,913 | 130,666 | 127,694 |
| 26 Other branches of parent bank | 34,291 | 34,760 | 41,367 | 37,696 | 37,250 | 36,937 | 40,385 | 37,013 | 38,319 | 37,000 |
| 27 Banks | 51,343 | 58,741 | 56,315 | 54,727 | 56,428 | 53,582 | 52,203 | 52,568 | 51,414 | 50,757 |
| 28 Public borrowers | 4,919 | 6,688 | 7,490 | 6,595 | 6,456 | 6,286 | 6,086 | 6,157 | 6,170 | 6,240 |
| 29 Nonbank foreigners | 24,570 | 30,953 | 33,716 | 32,842 | 33,830 | 34,009 | 34,072 | 34,165 | 34,763 | 33,697 |
| 30 Other assets | 4,633 | 6,066 | 6,518 | 5,862 | 6,180 | 6,678 | 6,909 | 6,840 | 6,344 | 6,019 |
| 31 Total payable in U.S. dollars | 94,287 | 99,699 | 115,188 | 120,002 | 125,247 | 126,344 | 131,129 | 127,517 | 128,863 | 123,740 |
| 32 Claims on United States | 10,746 | 7,116 | 11,246 | 20,256 | 23,421 | 26,514 | 26,919 | 27,255 | 28,093 | 26,761 |
| 33 Parent bank | 9,297 | 5,229 | 7,721 | 16,599 | 19,451 | 22,496 | 22,758 | 23,478 | 24,035 | 22,756 |
| 34 Other | 1,449 | 1,887 | 3,525 | 3,657 | 3,970 | 4,018 | 4,161 | 3,777 | 4,058 | 4,005 |
| 35 Claims on foreigners | 81,294 | 89,723 | 99,850 | 95,857 | 97,699 | 95,293 | 99,008 | 95,269 | 95,870 | 92,228 |
| 36 Other branches of parent bank | 28,928 | 28,268 | 35,439 | 32,567 | 32,007 | 31,414 | 35,703 | 32,243 | 33,154 | 31,648 |
| 37 Banks | 36,760 | 42,073 | 40,703 | 40,479 | 42,515 | 40,321 | 39,786 | 39,077 | 38,310 | 36,717 |
| 38 Public borrowers | 3,319 | 4,911 | 5,595 | 4,655 | 4,513 | 4,336 | 4,214 | 4,251 | 4,281 | 4,329 |
| 39 Nonbank foreigners | 12,287 | 14,471 | 18,113 | 18,156 | 18,664 | 19,222 | 19,305 | 19,698 | 20,125 | 19,534 |
| 40 Other assets | 2,247 | 2,860 | 4,092 | 3,889 | 4,127 | 4,537 | 5,202 | 4,993 | 4,900 | 4,751 |
| | Bahamas and Caymans | | | | | | | | | |
| 41 Total, all currencies | 108,977 | 123,837 | 149,051 | 141,878 | 141,099 | 144,194 | 140,614 | 139,438 | 140,939 | 144,271 |
| 42 Claims on United States | 19,124 | 17,751 | 46,546 | 56,704 | 52,646 | 56,087 | 55,467 | 55,713 | 57,106 | 59,143 |
| 43 Parent bank | 15,196 | 12,631 | 31,643 | 36,608 | 31,242 | 32,822 | 32,155 | 32,927 | 34,015 | 34,560 |
| 44 Other | 3,928 | 5,120 | 14,903 | 20,096 | 21,404 | 23,265 | 23,312 | 22,786 | 23,091 | 24,583 |
| 45 Claims on foreigners | 86,718 | 101,926 | 98,002 | 81,170 | 84,416 | 83,835 | 81,054 | 79,539 | 79,155 | 80,833 |
| 46 Other branches of parent bank | 9,689 | 13,342 | 12,951 | 15,407 | 17,538 | 17,806 | 17,772 | 17,955 | 18,066 | 18,688 |
| 47 Banks | 43,189 | 54,861 | 55,096 | 42,747 | 44,229 | 43,616 | 41,333 | 40,439 | 40,995 | 42,116 |
| 48 Public borrowers | 12,905 | 12,577 | 10,010 | 7,327 | 7,031 | 7,036 | 6,999 | 6,743 | 6,310 | 6,411 |
| 49 Nonbank foreigners | 20,935 | 21,146 | 19,945 | 15,689 | 15,618 | 15,377 | 14,950 | 14,402 | 13,784 | 13,618 |
| 50 Other assets | 3,135 | 4,160 | 4,503 | 4,004 | 4,037 | 4,272 | 4,093 | 4,186 | 4,678 | 4,295 |
| 51 Total payable in U.S. dollars | 102,368 | 117,654 | 143,686 | 136,910 | 135,619 | 138,771 | 136,077 | 134,607 | 135,648 | 138,723 |

3.14 Continued

| Liability account | 1979 | 1980 | 1981 | 1982 | | | | | | |
|-----------------------------------|-----------------------|---------|---------|-------------------|---------|-------------------|--------------------|---------|---------|-------------------|
| | | | | June ^r | July | Aug. ^r | Sept. ^r | Oct. | Nov. | Dec. ^p |
| | All foreign countries | | | | | | | | | |
| 52 Total, all currencies | 364,409 | 401,135 | 462,790 | 459,154 | 465,633 | 471,710 | 471,085 | 463,601 | 468,376 | 468,168 |
| 53 To United States | 66,689 | 91,079 | 137,712 | 160,947 | 164,504 | 167,661 | 170,430 | 169,312 | 171,756 | 176,773 |
| 54 Parent bank | 24,533 | 39,286 | 56,289 | 59,235 | 60,939 | 64,419 | 67,028 | 64,102 | 66,254 | 73,403 |
| 55 Other banks in United States | 13,968 | 14,473 | 19,197 | 29,534 | 31,555 | 32,425 | 33,763 | 32,607 | 31,764 | 33,400 |
| 56 Nonbanks | 28,188 | 37,275 | 62,226 | 72,178 | 72,010 | 70,817 | 69,639 | 72,603 | 73,738 | 69,970 |
| 57 To foreigners | 283,510 | 295,411 | 305,630 | 278,721 | 281,592 | 283,954 | 280,450 | 274,222 | 276,293 | 271,605 |
| 58 Other branches of parent bank | 77,640 | 75,773 | 86,396 | 84,542 | 86,776 | 92,202 | 93,753 | 91,658 | 91,270 | 91,824 |
| 59 Banks | 122,922 | 132,116 | 124,906 | 105,206 | 105,959 | 103,466 | 99,966 | 98,259 | 98,209 | 96,633 |
| 60 Official institutions | 35,668 | 32,473 | 25,997 | 19,914 | 20,239 | 20,004 | 20,527 | 19,440 | 21,095 | 19,603 |
| 61 Nonbank foreigners | 47,280 | 55,049 | 68,331 | 69,059 | 68,618 | 68,282 | 66,204 | 64,865 | 65,719 | 63,545 |
| 62 Other liabilities | 14,210 | 14,690 | 19,448 | 19,486 | 19,537 | 20,095 | 20,205 | 20,067 | 20,327 | 19,790 |
| 63 Total payable in U.S. dollars | 273,857 | 303,281 | 364,390 | 369,380 | 376,129 | 381,898 | 385,440 | 377,121 | 379,142 | 377,910 |
| 64 To United States | 64,530 | 88,157 | 134,645 | 157,717 | 161,250 | 164,403 | 167,534 | 166,377 | 168,285 | 173,298 |
| 65 Parent bank | 23,403 | 37,528 | 54,437 | 57,174 | 58,958 | 62,369 | 65,114 | 62,191 | 63,963 | 71,081 |
| 66 Other banks in United States | 13,771 | 14,203 | 18,883 | 29,198 | 31,224 | 32,162 | 33,508 | 32,362 | 31,428 | 33,035 |
| 67 Nonbanks | 27,356 | 36,426 | 61,325 | 71,345 | 71,068 | 69,872 | 68,912 | 71,824 | 72,894 | 69,182 |
| 68 To foreigners | 201,514 | 206,883 | 217,602 | 200,262 | 203,767 | 205,709 | 206,553 | 199,297 | 198,944 | 193,399 |
| 69 Other branches of parent bank | 60,551 | 58,172 | 69,299 | 68,516 | 70,429 | 75,344 | 78,499 | 76,237 | 74,621 | 74,593 |
| 70 Banks | 80,691 | 87,497 | 79,594 | 65,821 | 66,520 | 63,959 | 62,535 | 59,782 | 58,829 | 57,311 |
| 71 Official institutions | 29,048 | 24,697 | 20,288 | 15,373 | 15,737 | 15,672 | 16,607 | 15,253 | 16,774 | 15,044 |
| 72 Nonbank foreigners | 31,224 | 36,517 | 48,421 | 50,552 | 51,081 | 50,734 | 48,912 | 48,025 | 48,720 | 46,451 |
| 73 Other liabilities | 7,813 | 8,241 | 12,143 | 11,401 | 11,112 | 11,786 | 11,353 | 11,447 | 11,913 | 11,213 |
| | United Kingdom | | | | | | | | | |
| 74 Total, all currencies | 130,873 | 144,717 | 157,229 | 158,466 | 164,106 | 164,523 | 167,189 | 164,582 | 165,687 | 161,067 |
| 75 To United States | 20,986 | 21,785 | 38,022 | 44,086 | 46,965 | 49,001 | 53,919 | 53,777 | 54,003 | 53,954 |
| 76 Parent bank | 3,104 | 4,225 | 5,444 | 6,323 | 6,679 | 8,022 | 11,336 | 10,568 | 10,597 | 13,091 |
| 77 Other banks in United States | 7,693 | 5,716 | 7,502 | 9,985 | 11,215 | 11,616 | 13,280 | 12,567 | 12,374 | 12,205 |
| 78 Nonbanks | 10,189 | 11,844 | 25,076 | 27,778 | 29,071 | 29,363 | 29,303 | 30,642 | 31,032 | 28,658 |
| 79 To foreigners | 104,032 | 117,438 | 112,255 | 106,665 | 109,105 | 107,268 | 104,967 | 102,611 | 103,927 | 99,567 |
| 80 Other branches of parent bank | 12,567 | 15,384 | 16,545 | 17,771 | 18,010 | 18,666 | 19,123 | 18,399 | 19,372 | 18,361 |
| 81 Banks | 47,620 | 56,262 | 51,336 | 46,628 | 48,541 | 47,502 | 45,526 | 45,601 | 44,266 | 44,020 |
| 82 Official institutions | 24,202 | 21,412 | 16,517 | 11,746 | 12,076 | 12,006 | 12,348 | 11,379 | 12,940 | 11,504 |
| 83 Nonbank foreigners | 19,643 | 24,380 | 27,857 | 30,520 | 30,478 | 29,094 | 27,970 | 27,232 | 27,349 | 25,682 |
| 84 Other liabilities | 5,855 | 5,494 | 6,952 | 7,715 | 8,036 | 8,254 | 8,303 | 8,194 | 7,757 | 7,546 |
| 85 Total payable in U.S. dollars | 95,449 | 103,440 | 120,277 | 125,859 | 131,199 | 132,536 | 137,268 | 133,591 | 135,188 | 130,261 |
| 86 To United States | 20,552 | 21,080 | 37,332 | 43,323 | 46,129 | 48,266 | 53,262 | 53,146 | 53,056 | 53,029 |
| 87 Parent bank | 3,054 | 4,078 | 5,350 | 6,212 | 6,603 | 7,928 | 11,223 | 10,442 | 10,306 | 12,814 |
| 88 Other banks in United States | 7,651 | 5,626 | 7,249 | 9,806 | 11,048 | 11,510 | 13,142 | 12,472 | 12,188 | 12,026 |
| 89 Nonbanks | 9,847 | 11,376 | 24,733 | 27,305 | 28,478 | 28,828 | 28,897 | 30,232 | 30,562 | 28,189 |
| 90 To foreigners | 72,397 | 79,636 | 79,034 | 78,794 | 81,207 | 79,954 | 80,025 | 76,519 | 77,982 | 73,477 |
| 91 Other branches of parent bank | 8,446 | 10,474 | 12,048 | 13,903 | 14,202 | 14,514 | 15,548 | 14,614 | 15,310 | 14,300 |
| 92 Banks | 29,424 | 35,388 | 32,298 | 30,557 | 32,364 | 31,898 | 31,187 | 30,404 | 29,092 | 28,810 |
| 93 Official institutions | 20,192 | 17,024 | 13,612 | 9,843 | 10,200 | 10,322 | 11,012 | 9,806 | 11,198 | 9,668 |
| 94 Nonbank foreigners | 14,335 | 16,750 | 21,076 | 24,491 | 24,441 | 23,220 | 22,278 | 21,895 | 22,382 | 20,699 |
| 95 Other liabilities | 2,500 | 2,724 | 3,911 | 3,742 | 3,863 | 4,316 | 3,981 | 3,926 | 4,150 | 3,755 |
| | Bahamas and Caymans | | | | | | | | | |
| 96 Total, all currencies | 108,977 | 123,837 | 149,051 | 141,878 | 141,099 | 144,194 | 140,614 | 139,438 | 140,939 | 144,271 |
| 97 To United States | 37,719 | 59,666 | 85,704 | 97,916 | 98,609 | 99,270 | 96,936 | 96,810 | 98,475 | 102,463 |
| 98 Parent bank | 15,267 | 28,181 | 39,396 | 39,416 | 41,122 | 42,971 | 41,806 | 40,225 | 41,900 | 45,096 |
| 99 Other banks in United States | 5,204 | 7,379 | 10,474 | 17,410 | 17,831 | 17,911 | 17,927 | 17,481 | 16,805 | 18,508 |
| 100 Nonbanks | 17,248 | 24,106 | 35,834 | 41,090 | 39,656 | 38,388 | 37,203 | 39,104 | 39,770 | 38,859 |
| 101 To foreigners | 68,598 | 61,218 | 60,012 | 41,204 | 39,740 | 42,039 | 40,965 | 39,793 | 39,603 | 39,360 |
| 102 Other branches of parent bank | 20,875 | 17,040 | 20,641 | 15,855 | 15,018 | 17,348 | 17,690 | 17,421 | 17,566 | 17,541 |
| 103 Banks | 33,631 | 29,895 | 23,202 | 12,702 | 11,766 | 11,599 | 10,910 | 10,297 | 10,413 | 10,122 |
| 104 Official institutions | 4,866 | 4,361 | 3,498 | 2,471 | 2,407 | 2,288 | 2,091 | 2,137 | 1,846 | 1,956 |
| 105 Nonbank foreigners | 9,226 | 9,922 | 12,671 | 10,176 | 10,549 | 10,804 | 10,274 | 9,938 | 9,778 | 9,741 |
| 106 Other liabilities | 2,660 | 2,953 | 3,325 | 2,758 | 2,750 | 2,885 | 2,713 | 2,835 | 2,861 | 2,448 |
| 107 Total payable in U.S. dollars | 103,460 | 119,657 | 145,227 | 138,640 | 137,910 | 140,750 | 137,717 | 136,574 | 137,828 | 141,048 |

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

| Item | 1980 | 1981 | 1982 | | | | | | 1983 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | | July | Aug. | Sept. | Oct. | Nov. | Dec. | |
| 1 Total ¹ | 164,578 | 169,702 | 170,228 | 169,289 | 171,094 | 171,308 | 168,048 | 172,721 | 175,523 |
| By type | | | | | | | | | |
| 2 Liabilities reported by banks in the United States ² | 30,381 | 26,572 | 25,867 | 26,594 | 26,440 | 26,965 | 25,376 | 24,831 | 23,956 |
| 3 U.S. Treasury bills and certificates ³ | 56,243 | 52,389 | 45,824 | 44,182 | 44,450 | 43,964 | 42,906 | 46,658 | 50,432 |
| U.S. Treasury bonds and notes | | | | | | | | | |
| 4 Marketable | 41,455 | 53,150 | 63,048 | 63,415 | 64,940 | 65,581 | 65,801 | 67,666 | 67,942 |
| 5 Nonmarketable ⁴ | 14,654 | 11,791 | 9,750 | 9,350 | 9,350 | 9,350 | 8,750 | 8,750 | 8,750 |
| 6 U.S. securities other than U.S. Treasury securities ⁵ | 21,845 | 25,800 | 25,739 | 25,748 | 25,914 | 25,448 | 25,215 | 24,816 | 24,443 |
| By area | | | | | | | | | |
| 7 Western Europe ¹ | 81,592 | 65,484 | 58,791 | 61,120 | 61,350 | 60,723 | 59,355 | 61,371 | 62,467 |
| 8 Canada | 1,562 | 2,403 | 1,519 | 1,771 | 2,057 | 2,204 | 2,044 | 2,070 | 2,520 |
| 9 Latin America and Caribbean | 5,688 | 6,954 | 7,522 | 6,802 | 6,385 | 7,181 | 5,884 | 6,028 | 7,142 |
| 10 Asia | 70,784 | 91,790 | 97,112 | 94,883 | 95,822 | 95,187 | 94,091 | 95,996 | 95,602 |
| 11 Africa | 4,123 | 1,829 | 1,485 | 1,326 | 1,303 | 1,452 | 1,371 | 1,350 | 1,716 |
| 12 Other countries ⁶ | 829 | 1,242 | 3,799 | 3,387 | 4,177 | 4,561 | 5,303 | 5,906 | 6,076 |

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 | 1979 | 1980 | 1981 | 1982 | | | |
|--|-------|-------|-------|-------|-------|-------|-------------------|
| | | | | Mar. | June | Sept. | Dec. ¹ |
| 1 Banks' own liabilities | 1,918 | 3,748 | 3,767 | 4,290 | 4,783 | 4,973 | 4,751 |
| 2 Banks' own claims | 2,419 | 4,206 | 5,224 | 5,574 | 6,401 | 6,772 | 7,689 |
| 3 Deposits | 994 | 2,507 | 3,398 | 3,532 | 3,526 | 3,429 | 4,241 |
| 4 Other claims | 1,425 | 1,699 | 1,826 | 2,042 | 2,875 | 3,343 | 3,448 |
| 5 Claims of banks' domestic customers ¹ | 580 | 962 | 971 | 944 | 921 | 506 | 676 |

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 | 1979 | 1980 | 1981▲ | 1982 | | | | | | 1983 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------------------|----------------|----------------|
| | | | | July | Aug. | Sept. | Oct. | Nov. | Dec. | |
| 1 All foreigners | 187,521 | 205,297 | 243,279 | 285,114 | 293,122 | 298,515 | 297,617 | 303,015^c | 305,378 | 304,651 |
| 2 Banks' own liabilities | 117,196 | 124,791 | 162,974 | 209,172 | 217,564 | 220,427 | 218,741 | 226,307 ^c | 225,437 | 219,243 |
| 3 Demand deposits | 23,303 | 23,462 | 19,628 | 17,071 | 15,840 | 15,418 | 17,064 | 17,216 ^c | 16,076 | 16,204 |
| 4 Time deposits ¹ | 13,623 | 15,076 | 28,903 | 59,603 | 62,208 | 62,332 | 62,236 | 62,976 ^c | 67,050 | 64,263 |
| 5 Other ² | 16,453 | 17,583 | 17,398 | 20,292 | 24,211 | 23,520 | 22,842 | 24,382 | 23,736 | 23,074 |
| 6 Own foreign offices ³ | 63,817 | 68,670 | 97,044 | 112,206 | 115,305 | 119,158 | 116,600 | 121,733 ^c | 118,574 | 115,702 |
| 7 Banks' custody liabilities ⁴ | 70,325 | 80,506 | 80,305 | 75,941 | 75,558 | 78,089 | 78,876 | 76,708 | 79,941 | 85,409 |
| 8 U.S. Treasury bills and certificates ⁵ | 48,573 | 57,595 | 55,316 | 51,211 | 49,646 | 51,572 | 53,374 | 52,138 | 55,614 | 62,137 |
| 9 Other negotiable and readily transferable instruments ⁶ | 19,396 | 20,079 | 19,019 | 20,722 | 22,134 | 22,437 | 21,787 | 20,965 | 20,609 | 19,342 |
| 10 Other | 2,356 | 2,832 | 5,970 | 4,009 | 3,778 | 4,080 | 3,715 | 3,605 | 3,718 | 3,930 |
| 11 Nonmonetary international and regional organizations⁷ | 2,356 | 2,344 | 2,721 | 4,082 | 5,073 | 5,050 | 6,036 | 6,465 | 4,597 | 6,611 |
| 12 Banks' own liabilities | 714 | 444 | 638 | 2,246 | 3,093 | 2,752 | 2,337 | 3,387 | 1,584 | 1,787 |
| 13 Demand deposits | 260 | 146 | 262 | 343 | 265 | 194 | 261 | 257 | 106 | 284 |
| 14 Time deposits ¹ | 151 | 85 | 58 | 633 | 453 | 734 | 431 | 969 | 1,339 | 1,333 |
| 15 Other ² | 303 | 212 | 318 | 1,271 | 2,376 | 1,825 | 1,645 | 2,161 | 139 | 170 |
| 16 Banks' custody liabilities ⁴ | 1,643 | 1,900 | 2,083 | 1,835 | 1,980 | 2,298 | 3,699 | 3,078 | 3,013 | 4,824 |
| 17 U.S. Treasury bills and certificates ⁵ | 102 | 254 | 541 | 487 | 328 | 676 | 2,160 | 1,774 | 1,621 | 3,603 |
| 18 Other negotiable and readily transferable instruments ⁶ | 1,538 | 1,646 | 1,542 | 1,349 | 1,652 | 1,621 | 1,539 | 1,304 | 1,392 | 1,221 |
| 19 Other | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20 Official institutions⁸ | 78,206 | 86,624 | 79,037 | 71,690 | 70,776 | 70,891 | 70,930 | 68,282 | 71,490 | 74,388 |
| 21 Banks' own liabilities | 18,292 | 17,826 | 16,813 | 16,279 | 16,323 | 16,646 | 16,898 | 16,676 | 16,484 | 16,534 |
| 22 Demand deposits | 4,671 | 3,771 | 2,564 | 2,788 | 1,994 | 2,526 | 2,138 | 2,127 | 1,981 | 2,188 |
| 23 Time deposits ¹ | 3,050 | 3,612 | 4,197 | 6,497 | 5,859 | 5,312 | 6,132 | 5,524 | 5,477 | 4,889 |
| 24 Other ² | 10,571 | 10,443 | 10,052 | 6,994 | 8,470 | 8,809 | 8,629 | 9,025 | 9,027 | 9,458 |
| 25 Banks' custody liabilities ⁴ | 59,914 | 68,798 | 62,224 | 55,411 | 54,453 | 54,245 | 54,031 | 51,607 | 55,006 | 57,854 |
| 26 U.S. Treasury bills and certificates ⁵ | 47,666 | 56,243 | 52,389 | 45,824 | 44,182 | 44,450 | 43,964 | 42,906 | 46,658 | 50,432 |
| 27 Other negotiable and readily transferable instruments ⁶ | 12,196 | 12,501 | 9,787 | 9,552 | 10,234 | 9,755 | 10,033 | 8,672 | 8,319 | 7,386 |
| 28 Other | 52 | 54 | 47 | 36 | 37 | 39 | 34 | 28 | 28 | 35 |
| 29 Banks⁹ | 88,316 | 96,415 | 135,558 | 171,474 | 177,557 | 181,452 | 179,672 | 185,792^c | 185,135 | 178,169 |
| 30 Banks' own liabilities | 83,299 | 90,456 | 123,839 | 157,802 | 163,348 | 165,627 | 164,054 | 169,525 ^c | 168,718 | 161,346 |
| 31 Unaffiliated foreign banks | 19,482 | 21,786 | 26,795 | 45,596 | 48,043 | 46,469 | 47,454 | 47,792 ^c | 50,144 | 45,644 |
| 32 Demand deposits | 13,285 | 14,188 | 11,614 | 9,384 | 8,765 | 8,138 | 9,887 | 9,739 | 8,733 | 8,286 |
| 33 Time deposits ¹ | 1,667 | 1,703 | 8,695 | 25,006 | 26,698 | 26,503 | 26,099 | 26,220 ^c | 28,256 | 25,505 |
| 34 Other ² | 4,530 | 5,895 | 6,486 | 11,206 | 12,580 | 11,828 | 11,468 | 11,833 | 13,154 | 11,854 |
| 35 Own foreign offices ³ | 63,817 | 68,670 | 97,044 | 112,206 | 115,305 | 119,158 | 116,600 | 121,733 ^c | 118,574 | 115,702 |
| 36 Banks' custody liabilities ⁴ | 5,017 | 5,959 | 11,718 | 13,671 | 14,209 | 15,825 | 15,618 | 16,267 | 16,417 | 16,822 |
| 37 U.S. Treasury bills and certificates ⁵ | 422 | 623 | 1,687 | 3,872 | 3,970 | 4,897 | 5,634 | 5,792 | 5,809 | 6,292 |
| 38 Other negotiable and readily transferable instruments ⁶ | 2,415 | 2,748 | 4,421 | 6,661 | 7,102 | 7,916 | 7,181 | 7,782 | 7,827 | 7,698 |
| 39 Other | 2,179 | 2,588 | 5,611 | 3,138 | 3,138 | 3,012 | 2,803 | 2,693 | 2,782 | 2,833 |
| 40 Other foreigners | 18,642 | 19,914 | 25,964 | 37,868 | 39,716 | 41,123 | 40,980 | 42,476^c | 44,155 | 45,484 |
| 41 Banks' own liabilities | 14,891 | 16,065 | 21,684 | 32,845 | 34,800 | 35,401 | 35,452 | 36,719 | 38,651 | 39,575 |
| 42 Demand deposits | 5,087 | 5,356 | 5,189 | 4,556 | 4,816 | 4,560 | 4,778 | 5,093 | 5,257 | 5,447 |
| 43 Time deposits | 8,755 | 9,676 | 15,953 | 27,467 | 29,199 | 29,783 | 29,574 | 30,263 | 31,977 | 32,536 |
| 44 Other ² | 1,048 | 1,033 | 543 | 822 | 785 | 1,059 | 1,100 | 1,363 | 1,416 | 1,592 |
| 45 Banks' custody liabilities ⁴ | 3,751 | 3,849 | 4,279 | 5,023 | 4,916 | 5,721 | 5,528 | 5,756 | 5,505 | 5,908 |
| 46 U.S. Treasury bills and certificates ⁵ | 382 | 474 | 699 | 1,028 | 1,167 | 1,548 | 1,615 | 1,666 | 1,525 | 1,810 |
| 47 Other negotiable and readily transferable instruments ⁶ | 3,247 | 3,185 | 3,268 | 3,160 | 3,147 | 3,146 | 3,035 | 3,207 | 3,071 | 3,037 |
| 48 Other | 123 | 190 | 312 | 835 | 603 | 1,028 | 878 | 884 | 908 | 1,062 |
| 49 MEMO: Negotiable time certificates of deposit in custody for foreigners | 10,984 | 10,745 | 10,747 | 13,029 | 13,921 | 13,533 | 13,999 | 13,408 | 14,296 | 13,362 |

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."

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

3.17 Continued

| Area and country | 1979 | 1980 | 1981▲ | 1982 | | | | | | 1983 |
|---|---------|---------|---------|---------|---------|---------|---------|----------------------|---------|---------|
| | | | | July | Aug. | Sept. | Oct. | Nov. | Dec. | |
| 1 Total | 187,521 | 205,297 | 243,279 | 285,114 | 293,122 | 298,515 | 297,617 | 303,015 ^r | 305,378 | 304,651 |
| 2 Foreign countries | 185,164 | 202,953 | 240,558 | 281,032 | 288,049 | 293,466 | 291,581 | 296,550 ^r | 300,780 | 298,040 |
| 3 Europe | 90,952 | 90,897 | 91,019 | 107,158 | 112,017 | 114,263 | 114,895 | 117,245 ^r | 117,909 | 118,782 |
| 4 Austria | 413 | 523 | 587 | 501 | 531 | 537 | 508 | 441 | 512 | 482 |
| 5 Belgium-Luxembourg | 2,375 | 4,019 | 4,117 | 2,967 | 3,218 | 3,259 | 2,782 | 2,499 ^r | 2,517 | 2,256 |
| 6 Denmark | 1,092 | 497 | 333 | 452 | 446 | 149 | 166 | 221 | 509 | 996 |
| 7 Finland | 398 | 455 | 296 | 162 | 224 | 328 | 478 | 572 | 805 | 475 |
| 8 France | 10,433 | 12,125 | 8,486 | 8,642 | 8,145 | 7,720 | 7,358 | 7,065 | 8,112 | 8,497 |
| 9 Germany | 12,935 | 9,973 | 7,665 | 5,624 | 5,397 | 5,331 | 5,360 | 6,093 | 5,405 | 5,806 |
| 10 Greece | 635 | 670 | 463 | 506 | 559 | 471 | 516 | 496 | 537 | 589 |
| 11 Italy | 7,782 | 7,572 | 7,290 | 5,760 | 6,703 | 6,714 | 5,541 | 4,779 | 5,674 | 4,938 |
| 12 Netherlands | 2,337 | 2,441 | 2,823 | 2,789 | 2,838 | 2,899 | 3,102 | 3,100 | 3,362 | 3,770 |
| 13 Norway | 1,267 | 1,344 | 1,457 | 1,333 | 1,634 | 1,773 | 2,026 | 2,197 | 1,567 | 1,476 |
| 14 Portugal | 557 | 374 | 354 | 365 | 453 | 386 | 356 | 453 | 388 | 398 |
| 15 Spain | 1,259 | 1,500 | 916 | 1,133 | 1,223 | 1,106 | 1,315 | 1,301 | 1,405 | 1,316 |
| 16 Sweden | 2,005 | 1,737 | 1,545 | 1,385 | 1,278 | 1,324 | 2,000 | 1,615 | 1,380 | 1,315 |
| 17 Switzerland | 17,954 | 16,689 | 18,720 | 23,847 | 25,014 | 26,519 | 26,736 | 27,994 | 28,999 | 29,160 |
| 18 Turkey | 120 | 242 | 518 | 222 | 287 | 301 | 317 | 255 | 296 | 190 |
| 19 United Kingdom | 24,700 | 22,680 | 28,287 | 44,970 | 46,881 | 48,478 | 48,809 | 50,276 ^r | 48,383 | 50,334 |
| 20 Yugoslavia | 266 | 681 | 375 | 320 | 317 | 307 | 390 | 470 | 499 | 470 |
| 21 Other Western Europe ¹ | 4,070 | 6,939 | 6,245 | 5,739 | 6,381 | 6,294 | 6,484 | 6,889 | 6,936 | 5,846 |
| 22 U.S.S.R. | 52 | 68 | 49 | 41 | 47 | 47 | 111 | 45 | 50 | 57 |
| 23 Other Eastern Europe ² | 302 | 370 | 493 | 397 | 440 | 322 | 541 | 486 | 573 | 413 |
| 24 Canada | 7,379 | 10,031 | 10,250 | 11,168 | 12,194 | 11,623 | 12,163 | 11,719 ^r | 12,217 | 11,079 |
| 25 Latin America and Caribbean | 49,686 | 53,170 | 84,685 | 103,810 | 106,882 | 109,110 | 106,616 | 110,345 ^r | 112,907 | 110,324 |
| 26 Argentina | 1,582 | 2,132 | 2,445 | 2,154 | 2,713 | 3,359 | 3,482 | 3,432 | 3,577 | 4,833 |
| 27 Bahamas | 15,255 | 16,381 | 34,400 | 39,388 | 41,502 | 42,164 | 41,100 | 44,324 ^r | 44,009 | 42,631 |
| 28 Bermuda | 430 | 670 | 765 | 1,302 | 1,289 | 1,519 | 1,507 | 1,596 | 1,571 | 1,999 |
| 29 Brazil | 1,005 | 1,216 | 1,568 | 1,823 | 1,865 | 1,752 | 2,020 | 1,865 | 2,078 | 1,923 |
| 30 British West Indies | 11,138 | 12,766 | 17,794 | 22,039 | 22,871 | 23,294 | 23,071 | 24,302 | 26,200 | 24,602 |
| 31 Chile | 468 | 460 | 664 | 1,442 | 1,170 | 1,293 | 1,438 | 1,444 | 1,626 | 1,341 |
| 32 Colombia | 2,617 | 3,077 | 2,993 | 2,699 | 2,636 | 2,516 | 2,407 | 2,426 | 2,598 | 2,384 |
| 33 Cuba | 13 | 6 | 9 | 7 | 9 | 7 | 8 | 9 | 10 | 10 |
| 34 Ecuador | 425 | 371 | 434 | 527 | 478 | 524 | 556 | 519 | 453 | 472 |
| 35 Guatemala | 414 | 367 | 479 | 613 | 616 | 639 | 636 | 639 | 670 | 682 |
| 36 Jamaica | 76 | 97 | 87 | 139 | 136 | 121 | 118 | 108 | 126 | 115 |
| 37 Mexico | 4,185 | 4,547 | 7,163 | 9,643 | 9,259 | 8,468 | 8,031 | 8,135 | 7,967 | 7,925 |
| 38 Netherlands Antilles | 499 | 413 | 3,182 | 3,601 | 3,759 | 3,713 | 3,677 | 3,518 | 3,597 | 3,756 |
| 39 Panama | 4,483 | 4,718 | 4,847 | 4,884 | 4,656 | 6,172 | 4,688 | 4,795 ^r | 4,698 | 4,919 |
| 40 Peru | 383 | 403 | 694 | 931 | 984 | 974 | 1,031 | 959 | 1,147 | 1,052 |
| 41 Uruguay | 202 | 254 | 367 | 609 | 665 | 721 | 844 | 651 | 759 | 751 |
| 42 Venezuela | 4,192 | 3,170 | 4,245 | 9,140 | 9,219 | 8,625 | 8,796 | 8,315 | 8,382 | 7,623 |
| 43 Other Latin America and Caribbean | 2,318 | 2,123 | 2,548 | 2,869 | 3,056 | 3,249 | 3,207 | 3,309 ^r | 3,440 | 3,306 |
| 44 Asia | 33,005 | 42,420 | 50,005 | 52,118 | 50,854 | 51,115 | 49,800 | 48,597 | 48,530 | 48,194 |
| 45 China | 49 | 49 | 158 | 261 | 245 | 254 | 216 | 214 | 203 | 220 |
| 46 Mainland | 1,393 | 1,662 | 2,082 | 2,371 | 2,323 | 2,490 | 2,568 | 2,786 | 2,716 | 3,139 |
| 47 Taiwan | 1,672 | 2,548 | 3,950 | 4,918 | 4,551 | 4,945 | 4,957 | 4,847 | 4,428 | 4,542 |
| 48 Hong Kong | 527 | 416 | 385 | 551 | 655 | 407 | 449 | 507 | 433 | 514 |
| 49 India | 504 | 730 | 640 | 722 | 593 | 436 | 748 | 534 | 849 | 1,156 |
| 50 Indonesia | 707 | 883 | 592 | 476 | 486 | 583 | 622 | 705 | 606 | 608 |
| 51 Israel | 8,907 | 16,281 | 20,750 | 19,861 | 19,291 | 18,895 | 16,860 | 15,680 | 15,987 | 15,836 |
| 52 Japan | 993 | 1,528 | 2,013 | 1,934 | 1,712 | 1,905 | 1,886 | 1,791 | 1,692 | 1,473 |
| 53 Korea | 795 | 919 | 874 | 660 | 728 | 712 | 736 | 768 | 770 | 680 |
| 54 Philippines | 277 | 464 | 534 | 450 | 369 | 310 | 365 | 349 | 629 | 482 |
| 55 Thailand | 15,300 | 14,453 | 13,174 | 14,252 | 14,106 | 14,026 | 14,050 | 14,396 | 13,433 | 12,332 |
| 56 Middle-East oil-exporting countries ³ | 1,879 | 2,487 | 4,854 | 5,662 | 5,795 | 6,152 | 6,344 | 6,020 | 6,784 | 7,210 |
| 57 Other Asia | 3,239 | 5,187 | 3,180 | 2,692 | 2,586 | 2,783 | 3,369 | 3,192 | 3,070 | 3,346 |
| 58 Africa | 475 | 485 | 360 | 430 | 405 | 385 | 242 | 373 | 398 | 500 |
| 59 Egypt | 33 | 33 | 32 | 52 | 47 | 63 | 54 | 66 | 75 | 51 |
| 60 Morocco | 184 | 288 | 420 | 339 | 341 | 344 | 279 | 564 | 277 | 276 |
| 61 South Africa | 110 | 57 | 26 | 25 | 25 | 20 | 23 | 22 | 23 | 25 |
| 62 Zaire | 1,635 | 3,540 | 1,395 | 1,025 | 908 | 1,074 | 1,669 | 1,250 | 1,280 | 1,618 |
| 63 Oil-exporting countries ⁴ | 804 | 783 | 946 | 821 | 860 | 897 | 1,103 | 918 | 1,017 | 877 |
| 64 Other Africa | 904 | 1,247 | 1,419 | 4,085 | 3,516 | 4,572 | 4,738 | 5,452 | 6,147 | 6,314 |
| 65 Australia | 684 | 950 | 1,223 | 3,831 | 3,317 | 4,355 | 4,530 | 5,224 | 5,904 | 6,080 |
| 66 All other | 220 | 297 | 196 | 254 | 199 | 216 | 207 | 228 | 243 | 235 |
| 67 Nonmonetary international and regional organizations | 2,356 | 2,344 | 2,721 | 4,082 | 5,073 | 5,050 | 6,036 | 6,465 | 4,597 | 6,611 |
| 68 International | 1,238 | 1,157 | 1,661 | 3,064 | 3,936 | 3,934 | 5,141 | 5,522 | 3,705 | 5,769 |
| 69 Latin American regional | 806 | 890 | 710 | 606 | 776 | 719 | 573 | 533 | 517 | 527 |
| 70 Other regional ⁵ | 313 | 296 | 350 | 412 | 362 | 397 | 322 | 410 | 375 | 316 |

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."

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

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 | 1979 | 1980 | 1981 [▲] | 1982 | | | | | | 1983 |
|--|---------|---------|-------------------|---------|---------|---------|---------|----------------------|---------|---------|
| | | | | July | Aug. | Sept. | Oct. | Nov. | Dec. | |
| 1 Total | 133,943 | 172,592 | 251,047 | 323,295 | 328,621 | 339,367 | 334,138 | 336,566 [*] | 352,867 | 356,390 |
| 2 Foreign countries | 133,906 | 172,514 | 250,991 | 323,250 | 328,515 | 339,323 | 334,082 | 336,509 [*] | 352,799 | 356,317 |
| 3 Europe | 28,388 | 32,108 | 49,058 | 67,491 | 70,807 | 76,481 | 78,346 | 79,213 [*] | 83,712 | 83,423 |
| 4 Austria | 284 | 236 | 121 | 189 | 186 | 146 | 173 | 197 | 216 | 234 |
| 5 Belgium-Luxembourg | 1,339 | 1,621 | 2,843 | 4,092 | 4,421 | 4,804 | 4,962 | 5,404 [*] | 5,113 | 4,751 |
| 6 Denmark | 147 | 127 | 187 | 303 | 323 | 358 | 396 | 406 | 554 | 609 |
| 7 Finland | 202 | 460 | 546 | 699 | 776 | 806 | 813 | 904 | 990 | 984 |
| 8 France | 3,322 | 2,958 | 4,124 | 5,860 | 5,960 | 5,815 | 6,218 | 6,638 [*] | 6,864 | 7,179 |
| 9 Germany | 1,179 | 948 | 936 | 1,730 | 1,565 | 1,609 | 1,522 | 1,766 | 1,849 | 1,404 |
| 10 Greece | 154 | 256 | 333 | 294 | 270 | 283 | 335 | 373 | 452 | 576 |
| 11 Italy | 1,631 | 3,364 | 5,240 | 6,292 | 6,569 | 6,733 | 7,346 | 7,718 | 7,510 | 7,553 |
| 12 Netherlands | 514 | 575 | 682 | 1,118 | 1,085 | 1,099 | 1,285 | 1,122 | 1,394 | 1,470 |
| 13 Norway | 276 | 227 | 384 | 538 | 482 | 575 | 544 | 569 | 569 | 629 |
| 14 Portugal | 330 | 331 | 529 | 990 | 970 | 998 | 1,018 | 924 | 943 | 843 |
| 15 Spain | 1,051 | 993 | 2,100 | 3,304 | 3,520 | 3,469 | 3,558 | 3,633 | 3,730 | 3,662 |
| 16 Sweden | 542 | 783 | 1,205 | 1,510 | 1,693 | 2,398 | 2,799 | 2,804 | 3,030 | 3,057 |
| 17 Switzerland | 1,165 | 1,446 | 2,213 | 1,610 | 1,589 | 1,859 | 1,636 | 1,516 | 1,674 | 1,624 |
| 18 Turkey | 149 | 145 | 424 | 646 | 600 | 605 | 603 | 598 | 560 | 527 |
| 19 United Kingdom | 13,795 | 14,917 | 23,655 | 34,702 | 37,181 | 41,370 | 41,652 | 40,862 [*] | 44,462 | 44,535 |
| 20 Yugoslavia | 611 | 853 | 1,224 | 1,266 | 1,220 | 1,196 | 1,248 | 1,261 | 1,418 | 1,382 |
| 21 Other Western Europe ¹ | 175 | 179 | 209 | 280 | 286 | 325 | 266 | 380 | 368 | 384 |
| 22 U.S.S.R. | 268 | 281 | 377 | 274 | 296 | 246 | 242 | 227 | 263 | 238 |
| 23 Other Eastern Europe ² | 1,254 | 1,410 | 1,725 | 1,793 | 1,814 | 1,787 | 1,728 | 1,832 | 1,751 | 1,783 |
| 24 Canada | 4,143 | 4,810 | 9,164 | 13,049 | 12,083 | 11,852 | 12,977 | 12,526 [*] | 14,203 | 14,774 |
| 25 Latin America and Caribbean | 67,993 | 92,992 | 138,121 | 178,323 | 181,708 | 186,355 | 179,981 | 180,868 [*] | 186,818 | 191,188 |
| 26 Argentina | 4,389 | 5,689 | 7,522 | 10,971 | 10,936 | 10,964 | 11,019 | 10,816 | 10,959 | 11,231 |
| 27 Bahamas | 18,918 | 29,419 | 43,437 | 52,503 | 54,706 | 55,340 | 51,692 | 52,204 [*] | 55,971 | 57,511 |
| 28 Bermuda | 496 | 218 | 346 | 388 | 385 | 429 | 602 | 957 | 609 | 578 |
| 29 Brazil | 7,713 | 10,496 | 16,918 | 21,560 | 22,146 | 23,081 | 22,970 | 22,978 [*] | 23,174 | 22,977 |
| 30 British West Indies | 9,818 | 15,663 | 21,920 | 28,136 | 28,519 | 29,982 | 28,223 | 27,323 [*] | 28,913 | 32,469 |
| 31 Chile | 1,441 | 1,951 | 3,690 | 5,228 | 5,367 | 5,394 | 5,276 | 5,091 | 5,570 | 5,260 |
| 32 Colombia | 1,614 | 1,752 | 2,018 | 2,607 | 2,650 | 2,826 | 2,838 | 2,895 | 3,185 | 3,225 |
| 33 Cuba | 4 | 3 | 3 | 8 | 3 | 3 | 3 | 3 | 3 | 15 |
| 34 Ecuador | 1,025 | 1,190 | 1,531 | 2,027 | 2,048 | 2,127 | 2,057 | 2,101 | 2,053 | 2,027 |
| 35 Guatemala ³ | 134 | 137 | 124 | 121 | 116 | 119 | 111 | 140 | 124 | 137 |
| 36 Jamaica ³ | 47 | 36 | 62 | 578 | 508 | 387 | 151 | 218 | 181 | 206 |
| 37 Mexico | 9,099 | 12,595 | 22,408 | 29,742 | 29,347 | 29,596 | 29,371 | 29,508 | 29,447 | 29,422 |
| 38 Netherlands Antilles | 248 | 821 | 1,076 | 1,032 | 778 | 825 | 688 | 731 [*] | 809 | 858 |
| 39 Panama | 6,041 | 4,974 | 6,779 | 9,147 | 9,842 | 10,583 | 9,983 | 10,575 [*] | 10,122 | 9,970 |
| 40 Peru | 652 | 890 | 1,218 | 2,064 | 2,062 | 2,252 | 2,244 | 2,259 | 2,332 | 2,299 |
| 41 Uruguay | 105 | 137 | 157 | 413 | 457 | 550 | 572 | 609 [*] | 681 | 712 |
| 42 Venezuela | 4,657 | 5,438 | 7,069 | 9,692 | 9,800 | 9,867 | 9,925 | 10,250 | 10,684 | 10,202 |
| 43 Other Latin America and Caribbean | 1,593 | 1,583 | 1,844 | 2,105 | 2,039 | 2,032 | 2,257 | 2,211 | 2,000 | 2,089 |
| 44 Asia | 30,730 | 39,078 | 49,770 | 57,388 | 57,229 | 57,335 | 55,678 | 56,671 [*] | 60,630 | 59,103 |
| 45 China | 35 | 195 | 107 | 139 | 127 | 126 | 139 | 194 | 210 | 204 |
| 46 Taiwan | 1,821 | 2,469 | 2,461 | 1,977 | 1,891 | 1,949 | 2,020 | 2,255 | 2,285 | 2,223 |
| 47 Hong Kong | 1,804 | 2,247 | 4,126 | 6,124 | 6,447 | 6,723 | 5,976 | 6,201 [*] | 7,705 | 7,089 |
| 48 India | 92 | 142 | 123 | 266 | 235 | 275 | 254 | 258 | 222 | 230 |
| 49 Indonesia | 131 | 245 | 346 | 294 | 297 | 292 | 315 | 314 | 342 | 370 |
| 50 Israel | 990 | 1,172 | 1,562 | 1,637 | 1,534 | 1,623 | 1,748 | 1,895 | 2,043 | 1,835 |
| 51 Japan | 16,911 | 21,361 | 26,757 | 30,026 | 29,491 | 28,496 | 26,722 | 25,952 [*] | 27,199 | 26,796 |
| 52 Korea | 3,793 | 5,697 | 7,324 | 7,046 | 6,967 | 7,365 | 7,790 | 8,536 | 9,389 | 9,052 |
| 53 Philippines | 737 | 989 | 1,817 | 2,605 | 2,611 | 2,508 | 2,560 | 2,467 | 2,555 | 2,444 |
| 54 Thailand | 933 | 876 | 564 | 415 | 388 | 409 | 442 | 501 | 644 | 649 |
| 55 Middle East oil-exporting countries ⁴ | 1,548 | 1,432 | 1,575 | 2,493 | 2,633 | 2,591 | 2,848 | 3,176 | 3,088 | 3,429 |
| 56 Other Asia | 1,934 | 2,252 | 3,009 | 4,366 | 4,607 | 4,978 | 4,865 | 4,923 [*] | 4,948 | 4,781 |
| 57 Africa | 1,797 | 2,377 | 3,503 | 4,971 | 4,811 | 5,176 | 5,017 | 5,274 | 5,350 | 5,600 |
| 58 Egypt | 114 | 151 | 238 | 378 | 399 | 386 | 365 | 349 | 322 | 310 |
| 59 Morocco | 103 | 223 | 284 | 314 | 368 | 376 | 367 | 384 | 347 | 342 |
| 60 South Africa | 445 | 370 | 1,011 | 1,620 | 1,574 | 1,775 | 1,744 | 1,832 | 2,013 | 2,061 |
| 61 Zaire | 144 | 94 | 112 | 81 | 58 | 59 | 61 | 58 | 57 | 57 |
| 62 Oil-exporting countries ⁵ | 391 | 805 | 657 | 848 | 761 | 842 | 762 | 903 | 803 | 914 |
| 63 Other | 600 | 734 | 1,201 | 1,730 | 1,651 | 1,738 | 1,718 | 1,747 | 1,807 | 1,916 |
| 64 Other countries | 855 | 1,150 | 1,376 | 2,028 | 1,878 | 2,125 | 2,083 | 1,957 | 2,087 | 2,229 |
| 65 Australia | 673 | 859 | 1,203 | 1,700 | 1,534 | 1,792 | 1,713 | 1,528 | 1,714 | 1,715 |
| 66 All other | 182 | 290 | 172 | 328 | 344 | 332 | 370 | 429 | 373 | 514 |
| 67 Nonmonetary international and regional organizations ⁶ | 36 | 78 | 56 | 45 | 106 | 44 | 56 | 57 | 68 | 73 |

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

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

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

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

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

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

NOTE: Data for period prior to April 1978 include claims of banks' domestic customers on foreigners.

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

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 | 1979 | 1980 | 1981 [▲] | 1982 | | | | | | 1983 |
|--|----------------|----------------|-------------------|---------|---------|--------------------|---------|-------------------|----------------|---------|
| | | | | July | Aug. | Sept. ^r | Oct. | Nov. ^r | Dec. | |
| 1 Total | 154,030 | 198,698 | 286,415 | ..... | ..... | 376,923 | ..... | ..... | 392,487 | ..... |
| 2 Banks' own claims on foreigners | 133,943 | 172,592 | 251,047 | 323,295 | 328,621 | 339,367 | 334,138 | 336,566 | 352,867 | 356,390 |
| 3 Foreign public borrowers | 15,937 | 20,882 | 31,316 | 40,612 | 41,758 | 42,682 | 42,459 | 42,280 | 44,544 | 44,553 |
| 4 Own foreign offices ¹ | 47,428 | 65,084 | 96,647 | 114,412 | 118,642 | 125,761 | 116,870 | 118,060 | 126,544 | 133,130 |
| 5 Unaffiliated foreign banks | 40,927 | 50,168 | 74,086 | 108,572 | 109,143 | 111,499 | 114,301 | 115,223 | 119,290 | 115,711 |
| 6 Deposits | 6,274 | 8,254 | 22,979 | 40,276 | 40,929 | 40,705 | 42,024 | 41,113 | 42,855 | 41,662 |
| 7 Other | 34,654 | 41,914 | 51,107 | 68,296 | 68,214 | 70,794 | 72,278 | 74,109 | 76,434 | 74,049 |
| 8 All other foreigners | 29,650 | 36,459 | 48,998 | 59,699 | 59,078 | 59,424 | 60,508 | 61,003 | 62,489 | 62,997 |
| 9 Claims of banks' domestic customers ² | 20,088 | 26,106 | 35,368 | ..... | ..... | 37,556 | ..... | ..... | 39,620 | ..... |
| 10 Deposits | 955 | 885 | 1,378 | ..... | ..... | 1,389 | ..... | ..... | 1,936 | ..... |
| 11 Negotiable and readily transferable instruments ³ | 13,100 | 15,574 | 25,752 | ..... | ..... | 29,047 | ..... | ..... | 30,627 | ..... |
| 12 Outstanding collections and other claims | 6,032 | 9,648 | 8,238 | ..... | ..... | 7,120 | ..... | ..... | 7,057 | ..... |
| 13 MEMO: Customer liability on acceptances | 18,021 | 22,714 | 29,517 | ..... | ..... | 35,273 | ..... | ..... | 38,401 | ..... |
| Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States ⁴ | 22,333 | 24,511 | 39,831 | 45,301 | 43,911 | 43,649 | 45,453 | 46,805 | 40,831 | n.a. |

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

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

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

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

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

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

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars
Millions of dollars, end of period

| Maturity: by borrower and area | 1979 | 1980 | 1981 | 1982 | | | |
|---|---------------|----------------|-------------------|----------------|----------------|----------------|-------------------|
| | | | Dec. [▲] | Mar. | June | Sept. | Dec. ^p |
| 1 Total | 86,181 | 106,748 | 153,839 | 174,506 | 200,493 | 213,028 | 227,158 |
| <i>By borrower</i> | | | | | | | |
| 2 Maturity of 1 year or less ¹ | 65,152 | 82,555 | 115,818 | 133,035 | 151,622 | 161,257 | 173,228 |
| 3 Foreign public borrowers | 7,233 | 9,974 | 15,099 | 16,573 | 19,397 | 20,115 | 21,032 |
| 4 All other foreigners | 57,919 | 72,581 | 100,718 | 116,463 | 132,225 | 141,143 | 152,196 |
| 5 Maturity of over 1 year ¹ | 21,030 | 24,193 | 38,022 | 41,470 | 48,871 | 51,770 | 53,930 |
| 6 Foreign public borrowers | 8,371 | 10,152 | 15,662 | 16,831 | 20,082 | 21,903 | 22,830 |
| 7 All other foreigners | 12,659 | 14,041 | 22,360 | 24,639 | 28,789 | 29,867 | 31,099 |
| <i>By area</i> | | | | | | | |
| 8 Maturity of 1 year or less ¹ | | | | | | | |
| 9 Europe | 15,235 | 18,715 | 27,903 | 34,284 | 39,053 | 44,828 | 48,971 |
| 10 Canada | 1,777 | 2,723 | 4,634 | 5,805 | 6,582 | 7,021 | 7,537 |
| 11 Latin America and Caribbean | 24,928 | 32,034 | 48,473 | 58,244 | 67,975 | 71,597 | 74,404 |
| 12 Asia | 21,641 | 26,686 | 31,408 | 30,564 | 33,537 | 33,028 | 37,435 |
| 13 Africa | 1,077 | 1,757 | 2,457 | 2,890 | 3,259 | 3,621 | 3,660 |
| 14 All other ² | 493 | 640 | 943 | 1,249 | 1,217 | 1,163 | 1,221 |
| 15 Maturity of over 1 year ¹ | | | | | | | |
| 16 Europe | 4,160 | 5,118 | 8,092 | 8,333 | 9,243 | 10,507 | 11,488 |
| 17 Canada | 1,317 | 1,448 | 1,774 | 1,858 | 2,340 | 1,957 | 1,923 |
| 18 Latin America and Caribbean | 12,814 | 15,075 | 25,088 | 27,666 | 32,897 | 33,985 | 35,115 |
| 19 Asia | 1,911 | 1,865 | 1,902 | 2,245 | 2,474 | 3,359 | 3,173 |
| 20 Africa | 655 | 507 | 899 | 1,056 | 1,295 | 1,328 | 1,491 |
| 21 All other ² | 173 | 179 | 267 | 312 | 622 | 635 | 740 |

1. Remaining time to maturity.

2. Includes nonmonetary international and regional organizations.

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

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks¹

Billions of dollars, end of period

| Area or country | 1978 ² | 1979 | 1980 | 1981 | | | | 1982 | | | |
|---|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------------------|
| | | | Dec. | Mar. | June | Sept. | Dec. | Mar. | June | Sept. | Dec. ³ |
| 1 Total | 266.2 | 303.9 | 352.0 | 372.1 | 382.9 | 399.8 | 414.4 | 417.6 | 432.0 | 433.6 | 435.1 |
| 2 G-10 countries and Switzerland | 124.7 | 138.4 | 162.1 | 168.5 | 168.3 | 172.2 | 175.2 | 173.7 | 175.0 | 173.4 | 177.2 |
| 3 Belgium-Luxembourg | 9.0 | 11.1 | 13.0 | 13.6 | 13.8 | 14.1 | 13.3 | 13.2 | 14.1 | 13.5 | 13.0 |
| 4 France | 12.2 | 11.7 | 14.1 | 14.5 | 14.7 | 16.0 | 15.3 | 15.9 | 16.4 | 15.7 | 16.6 |
| 5 Germany | 11.3 | 12.2 | 12.1 | 13.3 | 12.1 | 12.7 | 12.9 | 12.5 | 12.7 | 12.2 | 12.6 |
| 6 Italy | 6.7 | 6.4 | 8.2 | 7.7 | 8.4 | 8.6 | 9.6 | 9.0 | 9.0 | 9.7 | 10.3 |
| 7 Netherlands | 4.4 | 4.8 | 4.4 | 4.6 | 4.2 | 3.7 | 4.0 | 4.0 | 4.1 | 3.8 | 3.6 |
| 8 Sweden | 2.1 | 2.4 | 2.9 | 3.2 | 3.1 | 3.4 | 3.7 | 4.0 | 4.0 | 4.7 | 5.0 |
| 9 Switzerland | 5.3 | 4.7 | 5.0 | 5.1 | 5.2 | 5.1 | 5.5 | 5.3 | 5.1 | 5.0 | 5.0 |
| 10 United Kingdom | 47.3 | 56.4 | 67.4 | 68.5 | 67.0 | 68.8 | 69.9 | 69.7 | 68.5 | 69.0 | 70.9 |
| 11 Canada | 6.0 | 6.3 | 8.4 | 8.9 | 10.8 | 11.8 | 10.9 | 11.6 | 11.3 | 10.8 | 10.9 |
| 12 Japan | 20.6 | 22.4 | 26.5 | 29.1 | 28.9 | 28.0 | 30.1 | 28.4 | 29.9 | 28.9 | 29.0 |
| 13 Other developed countries | 19.4 | 19.9 | 21.6 | 23.5 | 24.8 | 26.4 | 28.4 | 30.6 | 32.1 | 32.6 | 33.6 |
| 14 Austria | 1.7 | 2.0 | 1.9 | 1.8 | 2.1 | 2.2 | 1.9 | 2.1 | 2.1 | 2.0 | 1.9 |
| 15 Denmark | 2.0 | 2.2 | 2.3 | 2.4 | 2.3 | 2.5 | 2.3 | 2.5 | 2.6 | 2.5 | 2.4 |
| 16 Finland | 1.2 | 1.2 | 1.4 | 1.4 | 1.3 | 1.4 | 1.7 | 1.6 | 1.6 | 1.8 | 2.3 |
| 17 Greece | 2.3 | 2.4 | 2.8 | 2.7 | 3.0 | 2.9 | 2.8 | 2.8 | 2.6 | 2.5 | 2.9 |
| 18 Norway | 2.1 | 2.3 | 2.6 | 2.8 | 2.8 | 3.0 | 3.1 | 3.2 | 3.2 | 3.4 | 3.3 |
| 19 Portugal | .6 | .7 | .6 | .6 | .8 | 1.0 | 1.1 | 1.2 | 1.5 | 1.6 | 1.5 |
| 20 Spain | 3.5 | 3.5 | 4.4 | 5.5 | 5.7 | 5.8 | 6.7 | 7.2 | 7.3 | 7.7 | 7.5 |
| 21 Turkey | 1.5 | 1.4 | 1.5 | 1.5 | 1.4 | 1.5 | 1.4 | 1.6 | 1.5 | 1.5 | 1.4 |
| 22 Other Western Europe | 1.3 | 1.4 | 1.7 | 1.8 | 1.8 | 1.9 | 2.1 | 2.2 | 2.2 | 2.1 | 2.3 |
| 23 South Africa | 2.0 | 1.3 | 1.1 | 1.5 | 1.9 | 2.5 | 2.8 | 3.3 | 3.5 | 3.6 | 3.7 |
| 24 Australia | 1.4 | 1.3 | 1.3 | 1.5 | 1.7 | 1.9 | 2.5 | 3.0 | 4.0 | 4.0 | 4.3 |
| 25 OPEC countries ³ | 22.7 | 22.9 | 22.7 | 21.7 | 22.2 | 23.5 | 24.5 | 25.1 | 26.1 | 27.0 | 27.2 |
| 26 Ecuador | 1.6 | 1.7 | 2.1 | 2.0 | 2.0 | 2.1 | 2.2 | 2.3 | 2.4 | 2.3 | 2.2 |
| 27 Venezuela | 7.2 | 8.7 | 9.1 | 8.3 | 8.8 | 9.2 | 9.7 | 9.7 | 9.8 | 10.1 | 10.6 |
| 28 Indonesia | 2.0 | 1.9 | 1.8 | 2.1 | 2.1 | 2.5 | 2.5 | 2.7 | 2.7 | 2.9 | 3.2 |
| 29 Middle East countries | 9.5 | 8.0 | 6.9 | 6.7 | 6.8 | 7.1 | 7.5 | 8.2 | 8.7 | 9.0 | 8.5 |
| 30 African countries | 2.5 | 2.6 | 2.8 | 2.6 | 2.6 | 2.6 | 2.5 | 2.2 | 2.5 | 2.7 | 2.7 |
| 31 Non-OPEC developing countries | 52.6 | 63.0 | 77.4 | 82.2 | 84.8 | 90.2 | 96.2 | 97.5 | 103.6 | 103.8 | 106.9 |
| Latin America | | | | | | | | | | | |
| 32 Argentina | 3.0 | 5.0 | 7.9 | 9.5 | 8.5 | 9.3 | 9.4 | 9.9 | 9.7 | 9.2 | 8.9 |
| 33 Brazil | 14.9 | 15.2 | 16.2 | 17.0 | 17.5 | 17.7 | 19.1 | 19.7 | 21.3 | 22.4 | 22.8 |
| 34 Chile | 1.6 | 2.5 | 3.7 | 4.0 | 4.8 | 5.5 | 5.8 | 6.0 | 6.4 | 6.2 | 6.3 |
| 35 Colombia | 1.4 | 2.2 | 2.6 | 2.4 | 2.5 | 2.5 | 2.6 | 2.3 | 2.6 | 2.8 | 3.0 |
| 36 Mexico | 10.8 | 12.0 | 15.9 | 17.0 | 18.2 | 20.0 | 21.6 | 22.9 | 25.1 | 24.8 | 24.4 |
| 37 Peru | 1.7 | 1.5 | 1.8 | 1.8 | 1.7 | 1.8 | 2.0 | 1.9 | 2.4 | 2.6 | 2.6 |
| 38 Other Latin America | 3.6 | 3.7 | 3.9 | 4.7 | 3.8 | 4.2 | 4.1 | 4.1 | 4.0 | 4.3 | 4.2 |
| Asia | | | | | | | | | | | |
| 39 China | | | | | | | | | | | |
| 40 Mainland | .0 | .1 | .2 | .2 | .2 | .2 | .2 | .2 | .3 | .2 | .3 |
| 41 Taiwan | 2.9 | 3.4 | 4.2 | 4.4 | 4.6 | 5.1 | 5.1 | 5.1 | 5.0 | 4.9 | 5.2 |
| 42 India | .2 | .2 | .3 | .3 | .3 | .3 | .3 | .5 | .5 | .5 | .6 |
| 43 Israel | 1.0 | 1.3 | 1.5 | 1.3 | 1.8 | 1.5 | 2.1 | 1.7 | 2.2 | 1.9 | 2.3 |
| 44 Korea (South) | 3.9 | 5.4 | 7.1 | 7.7 | 8.8 | 8.6 | 9.4 | 8.6 | 8.9 | 9.3 | 10.8 |
| 45 Malaysia | .6 | 1.0 | 1.1 | 1.2 | 1.4 | 1.4 | 1.7 | 1.7 | 1.9 | 1.8 | 2.1 |
| 46 Philippines | 2.8 | 4.2 | 5.1 | 4.8 | 5.1 | 5.6 | 6.0 | 5.9 | 6.3 | 6.0 | 6.2 |
| 47 Thailand | 1.2 | 1.5 | 1.6 | 1.6 | 1.5 | 1.4 | 1.5 | 1.4 | 1.3 | 1.3 | 1.6 |
| 48 Other Asia | .2 | .5 | .6 | .5 | .7 | .8 | 1.0 | 1.2 | 1.1 | 1.3 | 1.1 |
| Africa | | | | | | | | | | | |
| 49 Egypt | .4 | .6 | .8 | .8 | .7 | 1.0 | 1.1 | 1.3 | 1.3 | 1.3 | 1.2 |
| 50 Morocco | .6 | .6 | .7 | .6 | .5 | .7 | .7 | .7 | .7 | .8 | .7 |
| 51 Zaire | .2 | .2 | .2 | .2 | .2 | .2 | .2 | .2 | .2 | .1 | .1 |
| 52 Other Africa ⁴ | 1.4 | 1.7 | 2.1 | 2.2 | 2.1 | 2.2 | 2.3 | 2.3 | 2.3 | 2.2 | 2.5 |
| 53 Eastern Europe | 6.9 | 7.3 | 7.4 | 7.7 | 7.7 | 7.7 | 7.8 | 7.2 | 6.7 | 6.3 | 6.2 |
| 54 U.S.S.R. | 1.3 | .7 | .4 | .4 | .5 | .4 | .6 | .4 | .4 | .3 | .3 |
| 55 Yugoslavia | 1.5 | 1.8 | 2.3 | 2.4 | 2.5 | 2.5 | 2.5 | 2.5 | 2.4 | 2.2 | 2.2 |
| 56 Other | 4.1 | 4.8 | 4.6 | 4.8 | 4.8 | 4.7 | 4.7 | 4.3 | 3.9 | 3.8 | 3.7 |
| 57 Offshore banking centers | 31.0 | 40.4 | 47.0 | 53.7 | 59.3 | 61.7 | 63.5 | 65.2 | 70.7 | 70.3 | 66.6 |
| 58 Bahamas | 10.4 | 13.7 | 13.7 | 15.5 | 17.9 | 21.3 | 18.9 | 19.8 | 23.1 | 20.1 | 18.0 |
| 59 Bermuda | .7 | .8 | .6 | .7 | .7 | .8 | .7 | .7 | .7 | .8 | .9 |
| 60 Cayman Islands and other British West Indies | 7.4 | 9.4 | 10.6 | 11.9 | 12.6 | 12.1 | 12.4 | 12.0 | 12.2 | 13.3 | 12.8 |
| 61 Netherlands Antilles | .8 | 1.2 | 2.1 | 2.3 | 2.4 | 2.2 | 3.2 | 3.2 | 3.0 | 3.3 | 3.3 |
| 62 Panama ⁵ | 3.0 | 4.3 | 5.4 | 6.5 | 6.9 | 6.7 | 7.6 | 7.1 | 7.3 | 8.0 | 7.5 |
| 63 Lebanon | .1 | .2 | .2 | .2 | .2 | .2 | .2 | .2 | .2 | .1 | .1 |
| 64 Hong Kong | 4.2 | 6.0 | 8.1 | 8.4 | 10.3 | 10.3 | 11.8 | 12.9 | 14.3 | 14.9 | 14.8 |
| 65 Singapore | 3.9 | 4.5 | 5.9 | 7.3 | 8.1 | 8.0 | 8.7 | 9.3 | 9.8 | 9.8 | 9.1 |
| 66 Others ⁶ | .5 | .4 | .3 | .9 | .3 | .1 | .1 | .1 | .1 | .0 | .0 |
| 67 Miscellaneous and unallocated ⁷ | 9.1 | 11.7 | 14.0 | 14.9 | 15.7 | 18.2 | 18.8 | 18.3 | 18.2 | 20.1 | 17.6 |

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices not covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (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). However, see also footnote 2.

2. Beginning with data for June 1978, the claims of the U.S. offices in this table include only banks' own claims payable in dollars. For earlier dates the claims of

the U.S. offices also include customer claims and foreign currency claims (amounting in June 1978 to \$10 billion).

3. In addition to 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).

4. Excludes Liberia.

5. Includes Canal Zone beginning December 1979.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States¹

Millions of dollars, end of period

| Type, and area or country | 1979 | 1980 | 1981 | 1981 | | 1982 | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------------------|
| | | | | Sept. | Dec. | Mar. | June | Sept. ² |
| 1 Total | 17,418 | 22,212 | 22,460 | 23,593 | 22,460 | 22,366 | 20,843 | 21,269 |
| 2 Payable in dollars | 14,323 | 18,481 | 18,749 | 20,374 | 18,749 | 19,605 | 18,102 | 18,378 |
| 3 Payable in foreign currencies | 3,095 | 3,731 | 3,711 | 3,219 | 3,711 | 2,761 | 2,740 | 2,892 |
| <i>By type</i> | | | | | | | | |
| 4 Financial liabilities | 7,507 | 11,316 | 12,103 | 13,072 | 12,103 | 12,585 | 10,017 | 10,537 |
| 5 Payable in dollars | 5,223 | 8,528 | 9,444 | 10,688 | 9,444 | 10,622 | 8,056 | 8,456 |
| 6 Payable in foreign currencies | 2,284 | 2,788 | 2,660 | 2,384 | 2,660 | 1,963 | 1,961 | 2,081 |
| 7 Commercial liabilities | 9,910 | 10,896 | 10,357 | 10,520 | 10,357 | 9,782 | 10,826 | 10,732 |
| 8 Trade payables | 4,591 | 4,993 | 4,720 | 4,430 | 4,720 | 4,022 | 4,967 | 4,526 |
| 9 Advance receipts and other liabilities | 5,320 | 5,903 | 5,637 | 6,091 | 5,637 | 5,760 | 5,859 | 6,206 |
| 10 Payable in dollars | 9,100 | 9,953 | 9,305 | 9,686 | 9,305 | 8,983 | 10,047 | 9,921 |
| 11 Payable in foreign currencies | 811 | 943 | 1,052 | 835 | 1,052 | 798 | 779 | 811 |
| <i>By area or country</i> | | | | | | | | |
| <i>Financial liabilities</i> | | | | | | | | |
| 12 Europe | 4,649 | 6,467 | 6,808 | 7,957 | 6,808 | 7,874 | 5,947 | 6,407 |
| 13 Belgium-Luxembourg | 322 | 465 | 460 | 495 | 460 | 596 | 518 | 494 |
| 14 France | 175 | 327 | 709 | 929 | 709 | 924 | 581 | 664 |
| 15 Germany | 497 | 582 | 491 | 430 | 491 | 503 | 439 | 446 |
| 16 Netherlands | 829 | 681 | 748 | 664 | 748 | 755 | 517 | 763 |
| 17 Switzerland | 170 | 354 | 715 | 465 | 715 | 707 | 661 | 670 |
| 18 United Kingdom | 2,477 | 3,923 | 3,559 | 4,800 | 3,559 | 4,282 | 3,084 | 3,240 |
| 19 Canada | 532 | 964 | 958 | 977 | 958 | 914 | 758 | 702 |
| 20 Latin America and Caribbean | 1,514 | 3,136 | 3,353 | 3,293 | 3,353 | 3,327 | 2,794 | 2,782 |
| 21 Bahamas | 404 | 964 | 1,279 | 1,019 | 1,279 | 1,095 | 1,003 | 933 |
| 22 Bermuda | 81 | 1 | 7 | 6 | 7 | 6 | 7 | 14 |
| 23 Brazil | 18 | 23 | 22 | 20 | 22 | 27 | 24 | 28 |
| 24 British West Indies | 516 | 1,452 | 1,241 | 1,398 | 1,241 | 1,469 | 1,044 | 990 |
| 25 Mexico | 121 | 99 | 102 | 107 | 102 | 67 | 83 | 85 |
| 26 Venezuela | 72 | 81 | 98 | 90 | 98 | 97 | 100 | 104 |
| 27 Asia | 804 | 723 | 957 | 814 | 957 | 455 | 502 | 631 |
| 28 Japan | 726 | 644 | 792 | 696 | 792 | 293 | 340 | 424 |
| 29 Middle East oil-exporting countries ² | 31 | 38 | 75 | 51 | 75 | 63 | 66 | 67 |
| 30 Africa | 4 | 11 | 3 | 3 | 3 | 2 | 3 | 3 |
| 31 Oil-exporting countries ³ | 1 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| 32 All other ⁴ | 4 | 15 | 24 | 29 | 24 | 12 | 11 | 13 |
| <i>Commercial liabilities</i> | | | | | | | | |
| 33 Europe | 3,709 | 4,402 | 3,771 | 3,963 | 3,771 | 3,422 | 3,661 | 3,862 |
| 34 Belgium-Luxembourg | 137 | 90 | 71 | 79 | 71 | 50 | 47 | 50 |
| 35 France | 467 | 582 | 573 | 575 | 573 | 504 | 657 | 759 |
| 36 Germany | 545 | 679 | 545 | 590 | 545 | 473 | 457 | 431 |
| 37 Netherlands | 227 | 219 | 221 | 239 | 221 | 232 | 247 | 281 |
| 38 Switzerland | 316 | 499 | 424 | 569 | 424 | 400 | 412 | 358 |
| 39 United Kingdom | 1,080 | 1,209 | 880 | 925 | 880 | 824 | 849 | 904 |
| 40 Canada | 924 | 888 | 897 | 853 | 897 | 884 | 1,116 | 1,188 |
| 41 Latin America and Caribbean | 1,325 | 1,300 | 1,037 | 1,134 | 1,037 | 804 | 1,399 | 1,219 |
| 42 Bahamas | 69 | 8 | 2 | 3 | 2 | 22 | 20 | 6 |
| 43 Bermuda | 32 | 75 | 67 | 113 | 67 | 71 | 102 | 48 |
| 44 Brazil | 203 | 111 | 67 | 61 | 67 | 83 | 62 | 128 |
| 45 British West Indies | 21 | 35 | 2 | 11 | 2 | 27 | 1 | 3 |
| 46 Mexico | 257 | 367 | 340 | 392 | 340 | 210 | 727 | 484 |
| 47 Venezuela | 301 | 319 | 276 | 273 | 276 | 194 | 219 | 269 |
| 48 Asia | 2,991 | 3,034 | 3,285 | 3,221 | 3,285 | 3,404 | 3,286 | 3,201 |
| 49 Japan | 583 | 802 | 1,094 | 775 | 1,094 | 1,090 | 1,060 | 1,133 |
| 50 Middle East oil-exporting countries ² | 1,014 | 890 | 910 | 881 | 910 | 998 | 954 | 821 |
| 51 Africa | 728 | 817 | 703 | 757 | 703 | 664 | 733 | 668 |
| 52 Oil-exporting countries ³ | 384 | 517 | 344 | 355 | 344 | 247 | 340 | 248 |
| 53 All other ⁴ | 233 | 456 | 664 | 593 | 664 | 604 | 630 | 595 |

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.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States¹

Millions of dollars, end of period

| Type, and area or country | 1979 | 1980 | 1981 | 1981 | | 1982 | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------------------|
| | | | | Sept. | Dec. | Mar. | June | Sept. ² |
| 1 Total | 31,305 | 34,535 | 35,674 | 34,392 | 35,674 | 30,189 | 30,234 | 29,294 |
| 2 Payable in dollars | 28,108 | 31,591 | 32,091 | 31,389 | 32,091 | 27,554 | 27,735 | 26,612 |
| 3 Payable in foreign currencies | 3,197 | 2,944 | 3,584 | 3,003 | 3,584 | 2,635 | 2,500 | 2,682 |
| <i>By type</i> | | | | | | | | |
| 4 Financial claims | 18,404 | 19,816 | 20,756 | 19,399 | 20,756 | 17,752 | 18,215 | 17,580 |
| 5 Deposits | 12,852 | 14,180 | 14,657 | 13,771 | 14,657 | 12,656 | 13,428 | 12,498 |
| 6 Payable in dollars | 11,936 | 13,405 | 14,043 | 13,045 | 14,043 | 12,199 | 13,054 | 12,096 |
| 7 Payable in foreign currencies | 916 | 775 | 614 | 727 | 614 | 457 | 374 | 402 |
| 8 Other financial claims | 5,552 | 5,636 | 6,098 | 5,627 | 6,098 | 5,096 | 4,787 | 5,082 |
| 9 Payable in dollars | 3,726 | 3,953 | 3,644 | 3,932 | 3,644 | 3,439 | 3,219 | 3,395 |
| 10 Payable in foreign currencies | 1,826 | 1,683 | 2,454 | 1,695 | 2,454 | 1,657 | 1,568 | 1,687 |
| 11 Commercial claims | 12,901 | 14,720 | 14,919 | 14,994 | 14,919 | 12,437 | 12,019 | 11,714 |
| 12 Trade receivables | 12,185 | 13,960 | 13,954 | 14,057 | 13,954 | 11,477 | 10,960 | 10,709 |
| 13 Advance payments and other claims | 716 | 759 | 965 | 937 | 965 | 960 | 1,058 | 1,005 |
| 14 Payable in dollars | 12,447 | 14,233 | 14,403 | 14,412 | 14,403 | 11,917 | 11,461 | 11,121 |
| 15 Payable in foreign currencies | 454 | 487 | 516 | 582 | 516 | 520 | 557 | 593 |
| <i>By area or country</i> | | | | | | | | |
| <i>Financial claims</i> | | | | | | | | |
| 16 Europe | 6,191 | 6,094 | 4,533 | 4,819 | 4,533 | 4,511 | 4,486 | 4,693 |
| 17 Belgium-Luxembourg | 32 | 145 | 43 | 26 | 43 | 16 | 13 | 16 |
| 18 France | 177 | 312 | 315 | 348 | 315 | 422 | 313 | 305 |
| 19 Germany | 409 | 230 | 224 | 314 | 224 | 197 | 148 | 174 |
| 20 Netherlands | 53 | 51 | 50 | 68 | 50 | 79 | 56 | 52 |
| 21 Switzerland | 73 | 59 | 67 | 80 | 67 | 53 | 63 | 60 |
| 22 United Kingdom | 5,111 | 4,982 | 3,505 | 3,659 | 3,505 | 3,502 | 3,620 | 3,714 |
| 23 Canada | 4,997 | 5,064 | 6,624 | 6,033 | 6,624 | 4,931 | 4,395 | 4,318 |
| 24 Latin America and Caribbean | 6,312 | 7,811 | 8,615 | 7,762 | 8,615 | 7,432 | 8,312 | 7,529 |
| 25 Bahamas | 2,773 | 3,477 | 3,925 | 3,284 | 3,925 | 3,537 | 3,845 | 3,301 |
| 26 Bermuda | 30 | 135 | 18 | 15 | 18 | 27 | 42 | 19 |
| 27 Brazil | 163 | 96 | 30 | 66 | 30 | 49 | 76 | 76 |
| 28 British West Indies | 2,011 | 2,755 | 3,503 | 3,315 | 3,503 | 2,797 | 3,504 | 3,136 |
| 29 Mexico | 157 | 208 | 313 | 283 | 313 | 281 | 274 | 268 |
| 30 Venezuela | 143 | 137 | 148 | 143 | 148 | 130 | 134 | 133 |
| 31 Asia | 601 | 607 | 759 | 500 | 759 | 680 | 800 | 830 |
| 32 Japan | 199 | 189 | 363 | 111 | 363 | 267 | 327 | 252 |
| 33 Middle East oil-exporting countries ² | 16 | 20 | 37 | 29 | 37 | 36 | 33 | 30 |
| 34 Africa | 258 | 208 | 173 | 169 | 173 | 164 | 156 | 165 |
| 35 Oil-exporting countries ³ | 49 | 26 | 46 | 41 | 46 | 43 | 41 | 50 |
| 36 All other ⁴ | 44 | 32 | 51 | 116 | 51 | 34 | 66 | 44 |
| <i>Commercial claims</i> | | | | | | | | |
| 37 Europe | 4,922 | 5,544 | 5,359 | 5,378 | 5,359 | 4,381 | 4,241 | 4,164 |
| 38 Belgium-Luxembourg | 202 | 233 | 234 | 220 | 234 | 246 | 209 | 178 |
| 39 France | 727 | 1,129 | 776 | 767 | 776 | 698 | 634 | 646 |
| 40 Germany | 593 | 599 | 557 | 582 | 557 | 452 | 391 | 408 |
| 41 Netherlands | 298 | 318 | 303 | 308 | 303 | 227 | 296 | 277 |
| 42 Switzerland | 272 | 354 | 427 | 404 | 427 | 354 | 383 | 258 |
| 43 United Kingdom | 901 | 929 | 969 | 1,034 | 969 | 1,062 | 893 | 1,036 |
| 44 Canada | 859 | 914 | 967 | 1,017 | 967 | 943 | 707 | 665 |
| 45 Latin America and Caribbean | 2,879 | 3,766 | 3,468 | 3,729 | 3,468 | 2,907 | 2,763 | 2,772 |
| 46 Bahamas | 21 | 21 | 12 | 18 | 12 | 80 | 30 | 19 |
| 47 Bermuda | 197 | 108 | 223 | 241 | 223 | 212 | 226 | 154 |
| 48 Brazil | 645 | 861 | 668 | 726 | 668 | 417 | 419 | 481 |
| 49 British West Indies | 16 | 34 | 12 | 13 | 12 | 23 | 14 | 7 |
| 50 Mexico | 708 | 1,102 | 1,022 | 985 | 1,022 | 762 | 748 | 869 |
| 51 Venezuela | 343 | 410 | 424 | 456 | 424 | 396 | 381 | 373 |
| 52 Asia | 3,451 | 3,522 | 3,914 | 3,700 | 3,914 | 3,155 | 3,297 | 3,027 |
| 53 Japan | 1,177 | 1,052 | 1,244 | 1,129 | 1,244 | 1,160 | 1,211 | 866 |
| 54 Middle East oil-exporting countries ² | 765 | 825 | 901 | 829 | 901 | 757 | 793 | 775 |
| 55 Africa | 551 | 653 | 750 | 717 | 750 | 587 | 597 | 638 |
| 56 Oil-exporting countries ³ | 130 | 153 | 152 | 154 | 152 | 143 | 132 | 148 |
| 57 All other ⁴ | 240 | 321 | 461 | 453 | 461 | 463 | 413 | 448 |

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 | 1981 | 1982 | 1983 | 1982 | | | | | | 1983 |
|--|---------------------------|--------|-------|-------|--------|--------|--------|--------|-------|-------------------|
| | | | Jan. | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. ^p |
| | U.S. corporate securities | | | | | | | | | |
| STOCKS | | | | | | | | | | |
| 1 Foreign purchases..... | 40,686 | 41,846 | 5,148 | 2,708 | 3,183 | 4,292 | 5,967 | 5,581 | 5,784 | 5,148 |
| 2 Foreign sales..... | 34,856 | 37,950 | 4,366 | 2,697 | 2,650 | 4,399 | 5,675 | 5,245 | 4,868 | 4,366 |
| 3 Net purchases, or sales (-)..... | 5,830 | 3,896 | 782 | 11 | 532 | -107 | 292 | 336 | 915 | 782 |
| 4 Foreign countries..... | 5,803 | 3,811 | 772 | 5 | 530 | -110 | 282 | 325 | 890 | 772 |
| 5 Europe..... | 3,662 | 2,541 | 586 | 302 | 272 | -268 | 175 | 69 | 616 | 586 |
| 6 France..... | 900 | -143 | 47 | 0 | -7 | -43 | -30 | -8 | 43 | 47 |
| 7 Germany..... | -22 | 333 | 84 | 20 | -12 | -43 | 47 | 26 | 138 | 84 |
| 8 Netherlands..... | 42 | -60 | 2 | 0 | 12 | -62 | -102 | -24 | 25 | 2 |
| 9 Switzerland..... | 288 | -529 | 212 | -34 | -53 | -144 | -118 | -208 | 226 | 212 |
| 10 United Kingdom..... | 2,235 | 3,073 | 184 | 309 | 366 | 73 | 435 | 317 | 187 | 184 |
| 11 Canada..... | 783 | 222 | 90 | -36 | 73 | 115 | 5 | 72 | 154 | 90 |
| 12 Latin America and Caribbean..... | -30 | 304 | 5 | -69 | 121 | -82 | 142 | 54 | 39 | 5 |
| 13 Middle East ¹ | 1,140 | 368 | -57 | -137 | 101 | 134 | -98 | 9 | -153 | -57 |
| 14 Other Asia..... | 287 | 244 | 125 | -57 | -43 | -16 | 22 | 112 | 210 | 125 |
| 15 Africa..... | 7 | 2 | 6 | 1 | 1 | 0 | 0 | 2 | 3 | 6 |
| 16 Other countries..... | -46 | 131 | 18 | 0 | 5 | 6 | 35 | 7 | 22 | 18 |
| 17 Nonmonetary international and regional organizations..... | 27 | 85 | 10 | 6 | 2 | 3 | 10 | 11 | 25 | 10 |
| BONDS ² | | | | | | | | | | |
| 18 Foreign purchases..... | 17,290 | 21,431 | 1,933 | 1,743 | 1,513 | 2,088 | 2,778 | 2,099 | 2,099 | 1,933 |
| 19 Foreign sales..... | 12,247 | 20,340 | 2,279 | 1,634 | 1,760 | 2,230 | 2,939 | 2,280 | 2,457 | 2,279 |
| 20 Net purchases, or sales (-)..... | 5,043 | 1,091 | -346 | 109 | -247 | -142 | -162 | -181 | -358 | -346 |
| 21 Foreign countries..... | 4,976 | 1,118 | -344 | 74 | -111 | -106 | -202 | -190 | -348 | -344 |
| 22 Europe..... | 1,356 | 1,736 | -190 | 189 | -27 | -279 | 429 | -236 | -158 | -190 |
| 23 France..... | 11 | 296 | -21 | 5 | -18 | 25 | -16 | 24 | 146 | -21 |
| 24 Germany..... | 848 | 2,122 | -96 | 258 | 106 | 86 | 190 | 11 | 43 | -96 |
| 25 Netherlands..... | 70 | 29 | 16 | -3 | 0 | -10 | -2 | -4 | 16 | 16 |
| 26 Switzerland..... | 108 | 161 | 28 | -22 | 32 | -24 | -4 | -13 | 44 | 28 |
| 27 United Kingdom..... | 181 | -1,085 | -105 | -63 | -109 | -380 | 240 | -327 | -461 | -105 |
| 28 Canada..... | -12 | 25 | 11 | 1 | 4 | 2 | -152 | 10 | -2 | 11 |
| 29 Latin America and Caribbean..... | 132 | 160 | 23 | 18 | 18 | 19 | -15 | 28 | -6 | 23 |
| 30 Middle East ¹ | 3,465 | -769 | -211 | -68 | -78 | 193 | -435 | -20 | -177 | -211 |
| 31 Other Asia..... | 44 | -23 | 23 | -66 | -31 | -47 | -30 | 28 | -5 | 23 |
| 32 Africa..... | -1 | -19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 33 Other countries..... | -7 | 7 | 0 | 0 | 2 | 5 | 0 | 0 | -1 | 0 |
| 34 Nonmonetary international and regional organizations..... | 66 | -28 | -2 | 35 | -136 | -36 | 41 | 10 | -10 | -2 |
| | Foreign securities | | | | | | | | | |
| 35 Stocks, net purchases, or sales (-)..... | -188 | -1,334 | -292 | 44 | 11 | -160 | -308 | -740 | -272 | -292 |
| 36 Foreign purchases..... | 9,281 | 7,151 | 1,031 | 452 | 532 | 545 | 706 | 772 | 927 | 1,031 |
| 37 Foreign sales..... | 9,469 | 8,485 | 1,323 | 409 | 520 | 705 | 1,014 | 1,512 | 1,199 | 1,323 |
| 38 Bonds, net purchases, or sales (-)..... | -5,449 | -6,610 | 22 | -698 | -1,353 | -1,157 | -1,331 | -463 | -417 | 22 |
| 39 Foreign purchases..... | 17,553 | 29,959 | 2,881 | 2,293 | 3,279 | 3,064 | 3,058 | 2,948 | 2,962 | 2,881 |
| 40 Foreign sales..... | 23,003 | 36,569 | 2,859 | 2,991 | 4,632 | 4,222 | 4,389 | 3,411 | 3,379 | 2,859 |
| 41 Net purchases, or sales (-), of stocks and bonds..... | -5,637 | -7,944 | -270 | -655 | -1,342 | -1,317 | -1,639 | -1,204 | -689 | -270 |
| 42 Foreign countries..... | -4,625 | -6,756 | -244 | -662 | -1,144 | -810 | -1,247 | -1,173 | -736 | -244 |
| 43 Europe..... | -707 | -2,489 | -307 | -26 | -128 | -271 | -517 | -572 | -555 | -307 |
| 44 Canada..... | -3,697 | -2,376 | -21 | -344 | -678 | -299 | -181 | -12 | -29 | -21 |
| 45 Latin America and Caribbean..... | 69 | 336 | 258 | 3 | 49 | -65 | -268 | -62 | 29 | 258 |
| 46 Asia..... | -322 | -1,853 | -164 | -303 | -433 | 241 | -283 | -536 | -195 | -164 |
| 47 Africa..... | -55 | -9 | -9 | 3 | 17 | 1 | 0 | 4 | 4 | -9 |
| 48 Other countries..... | 87 | -364 | -2 | 6 | 29 | -416 | 3 | 5 | 10 | -2 |
| 49 Nonmonetary international and regional organizations..... | -1,012 | -1,188 | -26 | 7 | -198 | -507 | -392 | -31 | 47 | -26 |

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 Holdings and Transactions

Millions of dollars

| Country or area | 1981 | 1982 | 1983 | 1982 | | | | | | 1983 |
|--|--------|--------|------|--------|--------|--------|--------|--------|--------|-------------------|
| | | | Jan. | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. ^p |
| Holdings (end of period) ¹ | | | | | | | | | | |
| 1 Estimated total ² | 70,201 | 85,346 | | 79,873 | 80,694 | 82,345 | 84,047 | 84,844 | 85,346 | 85,780 |
| 2 Foreign countries ² | 64,530 | 80,546 | | 75,348 | 76,722 | 78,339 | 79,132 | 79,402 | 80,546 | 80,968 |
| 3 Europe ² | 23,976 | 29,214 | | 26,447 | 27,722 | 28,805 | 29,023 | 29,388 | 29,214 | 29,829 |
| 4 Belgium-Luxembourg | 543 | 447 | | 155 | 576 | 551 | 834 | 448 | 447 | 716 |
| 5 Germany ² | 11,861 | 14,841 | | 13,535 | 13,959 | 14,520 | 14,493 | 14,704 | 14,841 | 15,151 |
| 6 Netherlands | 1,955 | 2,702 | | 2,137 | 2,302 | 2,333 | 2,315 | 2,420 | 2,702 | 2,787 |
| 7 Sweden | 643 | 667 | | 650 | 644 | 635 | 655 | 687 | 667 | 678 |
| 8 Switzerland ² | 846 | 1,540 | | 1,016 | 1,100 | 1,233 | 1,266 | 1,532 | 1,540 | 1,013 |
| 9 United Kingdom | 6,709 | 6,554 | | 6,927 | 7,129 | 7,362 | 7,242 | 7,104 | 6,554 | 6,737 |
| 10 Other Western Europe | 1,419 | 2,464 | | 2,028 | 2,012 | 2,171 | 2,218 | 2,493 | 2,464 | 2,747 |
| 11 Eastern Europe | 0 | 0 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 Canada | 514 | 602 | | 446 | 353 | 428 | 482 | 552 | 602 | 649 |
| 13 Latin America and Caribbean | 736 | 1,076 | | 848 | 1,166 | 1,204 | 1,086 | 1,231 | 1,076 | 1,062 |
| 14 Venezuela | 286 | 188 | | 229 | 222 | 221 | 204 | 172 | 188 | 190 |
| 15 Other Latin America and Caribbean | 319 | 656 | | 402 | 611 | 771 | 657 | 759 | 656 | 715 |
| 16 Netherlands Antilles | 131 | 232 | | 217 | 333 | 211 | 225 | 300 | 232 | 156 |
| 17 Asia | 38,671 | 49,521 | | 47,179 | 47,165 | 47,682 | 48,302 | 48,093 | 49,521 | 49,292 |
| 18 Japan | 10,780 | 11,568 | | 11,289 | 11,247 | 11,395 | 11,381 | 11,299 | 11,568 | 11,645 |
| 19 Africa | 631 | 78 | | 405 | 305 | 180 | 180 | 78 | 78 | 78 |
| 20 All other | 2 | 54 | | 23 | 12 | 41 | 60 | 61 | 54 | 59 |
| 21 Nonmonetary international and regional organizations | 5,671 | 4,800 | | 4,525 | 3,972 | 4,006 | 4,915 | 5,442 | 4,800 | 4,812 |
| 22 International | 5,638 | 4,439 | | 4,419 | 3,882 | 3,811 | 4,670 | 5,192 | 4,439 | 4,418 |
| 23 Latin American regional | 1 | 6 | | -4 | -4 | -4 | -4 | -4 | 6 | 6 |
| Transactions (net purchases, or sales (-) during period) | | | | | | | | | | |
| 24 Total ² | 12,652 | 15,144 | 434 | 1,669 | 822 | 1,651 | 1,703 | 797 | 502 | 434 |
| 25 Foreign countries ² | 11,568 | 16,016 | 423 | 2,338 | 1,374 | 1,618 | 792 | 270 | 1,144 | 423 |
| 26 Official institutions | 11,694 | 14,516 | 276 | 2,792 | 367 | 1,525 | 641 | 220 | 1,866 | 276 |
| 27 Other foreign ² | -127 | 1,499 | 147 | -454 | 1,007 | 93 | 152 | 51 | -722 | 147 |
| 28 Nonmonetary international and regional organizations | 1,085 | -870 | 11 | -669 | -553 | 33 | 910 | 526 | -642 | 11 |
| MEMO: Oil-exporting countries | | | | | | | | | | |
| 29 Middle East ³ | 11,156 | 7,537 | 93 | 1,313 | 257 | 176 | 209 | -320 | 303 | 93 |
| 30 Africa ⁴ | -289 | -552 | 0 | 0 | -100 | -125 | 0 | -100 | 0 | 0 |

1. Estimated official and private holdings of marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on a benchmark survey of holdings as of Jan. 31, 1971, and monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Beginning December 1978, includes U.S. Treasury notes publicly issued to private foreign residents 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 Feb. 28, 1983 | | Country | Rate on Feb. 28, 1983 | | Country | Rate on Feb. 28, 1983 | |
|---------|-----------------------|-----------------|-----------------------|-----------------------|-----------------|-----------------------------|-----------------------|-----------------|
| | Per-cent | Month effective | | Per-cent | Month effective | | Per-cent | Month effective |
| Austria | 4.75 | Dec. 1982 | France ¹ | 12.5 | Feb. 1983 | Norway | 9.0 | Nov. 1979 |
| Belgium | 11.5 | Nov. 1982 | Germany, Fed. Rep. of | 5.0 | Dec. 1982 | Switzerland | 4.5 | Dec. 1982 |
| Brazil | 49.0 | Mar. 1981 | Italy | 18.0 | Aug. 1981 | United Kingdom ² | | |
| Canada | 9.43 | Feb. 1983 | Japan | 5.5 | Dec. 1981 | Venezuela | 13.0 | Sept. 1982 |
| Denmark | 10.0 | Nov. 1980 | Netherlands | 4.5 | Jan. 1983 | | | |

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 | 1980 | 1981 | 1982 | 1982 | | | | | 1983 | |
|-----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. |
| 1 Eurodollars..... | 14.00 | 16.79 | 12.24 | 11.57 | 11.74 | 10.43 | 9.77 | 9.47 | 8.97 | 9.14 |
| 2 United Kingdom..... | 16.59 | 13.86 | 12.21 | 11.08 | 10.84 | 9.74 | 9.30 | 10.55 | 11.04 | 11.29 |
| 3 Canada..... | 13.12 | 18.84 | 14.38 | 14.76 | 13.57 | 12.14 | 11.08 | 10.56 | 9.87 | 9.69 |
| 4 Germany..... | 9.45 | 12.05 | 8.81 | 8.94 | 8.13 | 7.55 | 7.24 | 6.54 | 5.78 | 5.79 |
| 5 Switzerland..... | 5.79 | 9.15 | 5.04 | 4.07 | 3.97 | 3.66 | 3.76 | 3.71 | 2.78 | 2.95 |
| 6 Netherlands..... | 10.60 | 11.52 | 8.26 | 8.66 | 7.85 | 7.09 | 6.36 | 5.66 | 4.97 | 4.82 |
| 7 France..... | 12.18 | 15.28 | 14.61 | 14.43 | 14.09 | 13.51 | 12.98 | 12.70 | 12.55 | 12.88 |
| 8 Italy..... | 17.50 | 19.98 | 19.99 | 19.52 | 18.56 | 18.57 | 19.05 | 19.20 | 18.95 | 19.04 |
| 9 Belgium..... | 14.06 | 15.28 | 14.10 | 14.00 | 13.06 | 12.75 | 12.50 | 12.25 | 12.25 | 12.25 |
| 10 Japan..... | 11.45 | 7.58 | 6.84 | 7.14 | 7.19 | 6.97 | 6.98 | 6.96 | 6.47 | 6.64 |

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 | 1980 | 1981 | 1982 | 1982 | | | | 1983 | |
|--|--------|---------|----------|----------|----------|----------|----------|----------|----------|
| | | | | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. |
| 1 Argentina/peso..... | n.a. | n.a. | 20985.00 | 25961.90 | 29487.50 | 39200.00 | 43883.91 | 48916.66 | 50239.47 |
| 2 Australia/dollar ¹ | 114.00 | 114.95 | 101.65 | 95.820 | 94.35 | 94.27 | 96.82 | 98.26 | 96.62 |
| 3 Austria/schilling..... | 12.945 | 15.948 | 17.060 | 17.597 | 17.797 | 17.947 | 16.994 | 16.783 | 17.076 |
| 4 Belgium/franc..... | 29.237 | 37.194 | 45.780 | 48.300 | 49.103 | 49.600 | 47.493 | 46.888 | 47.739 |
| 5 Brazil/cruzeiro..... | n.a. | 92.374 | 179.22 | 201.73 | 215.34 | 228.51 | 244.63 | 262.30 | 309.01 |
| 6 Canada/dollar..... | 1.1693 | 1.1990 | 1.2344 | 1.2348 | 1.2301 | 1.2262 | 1.2385 | 1.2287 | 1.2277 |
| 7 Chile/peso..... | n.a. | n.a. | 51.118 | 62.643 | 66.770 | 69.050 | 72.630 | 74.257 | 76.863 |
| 8 China, P.R./yuan..... | n.a. | 1.7031 | 1.8978 | 1.9567 | 1.9887 | 2.0002 | 1.9445 | 1.9238 | 1.9653 |
| 9 Colombia/peso..... | n.a. | n.a. | 64.071 | 65.921 | 66.856 | 68.168 | 69.526 | 70.762 | 71.751 |
| 10 Denmark/krone..... | 5.6345 | 7.1350 | 8.3443 | 8.8038 | 8.9192 | 8.9595 | 8.5275 | 8.4171 | 8.5811 |
| 11 Finland/markka..... | 3.7206 | 4.3128 | 4.8086 | 4.8014 | 5.3480 | 5.5263 | 5.3425 | 5.3120 | 5.3907 |
| 12 France/franc..... | 4.2250 | 5.4396 | 6.5793 | 7.0649 | 7.1557 | 7.2152 | 6.8548 | 6.7725 | 6.8855 |
| 13 Germany/deutsche mark..... | 1.8175 | 2.2631 | 2.428 | 2.5055 | 2.5320 | 2.5543 | 2.4193 | 2.3893 | 2.4280 |
| 14 Greece/drachma..... | n.a. | n.a. | 66.872 | 70.946 | 71.948 | 72.889 | 70.788 | 80.761 | 83.621 |
| 15 Hong Kong/dollar..... | n.a. | 5.5678 | 6.0697 | 6.1253 | 6.6038 | 6.6724 | 6.5417 | 6.5252 | 6.6060 |
| 16 India/rupee..... | 7.8866 | 8.6807 | 9.4846 | 9.6495 | 9.7005 | 9.7968 | 9.6926 | 9.7938 | 9.9184 |
| 17 Indonesia/rupee..... | n.a. | n.a. | 660.43 | 662.75 | 670.31 | 680.92 | 687.95 | 694.62 | 700.01 |
| 18 Iran/rial..... | n.a. | 79.324 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 19 Ireland/pound ¹ | 205.77 | 161.32 | 142.05 | 136.53 | 134.35 | 132.91 | 137.69 | 139.16 | 136.81 |
| 20 Israel/shekel..... | n.a. | n.a. | 24.407 | 28.922 | 29.860 | 31.344 | 32.966 | 34.863 | 36.986 |
| 21 Italy/lira..... | 856.20 | 1138.60 | 1354.00 | 1411.19 | 1439.94 | 1468.84 | 1398.74 | 1374.71 | 1399.78 |
| 22 Japan/yen..... | 226.63 | 220.63 | 249.06 | 263.29 | 271.61 | 264.09 | 241.94 | 232.73 | 236.12 |
| 23 Malaysia/ringgit..... | 2.1767 | 2.3048 | 2.3395 | 2.3610 | 2.3688 | 2.3647 | 2.3529 | 2.2822 | 2.2757 |
| 24 Mexico/peso..... | 22.968 | 24.547 | 22.990 | 101.86 | 108.83 | 130.61 | 147.35 | 150.75 | 157.81 |
| 25 Netherlands/guilder..... | 1.9875 | 2.4998 | 2.6719 | 2.7444 | 2.7608 | 2.7861 | 2.6698 | 2.6310 | 2.6779 |
| 26 New Zealand/dollar ¹ | 97.34 | 86.848 | 75.101 | 72.419 | 71.431 | 71.092 | 72.569 | 72.921 | 71.895 |
| 27 Norway/krone..... | 4.9381 | 5.7430 | 6.4567 | 6.8999 | 7.1735 | 7.2397 | 7.0346 | 7.0447 | 7.1171 |
| 28 Peru/sol..... | n.a. | n.a. | 694.59 | 772.08 | 819.14 | 878.66 | 942.47 | 1019.54 | 1087.43 |
| 29 Philippines/peso..... | n.a. | 7.8113 | 8.5324 | 8.6521 | 8.7760 | 8.8733 | 9.0546 | 9.2632 | 9.4488 |
| 30 Portugal/escudo..... | 50.082 | 61.739 | 80.101 | 87.702 | 89.652 | 91.911 | 92.685 | 94.548 | 95.771 |
| 31 Singapore/dollar..... | n.a. | 2.1053 | 2.1406 | 2.1671 | 2.1984 | 2.2123 | 2.1522 | 2.0768 | 2.0758 |
| 32 South Africa/rand ¹ | 128.54 | 114.77 | 92.297 | 86.830 | 86.20 | 87.77 | 92.03 | 93.82 | 91.04 |
| 33 South Korea/won..... | n.a. | n.a. | 731.93 | 743.61 | 743.63 | 745.60 | 746.36 | 749.80 | 752.19 |
| 34 Spain/peseta..... | 71.758 | 92.396 | 110.09 | 113.049 | 115.20 | 119.09 | 126.125 | 126.844 | 129.886 |
| 35 Sri Lanka/rupee..... | 16.167 | 18.967 | 20.756 | 20.918 | 20.898 | 21.009 | 21.166 | 21.378 | 22.355 |
| 36 Sweden/krona..... | 4.2309 | 5.0659 | 6.2838 | 6.2313 | 7.1543 | 7.5095 | 7.3555 | 7.3227 | 7.4385 |
| 37 Switzerland/franc..... | 1.6772 | 1.9674 | 2.0327 | 2.1418 | 2.1736 | 2.1931 | 2.0588 | 1.9679 | 2.0180 |
| 38 Thailand/baht..... | n.a. | 21.731 | 23.014 | 23.000 | 23.000 | 23.000 | 23.000 | 23.000 | 22.999 |
| 39 United Kingdom/pound ¹ | 232.58 | 202.43 | 174.80 | 171.20 | 169.62 | 163.21 | 161.60 | 157.56 | 153.29 |
| 40 Venezuela/bolivar..... | n.a. | 4.2781 | 4.2981 | 4.3006 | 4.2976 | 4.2996 | 4.2971 | 4.2973 | 4.3101 |
| MEMO: United States/dollar ² | 87.39 | 102.94 | 116.57 | 120.93 | 123.16 | 124.27 | 119.22 | 117.73 | 119.70 |

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 page 700 of the August 1978 BULLETIN.

NOTE: Averages of certified noon buying rates in New York for cable transfers.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

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

General Information

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

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct

obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

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

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| Anticipated schedule of release dates for periodic releases | December 1982 | A76 |

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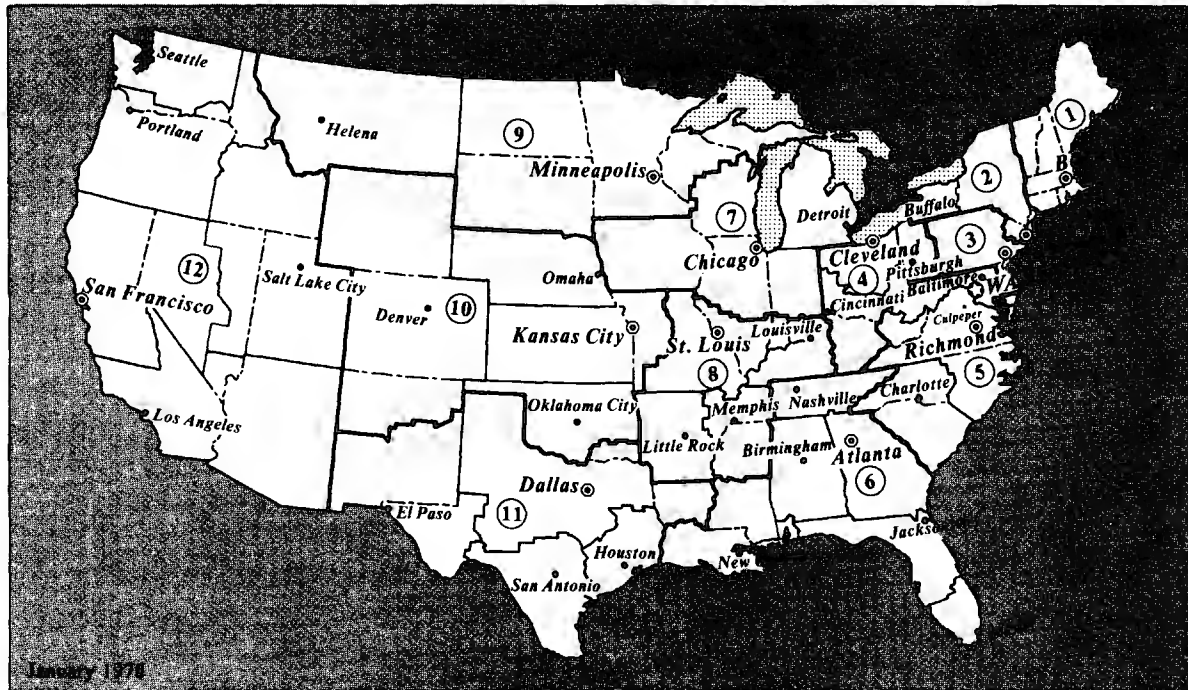
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The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territories



LEGEND

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- Federal Reserve Branch Cities
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