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Monetary Policy Report to Congress

Report submitted to the Congress on February 10, 1982, pursuant to the Full Employment and Balanced Growth Act of 1978.[1]

MONETARY POLICY AND THE PERFORMANCE OF THE ECONOMY IN 1981

The economy was growing rapidly as 1981 began, continuing the sharp cyclical rebound that had started in mid-1980. Activity leveled out during the spring and summer, however, and it fell in the final quarter of the year. As a result, the rate of production of goods and services—real gross national product—was only slightly higher at the end of 1981 than it had been a year earlier. With the weakening of output late in the year, the margin of unutilized plant capacity widened and the unemployment rate rose sharply to near postwar record levels.

While economic activity was disappointing last year, signs of progress in reducing inflationary pressures were emerging. The rate of price inflation slowed from the extremely rapid pace of the preceding two years, and as 1981 progressed there also were indications of an easing in the rate of wage increases, particularly in some key pattern-setting industries.

Confidence in the restoration of reasonable overall price stability is needed if economic growth is to be resumed on a sustained basis. The accelerating inflation of earlier years had been eroding the foundations of the nation's economy: capital formation had slowed; productivity was sagging; the functioning of basic market mechanisms was being impaired; and inequitable and capricious transfers of wealth were harming many of the weakest among us. The task of reversing the inflationary trend of earlier years was made more difficult because a decade of escalating prices and unsuccessful anti-inflation policies had led to firmly held expectations of continued high—if not accelerating—rates of inflation. Thus, it was recognized that reducing inflation would take time and that anti-inflation policies would have to be applied with persistence if they were to be effective in altering expectations and slowing the rate of increases in prices.

While fiscal policy and decisions made in the private sector have much to do with the course of economic developments, economic theory and experience alike indicate that progress toward price stability cannot be obtained without adequate restraint on the growth of money and credit. Monetary policy was conducted in 1981 with this crucial fact in mind. The Federal Reserve set objectives for the growth of the monetary aggregates that it believed would help to damp inflation and would lead to movement over time toward trend rates of monetary expansion consistent with the growth of potential output at stable prices.

Short-term market rates of interest began 1981 at record levels, as rapid growth of economic activity in the second half of 1980 had pushed up the demand for money and credit faster than could be accommodated within the target ranges for growth of the monetary aggregates and bank reserves. Early in 1981 these demands began to subside, pressures on bank reserve positions were relieved, and money market rates declined for a time. A bulge in money demand early in the second quarter was steadily resisted by restraining the supply of reserves, and in the process short-term interest rates moved back to their earlier highs. By midsummer, short-term interest rates were declining, as demands for money and credit slackened while the Federal Reserve expanded nonborrowed reserves in an effort to maintain adequate monetary growth. Those declines in interest rates accelerated in October and November as the recession took hold.

On balance, short-term interest rates—although volatile—moved down considerably over the course of 1981. In contrast, long-term rates

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.

rose substantially over the period, despite declines in the last quarter of the year. The pressure on long-term rates appeared to reflect a combination of factors. Of continuing strong investor concern were anticipations that continued, large federal budget deficits would clash with private credit demands particularly as the economy expanded and put strong pressures on credit markets. Despite reductions in the growth of many federal spending programs, federal borrowing in calendar year 1981 siphoned off roughly a quarter of the total funds available to domestic nonfinancial borrowers. In the background were continuing doubts and skepticism that anti-inflation programs would be carried through. Moreover, the volatility of the markets may have inhibited aggressive buying of longer-term securities.

The tensions in credit markets in 1981 had their greatest impact on capital formation by businesses and households. Housing construction fell to its lowest level in the postwar period; only 1.1 million new housing units were started in 1981. The weakness in real estate markets last year reflected a number of influences. Of paramount importance in the short run was the cost of mortgage funds. The average rate on mortgages closed for new homes was 15.3 percent in the fourth quarter of 1981, up from 12.6 percent a year earlier. But it was not higher mortgage rates alone that cut into housing demand: high prices also adversely affected the ability of those seeking new homes to afford the monthly payments. Although house prices changed little in 1981, over the preceding five years prices of new and existing homes had risen half again as fast at the overall rate of inflation. As a result, the share of average family disposable income needed to service the monthly payment on a typical new mortgage rose from 21 percent in 1976 to nearly 40 percent last year.

Slow income growth and rising unemployment, along with the increased cost of credit, combined to damp consumer spending in 1981—particularly for more discretionary, large-ticket items such as autos, furniture, and appliances. Since the mid-1970s, household real after-tax income has only been rising at an annual rate of ½ percent, compared with a long-run trend of 2 percent. At the same time, the prices of essential items such as food, gasoline, heating fuel, utilities, and medical services—as a group—have been rising faster than the overall inflation rate, and the share of disposable income devoted to these items has been increasing. The resulting squeeze on family budgets led many households to overextend themselves during the second half of the 1970s, taking on more and more debt to finance their purchases.

With household balance sheets debt-laden and credit costs rising, a retrenchment in consumer borrowing began in 1980, and continued through 1981. As the year progressed, household balance sheets appeared to be improving. Consumer debt burdens (the ratio of monthly debt repayment obligations to income) declined to their lowest level in more than five years. Moreover, partly in response to the higher after-tax income after the tax cut on October 1, the saving rate rose from about 5 percent in the first three quarters of 1981 to 6 percent in the fourth quarter.

In real terms, personal consumption expenditures rose 1¼ percent over the four quarters of 1981. The gain was concentrated in the early months of the year as real consumer spending fell, on balance, over the final three quarters of 1981. Purchases of new automobiles were hardest hit. Sales of domestically produced cars totaled 6.2 million units in 1981, the poorest performance in 20 years. The depressed conditions in the auto sector were related, in part, to the typical cyclical volatility in the demand for motor vehicles and to credit market conditions, which affected the cost of financing new car and truck purchases. However, the current problems in the industry appear to be related mainly to longer-term trends in the demand for automobiles. These include the rapid increase in the price of new cars, high gasoline and other operating costs, sluggish growth of real income, intense foreign competition, and government regulations that have necessitated large investments to comply with emission control standards and to improve fuel efficiency. As 1981 was ending, the auto industry appeared to be taking aggressive actions to reduce costs and to improve the competitiveness of its products.

Business firms, like households, restrained their spending on investment goods in 1981. Demand was damped by a substantial degree of excess capacity and by the rising trend in corporate bond rates throughout much of the year, which boosted the real cost of capital. In real terms, expenditures for new plant and equipment rose only 1½ percent over the four quarters of 1981. Although spending for new structures increased during the year, real equipment outlays fell for the second year in a row; the biggest declines were for electrical machinery and transportation equipment, while spending for most other capital goods remained weak.

In contrast to fixed investment outlays, sizable unintended inventory accumulation boosted business financing requirements. As the year went on, unexpectedly weak demand led to a buildup of excess stocks in several industries. The most pronounced problem was in autos, but other manufacturers and retailers also found their inventory levels uncomfortably high relative to sales. On balance, total nominal business capital spending—fixed investment and inventories—rose about 20 percent above the 1980 average.

Early in 1981, strong economic growth helped boost corporate internal funds, greatly reducing corporate needs for external financing. But as the economy slowed, corporate profits turned sluggish and businesses were forced to rely more heavily on credit markets to satisfy their rising capital needs. The bulk of business borrowing last year was in short-term markets, as most firms felt it best to defer making long-run commitments in the current financial environment. With the accumulation of additional short-term debt, however, corporate balance sheet positions deteriorated further, and the ratio of short-term to total debt of the nonfinancial corporate sector rose to a record high.

Real purchases of goods and services at all levels of government rose only moderately during 1981 as a sharp increase in purchases by the federal government was partly offset by curtailed spending at the state and local level. The rise in federal spending on goods and services reflected another large increase in defense purchases, while federal payroll reductions helped to contain increases in nondefense outlays. At the state and local level, real purchases fell 2 percent owing to a combination of the withdrawal of federal support for many activities, the continued impact of tax limitation measures, and the effects of a sluggish economy on tax revenues.

The weighted-average value of the dollar against major foreign currencies rose nearly one-fourth during the period from January to August. The dollar eased somewhat in the last part of 1981, but at the end of the year still remained well above its year-earlier level. The improvement in the inflation outlook in the United States was a factor in the appreciation of the dollar. Moreover, at various times during the year changes in the differential between interest rates on dollar assets and rates of return on foreign currency assets also had a noticeable impact on exchange rates.

Real exports of goods and services increased in the first quarter of 1981, in part because of strong growth of GNP in one of our major trading partners, Canada. But for the next three quarters, real exports declined in response to a slowing of economic growth abroad and the effect of the appreciation of the dollar in 1980 and 1981. The volume of imports, other than oil, rose fairly steadily throughout the year. The current account, reflecting this weakened trade performance, shifted from a surplus in the first quarter to a deficit by the fourth quarter.

Employment grew at a moderate rate during the first three quarters of 1981 and the unemployment rate edged down. Job increases were strongest in the service and trade sectors. As economic activity began to contract in the autumn, the demand for labor fell sharply and the unemployment rate climbed to 8.8 percent in December—only fractionally below its postwar high. Layoffs in the durable goods and construction industries accounted for much of the drop in employment. As a result, the unemployment rate of adult men—who tend to be more heavily employed in these industries—jumped to a postwar record of 7.9 percent in December 1981.

Labor productivity (output per hour worked) showed considerable fluctuation during 1981, reflecting the course of economic activity. Productivity rose at an annual rate of 1¼ percent in the first three quarters of 1981. However, as often happens at the beginning of a cyclical downturn, output fell more than employment in the fourth quarter and productivity declined, offsetting the gains earlier in the year. Averaging across short-run cyclical movements, productivity has shown little improvement in recent years, and thus has provided virtually no offset to the impact of rapidly rising compensation on unit labor costs.

Compensation and wage increases did decelerate during 1981—with continuing progress observed throughout the year. But the slowing was moderate, reflecting the basic inertia of the wage-determination process, in which many union contracts last three years or more and nonunion wage agreements usually are set annually. By the second half of 1981, however, some changes in those traditional wage-setting practices were under way in several important industries: management and workers alike began to reconsider planned wage adjustments; some expiring contracts were renegotiated well in advance of termination dates; and labor agreements at a number of firms were modified in an effort to ease cost pressures and to enable firms to compete more effectively. These adjustments, coupled with the progress seen in reducing inflation during 1981, suggest that the nation's anti-inflation policies have set the stage for a sustained unwinding of wage and price increases.

The trend in inflation improved noticeably during 1981, and by year-end virtually all aggregate price indexes were advancing well below double-digit rates for the first time since 1978. The consumer price index rose 8.9 percent over the course of 1981, down from the average rate of nearly 13 percent in 1979 and 1980. Important factors in the slowing of inflation were exceptionally favorable agricultural supplies and declines, after the first quarter, in world oil prices. Inflation in areas other than food and energy—particularly consumer commodities and capital equipment—also began to abate, although price pressures persisted in the consumer service sector, notably for medical care. As the year progressed, surveys of consumer expectations suggested that the inflationary psychology, which had increasingly permeated many aspects of economic behavior in earlier years, appeared to be subsiding.

The Growth of Money and Credit in 1981

The Board of Governors in its report to the Congress last February indicated that the System intended to maintain restraint in the expansion of money and credit in 1981. The specific ranges chosen by the Federal Open Market Committee (FOMC) for the various monetary aggregates anticipated a deceleration in monetary growth that would encourage further improvement in price performance. Measured from the fourth quarter of 1980 to the fourth quarter of 1981, and abstracting from the effects on deposit structure of the authorization of negotiable order of withdrawal (NOW) accounts nationwide, the ranges adopted were as follows: for M1-A, 3 to 5½ percent; for M1-B, 3½ to 6 percent; for M2, 6 to 9 percent; and for M3, 6½ to 9½ percent. The associated range for commercial bank credit was 6 to 9 percent.

In formulating its objectives for 1981, the FOMC knew that the growth rates of the narrow aggregates would be affected markedly by shifts into NOW accounts, which for the first time became available on a nationwide basis in January. Transfers into NOW accounts, which are included in M1-B, from savings deposits and other asset holdings not included in M1 were expected to be particularly large in the early months of the year. Thus, in order to avoid confusion about the intent of policy and to facilitate comparisons with previous years, the objectives announced for M1-B abstracted from such shifts.[2] Even after accounting for such shifts, however, the FOMC anticipated that the growth rates of the various aggregates were likely to diverge more than usual, reflecting the rapid pace of institutional change in financial markets. The FOMC indicated that if M1-B growth (adjusted for shifts into new NOW accounts and other checkable deposits) was about in the middle of its annual range, the growth of M2 was likely to be in the upper part of its range, given the popularity of the nontransaction components of M2 that pay market-related interest rates. It also was noted that the relationship of M3 and bank credit to their respective ranges would be influenced in an important way by the pattern of credit flows that would emerge, and particularly by whether financial conditions would be conducive for corporations to refinance short-term borrowing in the bond and equity markets.

It soon became apparent as 1981 unfolded that the behavior of the aggregates was turning out to

2. The shift adjustments were estimated on the basis of survey evidence and were published regularly over the past year.

be even more divergent than had been anticipated. Growth rates of the shift-adjusted narrow aggregates were low in the opening months of the year, a development that was welcome following rapid growth in the latter part of 1980. A strong surge in April was offset by weakness over the remainder of the second quarter. On the whole, average growth in adjusted M1-B over the first half of 1981 was well below the growth that would have been expected on the basis of historical relationships among money, GNP, and interest rates. On the other hand, despite the weakness in M1-B, the broader aggregates expanded quite rapidly in early 1981. Growth in M2 over the first half was near the upper end of its annual range, while the expansion of M3 placed this aggregate above the upper bound of its range at midyear.

After reassessing its objectives for 1981 at midyear, the FOMC elected to leave unchanged the previously established ranges for the aggregates over the remainder of the year. However, in light of the reduced growth in M1-type balances over the first half of the year, indications that this weakness might reflect a lasting change in cash management practices of individuals and businesses related to the growth of alternative means of holding highly liquid funds, and given the relatively strong growth of the broader aggregates, the FOMC anticipated that growth of the narrow aggregates might likely and desirably end the year near the lower bounds of their annual ranges. Even so, given the sluggishness early in the year, this decision implied that growth of M1-A and M1-B would accelerate over the balance of the year. At the same time, the FOMC indicated that M2 and M3 might well end the year around the upper ends of their ranges. This expectation also reflected in part the possibility that regulatory and legislative actions as well as the popularity of money market mutual funds might intensify the public's preference to hold the type of assets encompassed in the broader aggregates.

Although growth of narrow money in the second half of the year was on average about the same as in the first half, M1-B strengthened appreciably in the final two months of the year. This acceleration appeared to reflect in part a lagged response to large short-term interest rate declines in the summer and fall and in part a shift to preferences for very liquid assets in an environment of heightened economic and financial uncertainty. Similarly, M2 growth in the second half was about in line with expansion in the first half, although growth in this measure also picked up at the end of the year. The expansion in M3, on the other hand, decelerated from the rapid pace of the first half, as sales of large certificates of deposit slowed in concert with a slackening in growth of bank credit and stronger growth in core deposits.

Measuring growth for the year from the fourth quarter of 1980 to the fourth quarter of 1981, growth in M1-B adjusted for shifts into NOW accounts was about 2¼ percent—1¼ percentage points below the lower end of its targeted range.[3] Growth rates, of course, are affected by the particular pattern of variation that develops over the course of the year. Measuring expansion from December to December, growth in adjusted M1-B in 1981 was at a rate of 3½ percent. On a yearly average basis, which reflects movements through the year as a whole relative to the level of the previous year, the increase was at a rate of 4¾ percent. At the same time, measured from the fourth quarter of 1980 to the fourth quarter of 1981, growth of M2 was 9.4 percent, 0.4 percentage point above the upper limit of its range. Also, growth of M3 exceeded the upper end of its range by 1.9 percentage points, while bank credit growth was just inside the upper end of its annual range.

Table 1 puts the performance of the aggregates during 1981 into a somewhat longer-term perspective, showing two measures of annual growth. No matter which of the measures of annual growth is used, a marked deceleration in M1-B since 1978 is apparent. The table also clearly illustrates that growth rates for the broader aggregates have been maintained around a higher level, and larger divergences have developed from growth of M1-B. In considerable part, these differences can be explained by structural changes in financial markets.

As noted earlier, it was already obvious last February when the FOMC was meeting to set its

3. Unadjusted for shifts into NOW accounts, M1-B increased 5.0 percent from the fourth quarter of 1980 to the fourth quarter of 1981.

1. Growth of money and bank credit
Percentage changes

Period	M1-B[1]	M2	M3	Bank credit[2]
Fourth quarter to fourth quarter				
1978	8.3	8.3	11.3	13.3
1979	7.5	8.4	9.8	12.6
1980	6.6	9.1	9.9	8.0
1981	2.3	9.4	11.4	8.8
Annual average to annual average				
1978	8.2	8.8	11.8	12.4
1979	7.7	8.5	10.3	13.5
1980	5.9	8.3	9.3	8.5
1981	4.7	9.7	11.5	9.4

1. Growth rates for 1980 and 1981 adjusted for shifts to other checkable deposit accounts since the end of the preceding year.
2. The December level used for calculating these 1981 growth rates incorporates an adjustment to abstract from the shifting of assets from domestic banking offices to international banking facilities.

objectives for 1981 that shifts into NOW accounts after their nationwide authorization at the beginning of 1981 would alter the behavior of the narrow aggregates. Data for early January had pointed to a very large movement of funds at the beginning of the year. However, the pattern and magnitude of subsequent movements could not be predicted with any certainty. As events unfolded, the shifts into NOW accounts were more concentrated in the early part of 1981 than was anticipated by the working assumptions of the Board's staff. Through June, the adjustments made to the aggregates to correct for such shifts had the effect of raising M1-A by $28 billion and lowering M1-B by $9½ billion. Over the second half of 1981, further adjustments for shifts into NOW accounts raised M1-A by only another $6 billion and lowered M1-B by about $2½ billion more. While these adjustments are imprecise and based on evidence from a variety of sources, data on the number of NOW accounts coupled with other available information confirm that the shifting of funds from demand deposits to new interest-bearing checking accounts tapered off considerably by the fall. A surge in NOW account balances near the end of the year and early in 1982 appeared to reflect primarily the precautionary savings behavior already noted rather than shifting of funds into new accounts.

As already indicated, the growth of the narrow aggregates adjusted for shifts into NOW accounts was low in 1981 compared with the other aggregates and also relative to past relationships with income and interest rates. Continued high interest rates provided a substantial incentive for businesses to intensify efforts to pare narrow money balances and to make increasingly widespread use of sophisticated cash management techniques. At the same time, explosive growth of money market mutual funds (MMMFs), many of which offer check-writing or other third-party-payment services comparable with conventional checking accounts, appeared to induce some households to minimize checking account balances. Also, the broader availability of NOW accounts may have stimulated households to reconsider in a more general way their habits of cash management.

Likewise, the strong growth of M2 over the past few years reflected changing financial practices. Money market funds and instruments offered by depository institutions that pay market-related interest rates have been accounting for an increasing proportion of M2, as such assets have become much more competitive with open market instruments. Indeed, the attractiveness of small time deposits was enhanced last year by the liberalization of the interest rate ceilings on small savers certificates and to a limited extent by the introduction of all savers certificates. Even so, three-fourths of the increase in the nontransaction components of M2 was accounted for by MMMFs, which grew 140 percent last year.

The distortions in the aggregates resulting from the expansion in MMMFs are difficult to quantify. Surveys of household behavior and data on account turnover suggest that most shareholders of money funds have made little or no use of their accounts for transaction purposes. Thus, the direct substitution effect of MMMFs on the growth of M1 has appeared small, perhaps on the order of 1 percentage point on the rate of growth for the year. However, indirect effects may have been larger as the potential availability of such a highly liquid asset may facilitate holding less funds in demand and NOW accounts.

The direct effect of MMMFs on M2 appears more substantial in dollar terms. Presumably, the great bulk of the inflow of $20 billion in 1981 to MMMFs catering only to institutional investors was funds that otherwise would have been invested in assets not included in M2. In addition, it seems likely that a small portion of the growth of $90 billion in other types of MMMFs also reflected diversions from assets not in M2.

In light of the sizable distortions created by the growth of institution-only MMMFs, such funds have been excluded from the revised M2, but they will continue to be a component of M3. In addition, M2 has been revised to include retail repurchase agreements (RPs). Retail RPs, which previously had been a component only of M3, were promoted on a substantial scale in 1981, likely attracting funds mainly from household small-denomination time deposits and MMMF holdings and thus resulting in a downward bias on M2 growth. The net effect on M2 growth of reclassifying institution-only MMMFs and retail RPs, along with other minor revisions, was small.

M3 increased more rapidly than M2 last year largely because of the substantial expansion in large CDs, particularly over the first half of the year. With growth of core deposits weak on balance over the year, depository institutions increased their managed liabilities to support expansion in loans and investments.

Growth in bank credit accelerated somewhat in 1981 but stayed just within the upper end of its annual target range. The pickup in bank credit growth was concentrated in business loans. Growth in this category was bolstered by the high level of corporate bond rates through most of the year, which tended to focus business credit demands on short-term borrowing such as bank loans and commercial paper. Although merger activity contributed significantly to the growth of loan commitments over the year, actual takedowns for this purpose influenced loan growth only slightly. Real estate loans at banks in 1981 grew at about the same moderate pace as in 1980, while consumer lending strengthened a little from 1980. Security holdings at banks grew somewhat more slowly than loans in 1981.

The bank credit data in December were affected by the shifting of assets to accounts in the newly authorized international banking facilities (IBFs). About $22 billion of loans to foreign customers are estimated to have shifted from U.S. offices to IBFs in December. The data presented in this report are adjusted for this shift. Without this adjustment, the increase in bank credit from the fourth quarter of 1980 to the fourth quarter of 1981 was 8¼ percent, ½ percentage point less than shown by the adjusted data.

Broader measures of credit flows reflected the slowing pace of production and income in 1981 and the effects of high interest rates. Households and businesses continued to increase their borrowing over the first three quarters, but their use of credit contracted in the fourth quarter in response to the weakening of the economy. In view of the high level of long-term interest rates during most of 1981, virtually all of the increase in funds raised was in short-term debt instruments. Overall, net funds raised by nonfinancial sectors rose 7 percent in 1981 and continued to fall relative to GNP for the third consecutive year.

The Federal Reserve's Objectives for the Growth of Money and Credit

The Federal Reserve remains committed to restraint on the growth of money and credit in order to exert continuing downward pressure on the rate of inflation. Such a policy is essential if the groundwork is to be laid for sustained economic expansion.

A distinct slowing of inflation occurred during 1981, and the prospects for further progress are good. Failure to persist in the effort to maintain the improvement would have long-lasting and damaging consequences. Once again, underlying expectations would deteriorate, with potentially adverse effects on financial markets, particularly long-term rates. The result would be to embed inflation even more deeply into the nation's economic system—with the attendant debilitating consequences for the performance of the economy. A failure to continue on the current path would mean that the next effort would be associated with still greater hardship.

Progress toward price stability can be achieved most effectively and with the least amount of economic disruption by the concerted application of monetary, fiscal, regulatory, and other economic policies. But quite clearly inflation cannot persist over an extended period unless financed by excessive growth of money. Thus, a policy of restraint on the growth of the monetary aggregates is a key element in an anti-inflation strategy.

Targets for the monetary aggregates have been set with the aim of slowing the expansion of money over time to rates consistent with the needs of an economy growing in line with its productive potential at reasonably stable prices. The speed with which the trend of monetary growth can be lowered without unduly disturbing effects on short-run economic performance depends, in part, on the credibility of anti-inflation policies and their effects on price expectations as well as on other forces influencing interest rates and credit market demands, including importantly the fiscal position of the federal government. More technically, financial innovation or other factors affecting the demand for specific forms of money need to be monitored.

In its deliberations concerning the target ranges for 1982, the Committee recognized that the recent rapid increase in M1 placed the measure in January well above the average level during the fourth quarter of 1981, the conventional base for the new target. Experience has shown that, from time to time, M1 growth can fluctuate rather sharply over short periods, and these movements may be at least partially reversed fairly quickly. The available analysis suggested that the recent increase reflected in part some temporary factors of that kind, rather than signaling a basic change in the amount of money needed to finance growth in nominal GNP.

In light of all these considerations, the FOMC reaffirmed the following ranges of monetary expansion—tentatively set out in mid-1981—for the year ending in the fourth quarter of 1982: for M1, 2½ to 5½ percent; for M2, 6 to 9 percent, and for M3, 6½ to 9½ percent.[4] The FOMC also adopted a corresponding range of 6 to 9 percent for commercial bank credit. These ranges are the same as those agreed to in July and reaffirm the Federal Reserve's commitment to reduce inflationary forces. As has been typical in the past, these changes are measured from actual fourth-quarter levels from the previous year.[5]

During 1981, M1-B (shift-adjusted) rose slowly in relation to nominal GNP.[6] On the assumption that the relationship between growth of M1 and the rise of nominal GNP is likely to be more normal in 1982, and given the relatively low base for the range of M1-B, the Committee contemplated that growth in M1 this year may well be in the upper part of its range. At the same time, the FOMC elected to retain the lower bound of 2½ percent for growth of M1 that was tentatively set last July in recognition of the possibility that financial innovations—especially techniques for economizing on the use of checking account balances included in M1—could accelerate, with restraining effects on growth of M1.

The actual and potential effects on M1 of ongoing changes in financial technology and the greater availability of a wide variety of money-like instruments and near-monies strongly suggest the need for also giving careful attention to developments with respect to broader money measures in the implementation of monetary policy. The range for growth of M2 is the same as in 1981 when actual growth slightly exceeded the upper bound of the range. The Committee contemplated that M2 growth in 1982 would be somewhat below the 1981 pace, although probably in the upper part of the range. However, should personal saving, responding to recent changes in tax law or other influences, grow much more rapidly in relation to income than now anticipated, or should depository institutions attract an exceptionally large inflow to individual retirement accounts from sources outside measured M2, growth of M2 might appropriately reach—or even slightly exceed—the upper

4. The objective for growth of narrowly defined money over 1982 is set in terms of M1 only. Last February, when the FOMC set its targets for narrow money, it recognized that regulatory changes allowing for the establishment of nationwide NOW accounts would distort the observed behavior of M1-A and M1-B. Accordingly, the targets were set on a basis that abstracted from the shifting of funds into interest-bearing checkable deposits. Based on a variety of evidence suggesting that the bulk of the shift to NOW accounts had occurred by late 1981, the Federal Reserve reaffirmed in December its previously announced intention that starting in January 1982 shift adjustments would no longer be published and only a single M1 figure would be released with the same coverage as M1-B.

5. Because of the introduction of IBFs, the bank credit data after December 1981 are not comparable with earlier data. Thus, the targets for 1982 are in terms of growth from an average of December 1981 and January 1982 to the average level in the fourth quarter of 1982.

6. M1-B velocity, before shift adjustment, rose at a rate closer to historical experience. However, the shift of funds from savings accounts or other sources of funds not included in measures of the narrow money supply temporarily depressed that velocity figure, particularly early in the year.

end of the range. The ability of depository institutions to compete for the public's savings will, of course, also be affected in part by deregulatory decisions that may be made by the Depository Institutions Deregulation Committee.

The 1982 ranges for M3 and bank credit were left unchanged from those for 1981. These aggregates again will be influenced importantly by the degree to which credit demands tend to be focused on short-term borrowing and are funded at home or abroad.

THE OUTLOOK FOR THE ECONOMY IN 1982

Economic activity still appears to be contracting; industrial production and employment certainly declined further in January, with the extent of the fall worsened by exceptionally bad winter storms. Demand in the key sectors that had led the decline—housing and consumer spending—showed some signs of leveling off as the year began, and the recent cuts in production likely have helped to relieve some of the remaining inventory imbalances. Recent weather-related disruptions may affect the incoming data for a time, but the economy appears to be in the process of bottoming out, and a perceptible recovery in business activity seems likely before midyear.

One element supporting final demands in the economy is the federal government. Part of the recent expansion in the deficit reflects the cushioning effects of reduced taxes and increased government expenditures that result from declining income growth and rising unemployment. In addition, however, the buildup in defense spending is a continuing source of stimulus. The second phase of the tax reductions that occurs in July will provide another expansionary impetus to the economy. At the same time, the deficit—particularly if expected to continue at exceptionally high levels in later years—adversely influences current financial market conditions.

The Federal Reserve's objectives for money growth in 1982 are consistent with recovery in economic activity. The expansion is likely to be concentrated initially in consumer spending. Given the substantial margin of excess capacity, outlays for business fixed investment may remain weak, particularly if long-term interest rates continue to fluctuate near their current high levels. A continuation of high levels of long-term rates also would inhibit the recovery in residential housing, although demographic factors will continue to buttress demands in that sector.

The effort to deal with inflation is at a critical juncture. The upward trend in inflation clearly has been halted and the process of reversal is under way. There are signs that price setting, wage bargaining, and personal spending decisions are beginning to be made and that these decisions over time will serve to moderate, rather than to intensify, inflationary pressures. Nonetheless, the behavior of financial markets and other evidence strongly suggests the continued existence of considerable skepticism that progress in reducing inflation will be maintained. Lasting improvement in financial markets—particularly for longer-term instruments—is dependent on confidence that progress against inflation will continue; looming federal deficits have served to shake that confidence. Prospects for lower interest rates and for sustaining recovery over a long period—indeed for the timing of recovery—are thus tied to prospects for a more stable price level.

How we emerge from the current recession will be crucial to further curtailing inflation. The recovery phases that have followed recent recessions have sometimes been associated with an acceleration of inflation. However, if monetary and fiscal policies are appropriately disciplined, this pattern need not recur; and recovery from the current recession will be consistent with further progress toward achieving sustainable growth, price stability, and lower levels of interest rates.

Given the current circumstances and in light of the objectives for the monetary aggregates for the coming year, the individual members of the

2. Economic projections for 1982

Percent

Period	Actual 1981	Projected for 1982	
		FOMC members	Administration
Changes, fourth quarter to fourth quarter			
Nominal GNP	9.3	8 to 10½	10.4
Real GNP	.7	½ to 3	3.0
GNP deflator	8.6	6½ to 7¾	7.2
Average level in the fourth quarter			
Unemployment rate	8.3	8¼ to 9½	8.4

FOMC have formulated projections for economic performance in 1982 that generally fall within the ranges indicated in table 2. The members of the FOMC expect inflation to continue to moderate in 1982. At the same time, real activity is expected to accelerate with most of the growth coming in the second half of the year. With inflation continuing to be substantial and the prospect of the federal budget deficit remaining large even as the recovery gathers momentum, demands for credit should intensify as the year progresses. In these circumstances, the recovery is likely to be somewhat restrained, with the result that unemployment probably still will be substantial at year-end.

The FOMC members' projections generally encompass those that underlie the administration's recent budget proposals. The consensus view of the FOMC anticipates an improvement in inflation during 1982 comparable with the administration's as well as a similar outlook for the labor market. The administration's projection for real growth falls at the high end of the FOMC consensus. In the event prices and wages should respond more rapidly to anti-inflation policies than historical experience would suggest or should more favorable productivity trends develop, then the recovery could be faster without adverse pressures developing on prices, wages, and interest rates. □

Industrial Development Bonds: Some Aspects of the Current Controversy

Daniel E. Laufenberg of the Board's Division of Research and Statistics prepared this article.

Tax-exempt securities have been the traditional means by which state and local governmental units have financed the construction of schools, roads, hospitals, and other public improvements. In recent years, another category of these "municipal" securities, generally referred to as industrial development bonds (IDBs), has become important. IDBs are issued by state and local units on behalf of private businesses to finance industrial and commercial projects. The growth of IDB financing has stirred considerable controversy, centering on the appropriate use of implicit federal subsidies and the impact on the borrowing costs of state and local governments. Moreover, concern has arisen about the impact on federal revenues of the tax exemption of interest earned on IDBs; partly for this reason, the Reagan administration has proposed curtailment of IDB issuance as part of its budget program.

Hundreds of state agencies, local development agencies, counties, and cities have issued IDBs in the name of local economic development. But many of the uses to which this financing vehicle has been put has raised doubts about legitimate public purpose. A recent study by the Congressional Budget Office noted that some less conventional uses of small-issue IDBs have become common, such as commercial real estate development, retail stores, recreational facilities, tourist facilities, and proprietary health facilities.[1] Moreover, small-issue IDB financing is being used extensively by large national retailers and somewhat less extensively by large manufacturing corporations. Such uses seem to contradict the intent of the Revenue and Expenditure Control Act of 1968, which imposed maximum dollar limits on the size of the IDB issue or on the total capital expenditures on any one project financed in part or in whole by IDBs, except for special purposes.

This paper reviews the legal definitions of small-issue and selected-purpose IDBs to provide a clearer distinction between IDBs and traditional municipal issues; analyzes the costs and benefits of using tax-exempt financing to promote local development; and discusses the current concerns about IDB issuance.

BACKGROUND

The use of public tax-exempt credit for private business purposes had its origin in the United States in 1936, when Mississippi authorized cities and counties to incur general-obligation indebtedness to construct industrial buildings for lease to private enterprise. Other states in the South and a few in other regions followed suit after World War II, but through the 1950s the volume of IDBs was relatively small.

In the early 1960s, the total of IDB issuance picked up substantially as more use was made of the revenue version of IDBs, which is secured by the property or receipts of the project financed rather than the full faith and credit of the issuer, and as businesses of all sizes participated in locally sponsored development programs. By 1968, IDBs, most of which were revenue bonds, represented 10 percent of all long-term tax-exempt bond sales.

The growing popularity of such bonds alarmed Treasury Department officials because IDBs threatened sizable losses of tax revenues. As a result, the Treasury ruled in 1967 that IDBs were

1. *Small Issue Industrial Revenue Bonds*. Congress of the United States, Budget Office, September 1981.

subject to taxation. This ruling was withdrawn, however, when the Congress enacted the Revenue and Expenditure Control Act of 1968, the statute that still governs IDB issuance. Under this statute, tax-exempt status is denied IDBs except those that are designated as "small issues" or those that finance certain types of facilities.

Legal Limits on IDB Issuance

Securities issued by state and local governmental units are defined as IDBs in the 1968 legislation if they satisfy two tests. The first is the "trade or business test," which is met if a major portion of bond proceeds are used in business by a nonexempt entity—one other than a state or local government or organization. The second is the "security interest test," which is met if a major portion of the debt service is secured by property used in or payments derived from a business, regardless of whether the bonds are also general obligations of the issuer. IDB issues in recent years have been exclusively revenue bonds, and increasingly have been called industrial revenue bonds (IRBs). For the remainder of this paper, IDB and IRB are used synonymously.

Small Issues of Industrial Development Bonds

The Revenue and Expenditure Control Act of 1968 provides a tax exemption for certain small issues of industrial development bonds. Under this exemption, the governmental unit issuing the bonds may select a limit of either \$1 million or \$10 million. In either case, substantially all of the proceeds from the issues must be used to acquire, construct, or improve depreciable property. An IDB issue is within the \$1 million exemption if the sum of the proposed issue and outstanding IDBs, whether or not by the same issuer but used to finance facilities for the principal user in the same jurisdiction, is no greater than \$1 million. If the issuer elects the \$10 million limit, all capital expenditures incurred by the principal user in the issuing jurisdiction during the six-year period beginning three years before the issuance of the bonds also must be counted against the limit.[2]

In general, capital expenditures must be taken into account if those expenditures are properly chargeable to the capital account of the principal user or a related person. There are, however, exceptions to the "related person" rule when such capital expenditures are made by exempt entities. For example, the IRS has ruled that capital expenditures by the local governmental unit do not count against the \$10 million limit unless the expenditures are used to construct facilities that are clearly a part of the project financed with IDBs. On the other hand, capital expenditures by a charitable trust or a nonprofit corporation involved in an IDB financing do not count against the limit even if the expenditures are directly for the financed project.

Exempt Facilities

In addition to the small-issue exemption, the Revenue and Expenditure Control Act permits the issuance of IDBs, without limits on the size of the issue or the total capital expenditures on the project being financed, if substantially all of the proceeds are used for selected purposes.[3] Although a few of these purposes are considered to be traditional municipal functions when provided by state and local governments, most of them are not generally viewed as appropriate uses of tax-exempt financing.

The Public Securities Association, the primary source of data on the issuance of tax-exempt securities, reports the volume of all municipal bonds on the basis of the purpose for which they are issued (table 1), but does not provide a breakdown between IDBs and other tax-exempt securities issued for each purpose. Thus the precise relative importance of IDBs in the tax-exempt market is impossible to quantify, but it is

2. For a project that also has financing under the Urban Development Action Grant program, the capital expenditure limit is \$20 million, but the tax-exempt issue cannot exceed \$10 million.

3. Substantially all of the proceeds, defined as 90 percent of an amount equal to the bond proceeds less the issuance cost and a reasonable debt reserve fund, must be used to purchase land or depreciable property.

1. New security issues of state and local governments, 1978–81

Item	1978	1979	1980	1981
	Millions of dollars			
All issues[1]	48,352	43,335	48,368	47,515
Refunding and advance refunding	10,767	1,925	1,768	1,201
New capital	37,585	41,410	46,600	46,314
	Percent			
Use of proceeds				
Education	13.0	12.5	10.0	10.0
Social welfare and public services	6.0	2.0	2.0	3.0
Transportation	9.0	6.0	5.5	7.0
Hospitals	6.0	8.0	8.0	12.0
Utilities	24.0	20.5	17.0	22.0
Housing	16.0	29.0	33.0	13.0
Recreation	2.0	1.0	1.0	1.0
Industrial aid[2]	2.0	4.0	4.0	7.0
Industrial pollution control	7.0	5.0	5.0	9.0
Other purposes	15.0	12.0	14.5	16.0

1. Par amounts of long-term issues based on date of sale.
2. The percent of new capital used for industrial aid purposes is based on data from the Public Securities Association, which according to a recent Congressional Budget Office study, substantially understate the volume of small-issue industrial development bonds sold during the past four years. The reason for this discrepancy is that many small issues are privately placed with commercial banks or other lenders and are seldom reported beyond the state level.

SOURCE. Public Securities Association.

clearly greater than that inferred from simply adding the industrial-aid and pollution-control categories in table 1, given the following long list of purposes that are eligible for the special exemption.

Sewage or Sold-Waste-Disposal Facilities. Privately owned sewage and solid-waste-disposal facilities qualify for a special-purpose exemption if they are used for the collection, storage, treatment, utilization, processing, or final disposal of sewage and solid waste, and if they are available to the general public. In recent years the separation from garbage of combustible material used as fuel has given this material market value in some areas. As such, it did not qualify as solid waste within the meaning of the Revenue and Expenditure Control Act of 1968. For example, boilers that burned combustible waste no longer qualified as solid waste disposal facilities. To clarify this point, the Windfall Profits Tax Act of 1980 added a section to the Internal Revenue Code that expanded the definition of solid-waste-disposal facilities to include qualified steam-generating facilities and qualified alcohol-producing facilities. At least 90 percent of such fuel must be produced at, or adjacent to, the steam- or alcohol-producing facilities.

Electric Energy and Gas Facilities. The principal factor in determining whether tax-exempt financing is available for privately owned electric energy and gas facilities is the size of the service areas. Only "local furnishing" facilities, which are facilities that service an area no larger than two contiguous counties or a city and a contiguous county, qualify for the exemption. Moreover, the Internal Revenue Service has ruled to allow tax-exempt financing for a privately owned electric generating facility that served a distribution system located entirely within two counties but was owned and operated by a wholly owned subsidiary corporation of a utility that furnished electric energy to the general public in many areas of the state.

Airports, Docks, and Wharves. Privately owned airports, docks, and wharves are eligible for tax-exempt financing if they satisfy the public-use test. Airports satisfy this test if they are available to the general public or are served by a common or charter carrier that is publicly available. This exemption applies to facilities that are directly related and essential to aircraft landing and takeoff, as well as to those related to servicing aircraft and transferring passengers and cargo. Subordinate facilities that also qualify for the exemption include in-flight meal facilities; commercial space in terminals and hotels to be used by passengers, all of which must be located at the airport; and certain improved or unimproved land adjacent to the airport. Facilities at the airport used to customize new aircraft do not qualify.

Docks and wharves satisfy the public-use test if they are available for use by the general public, are served by a common or charter carrier that is publicly available, or are part of a public port. Functionally related and subordinate facilities include cranes, conveyors, and training and storage facilities. The IRS has ruled that offshore oil ports and onshore oil-storage facilities qualify as exempt facilities but that docks located in a public port to be used for construction of vessels do not qualify.

Pollution-Control Facilities. Facilities for air or water pollution control installed by privately owned companies are considered exempt if they remove, alter, dispose, or store pollutants. In this regard, smokestacks do not qualify because they merely disperse pollutants. Moreover, no part of the cost of a new production facility that avoids the creation of pollutants, rather than treating the pollutants after they are created, qualifies for the exemption.

Facilities for the Furnishing of Water. An exemption is provided in the tax code for privately owned facilities that furnish water to the general public, and that are operated by a governmental unit or charge rates established or approved by a state or political subdivision, an agency or instrumentality of the United States, or a public utility commission or a similar body of any state or political subdivision.

Sports and Convention or Trade-Show Facilities. Privately owned sports facilities that are eligible for tax-exempt financing without limits on the size of the issue include baseball and football stadiums, indoor sports arenas, swimming pools, golf courses, ski slopes, and tennis courts. Facilities directly related to exempt sports facilities, including bathhouses, clubhouses, parking lots, and ski lifts (but not an overnight ski lodge), are also exempt.

For convention or trade-show facilities, only the special-purpose buildings and structures such as meeting halls and display areas qualify under this exemption. To meet the public-use test, the facility must be available for rent by the general public, which means it cannot be leased subject to a long-term contract with one user or group of users. Tax exemption does not apply to bonds issued to finance a hotel, even though most of its clientele are expected to be delegates or participants at conventions and trade shows.

Qualified Hydroelectric Generating Facilities. In 1980, the tax code was amended to permit the issuance of IDBs for qualified hydroelectric generating facilities. Such a facility qualifies if the property is owned for tax purposes by a state or political subdivision, and if the facility generates electricity from the flow or fall of water. The exemption does not apply if debt service is guaranteed, either directly or indirectly, by the federal government pursuant to an energy-production or conservation program.

Industrial Parks. IDBs are exempt if they are issued to finance the acquisition or development of land used as building sites by industrial, distribution, or wholesale businesses. These are industrial parks and must be administered by an exempt entity or developed under an overall plan subject to special zoning restrictions to qualify for the exemption. For the purposes of this exemption, development of land includes providing water, sewage, and drainage facilities; road, railroad, docking, and similar transportation facilities; and power or communication facilities. It does not include the construction of buildings or other structures.

Mass Commuting Facilities. Mass commuting facilities eligible for tax-exempt financing include real property and improvements and personal property including buses, train cars, subway cars, and similar vehicles leased to mass transit systems owned by state or local governments.

Residential Mortgage Programs. Proceeds of tax-exempt bonds also are used to finance residential mortgages. Single-family mortgage bonds are issued under two general types of programs, mortgage-purchase programs and loan-to-lender programs. Under a mortgage-purchase program, the proceeds are used by the issuer to acquire mortgages that are originated and serviced by participating financial institutions. This type of program has been viewed traditionally by bond counsel as *not* being an IDB-financed project because the mortgages purchased are considered assets of the issuer rather than of the participating financial institutions. Under a loan-to-lender program, the bonds are issued on behalf of participating financial institutions, which in turn use the proceeds to finance mortgages that are held as assets of the financial institutions rather than the governmental authority. This type of program has been viewed by bond counsel as an IDB-financed project.

The marked increase in the issuance of tax-exempt bonds during 1979–80 to finance residential mortgages, mortgages that largely benefited middle-income households, raised doubts about the propriety of this use of tax-exempt financing. This concern and the potential loss of tax revenue to the Treasury were the principal factors behind the passage of the Mortgage Subsidy Bond Tax Act of 1980, which prohibits the issuance of any bonds to subsidize single-family mortgages after December 31, 1983, and places substantial restrictions on the issuance of such bonds in the interim:

1. The residence securing the mortgage must be the principal residence of the borrower.
2. A borrower may not have had an ownership interest in a principal residence during the three-year period before execution of the mortgage.
3. The purchase price of the residence financed may not exceed 90 percent of the average purchase price of single-family residences during the most recent 12-month period for which such information is available in the statistical area in which the residence is located.
4. Each state is limited in the aggregate principal amount of bonds that it and its political subdivisions can issue annually.
5. The arbitrage differential permitted between the effective rate of interest on the mortgages financed by the bond proceeds and the yield on the bonds cannot exceed 1 percent for mortgage-purchase programs and 1½ percent for loan-to-lender programs. The less stringent arbitrage restriction on loan-to-lender programs may explain, in part, why many of the mortgage-subsidy programs in 1981 were of this type.

The Mortgage Subsidy Bond Act also amended the tax code governing IDB issuance to allow tax-exempt financing for multifamily housing only if at least 20 percent of the financed units are occupied by low- or moderate-income tenants, as defined by the Department of Housing and Urban Development. This qualification reportedly deterred some tax-exempt issuers from offering multifamily housing bonds during 1981.

The Effects of Industrial Bonds

IDB issuance, despite the legal restrictions imposed on it in 1968, has once again surfaced as an important topic in the current debate on tax reform. The advantages of IDBs explain why the volume of such bonds has become so great, and the disadvantages of IDBs explain why their purposes have been questioned.

Some Advantages

Industrial development bond financing is one of a variety of incentives a state or local government can offer business firms to locate or to remain within its jurisdiction.[4] In principle, IDBs can be an effective way to target investment on industries and areas so as to contribute substantially to more balanced national economic growth. However, to the extent that local authorities everywhere use IDB financing to compete against each other, any regional benefits to private businesses are eliminated and such financing functions simply as a conduit to the tax-exempt market.

Like that of any other tax-exempt security, the cost of the IDB subsidy is borne by the federal government but the subsidy is used at the discretion of the local authority. Moreover, in the case of revenue bonds no liability is assigned to the issuing authority for the debt service on the bonds, and few if any limits are placed on the total volume issued.[5] Thus, constituents of the issuing jurisdictions are seldom concerned about the volume or purposes of IDB issues.

Private businesses benefit from the issuance of IDBs because such bonds give them access to the capital market at a rate of interest below market rates on taxable debt obligations. For firms that might otherwise be denied access to capital markets, the relative benefit from IDB financing may be the firm's existence. The opportunity cost to society, in the form of misallocated resources, of providing this subsidy may, however, more than offset any benefit.

4. Other incentives frequently offered by state governments in competing for private business include exemption from state taxes, loan guarantees, and below-cost facilities and services.

5. While the size of any one IDB issue is restricted (except for those whose proceeds finance the exempt facilities discussed above), there are no limits on the number of such issues by any one jurisdiction.

2. Benefit to the firm of IDB financing

Percent of taxable yield

Marginal tax rate of the firm (percent)	Ratio of tax-exempt to taxable yields (percent)				
	50	60	70	80	90
26	37	30	22	15	7
48	26	21	16	10	5

If the IDB issue acts solely as a means for a firm to borrow at lower costs in the tax-exempt market, the relative benefit to that firm depends on the ratio of tax-exempt to taxable yields and, because interest expenses are tax deductible, on the marginal tax rate of the borrowing firm.[6]

As table 2 shows, an increase in the ratio of tax-exempt to taxable yields results in a decline in the relative benefit to the firm of IDB financing regardless of the firm's marginal tax rate. Moreover, the higher the tax rate of the firm, the lower the relative benefit of tax-exempt financing.

Because of the tax-exempt nature of municipal securities, investors generally are persons and institutions that are subject to high marginal tax rates. Chief among these are individuals and individual trusts, property and casualty insurance companies, and commercial banks. At present, commercial banks are the primary holders of municipal bonds, but, reportedly, they are relying more often on small-issue IDBs to satisfy their demand for tax shelter. One attractive feature that small-issue IDBs offer banks is their resemblance to business loans. Thus the commercial loan departments of banks often assume responsibility for evaluating the risks and negotiating the terms of such IDB issues. Moreover, because these transactions are handled within the commercial loan department, they are often reported as loans rather than tax-exempt securities. By classifying IDBs as loans, banks can avoid the question of whether the obligations are of "investment grade," which is required of securities held by banks.

6. The benefit of IDB financing, in this case, is assumed to be the spread between taxable and tax-exempt yields, both of which are adjusted for the tax deductibility of interest costs; that is,

$$B = (R_t - R_{te})(1 - t),$$

where B is the benefit, R_t is the taxable interest rate, R_{te} is the tax-exempt rate, and t is the marginal tax rate of the firm. This expression can be transposed into the following form:

$$B = (1 - r)(1 - t)\,R_t,$$

where r is the ratio of tax-exempt to taxable yields. The percentages reported in table 1 represent the coefficient $(1 - r)(1 - t)$ in the above expression.

Some Disadvantages

Public programs that offer credit to private business under conditions more favorable than those conventionally offered by the market inevitably involve some element of subsidy. In the case of IDBs, the subsidy is from the federal government, but is triggered by a local authority. Opponents of IDB financing contend that local authorities might dispense a federal subsidy either less carefully than would federal officials or less carefully than a subsidy of local money. They also argue against the use of a federal subsidy to foster new private business that may place established businesses at a competitive disadvantage. Furthermore, they assert that the IDB loses any justification for tax exemption if it is issued for corporations that do not need assistance in financing expansion and in areas where commercial credit is readily available.[7]

Tax-exempt financing entails the loss of tax revenues rather than an increase in actual expenditures. This characteristic of IDBs makes them, in the eyes of critics, an inequitable and inefficient way for the federal government to provide financial assistance to state and local governments.

From the viewpoint of tax equity, the exemption permits individuals and institutions in high tax brackets to avoid the full burden of the progressive federal income tax. While the bondholders could be viewed as paying a "tax" to the state and local governments by accepting lower interest rates on tax-exempt bonds, they are in fact net gainers, because they are willing to engage in the transaction only if the "tax" allows them to avoid a higher federal income tax.

With regard to the cost effectiveness of IDBs as a subsidy, the exemption gives less financial assistance in the form of lower interest rates than

7. Advisory Commission on Intergovernmental Relations, *Industrial Development Bond Financing* (ACIR, June 1963), pp. 40–46.

it costs the federal government in foregone revenue. Opponents of IDBs contend that, to make the tax exemption attractive to investors in lower tax brackets, the issuance of such bonds pushes yields higher on municipal securities relative to taxable securities. While a relatively higher tax-exempt yield is necessary to attract the marginal, low-bracket investor into the municipal market, the higher yield is available to all who invest in newly issued securities, including those in the higher tax brackets. Moreover, the value of tax-exempt financing to state and local governments declines because they must pay higher relative interest rates on all bond issues regardless of the purpose. The net effect is an increase in the overall cost of tax-exempt financing to the federal government in the form of tax revenue foregone and a smaller relative benefit to municipal issuers. In other words, the efficiency of this type of revenue sharing declines as the ratio of tax-exempt to taxable yields rises.

CURRENT PROBLEMS

Questions about the public purpose and the inefficiency of IDBs sold during the mid-1960s resulted in the enactment of the Revenue and Expenditure Control Act of 1968, which still governs the issuance of such bonds. Once again, these concerns have surfaced in relation to the reportedly growing volume of small-issue IDBs, but have yet to result in additional legislation. Under current federal law anyone may use small-issue IDBs, and only a few states limit the projects benefiting from tax-exempt financing within their jurisdictions. Thus small-issue IDBs finance a wide variety of business ventures, including projects like private golf courses and fast-food outlets as well as small industrial firms.

Another serious problem with the current use of small-issue IDBs is that many of the bond issues are for business firms that do not need financial assistance to undertake their projects. Critics object to this use of tax-exempt financing because it serves simply as a source of cheap credit at the expense of federal tax revenues.

Addressing these concerns, as well as the federal revenue loss arising from IDBs, the administration has proposed legislation that would limit the use of IDBs to small businesses and bar firms that use IDB financing from also taking accelerated depreciation write-offs for the same projects. Moreover, tax exemption would be limited to IDBs approved before their issuance by state or local elected officials. These restrictions would apply to the issuance of both small-issue and exempt-facility IDBs. □

Treasury and Federal Reserve Foreign Exchange Operations

This 40th 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 Senior Vice President in charge of the Foreign Group of the Federal Reserve Bank of New York. It covers the period August 1981 through January 1982. Previous reports have been published in the March and September BULLETINS of each year beginning with September 1962.

There were two key turning points for the dollar in the exchange market during the period under review. In early August, the year-long advance of the dollar against major foreign currencies came to an end. Then, after a four-month decline, dollar rates started to firm at the beginning of December, a trend that continued through the remainder of the period.

Several factors supported the long advance of the dollar through early August. Inflation in the United States had begun to moderate even as the U.S. economy withstood recessionary tendencies longer than most forecasters had expected. The Reagan Administration's leadership in translating its economic policy into action was greeted positively in the exchange markets, particularly as the program gained support in the Congress. At the same time, the U.S. current account continued to post a surplus. Meanwhile, the demand for credit in the United States remained strong, and with the Federal Reserve continuing to restrain monetary expansion, interest rates stayed high. Thus, although differentials favoring the dollar were well below their peaks of late 1980, they were widening again during the summer, attracting interest-sensitive funds into dollar-denominated assets once again.

Most other industrial countries by contrast continued to show disappointingly slow progress in pulling out of the difficulties associated with the prolonged adjustment to the oil price increases of 1979–80. Many countries had a public debate over the appropriate course of fiscal and monetary policy in the face of unacceptably high inflation and mounting unemployment. In this context, foreign governments expressed open concern over the high level of U.S. interest rates and the inflationary consequences of the depreciation of their currencies against the dollar. Furthermore, political developments in Eastern Europe and the Middle East clouded the outlook for many countries abroad, leaving traders and in-

1. Federal Reserve reciprocal currency arrangements
Millions of dollars

Institution	Amount of facility: Jan. 1, 1981	Amount of facility: Jan. 31, 1982
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	700	700
Netherlands Bank	500	500
Bank of Norway	250	250
Bank of Sweden	500	300[1]
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	**30,300**	**30,100**

1. Decreased by $200 million effective May 23, 1981.

2. Drawings and repayments under reciprocal currency arrangements, January 1, 1981–January 31, 1982[1]

Millions of dollars equivalent; drawings, or repayments (−)

Transactions with	Activity by the Federal Reserve System						
	Commitments, Jan. 1, 1981	1981 Q1	1981 Q2	1981 Q3	1981 Q4	January 1982	Commitments, Jan. 31, 1982
Public series							
German Federal Bank	5,233.6	0	0	− 680.3	−931.1	0	3,622.3
Swiss National Bank	1,203.0	0	0	− 744.5	0	0	458.5
Total	**6,436.6**	**0**	**0**	**−1,424.8**	**−931.1**	**0**	**4,080.8**
	Activity by foreign central banks						
Bank drawing on System	Outstanding Jan. 1, 1981	1981 Q1	1981 Q2	1981 Q3	1981 Q4	January 1982	Outstanding, Jan. 31, 1982
Bank of Sweden	0	200.0	−200.0	0	0	0	0

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

vestors with the view that the United States was a relatively attractive outlet for investment.

As the dollar continued its advance in early August, however, sentiment became more cautious. Market participants were aware that major European central banks had stepped up their dollar sales and, in view of the rapid runup of the dollar in late July and early August, began to expect a correction. Consequently, once the upward momentum broke, dollar rates fell back sharply in mid-August and then declined irregularly through late November.

The August turnaround in the exchange markets coincided with a shift in focus in the U.S. financial community from the immediate issues surrounding the passage of the administration's program to its implications for the fiscal deficit and U.S. capital markets. As market attention turned to estimates of the fiscal gap, skepticism deepened that the administration's program could proceed without having the government's burgeoning financing needs exert renewed strains on the credit markets. In this environment, a growing concern arose over the potential for conflict between fiscal and monetary policy, leading market participants to question whether the Federal Reserve might back away from its anti-inflation stance.

At the same time, the economy began to show signs of weakening. U.S. short-term interest rates were therefore easing, even though the Federal Reserve continued its policy of restraining monetary expansion. Reflecting the slow growth of the narrowly defined money supply, the federal funds rate dropped about 600 basis points over the four months to the end of November. The Federal Reserve progressively eliminated its surcharge of 4 percent on large banks that frequently borrowed at the discount window, and by early December it had reduced its basic discount rate 2 percentage points to 12 percent. By November evidence was already mounting that the U.S. economy was in a sharp recession, leading to expectations that private-sector credit demands would decline substantially. These expectations contributed to a rally in the bond market, which brought long-term rates down more than 200 basis points by the end of the month.

The four-month decline of short-term interest rates in the United States was reflected in a narrowing of interest differentials favorable to the dollar vis-à-vis most other currencies. At least initially, monetary authorities abroad felt they had little room to respond to the lower U.S. interest rates by easing their own money market rates. They were concerned about entrenched inflationary pressures at home; and in some countries, notably France, Switzerland, and the United Kingdom, the central banks acted to raise interest rates. In addition, some countries felt constrained by the pressures against their currencies within the European Monetary System (EMS).

Beginning in October, however, as U.S. interest rates continued to decline, monetary authorities in some countries began to allow an easing of their own short-term interest rates. Their economies were making little headway in recovering from recession, and unemployment was rising rapidly. Government deficits were already large relative to historical standards and in many cases were placing strains on the domestic financial markets. Consequently, the authorities in several countries felt that only limited scope existed for further fiscal stimulus. The current account deficits of a number of countries were beginning to decline so that the authorities felt they no longer needed such high interest rates to attract capital from abroad. There were widespread forecasts of a U.S. move from current account surplus to deficit in 1982; Japan's current account had already swung from a deep deficit into surplus; and a German export surge had led officials and private forecasters alike to predict an elimination of that country's current account deficit in 1982. Moreover, strains in the EMS were relieved by a multilateral realignment of parities on October 5. As a result, foreign monetary authorities felt they had greater scope for easing their domestic interest rates. Even so, with the drop in short-term U.S. rates accelerating, particularly in November, interest differentials favoring the dollar continued to narrow.

Meanwhile, other factors lent support to the dollar. Orders to buy dollars emerged repeatedly whenever the dollar moved substantially lower, as commercial interests in a number of centers sought to take advantage of what they considered favorable rates for current payments or investments. From time to time substantial purchases of dollars were made by the monetary authorities in the Organization of Petroleum Exporting Countries (OPEC) and other countries outside the Group of Ten. In addition, a continuing inflow of funds into dollars came from Japan, where residents were taking advantage of a recent relaxation of exchange controls or were for other reasons seeking to diversify their portfolios internationally. Furthermore, the November rally in the U.S. bond market reportedly attracted capital from abroad, as investors sought to lock in high yields and position themselves for capital appreciation. Moreover, the increasingly fragile situation in the Middle East and Poland depressed sentiment toward those countries seen as more vulnerable than the United States to heightened geopolitical tensions. The recession in the U.S. economy led forecasters to expect less deterioration in this country's current account than previously. Even so, by the end of November the dollar had dropped 8¼ percent from levels at the end of July against sterling, about 11 percent against the Japanese yen and the German mark, and as much as 18 percent against the Swiss franc.

Early in December the dollar turned around once more and began an advance that carried through the end of January. This second turning point was triggered by a reappraisal of the view that a continuing drop in economic activity in the United States would lead to further substantial declines in U.S. interest rates and, therefore, to further movements adverse to the dollar in interest rate differentials.

That reappraisal was based on a number of developments. In the United States, the Federal Reserve was perceived as moving cautiously to reduce its discount rate and to supply bank liquidity. Although output was falling and unemployment was climbing, credit demands were not fading. In fact, commercial financing needs were heavy, with corporate issues flooding the bond market in December and commercial demand for bank credit remaining strong. Also, estimates of the federal deficit for current and future fiscal years had undergone repeated and large upward revisions, and the prospective borrowing requirement for the first quarter of 1982 was seen

3. U.S. Treasury and Federal Reserve foreign exchange operations[1]

Net profits or losses (−), in millions of dollars

Period	Federal Reserve	U.S. Treasury: Exchange Stabilization Fund	U.S. Treasury: General account
1981—Q1	6.2	− .7	−144.3
Q2	− 1.4	− 3.8	0
Q3	.1	0	85.9
Q4	0	0	− 39.2
January 1982	0	15.2	− 4.2
Valuation profits and losses on outstanding assets and liabilities as of January 31, 1982	−374.8	−1,102.1	826.4

1. Data are on a value-date basis.

as likely to be greater than previously had been estimated. Moreover, the release of figures showing no letup in a series of large weekly increases in the monetary aggregates began to generate expectations of a substantial tightening of money market conditions. Under these circumstances, U.S. money market rates rose in December and faster in early January.

Abroad, by contrast, persistent weakness of domestic economies had led to near-record levels of unemployment, and in some countries official financial policies were coming under domestic criticism. As pressures for measures to boost employment intensified, expectations strengthened that some countries in Europe might ease their restrictive monetary postures even if U.S. interest rates did not decline further. In fact, during January, the central banks of many major industrialized countries either reduced their official lending rates or facilitated some easing of local money market rates.

As interest rate differentials once more moved strongly in favor of the dollar, they began to attract funds into dollar-denominated assets. The dollar was bid up across the board during the final two months of the period. By the end of January it had risen about 6 percent against the European currencies and 8 percent against the yen from the levels at the end of November. As a result, the dollar closed the six-month period down on balance about 1 percent against sterling, 4 percent against the yen, 5½ percent against the German mark, and 13 percent against the Swiss franc. The trade-weighted value of the dollar in terms of ten major currencies declined 3½ percent during the period.

During the six-month period, there were occasions when the market experienced unusually sudden and sharp exchange rate movements during a single day. Some of these episodes were associated with major political events, such as the assassination of Egypt's President Anwar Sadat on October 6 and the imposition of martial law in Poland over the December 12–13 weekend. Other episodes were less dramatic and were not associated with such identifiable events. The U.S. authorities were prepared to intervene on some occasions had the market disturbances persisted or cumulated during the U.S. trading session; as it turned out, the Federal Reserve undertook no intervention operations on behalf of the U.S. authorities. The Trading Desk at the Federal Reserve Bank of New York continued its longstanding practice of cooperating with other central banks by intervening as their agent from time to time in the New York market.

On September 1 and December 15 the U.S. Treasury paid off the first two maturing tranches equivalent to $1,611.4 million of its securities denominated in German marks. After those redemptions, the Treasury had outstanding $4,080.8 million equivalent of the foreign currency notes, public series, which had been issued with the cooperation of the German and Swiss authorities in connection with the dollar-support program of November 1978. Of the notes outstanding as of January 31, 1982, a total of $3,622.3 million is denominated in German marks and $458.5 million is denominated in Swiss francs. The maturity dates for the remaining securities range between May 12, 1982, and July 26, 1983.

In the seven months through January 1982, the Federal Reserve had gains of $0.1 million on its foreign currency transactions. The Exchange Stabilization Fund (ESF) gained $15.2 million in connection with sales of foreign currencies to the Treasury General Fund to finance interest and principal payments on securities denominated in foreign currencies. The Treasury's general account gained $42.5 million net. This gain reflected $94.8 million of profits on the redemption at maturity of securities denominated in Swiss francs and German marks, partly offset by $52.3 million of losses as a result of annual renewals at current market rates of the agreement to warehouse Swiss franc and German mark proceeds of Treasury securities with the Federal Reserve. As of January 31, 1982, valuation losses on outstanding balances were $374.8 million for the Federal Reserve and $1,102.1 million for the Exchange Stabilization Fund. The Treasury's general account had valuation gains of $828.4 million related to outstanding issues of securities denominated in foreign currencies.

German Mark

In early August, the German mark was subject to divergent tendencies: weak against the dollar but strong against European currencies.

With respect to the dollar, market sentiment toward the mark remained bearish. Domestically, the German economy was relatively weak: unemployment was rising, and inflation was high by historical standards. Moreover, the government deficit remained large, capital markets continued under strain, and fiscal policy was under heated discussion publicly and within Germany's coalition government.

Internationally, Germany had experienced substantial deterioration in its terms of trade because of the increase in oil prices and the depreciation of the mark. The current account was in heavy deficit, and wide interest rate differentials favored investment in the United States. On top of these economic considerations, the mark was seen in the exchanges as more exposed than the dollar to international political tensions. This vulnerability reflected Germany's strategic position, its ties to Eastern Europe, and its greater reliance on the Middle East for energy resources and export markets. In consequence, the mark was subject to capital outflows, all the more as market sentiment toward the dollar became increasingly bullish. On August 10 the rate plunged to a five-year low of DM 2.5773, a decline of some 45 percent since mid-1980.

Against other EMS currencies, however, the mark remained strong. It benefited from the market's view that the authorities in Germany were still placing priority on correcting the external imbalance and on financing the current account deficit in the interim by inflows of private and official capital. The federal government continued the practice, unusual for Germany, of placing German mark-denominated debt instruments directly with foreign official institutions. Following the move in February 1981 to introduce a special Lombard facility, German interest rates increased so that adverse interest rate differentials vis-à-vis other EMS currencies were either narrowed or eliminated. The German Federal Bank had announced that because of the inflation problem it would aim at the lower part of the 4- to 7-percent target range for the growth of central bank money. Thus, with the market apprehensive about prospects for other EMS currencies, the mark had moved toward the top of the EMS, at times hitting its upper intervention limit.

As a result of these crosscurrents in the exchanges, the German Federal Bank had frequently bought French and Belgian francs to ease pressures within the EMS while selling dollars, at times heavily, to support the mark against the dollar. Through the end of July, Germany's foreign currency reserves had increased to stand at $43.4 billion. During August, however, as the German Federal Bank stepped up its dollar sales to support the mark, German foreign currency reserves fell by $1.5 billion.

Once the mark came close to its lows, market participants became wary of a shift in market direction and professionals moved quickly to cover their short positions. The mark bounced back sharply, and as the dollar fell lower in the exchanges, market sentiment toward the German currency became more favorable. In part, the turnaround reflected developments in the United States, where the initial euphoria surrounding the adoption of the administration's economic program gave way to skepticism that the program would achieve all its goals.

At the same time in Germany, trade and current account figures for July were released, pointing to a dramatic improvement in export sales and providing the first concrete evidence that the earlier surge in export orders was finally showing through. Official commentary about this improvement gave rise to expectations that Germany's current account deficit would continue to narrow in subsequent months—a time when most forecasters were expecting the U.S. current account to deteriorate. Furthermore, the government finalized a 1982 budget proposal according to which nominal expenditure growth would be slowed to 4 percent and the net financing requirement of the federal government would be cut to DM 27 billion or 1.6 percent of gross national product, down from a revised estimate for 1981 of DM 34.3 billion or 2.2 percent of GNP. As the dollar eased, therefore, the German mark moved up to trade around DM 2.3195 by the end of September.

Meanwhile, the strengthening of the mark added to strains within the EMS. The markets became vulnerable, especially before weekends, to repeated rumors of an imminent realignment of the participating currencies. Speculative bidding for marks against the French and Belgian francs frequently stretched the EMS to its limits, generating sizable intervention in several centers and pushing the mark up against the dollar as well. The German Federal Bank responded to these pressures by purchasing both dollars and EMS currencies in the exchanges so that, by the end of September, German foreign exchange reserves increased by $1.1 billion.

Over the weekend of October 3 and 4, the EMS finance ministers announced a realignment of parities to take effect October 5. The mark, as well as the Dutch guilder, was revalued by 5½ percent against those currencies whose parities remained unchanged and in effect by 8½ percent against the French franc and the Italian lira. Immediately thereafter, the mark traded in the lower portion of the new band, reflecting reflows of speculative investments as well as a reversal of commercial leads and lags. Accordingly, other central banks began purchasing marks in the exchanges so as to cover the liabilities within the EMS that had built up over preceding months. Against the dollar, however, the realignment was seen as freeing the mark to strengthen further, and in subsequent days the mark moved up to DM 2.1815, 15½ percent above its August low.

Following the realignment of the EMS, the German Federal Bank confirmed the easing of interest rates that had already begun in Germany's money and capital markets by cutting the special Lombard facility rate from 12 percent to 11 percent effective October 9. The German Federal Bank felt able to take action to support the domestic economy because of the overall strength of the mark, the improving outlook for the balance of payments, and the achievement of a compromise on fiscal policy. Even so, the German Federal Bank was careful not to signal more forceful action, because at home inflation continued to accelerate to an annual rate of 7 percent year on year and in the United States interest rates remained high so that interest rate differentials adverse to the mark remained large. Later the same day the Federal Reserve lowered its surcharge on discount window borrowing by large banks from 3 percent to 2 percent, the second cut of 1 percentage point in this rate in three weeks. Thus, the German Federal Bank's action did not contribute to any further widening of interest rate differentials versus dollar assets.

After mid-October a number of developments within Germany weighed on the mark. Unemployment was increasing as declining corporate profits forced many firms to move aggressively to economize on labor. As a result, market participants came to expect that the German Federal Bank would take advantage of whatever opportunity developed to allow German interest rates to follow U.S. rates down. In addition, the earlier optimism over a quick and sustained improvement in Germany's balance of payments faded, as first August and then September monthly trade figures disappointed market expectations. Late in October the government revised its budget estimates for 1982 to take account of climbing unemployment and revenues that were lower than expected, thereby eliminating virtually all of the planned drop in the borrowing requirement. Although this new budget gap was later covered, largely by an expected increase in profits of the Federal Bank available to be transferred to the government, the episode underscored the differences that still existed within the government coalition on major issues of economic policy. Also, political tensions abroad adversely affected sentiment toward the mark. The assassination of Egyptian President Anwar Sadat pointed up the potential for instability in the Middle East and Germany's reliance on that region for oil supplies. Repeated reports of military maneuvers around Poland were also an unsettling reminder of Germany's vulnerability to potential Soviet interference in Eastern Europe.

Under these circumstances, the mark did not strengthen even though interest differentials adverse to the mark were narrowing sharply. Also, the German Federal Bank moved cautiously to provide some short-term liquidity to the banking system through swaps and repurchase agreements and did not change official interest rates again until December 4, when it cut its special Lombard rate ½ percentage point to 10.5 percent. By contrast, in the two months to early December, the Federal Reserve had twice lowered its discount rate by 1 percentage point to 12 percent and also eliminated the remaining surcharge of 2 percentage points on frequent borrowers. Short-term interest rates in the United States had fallen sufficiently to cut in half—from about 5 percentage points to 2½ percentage points—the short-term differentials vis-à-vis the mark.

During the six weeks to the end of November, the mark occasionally came into demand, especially at times when U.S. interest rates were declining. But the mark did not keep pace with currencies outside the EMS that were continuing to strengthen against the dollar. Instead, movements of the rate above the DM 2.20 level regularly prompted commercial and investor selling of marks against dollars. On occasion, the mark came sharply on offer, especially in the wake of political developments in Eastern Europe or the Middle East. At these times, the German Federal Bank intervened promptly and forcefully to sell dollars while EMS central banks were also buying marks. These operations contributed to better market balance.

In December and January the mark was adversely affected by developments abroad. On December 14, martial law was declared in Poland, triggering a brief scramble for dollars against marks and sending the rate as low as DM 2.3650 for a few hours. Prompt intervention by the German Federal Bank and other central banks, together with commercial activity and professional profit taking, quickly restored balance to the market, and the rate almost fully recovered in just a matter of hours. Yet the Polish situation remained a matter of market concern. In the United States, interest rates stopped declining, disappointing market expectations that the deepening U.S. recession would continue to ease credit demands. Indeed, U.S. money market rates moved strongly higher, casting doubt that the strengthening of Germany's external position would show through in the mark exchange rate.

This development focused attention anew on the dilemma facing the German authorities. With the level of unemployment heading to a record 2 million persons, political pressures mounted, not only from labor unions but also within parties in the governing coalition, for more action to deal with the deteriorating unemployment situation. But the government was concerned about actions that either would increase taxes and thereby hamper a recovery or would increase government borrowing and thereby add to inflation. There were also pressures to ease monetary conditions. But the German Federal Bank remained concerned that a renewed easing in interest rates would exacerbate the decline in the mark, which would exert a further upward push on costs and prices.

In the event, the government presented to Parliament a compromise program, approved shortly after the close of the period, that was designed to stimulate jobs through investment subsidies, lending programs for small companies, and modest direct government spending on energy-saving projects—financed mainly by an increase of 1 percentage point in the value-added tax in 1983. Meanwhile, new figures showed that an export surge late in the year had boosted Germany's trade account and helped pull its current account deficit for 1981 as a whole down to DM 17.5 billion, significantly lower than had been forecast. The improving external position gave the German Federal Bank scope to lower its special Lombard rate a further ½ percentage point to 10 percent on January 21 and ensure a similarly modest easing in money market rates.

At the end of January the mark was trading at DM 2.3420, down about 6¼ percent from the late-November levels while up about 9 percent from its lows of early August. The German Federal Bank was at times active in the markets during December and January, selling dollars in support of the mark, while other central banks within the EMS continued to acquire marks. Reflecting dollar sales by the Federal Bank during the two months, German foreign currency reserves fell $3.0 billion to close the period at $37.5 billion, down $5.9 billion for the period as a whole.

Swiss Franc

In mid-1981, Switzerland was faced with the resurgence of inflationary pressures. Part of the inflationary impulse stemmed from the buoyancy of the domestic economy—in contrast to the stagnation in other European countries—led by strong consumption and construction activity. Shortages developed in the housing market and domestic house prices and rents exhibited sharp increases, contributing to a strong rise in consumer prices. Also, the decline of the Swiss franc in the exchanges substantially boosted the cost of imports, particularly by raising the domestic price of oil and other dollar-denominated raw materials.

Though Swiss interest rates had risen progressively, they were still well below those in other industrial countries. At midyear, interest differentials adverse to the franc were about 9 to 10 percentage points vis-à-vis the dollar and more than 3 percentage points vis-à-vis the German mark. Consequently, foreign official and corporate borrowers continued to place heavy demands on the Swiss franc money and capital markets. The Swiss authorities did not seek to restrain these outflows. They hoped to avoid the development of sizable external markets in Swiss franc-denominated assets, particularly for longer maturities, and in any event the current account had moved into surplus, estimated to be $2.0 billion to $2.5 billion for 1981. Nonetheless, the pressure of outflows of capital pushed the Swiss franc down in the exchanges. At the end of July the franc was trading at SF 2.15 against the dollar and SF 0.87 against the German mark. Along with other major currencies, it declined further against the rising dollar to a four-year low of SF 2.2095 on August 10, a decline of some 39 percent since its peak of 1980. On July 31, Switzerland's foreign exchange reserves stood at $9.9 billion.

The Swiss authorities continued to pursue a policy of monetary restraint to combat inflationary pressures. Increasingly, however, the authorities had reason to question whether policy was as restrictive as developments in the monetary aggregates would suggest or, in view of the inflationary situation, whether policy was as tight as circumstances warranted. For some time the monetary base was below the annual growth target of 4 percent for 1981. However, as in many other countries, continuing financial innovations in Switzerland, coupled with unusually high interest rates by historical standards, had altered the behavior of banks and the public, making the monetary base as well as the broader monetary aggregates less reliable than in the past as a guide to policy. Questions about the adequacy of monetary restraint were highlighted by the release of consumer price numbers for August, showing inflation rising 11.3 percent at an annual rate in the most recent quarter and 7.4 percent year on year.

Early in September the authorities began taking aggressive action to tighten monetary policy and thereby underscore the primacy of the anti-inflation struggle. Effective September 2 the Swiss National Bank boosted its discount rate to 6 percent from 5 percent and its Lombard rate to 7.5 percent from 6.5 percent, the fourth rise in 1981 in those official lending rates. The authorities also made the refinancing of credit through foreign exchange swaps with the central bank more expensive. Following these actions, Swiss franc interest rates shot up temporarily before settling down around 11 percent.

The rise in Swiss interest rates during September and October, which occurred at a time when interest rates in other centers were easing, meant that differentials adverse to the franc either narrowed dramatically, as in the case of the dollar, or were reversed, as in the case of the German mark. Nonresidents therefore found incentives to begin repaying their Swiss franc-denominated debt, while investors sought out higher-yielding franc investments, and these actions helped to propel the franc sharply higher in the exchanges. As the franc strengthened, the view developed in the market that the Swiss authorities might allow the franc to appreciate beyond SF 0.80 against the mark—a level considered an upper bound in the market since September 1978 when the Swiss National Bank had intervened forcefully at that rate. In addition, many European countries were regarded as more vulnerable than Switzerland to political tensions in Eastern Europe and the Middle East, and this concern over the prospects for other currencies continued to benefit the Swiss franc. In these circumstances, the franc became exceptionally well bid. By mid-November the rate advanced 18 percent from levels in early September to a high of SF 1.7475 against the dollar and some 10 percent to SF 0.7935 against the German mark.

The strong appreciation of the franc, while welcome as a contribution in the fight against inflation, was nevertheless a matter of concern to the authorities. Of special worry was the rapid rise against the German mark, the currency of Switzerland's main foreign trade partner and major competitor in third markets, because it threatened to put Swiss exporting and tourist industries in a difficult position. Still, the authorities made clear in public statements that large-scale intervention similar to that undertaken in 1978 would be inappropriate. Sizable sales of Swiss francs would lead to an expansion in Switzerland's money supply, and large purchases of dollars would push the dollar higher in the exchanges—both developments that would exacerbate inflationary pressures.

In the event, by November the economy showed clear signs of flattening out and some private forecasters began to express fears that economic activity would weaken to the point at which unemployment might rise. In addition, the need to avoid liquidity strains from developing with the approach of the year-end argued for some relaxation in monetary restraint. Accordingly, the Swiss National Bank progressively reduced the rate charged to domestic banks for Swiss-franc swap credit against dollars and provided somewhat more liquidity than it absorbed via maturing swaps. On December 4 the authorities reduced the Lombard rate from 7.5 percent to 7.0 percent—an action taken in coordination with interest rate reductions in other industrial countries and designed to bring the Lombard rate more closely in line with prevailing Swiss money market rates. But at the same time the Swiss National Bank was anxious to avoid the impression of a fundamental shift in policy course and consequently left the discount rate unchanged at 6 percent. In the exchange market the franc lost its upward momentum as domestic and Euro-Swiss money market rates eased downward. Against the dollar the franc slipped back to trade around SF 1.80 by the end of December. Against the mark, however, the franc remained well bid around SF 0.7985, principally in response to market concerns over the foreign and domestic implications for Germany of the declaration of martial law in Poland.

By January the need for such a tight monetary policy in Switzerland appeared to have passed, particularly with the release of inflation figures showing a marked deceleration in consumer prices to around 6 percent. The monetary growth target of 3 percent announced by the authorities for 1982 was generally viewed as consistent with the policy of fighting inflation, while also providing sufficient liquidity so as not to exacerbate the developing weakness of the economy. Even so, the Swiss authorities were thought to be under less pressure than others in Europe to ease credit conditions, given Switzerland's low unemployment rate and the still relatively favorable performance of the economy. In fact, the Swiss National Bank did not lower its official lending rates following the reduction by the German Federal Bank on January 21 of its special Lombard rate. In these circumstances the franc, though fluctuating widely at times, remained firm against the German mark. But vis-à-vis the dollar, the franc continued to ease as money and capital market rates in the United States firmed substantially and were generally expected to remain high despite the weakness of the U.S. economy.

By the end of January the franc was trading at SF 1.8680 against the dollar and at SF 0.7976 against the German mark. At these levels the franc was up 15½ percent against the dollar since its August low. Over the six months under review the franc gained 13½ percent against the dollar and 8 percent against the German mark. Between the end of July and the end of January, Switzerland's foreign exchange reserves rose $600 million to 10.5 billion in response to foreign currency swap operations, the net purchase of dollars in intervention operations, and interest earnings on outstanding reserves.

JAPANESE YEN

By mid-1981, the Japanese economy had made impressive adjustments to the second round of oil price increases of 1979–80. Changes in production processes in many of Japan's largest enterprises had substantially reduced Japan's dependence on oil imports. These developments, together with the continuing impact of the 1979–80 depreciation of the yen, had led to a sharp improvement in Japan's current account, which swung from deep deficit to moderate surplus in just one and a half years. The rate of inflation at the wholesale level, which at one point in 1980 had reached 24 percent, had slowed to just about 1 percent. Meanwhile, restrictive monetary and fiscal policies had helped limit the extent to which rising prices of material were passed on in the economy so that inflation at the consumer level, which had never exceeded 9 percent, was around 5 percent per year.

The process of adjustment had been uneven, however, and domestic demand remained weak. Important sectors of the economy remained severely depressed. Moreover, consumer expenditures were slow to recover from the deflationary impact of rising energy prices, despite the moderation of inflation. The sluggishness of domestic demand cast doubt that a firm basis for sustained recovery had been established, and domestic pressures on the authorities intensified to adopt reflationary measures. Anxiety rose that the weakness of demand at home, in combination with the legacy of the yen's earlier depreciation, would provoke another surge of exports and exacerbate protectionist reactions in Japan's major markets overseas.

As a result, the authorities had already begun to provide stimulus to the economy. The government had announced measures to aid small companies and speed up expenditures for public works. But the scope for further expansionary fiscal policies was limited by virtue of the fact that the levels of the government's overall deficit and borrowing requirement continued to be considered excessive by many Japanese and were already exerting pressures in the local capital markets. Thus, the larger source of stimulus came from an easing of monetary policy. During the spring, the Bank of Japan lowered its discount rate, eased banks' reserve requirements, and substantially relaxed "window guidance" ceilings on the growth of bank lending.

In the exchange markets, the yen had benefited from Japan's improving economic performance to recover from its 1980 lows against most European currencies. Relative to the German mark, it had risen nearly 40 percent to trade at 97 yen to the mark by early August. Against the dollar, however, a tentative recovery late in 1980 had given way to a renewed and protracted decline. With interest rates in Japan lower than in any other industralized country, Japanese residents had taken advantage of newly liberalized foreign exchange controls to make long-term investments abroad. Then during midsummer, when a long-awaited decline in U.S. interest rates failed to materialize, market participants lost hope that the large interest differentials adverse to the yen would soon narrow so as to permit Japan's improving competitiveness to show through in the yen–dollar exchange rate. Thus, as Japanese importers sought to limit their losses during the August vacation period, they accelerated their yen sales to hedge remaining future dollar needs. In addition, foreign corporations continued short-term yen borrowings to meet financing needs in other currencies. As the selling of yen gathered force, it pushed the spot rate down to ¥ 246.10 by the first business day in August—a level only about 6 percent above its 1980 low.

At this point, many market participants felt that the yen's decline had been overdone in view of Japan's steadily improving current account position. With banks generally in an oversold position, the market was ripe for a reversal of sentiment toward the yen when the dollar began its general decline during August. Reports that some Middle Eastern investors had been attracted in size by the rally in Japan's securities markets and purchases on the international monetary market helped spur the turnaround in demand for the currency in early August. The yen's rise initially outpaced that of other currencies against the dollar, bringing the exchange rate to ¥ 228.20 against the dollar and to a high of ¥ 91.64 against the German mark on August 18.

A sense of caution soon overcame the yen market, however. Participants recalled the disappointment earlier in the year when the yen's appreciation had not gone as far as expected. They worried about the possibility that new protectionist barriers might be erected in markets where Japan's exports were penetrating rapidly. Moreover, pressures built up over the summer and autumn for the government to introduce further monetary and fiscal stimulus to the still flagging domestic economy. In this atmosphere, the yen's rise seemed to stall after mid-August at a level around ¥ 230 against the dollar even as the European currencies continued rising.

In September, the monetary authorities announced that window guidance ceilings on commercial banks' lending would be further increased for the fourth quarter, even though monetary growth, running close to 10 percent at an annual rate, was just within the Bank of Japan's projections. Further, the government announced on October 2 a four-point program of fiscal and other measures intended to stimulate domestic demand and imports while assisting Japanese industries and regions that were experiencing particularly severe structural difficulties. The Ministry of Finance also set wider limits on foreign lending by Japanese banks for the half-year beginning in October, in keeping with the projected financing needs accompanying the growing surplus on the current account and reflecting the continuing policy of allowing the country's banks to maintain their overall share of lending in the Euromarkets.

Long-term capital outflows from Japan remained large even though interest differentials favoring dollar investments narrowed during the late summer and autumn. Using their new freedom under the 1980 Foreign Exchange Law, Japanese institutional investors continued programs begun earlier in the year to diversify internationally. Also, some Japanese firms with large import requirements had experienced significant losses earlier in the year on their uncovered future dollar commitments and were now adopting more conservative policies regarding the hedging of forward obligations in foreign currency.

In the case of firms in some structurally depressed industries, such as oil refining, the need to protect weak financial positions by hedging more of their future import requirements was encouraged as part of the government's efforts to support long-term adjustment. Under these influences, the yen–dollar rate wavered around the ¥ 230 level through September and October. Against the German mark, whose continuing rise against the dollar was partly influenced by the pressures building for realignment within the EMS, the yen declined steadily to reach a low point of nearly ¥ 105 per mark on October 30.

During November the yen became well bid again, as U.S. interest rates declined further, and hopes became widespread that this trend would continue. Market participants felt that, despite renewed arguments being heard in Japan for a further easing of monetary policy, Japan's already low interest rates offered less scope for the monetary authorities in Japan compared with those in Europe to match U.S. interest rate reductions. Therefore, further drops in U.S. rates were expected to be reflected in a significant narrowing of the differentials adverse to yen investments. Foreign transactions in Japan's securities markets, including purchases of bonds under short-term repurchase arrangements, reversed direction in November to become sizable net purchases. Market participants were also impressed by trade figures released for September and October that showed a further strong improvement in the current account surplus, even though the October figures on export letters of credit already gave some warning that the growth of exports might be slowing in subsequent months. Under these positive influences, the yen rose some 8 percent against the dollar during November, reaching its high for the six-month period of ¥ 213.40 on November 30 while recovering to ¥ 96.80 against the German mark.

Toward the end of the year there still was no clear evidence of recovery in the domestic economy and predictions of a very large current account surplus in 1982 became widely accepted. Statistics on consumer and wholesale prices continued to show the lowest rate of inflation among industrial countries. Information released about the real economy indicated that growth of the third quarter had been heavily concentrated in the foreign sector. Public-sector spending and domestic consumption were virtually flat while private investment actually declined slightly for the third quarter in a row. Investment by small and medium-sized firms showed an especially large drop, continuing the trend that had been of concern to policymakers for some time. After the third quarter, monthly trade statistics revealed that even export growth had slowed at least temporarily in November under the influence of government-imposed restraints as well as sluggish demand in major export markets. While welcome from the point of view of mitigating trade frictions, this development lent further emphasis to the need for recovery in the domestic economy.

The new budget, announced in December for the fiscal year beginning in April 1982, retained the relatively restrictive stance that had been adopted for fiscal year 1981 in keeping with the long-range objective of containing and eventually reducing the size of the government's deficit and borrowing requirement. In these circumstances and with the yen exhibiting more strength than it had in the earlier part of the year, the monetary authorities took further action to help spur the faltering recovery. On December 11, the Bank of Japan reduced its discount rate for lending to commercial banks ¾ of a percentage point to 5½ percent following similar actions in the United States and other industrial countries. This step was supplemented later in the month by the announcement that overall credit ceilings limiting loans extended by Japan's leading commercial banks, already progressively eased in previous quarters, would be lifted entirely for the calendar quarter beginning in January 1982.

In announcing the cut in the official lending rate, the authorities made it clear that they had confined the reduction to less than 1 percentage point so as not to interfere with the recent rising tendency of the yen and that they were prepared to counter any short-term effect on the yen–dollar rate by intervening in the exchange markets. Nonetheless, when the U.S. and Eurodollar interest rates began to rise during December, the relative unattractiveness of yields on yen-denominated assets showed through in the exchanges once again and the yen began moving down.

When the upward movement of U.S. interest rates continued into January, rather than reversing with the new year as many had hoped, the depreciation of the yen continued. Potential yen holders became interestingly impressed with the discrepancy between the pressures building for sustained high interest rates in the United States, as new statistics were released showing higher-than-expected growth of the U.S. monetary aggregates, and the situation of Japan's monetary authorities, who faced a continued need to ease credit policy to stimulate the flagging domestic economy. Hope that wide interest differentials might soon be reversed thus faded in the first weeks of the new year. Pressure against the yen intensified, bringing the exchange rate against the dollar to ¥ 230.00 by the close of January, down 8 percent from the November 30 high but up 6½ percent above the low of August 1981. The yen's cross rate in terms of the German mark had changed even less on balance to ¥ 98.21 by the end of January as compared with ¥ 97.00 six months earlier.

The Bank of Japan continued its policy of intervening in the exchange markets to smooth erratic fluctuations in the exchange rate, intervening to support the yen at various times when the rate moved down rapidly. Such dollar sales contributed to net declines recorded in Japan's foreign exchange reserves for December and January. For the six months as a whole, however, Japan's foreign exchange reserves rose $600 million to $24.6 billion by the end of January, mainly reflecting interest earnings on Japan's outstanding holdings.

STERLING

In mid-1981, deep-seated concerns over the prospects for the economy of the United Kingdom continued to weigh on market sentiment toward the pound. While the worst of the 2½-year-old recession appeared over, evidence of an economic upturn had not yet materialized and, with interest rates lower than earlier in the year, there was concern that the government might be easing its stringent financial policies prematurely. It appeared likely that the U.K. share in world export markets was falling—inasmuch as persistently high rates of inflation and the earlier appreciation of the exchange rate had severely eroded the competitiveness of British industry.

The trade and current accounts remained in surplus. However, softening world oil prices prompted worries that the substantial benefits that Britain's oil self-sufficiency had provided to the balance of payments might diminish. Moreover, in other major industrial countries interest rates had increased, particularly over the summer. But in the United Kingdom the pressures of high and rising unemployment were seen in the exchange market as limiting the rationale, as well as the scope, for the authorities to raise domestic interest rates, and interest differentials in fact moved adversely to sterling-denominated assets. By the end of July the pound had dropped 24 percent from the highs registered in January of last year to $1.84 against the dollar. It also declined 10½ percent to DM 4.55 against the German mark and 10 percent in effective terms to 92.5 on a trade-weighted basis. The Bank of England, acting to smooth fluctuations in the exchange rate, had maintained its policy of intervening modestly on both sides of the market. Nonetheless, mainly reflecting the repayment of outstanding loans, Britain's foreign exchange reserves had declined to $13.6 billion by the end of July.

The pronounced drop of the dollar in August was reflected in only a temporary rebound of sterling in the exchanges. Indeed, bearish sentiment toward the pound deepened in September and October so that, while other European currencies were advancing against the dollar, the pound declined in the exchanges. In part, renewed downward pressure on sterling reflected fears that the monetary authorities had relaxed the restrictive stance of monetary policy before inflationary expectations had been firmly laid to rest, thereby threatening the progress already under way in bringing inflation under control. In the view of many, the growth of the targeted aggregate sterling M3 substantially above its 8 to 10 percent annual range could not be fully explained by temporary distortions, such as the delay of tax payments caused by a civil servants' strike, or by technical factors, such as a shift in housing finance from the building societies to the banks. After allowing for these considerations, the "underlying" rate of growth of sterling M3 remained high. The banking data released for August were particularly discouraging in this respect, reflecting a rapid expansion of bank lending to finance personal consumption and to satisfy growing needs of the corporate sector.

The downward pressure on sterling also resulted from nervousness ahead of the publication of trade figures for September and October—the first full figures since February 1981 when the civil service pay dispute interrupted the compilation of data. In the interval, expectations for a reduction of the trade surplus had developed. Weakened competitiveness was thought likely to restrict the volume of exports, while import volume was expected to rebound as the previous sharp rundown of domestic stocks abated and was gradually reversed. The decline of sterling during 1981 was also presumed to have weakened the terms of trade. In the event, the actual trade figures confirmed a fall in the trade surplus from the exceptional level of the winter of 1980–81, though gaps in the data posed greater-than-usual problems of interpretation. Looking ahead, reductions in crude oil prices, which had taken place on a selective basis following the breakdown of OPEC price discussions in late summer, added to the unfavorable outlook for Britain's balance of payments trends.

As broad-based selling pushed the pound precipitously lower, the rate dropped in September to $1.7695 against the dollar and DM 4.10 against the mark. In effective terms it traded as low as 86, representing a trade-weighted drop in sterling to the lowest levels since March 1979. At this point British policymakers faced a choice. On the one hand, the depreciation of the exchange rate improved competitiveness and brightened the outlook for a recovery of depressed profit margins and of investment activity. But, on the other hand, the fall in the exchange rate following the decline that had already taken place earlier in 1981 threatened anti-inflationary goals at a time when wage and price inflation were showing improvement. Inflation had already fallen to around 10 percent, close to rates prevailing among Britain's major trading partners. Moreover, a sharp drop in average wage settlements had occurred, which, coupled with productivity gains, had stabilized unit labor costs for the first time in a decade. A failure by the authorities to respond forcefully to the rapid buildup of selling pressures might risk accelerating sterling's fall given the development of a severely adverse market psychology. Furthermore, domestic monetary developments, particularly the expansion of bank lending, suggested that policy action was appropriate to avoid a further buildup of domestic liquidity. Thus, on balance, both external and internal considerations pointed to the desirability of increasing U.K. money market rates.

Accordingly, in mid-September the authorities raised short-term interest rates sharply, under new monetary control arrangements that came into effect the previous month, first through the discount window and then by operations in the bill market. In addition, the authorities began operating more actively in the exchange market as a seller of dollars. Meanwhile, interest rates moved lower in the United States, and as a result British interest rates stood above comparable U.S. interest rates for the first time since November 1980. Then, immediately following the realignment within the EMS, interest rates softened in a number of continental European countries as well so that interest differentials moved favorably for sterling more generally. These developments prompted widespread demand for sterling, which gathered momentum in November when the rally in the U.S. bond market carried over to the gilt-edged market and attracted foreign investors seeking to benefit from capital gains in addition to exchange rate returns. By late November the pound had recovered 11 percent from its lows to trade around $1.98 against the dollar and 91.9 on an effective basis.

During December, domestic debate over the state of the economy intensified against the background of increased labor unrest. On December

2, Chancellor Howe announced a £5 billion increase in projected public spending for the 1982–83 fiscal year (April–March), mainly for the local authorities and for spending on employment and training programs. But these measures were generally seen as no more than a passive adjustment by the government to rising unemployment and continued low levels of economic activity because they did not imply a significant shift in the already restrictive stance of fiscal policy. Most private forecasters remained relatively pessimistic concerning the strength of any recovery given the lackluster prospects for government expenditure, consumer spending, and exports. The rebuilding of inventories was thought to compensate only partly for the weakness in other areas of economic activity. In these circumstances, exchange market participants remained concerned that the government would have to relax its restrictive policies after all and the pound again came under selling pressure, with the rate slipping back 6 percent from its late-November highs to $1.8690 by mid-December before steadying around the year-end.

Sentiment toward sterling turned more optimistic during January. The labor situation improved, particularly following the unexpected decision of the miners not to strike and instead to accept the management pay offer—a development that seemed to validate the perseverance of the government in its overall strategy. The miners' decision brightened the outlook for inflation to abate, and in the exchange market this boosted sentiment for sterling. Domestically, this prospect gave a lift to the capital markets and generated hopes that conditions in the money markets would ease. In fact, a softening in short-term interest rates materialized and was not resisted by the authorities. Even so, the decline in short-term U.K. interest rates was less than reductions on the Continent where the monetary authorities were taking advantage of some improvement in their external positions to allow interest rates to decline and thus support their economies. As a result, interest rate differentials favoring sterling investments over those denominated in continental currencies widened. At the same time, trade figures released for December were better than expected and the pound also benefited from oil company demand. As a result, sterling held generally firm against the rising dollar and advanced strongly against the continental currencies. By the end of January the pound was trading at $1.8670 for a net rise of 1½ percent against the dollar since the end of July. On an effective basis, sterling stood at 91.8 for a ¾ percent decline over the six-month period under review.

Between the end of July 1981 and the end of January 1982 the foreign exchange reserves of the United Kingdom declined $1.0 billion to $12.6 billion. The authorities' intervention operations in the exchange market had a small impact on reserves as compared with other influences, such as the repayments and accruals of external public-sector borrowings and the revaluation losses of gold and dollar swaps against European currency units (ECUs) done with the European Monetary Cooperation Fund.

FRENCH FRANC

During late summer 1981, major elements of the economic strategy adopted by France's new government were under exchange market scrutiny. The government had moved aggressively to reduce burgeoning unemployment through monetary and fiscal measures to stimulate consumption and investment, and it was pledged to a program to redistribute income and to nationalize major banks and industrial groups. In other European countries the case for a shift toward policy stimulus was under intense political debate, but most governments opted for continued monetary and fiscal restraint. Consequently, pessimism deepened in the exchange markets over the outlook for the French franc, since the divergence in policies was expected to produce a deterioration in inflation and the current account deficit in France while improvements were anticipated in some other European countries. The franc fell in these circumstances more rapidly than other European currencies against the rising dollar. From FF 5.8775 at the end of July it plummeted to a record low of FF 6.1870 on August 10, while also dropping to the floor of the EMS. Moreover, in subsequent weeks as the dollar declined in the exchanges, the franc had difficulty keeping pace with the advance of the German mark and other EMS currencies against the U.S. currency.

The French government sought to contain the selling pressures on the franc during August and September so as not to jeopardize its domestic program. The Bank of France intervened heavily in the exchange markets, selling mainly dollars as well as European currencies, to keep the franc within the mandatory 2¼ percent trading limit against the German mark and occasionally also against other currencies that traded at the top of the joint float. The government also tightened exchange controls to limit further the scope for leading and lagging of commercial payments by temporarily suspending the facility for importers to purchase foreign currency forward. Previously, one-month forward cover had been permitted except for importers of raw materials, who were allowed up to three months to purchase forward exchange ahead of delivery. In addition, the Bank of France raised on September 21 its money market intervention rates 1 percentage point—to 19½ percent for seven-day maturities—thereby reversing the previously easier tendency in domestic interest rates. However, the authorities did not wish to undercut the basic policy aim of reducing the high interest rate burden on French industry, and thus the government requested that the increase in banks' costs be financed out of profits and not by raising base lending rates.

Otherwise, with respect to domestic policy, the government continued to address the problems of an economy showing only limited signs of recovery from more than sixteen to eighteen months of recession. Late in September the government presented its 1982 budget proposals, aimed foremost at increasing employment by supporting economic activity. The budget provided for the creation of 70,000 new public-sector jobs, increased spending on private and public investment, raised aid and financial incentives to industry, and hiked outlays on education and various social welfare programs. On the revenue side, the imposition of new taxes, higher tax rates, and steps to reduce tax evasion fell short of the nearly 27 percent increase in expenditures, leaving the government with a projected fiscal deficit of FF 95 billion, roughly equivalent to 3 percent of GNP, compared with about FF 70 billion in 1981 or about 2.4 percent of GNP. The government also approved a bill nationalizing five industrial groups and a large segment of the private banking sector, with the takeover shifting approximately 750,000 workers from private industry to the government sector.

In the exchange market, participants continued to be concerned about the direction of economic policy. They feared an adverse impact on already depressed business spending plans of the government's efforts to nationalize and restructure industry. They were troubled by the prospect of a sharp rise in the fiscal deficit, which seemed likely if an economic recovery did not materialize. They worried that an expansion in the deficit in a short period could compromise the government's growth target for the monetary aggregates and, thereby, risk substantially increasing inflationary pressures. These concerns prompted large flows of funds to move out of France amid growing speculation that the franc would be devalued within the EMS. The outflows of funds were reflected in a decline of $3 billion in French foreign exchange reserves from $22.6 billion at the end of July to $19.8 billion by the end of September.

On October 5 the central EMS parity of the French franc, along with the Italian lira, was adjusted downward 3 percent against the Danish krone, the Irish pound, and the Belgian franc—whose central rates remained unchanged—and in effect 8½ percent against the German mark and the Netherlands guilder, currencies whose central rates were moved upward within the joint float. Immediately after the EMS realignment, the franc traded at the top of the new band amid a reflow of funds that took the form of a reversal of commercial leads and lags and also represented a reflux of speculative and investment capital. As a result, the franc rose in tandem with the mark against the dollar to trade around FF 5.58 by mid-October.

In the weeks that followed, French government officials stated that henceforth the government would give the same priority to fighting inflation as to unemployment to ensure maximum positive effects from the currency realignment. The authorities acted on several fronts to blunt the inflationary impact of the devaluation of the franc. The government imposed temporary price controls or freezes on a wide range of services and food items, on which prices had shown marked acceleration, and introduced an 8 percent guideline on annual increases for industrial products. Regarding wages, the government began discussions with the country's main unions to alter cost-of-living provisions in future wage negotiations so as to stabilize real earnings. In addition, the government froze FF 15 billion in budgeted 1982 expenditures, while also raising employer and worker contributions to the social security fund. These various measures helped improve the atmosphere in the domestic bond market, and the government, unable to issue new bonds for some time previously, began to borrow successfully on a large scale. The government's access to the bond market in financing its deficit made possible a deceleration in monetary growth and enhanced prospects for the monetary aggregates to stay within the 1982 range.

With the realignment in place and with policies in France appearing to move toward greater balance between the goals of combating unemployment and curbing inflation, the franc remained firm within the EMS. The impact of stimulative policies on France's inflation and trade performance remained a source of concern. However, these issues became somewhat less acute, as other countries moved cautiously to provide stimulus to their flagging economies through an easing in monetary conditions and as they came under growing pressure to adopt programs of fiscal stimulus. With the divergence in policies somewhat less pronounced, some forecasters began to look for a smaller deterioration than previously expected in the 1982 French current account.

Moreover, nominal French interest rates remained relatively high—commanding a premium of 6 to 7 percentage points over German interest rates—even though the authorities had renewed their efforts to reduce French money market rates in the aftermath of the EMS realignment. French firms sought foreign currency loans to finance domestic expenditures, while foreign official and private investors maintained and even increased their holdings of franc-denominated assets. In these circumstances, the French authorities were able to ease the ban on forward purchases of foreign currencies, allowing importers of selected basic commodities to purchase foreign exchange up to three months ahead of delivery. Otherwise, exchange controls remained intact, limiting the scope for resident outflows. Moreover, France continued to be seen in the exchanges as less vulnerable than other continental countries to political disruptions in the Middle East and in Eastern Europe, a perception that helped to bolster the franc, particularly following the declaration of martial law in Poland in December.

For all these reasons, the franc remained firm at the top of the joint float even as EMS currencies as a group weakened against the dollar during December and January. By the end of January, the franc was trading at FF 5.96 against the dollar, a net decline of about 1¼ percent over the six-month period under review but a rise of more than 3½ percent from its August lows. The relative strength of the franc enabled the Bank of France to acquire sufficient marks in the market to reimburse in advance the main part of its very short-term obligations to the European Fund for Monetary Cooperation (FECOM) stemming from earlier exchange market intervention in 1981. The outstanding amount was fully repaid by early January in ECUs, foreign currency, and special drawing rights. By the end of January, France's foreign exchange reserves stood at $18.3 billion. At this level, France's foreign exchange reserves were $4.3 billion lower over the six-month period under review, in part reflecting these repayments as well as the revaluation losses of gold and dollar swaps against ECUs done with FECOM.

Italian Lira

At the beginning of August the Italian lira had fallen against the strongly rising dollar to stand at LIT 1,227.50. However, it was trading comfortably near the top of the EMS, holding its position firmly in relation to other European currencies after its earlier downward adjustment within the joint float. The Bank of Italy had recently taken advantage of the lira's position within the EMS to rebuild foreign currency reserves to a level of $16.5 billion.

The relatively firm performance of the lira at that time reflected sizable tourist inflows that offset the adverse impact of Italy's deteriorating terms of trade following the sharp increase in dollar prices for energy and other products as well as a weakening of demand in Italy's principal export markets. In addition, a tight control on liquidity and credit at home helped shield the lira from high interest rates abroad. The Bank of Italy, as part of its continuing struggle against inflation, had tightened monetary policy progressively by widening the scope of its ceilings on bank lending, raising reserve requirements, and hiking its discount rate to 19 percent. In addition, the monetary authorities were changing their procedures for issuing Treasury bills so that the Bank of Italy could vary its purchases of bills according to its assessment of domestic liquidity needs rather than buying all unsold Treasury bills at auction. Moreover, a deposit scheme had been imposed in May for a four-month period on purchases of foreign exchange for imports. This scheme, which required the placement with the Bank of Italy for ninety days of a non-interest-bearing lira deposit equal to 30 percent of the exchange transaction, had the effect of increasing the cost of payments in foreign currency as well as cutting into credit available for domestic purposes.

Nevertheless, problems were continuing. Inflation was still running at a rate of 18 percent, considerably higher than most of Italy's trading partners. The public-sector debt had continued to exceed expectations despite persistent attempts at expenditure control. A collapse in the stock market had seriously threatened the authorities' long-standing efforts to rebuild the financial structure of Italy's industrial sector. Evidence then available indicated that the domestic economy was weak, with industrial production still declining. The terms of trade were falling, as the U.S. dollar continued to climb in the exchanges and the traditional surplus on service income was contracting because of growing international debt service.

To deal with these problems, a new coalition government led by Republican Giovanni Spadolini announced that it would not rely on any further sharp contraction of economic activity to curb inflation. Instead, it would seek to contain inflationary pressures through a series of negotiations with business, labor, and various political interests aimed foremost at adjusting Italy's wage indexation system, the *scala mobile*. For the first time, two of the three major labor unions indicated a willingness to negotiate limited adjustments to the system. Furthermore, proposals were put forth for "receding targets" and "norms" for prices, wages, and public utility rates. At the same time, the government decided to extend the four-month-old import deposit scheme until the end of February 1982. In an agreement with the European Community, however it announced a phased reduction of the proportion of foreign exchange purchases held in non-interest-bearing deposits and increased somewhat the products exempted from the deposit requirement.

During August and September, the lira remained firm within the joint float even as seasonal tourist inflows tapered off. Italy's trade balance was beginning to improve, as export volumes picked up in response to the earlier devaluation and as softness in the domestic economy held import volumes down. Although the weakness of the EMS bloc had pushed the lira to a new record low of LIT 1,268.50 against the dollar on August 10, the Bank of Italy was able to purchase sizable amounts of dollars to rebuild its reserve position through early September. These purchases were reflected in the $1.0 billion increase in foreign currency reserves over the two months.

Late in September the lira dropped from the middle to the bottom of the joint float. Rumors began to circulate in the market that an EMS realignment would be broad enough to include the lira, whereas previously only a limited adjustment focusing on other currencies was thought likely. New estimates, putting the public-sector borrowing requirement as large as 12.5 percent of gross domestic product, also generated concern that the escalating deficit would undermine the efforts to curb inflation. As Italian importers moved to accelerate foreign currency purchases, sizable intervention by the Bank of Italy was required to steady the rate.

On October 5, the lira was, in fact, devalued along with the French franc by 3 percent against the currencies whose official parities remained unchanged and, in effect, by 8½ percent against the German mark and the Dutch guilder. In public statements after the realignment, the Italian government stressed that it had not taken the initiative for the change and that the effect of the revaluation of the mark versus the lira, while insufficient to reestablish the competitive position of Italian exports to West Germany, would make German exports to Italy more expensive and thereby add to Italian inflation in the short run.

After the EMS realignment and through the end of November the lira, although generally trading around the middle of the EMS band, firmed against the dollar. Italian interest rates remained high while those in other centers were generally declining so that favorable interest rate differentials for the lira widened against most currencies. Concern remained, however, that the new government would not win quick agreement from unions and business on approaches to reduce price and wage pressures. Similarly, in November a record rise in the *scala mobile* underscored the risk that the gains in international competitiveness resulting from the two devaluations would be quickly eroded by inflation. Thus, at times the lira came on offer and the Bank of Italy promptly intervened to resist declines in the rate, as reflected in the two-month drop of $469 million in foreign currency reserves.

Beginning in late December and continuing through the end of January, the lira firmed to trade at or near the top of the EMS, even though it fell back in relation to the U.S. dollar along with other currencies in the joint float. The Italian trade and current accounts had made considerable and sustained improvement. Export and import volumes, as well as service income, were responding favorably to the depreciation of the lira, declining real incomes in Italy, and inventory liquidation. Moreover, long-term capital continued to flow into Italy, mainly in the form of Eurodollar borrowings, as credit availability at home remained tight. To reinforce the slowdown that was under way in inflation, the Bank of Italy extended in late December the 1981 ceilings on growth of bank lending until the end of 1982. These ceilings were extremely restrictive in that they required a reduction of lending in real terms. Nevertheless, the lira came on offer on occasion, for example, when a bunching of foreign currency purchases entered the market following reductions in the proportion of transactions covered by the import deposit scheme. But intervention by the Bank of Italy helped the lira remain near the top of the EMS. By the end of January the lira was trading at LIT 1,250.00 against the dollar, up 1½ percent from its August lows. However, over the six-month period under review, the lira declined 1¾ percent against the dollar and 7¼ percent against the mark, in part reflecting the results of the October EMS realignment. Meanwhile, Italy's foreign exchange reserves advanced $1.3 billion over the period to stand at $17.8 billion at the end of January.

EUROPEAN MONETARY SYSTEM

The persistence of serious recession and high inflation provoked major policy debates in most countries in the EMS over the summer of 1981. Complaints intensified that high U.S. interest rates were exacerbating the already difficult process of adjustment by forcing a choice between accepting the inflationary consequences of depreciation of their currencies against the rising dollar or by raising interest rates in defense of home currencies and accepting a loss in economic output. Domestically, pressures built up for a relaxation in monetary policy, for fiscal expansion—through some combination of increased expenditures and tax cuts—or otherwise for a change in policy emphasis. In some countries, such as Germany, the commitment to restrictive policies already in place remained firm. In other nations, including Belgium and the Netherlands, the debate made it difficult for newly elected legislatures to reach agreement on a ruling government or on a common program. In France there was an explicit shift in strategy, under new leadership elected in the spring, in favor of reducing unemployment through domestic stimulus and specific job-creating measures.

In the exchange markets, expectations intensified during the summer and early autumn that divergent policies and economic trends among participating EMS countries—particularly Germany and France—would force a realignment of the joint float. These expectations gained strength, particularly after the turnaround of the dollar in August, since market participants felt that tensions within the joint float would more readily show through once there was greater scope for the mark to rise in the exchanges. In the event, large speculative flows emerged, imposing major strains on the joint float arrangement. To contain the selling pressures, the monetary authorities in many countries raised domestic interest rates. Moreover, EMS central banks intervened heavily during August and September to keep their currencies within agreed limits. In contrast to the spring, the intervention largely took the form of sales of dollars rather than EMS currencies. Then, on October 5 the EMS currencies were realigned with the German mark and Dutch guilder each revalued 5½ percent and the French franc and the Italian lira each devalued 3 percent in relation to the Belgian franc, the Danish krone, and the Irish pound whose bilateral central rates against each other remained unchanged.

The new exchange rate structure and the lessening of strains within the EMS provided more countries than previously with the scope to begin lowering interest rates and thereby provide some monetary stimulus to their economies. France and Denmark permitted money market rates to ease, while Germany and the Netherlands lowered official lending rates in the October–December period. However, the reduction of European interest rates lagged behind the decline of rates in the United States and partly for this reason EMS currencies advanced against the dollar by as much as 11 to 16 percent from their August lows. In December when U.S. interest rates moved higher, the currencies of the EMS started to decline against the rising dollar in the exchanges. Although exchange rates fluctuated rather widely against the dollar, the configuration of currencies within the EMS remained comparatively stable.

The French franc, which moved to the top of the band immediately after the realignment, was soon joined by the Dutch guilder in the upper part of the EMS. The guilder was supported by a current account surplus and improving inflation prospects in the Netherlands. From a deficit in 1980, the current account moved to a surplus of about NG 7 billion last year, with further improvement expected this year. The turnaround in the current account reflected delayed increases in the price of natural gas exports and the effect on imports of weak domestic investment and consumer demand. In addition, direct incomes policies pursued by the authorities in 1980 and 1981 improved competitiveness, with labor costs per unit of output lagging behind those of most other countries. Also contributing to the guilder's strength in the EMS was the formation of a government in autumn after many false starts since the general elections in May. The government was pledged to a program of reducing the fiscal deficit as a proportion of GNP, while also directing part of the country's substantial gas revenues to specific employment-creating projects.

Even though Denmark in contrast to the Netherlands was running a current account deficit, the Danish krone also traded firmly in the upper portion of the joint float. Gains in export market shares and the depressed level of imports supported the krone by narrowing Denmark's current account deficit over the course of 1981. The central bank also made sizable foreign currency payments on behalf of the government from official reserves, thereby helping maintain balance in the exchange market.

Trading around the middle of the EMS band was the Italian lira, bolstered by a contraction in Italy's current account deficit and a tight monetary policy that induced long-term capital to flow in from abroad. Meanwhile, the Irish pound tended to fluctuate somewhat below the middle of the joint float even as Irish domestic interest rates rose significantly. Although conversions of private- and public-sector foreign borrowings helped underpin the pound, the inflows of capital had difficulty keeping pace with the widening of the current account deficit, as a recovery in stock building and fixed investment from earlier depressed levels began to draw in imports.

The German mark, after having initially moved to the floor of the EMS following the October realignment, remained near the bottom of the joint float through the end of 1981. Accordingly, EMS central banks were able to purchase marks in exchanges to cover liabilities incurred earlier in the year to the FECOM. Together with the mark at the bottom of the EMS was the Belgian franc, pushed lower by concerns over Belgium's large and protracted budget and current account deficits. After elections in November, expectations built up that a downward adjustment of the franc within the EMS would occur. As selling pressures intensified in late November and early December, the Belgian National Bank supported the franc at the floor of the 2¼ percent band through increasingly heavy sales of foreign currency. The authorities also raised the discount rate and the Lombard rate each by 2 percentage points to 15 percent and 17 percent respectively, effective December 11, and enforced other measures making it prohibitively expensive for nonresidents to speculate against the franc. Then, over the December 13–14 weekend, a new government was formed, pledged to restrain wage increases under the wage indexation system and curtail the budget deficit. With the new government providing grounds for a more effective approach than previously to reducing government expenditures and lowering the costs of industry, market sentiment toward the Belgian franc improved.

After the new year, as the currency bloc declined against the dollar, the configuration of currencies within the EMS shifted somewhat, but without imposing new strains on the joint-float mechanism itself. As before, the Dutch guilder and the French franc remained strong within the joint float, and the authorities in both countries were able to lower interest rates in line with reductions in Germany. The Italian lira also traded at the top of the band as the authorities kept interest rates high. The Danish krone slipped lower in the middle of the band in response to projections of a widening in Denmark's current account deficit in 1982 and the authorities, unable to take advantage of the tendency for major European interest rates to come down, tightened money market conditions instead.

The German mark moved higher in the joint float even as the German Federal Bank, acting to stimulate domestic demand, lowered on January 21 the special Lombard rate for the third time in six months. As the mark moved higher and as debate within Ireland over economic policy intensified, the Irish pound came under modest pressure and moved into the lower half of the EMS band. For its part, the Belgian franc traded steadily at the bottom of the EMS and the authorities cut the discount rate, effective January 7, 1 percentage point to 14 percent and the Lombard rate 2 percentage points to 15 percent. The authorities did not, however, further reduce lending rates when the German Federal Bank acted on January 21 to cut its official lending rate. By the end of January the EMS currencies had relinquished much of the gains recorded against the dollar in the autumn months to end the six-month period about 1½ percent to 10¼ percent higher against the U.S. currency from their August lows.

Canadian Dollar

The Canadian dollar was heavily on offer in mid-1981, dropping on August 4 to a fifty-year low of Can. $1.2445 (U.S. $0.8035). The decline reflected market concerns over the balance of payments implications of Canadian energy policy, constitutional issues, and persistent inflation.

The main focus of exchange market attention was Canadian energy policy announced in the autumn of 1980, especially the establishment of incentives for exploration and development of domestic energy that favor Canadian ownership, and an ensuing dispute between the federal government and Alberta over energy pricing and taxation. By mid-1981, the "Canadianization" policy had stimulated sales of foreign-owned energy companies and outflows of capital. Moreover, the policy was seen as threatening the inflows of investment capital needed to offset the traditional current account deficit and to provide capital required to develop Canadian energy reserves and other economic resources. Also, to press their position in the dispute with the federal government, the provincial authorities in Alberta had cut oil production temporarily within the province, increasing Canada's short-term dependence on imported crude oil.

Other factors beyond the energy problems weighed on market sentiment in early August. Strong upward pressure on Canadian prices and wage costs had continued through the first half of 1981 in contrast to the United States where improvement on the inflation front had begun to appear. The move to patriate the Canadian constitution by the federal government led to legal challenges by provincial governments at a time when relations were already strained by the energy issues. Earlier in the summer, the traditional interest rate differentials in favor of the Canadian currency nearly disappeared at times when short-term U.S. rates climbed sharply.

Against this background, the Canadian dollar had become increasingly vulnerable, dropping sharply at the end of July and the first week of August. The authorities took several actions in response. The Bank of Canada intervened heavily to support the rate and by the end of July, Canadian foreign currency reserves had declined to $748 million. It also drew $700 million in July and $500 million in August under the $3.5 billion standby facility with domestic chartered banks to replenish reserves. At the end of August total borrowings under the facility stood at \$1.5 billion. Beginning in late July, the Bank of Canada aggressively pushed up interest rates. In roughly three weeks, short-term rates jumped about 3 percentage points, restoring substantial interest rate differentials in favor of Canadian assets by early August. In addition, the Canadian Ministry of Finance asked commercial banks to reduce their lending to corporations for purposes of financing buy-outs involving foreign currency conversions.

In the wake of these actions, the Canadian dollar rebounded in the exchanges. Also during August, expectations developed that a compromise would soon be reached between the federal and provincial governments on the troublesome issues of pricing, taxation, and revenue sharing in the energy field. On September 1, an agreement was in fact announced that provided for the rapid move of domestic oil prices toward world market levels, helping to alleviate exchange market concern that the government's policy would limit future energy development. With agreement now reached, chances increased that several major oil exploration projects that had been suspended in earlier months would be resumed. Also, Alberta moved to restore oil production cutbacks, easing Canadian needs for imported crude. A compromise on revenue sharing was also achieved, providing for increases in federal revenues. Under these circumstances, and with the U.S. dollar generally in decline, the Canadian dollar recovered substantially after mid-August to Can. \$1.1929 by September 3. The Bank of Canada was a net purchaser of U.S. dollars during August and September and repaid \$700 million of the \$1.5 billion in credits drawn during the summer.

The Canadian dollar then steadied to trade in a fairly narrow range, easing back slightly on balance through the remainder of September and October. The Bank of Canada, stressing its view that reduction of inflation was crucial to a return to healthy economic growth and external balance, resisted declines in Canadian interest rates as large as those then developing in the United States. Nevertheless, a sudden increase in unemployment in September and other signs of developing economic slack led to questions in the market as to how much longer the authorities could maintain their policies of restraint even with no evidence of a slowing of inflation. Moreover, the Canadian trade surplus had weakened through the summer, pushing the current account more deeply into deficit. The Bank of Canada was a net purchaser of U.S. dollars during these two months. It paid down \$200 million in borrowings from domestic banks and by the end of October foreign currency reserves stood at \$1,270 million.

During November, the Canadian dollar climbed about 2 percent as the U.S. dollar declined against most major currencies and as several factors shifted in favor of the Canadian dollar. The Bank of Canada responded to the continued decline in U.S. interest rates by limiting the fall in Canadian interest rates. As a result, interest rate differentials favorable to the Canadian dollar widened, spurring borrowings abroad, especially by public authorities. As the exchange rate rose, borrowers moved to accelerate conversions of foreign currency. The government also introduced a generally restrictive 1982 federal budget to Parliament. The exchange market was impressed that monetary and fiscal policy in Canada continued to be directed toward control of entrenched inflationary pressures. At about the same time, new oil and gas finds in the Beaufort Sea seemed to improve the chances of achieving the Canadian goal of energy self-sufficiency by 1990. Also, Prime Minister Trudeau announced in early November a compromise agreement with all provinces except Quebec approving patriation of the Canadian constitution.

By November 30, the Canadian dollar had reached Can. \$1.1761 (U.S. \$0.8503), its highest level in over a year. With the Canadian dollar strengthening sharply, the Bank of Canada bought U.S. dollars in the exchange markets. During November, the government finalized a \$300 million medium-term loan from the Saudi Arabian Monetary Agency. In total, Canadian foreign currency reserves rose \$1.75 billion during the month and stood at \$3.0 billion at the month-end. In November and December the Bank of Canada repaid the final amounts borrowed to finance intervention during the summer.

In December and January, with U.S. interest rates rising, concern developed that Canadian interest rates would not increase sufficiently to maintain interest rate differentials. Successive monthly figures on unemployment confirmed the weakness of the Canadian economy and triggered a debate over fiscal and monetary policy. The restrictive tone of the 1982 budget had generated substantial domestic criticism, and many analysts were predicting that the Canadian economy had by then entered its worst recession of the postwar period. Yet, inflation had not decelerated and wage settlements continued above 12 percent at a time when the United States was showing progress in both of these areas. In the event, Canadian interest rates drifted slightly lower and favorable differentials, which at their peak had been more than 5 percentage points, nearly evaporated by the end of January. Capital inflows tapered off and the Canadian dollar dropped back to Can. $1.1988.

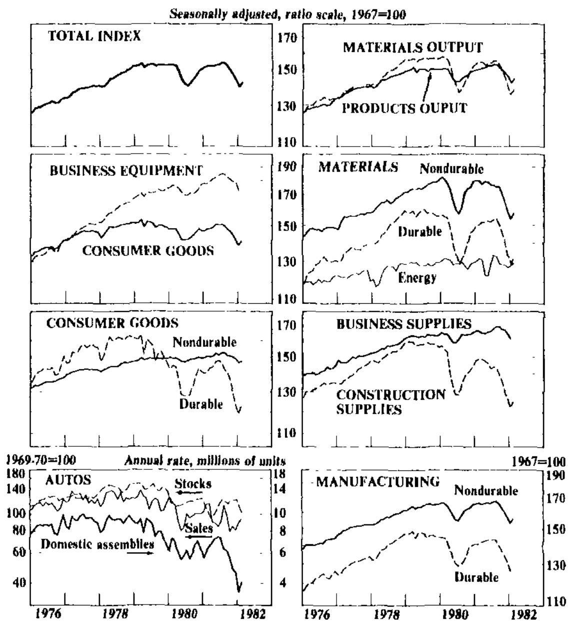
Thus, by the end of January, the Canadian dollar was trading about 2 percent below its highs at the end of November but still nearly 3 percent above its lows reached just after the opening of the period. The Bank of Canada was a net seller of U.S. dollars, so that Canadian foreign currency reserves declined in January to stand at $2.9 billion. Even so, over the six-month period, Canadian foreign currency reserves increased $2.2 billion and all drawings on the standby facility with domestic chartered banks had been repaid. □

Industrial Production

Released for publication March 16

Industrial production increased an estimated 1.6 percent in February, reflecting a rebound in activity from the sharply curtailed output levels that resulted in part from severe January weather. Gains were generally widespread, with output of autos and trucks also rebounding in February from the very low level a month earlier. The index for February at 141.8 percent of the 1967 average was 1.0 percent below the December 1981 level and 6.6 percent below its level a year earlier. Industrial production in January is now estimated to have declined about 2.5 percent from December's level rather than the 3 percent originally estimated.

In market groupings, production of consumer goods increased 1.7 percent in February, after a decline of 2 percent in January. Autos were assembled at an annual rate of 4.1 million units, up about 14 percent from the January assembly rate. Output of durable goods for the home increased 2.8 percent; revised estimates now indicate only a slight decline in January. In February, output of consumer nondurable goods regained almost three-fifths of the 1.5 percent drop in the preceding month, a part of which apparently was weather related. Output of business equipment increased 0.5 percent after a decline of 3.4 percent in January; a further weakening occurred in the output of building and



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

Major market groupings

Grouping	1967 = 100		Percentage change from preceding month					Percentage change, Feb. 1981 to Feb. 1982
	1982		1981			1982		
	Jan.[p]	Feb.[e]	Oct.	Nov.	Dec.	Jan.	Feb.	
Total industrial production	**139.6**	**141.8**	**−1.7**	**−1.9**	**−2.1**	**−2.5**	**1.6**	**−6.6**
Products, total	142.3	144.3	−1.1	−1.3	−1.2	−2.4	1.4	−3.9
Final products	142.3	144.2	−.7	−1.1	−1.0	−2.4	1.3	−2.7
Consumer goods	138.6	140.9	−.9	−1.7	−1.8	−2.0	1.7	−4.7
Durable	118.9	123.5	−2.9	−4.8	−5.0	−3.5	3.9	−12.5
Nondurable	146.5	147.8	−.2	−.5	−.7	−1.5	.9	−1.8
Business equipment	172.4	173.3	−1.2	−.8	−.3	−3.4	.5	−2.4
Defense and space	105.5	107.7	1.5	.8	1.6	−1.4	2.1	7.2
Intermediate products	141.9	144.4	−2.1	−1.8	−1.9	−2.7	1.8	−8.4
Construction supplies	122.3	124.9	−3.2	−3.8	−2.2	−3.9	2.1	−16.1
Materials	135.6	138.1	−2.6	−2.6	−3.8	−2.5	1.8	−10.5

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

Major industry groupings

Grouping	1967 = 100		Percentage change from preceding month					Percentage change, Feb. 1981 to Feb. 1982
	1982		1981			1982		
	Jan.[p]	Feb.[e]	Oct.	Nov.	Dec.	Jan.	Feb.	
Manufacturing	137.6	140.1	−2.1	−2.0	−2.3	−2.9	1.8	−7.3
Durable	126.6	129.2	−2.2	−2.5	−2.4	−3.5	2.1	−8.2
Nondurable	153.5	155.8	−1.9	−1.5	−2.1	−2.2	1.5	−6.3
Mining	143.8	142.0	.2	−1.4	−.6	.9	−1.3	−.8
Utilities	168.8	167.4	.2	.5	−.9	.9	−.8	.6

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

mining equipment and of farm equipment, while small rebounds occurred in manufacturing, power, commercial, and transit equipment.

Production of defense and space equipment increased 2.1 percent last month, more than the drop in January, and was 7¼ percent above a year earlier. Output of construction supplies increased 2.1 percent in February, after a 3.9 percent decline the previous month. Output of materials increased 1.8 percent, recovering most of the January decline; both durable and nondurable materials rebounded 2.1 percent, and energy materials increased 0.8 percent.

In industry groupings, manufacturing output increased an estimated 1.8 percent in February; it had declined almost 3 percent the preceding month. Both durable and nondurable manufactures regained about two-thirds of their January declines. Mining output was reduced 1.3 percent in February, largely because of reduced oil and gas extraction activity. Production by utilities declined 0.8 percent.

Statements to Congress

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Ways and Means, U.S. House of Representatives, February 23, 1982.

I appreciate this opportunity to participate in your hearings on the President's economic program. The responsibilities of the Federal Reserve are, of course, limited to monetary policy, but we must necessarily recognize the broad interrelationships among monetary and other policies bearing upon national economic performance. Your committee has particular responsibility for initiating specific revenue and spending measures; in reaching your decisions, you must also take into account the implications of these decisions for the overall fiscal position of the government and for financial markets. At that point our concerns intersect, and my comments this morning will be largely directed to that area.

I have often expressed my concern about the critical need to break the inflationary momentum that had come to grip the nation in the 1970s, and I have spoken of the indispensable role that monetary policy has to play in that effort. At the same time, I have emphasized the extra difficulties that result from placing too heavy a burden on monetary policy alone in the fight on inflation—difficulties manifested in exceptionally heavy pressures on financial markets and interest rates, and therefore on credit-dependent sectors of the economy.

Current developments both reflect needed progress on the inflation front and reinforce my concern about the burdens placed on monetary policy to bring about and sustain that progress. In the best of circumstances, ending an inflation, once it has become embedded in behavior and expectations, can be painful in the short run, however necessary that effort is to our future strength and prosperity. The hard fact is that the economy is now in the grip of a second recession in as many years. Recent developments have some of the characteristics of earlier cyclical downturns. But the current recession has been superimposed on a pattern of stagnation extending over a number of years—years characterized by a rising trend of unemployment, lagging productivity, and particularly strong pressures on the older industrial sectors and regions. And even now, after months of rising unemployment, interest rates have remained painfully high, delaying recovery in some important sectors of the economy.

In broad terms, I do not think there is any great mystery as to why the economy and financial markets have behaved in this way. During the 1970s, inflation increasingly became viewed as a way of life, and in the process economic incentives were distorted and our productive energies sapped. As we lost our most important financial yardstick—a stable dollar—interest rates rose and became highly volatile. As monetary policy moved to deal more forcefully with the inflation—particularly in a context of fiscal imbalance—the strain on financial markets became more acute. But the alternative course of trying to accommodate inflation by providing excessive monetary growth would offer no lasting relief—and probably little respite even in the short run—for that approach would only feed inflationary expectations and reinforce the reluctance of lenders to commit funds for any substantial period of time.

Now we can see clear signs of progress on the inflation front. A reversal of the pattern of the inflation rate ratcheting higher in each successive economic cycle would be an event of profound importance, not least in encouraging a return to much lower and more stable interest rates. We cannot "prove" that we have yet turned that corner. Indeed, some of the progress against inflation reflects the more immediate and temporary effects of recession-weakened markets, the pressures of extraordinarily high interest rates on commodity and other sensitive prices, and recent surpluses in petroleum and grain production. But we are also seeing signs of potentially more lasting changes in attitudes of business and labor toward pricing, wage bargaining, and productivity. Not surprisingly, the effort is most clearly apparent in industries in which costs and wages have been most out of line, in which international competitive pressures are particularly intense, or in which regulatory change has encouraged greater price competition. But I believe the pattern is likely to spread, "building in" lower rates of increase in nominal wages and prices over time. And as the inflationary and cost pressures ease, the economy can resume a healthy pattern of growth, with greater job opportunities, increasing productivity, and higher real wages.

But if that bright prospect is to be achieved, we simply cannot afford now—just as the disinflationary process is beginning to take hold and beginning to be believed—to abandon our monetary vigilance. Past failures to "carry through" have left a legacy of skepticism and uncertainty among workers and businessmen, among consumers, and among participants in financial markets in which lenders demand "inflation" and "uncertainty" premiums when committing their funds. Credibility in dealing with inflation will have to be earned by performance and persistence over time. Prudent fiscal and other policies must help in achieving that credibility. But I believe it is broadly and rightly recognized that, whatever those other policies, appropriate restraint on the expansion of money and credit will continue to be fundamental to restoring price stability.

As you know, I testified two weeks ago before the House and Senate Banking Committees to report the Federal Reserve's specific intentions with respect to money and credit growth for 1982. Without repeating the details, I would like to highlight a few of the major points.

Developments during 1981 were broadly consistent with the continuing effort to reduce growth of money and credit to noninflationary levels over time. There were, to be sure, some divergent movements among the various monetary and credit aggregates that we target. Those movements are largely explicable in terms of technological and regulatory change—the introduction of negotiable order of withdrawal (NOW) accounts nationwide, the enormous growth of money market funds, and other factors affecting the preferences of the public for different types of financial assets. Specifically, growth of M1-B (adjusted for the estimated shift of funds into NOW accounts) decelerated further last year, averaging, over the year as a whole, a little more than 1 percent below the previous year—the third consecutive year of lower growth. From the fourth quarter of 1980 to the fourth quarter of 1981, growth of M1-B (adjusted) was 2.3 percent, a little more than 1 percentage point below the lower end of the target that we had indicated was desirable at midyear. The growth of the broader aggregate M2—about 9½ percent over the four-quarter period—was a bit higher than in 1980, partly reflecting the extraordinary growth in money market funds.

As you know, the money supply had a particularly sharp increase in the early weeks of 1982, after fairly large increases in November and December. Increases of that size are unusual when production and incomes are weak, and the recent rise appears to be related in considerable part to the desire of individuals to place marginally more of their assets in highly liquid form. Interest rates, after falling sharply last fall, retraced part of that decline in January and early February, partly because the rising money supply was reflected in renewed pressure on bank reserve positions. More recently, monetary growth appears to be moderating, and bond markets have rallied.

These recent movements, in my mind, emphasize again two relevant points in assessing our monetary targets and their implications. First, in a large and complex economy, short-term fluctuations in money supply data—for a month or even a quarter, and much more so from week to week—can be anticipated as consumers and businesses adjust their cash holdings. So long as the trend is appropriate, those short-term fluctuations should have no important implication for economic activity or inflation.

Second and more fundamentally, our targets are, by design, limited to amounts necessary to finance real growth in a framework of declining inflation. The stronger the inflationary momentum, and the more pressure on credit markets from other directions, the greater the risk that high interest rates will squeeze out housing, investment, and other private activity supported by borrowing.

We believe the targets for 1982 established this month (reaffirming tentative targets set last July) will be consistent with recovery in business activity over the second half of the year. Our target range for M1 of 2½ to 5½ percent is consistent with larger growth in money over the year as a whole than during 1981, and the Federal Open Market Committee has suggested that, as things now stand, growth in the upper part of the range would be acceptable. The FOMC also suggested that growth of M2 toward the upper end of its 6- to 9-percent range (the same as last year) would also be acceptable. But these ranges also imply a "tight fit," in the sense that they are predicated on the assumption and prospect of a further decline in the rate of inflation.

The fact is that consolidating and extending our progress on inflation will require continuing restraint on monetary growth, and we intend to maintain the necessary degree of restraint. That restraint, by providing assurance that inflation will continue to decline, should over time be a powerful influence in bringing down interest rates as well, particularly in the long-term area. Indeed, prospects for any lasting relaxation of interest rate pressures would be dim without the continuing monetary discipline that success against inflation requires.

For the more immediate future, interest rate prospects depend crucially on other factors as well, and I am fully aware that interest rates are vitally important to the timing, strength, and sustainability of economic recovery. The most important of those "other" factors is surely the outlook for the federal deficit, a factor that is directly within your own purview.

As you know, this year, fiscal 1982, we will have a very large federal deficit—on the order of $100 billion. To a considerable extent, that deficit is a reflection of the recession, which reduces revenues and raises outlays. In the particular circumstances of today, the current deficit, to a large degree, acts as an "automatic stabilizer" for the economy. The financing load should be manageable in a context of reduced credit demands by other sectors.

As we look ahead to 1983 and beyond, the situation is quite different, and that is the source of my concern about the budgetary situation. What is so disturbing is that the *current services* budget (taking account of the administration's defense program) shows a sharply rising deficit, even if we assume revenues are lifted and spending restrained by a rather strong recovery. All the estimates before you, by the administration, by the Congressional Budget Office, or by private forecasters, point in the same direction. In the absence of action to close the potential gap, the deficit will rise to about $150 billion or more in fiscal 1983, and to still larger amounts in later years. Looking at the same situation in another way, even if we assumed the unemployment rate would soon drop back to 6 percent or so—about the level of the best recent years—we would be faced with large and rising deficits unless strong new measures are taken to contain them.

In recognition of this outlook, the administration has, as you know, proposed substantial measures to reduce the potential deficit for fiscal 1983, and the years beyond. The emphasis is on spending reductions, but some revenue measures are also proposed. That program is estimated to reduce the projected fiscal gap $56 billion in 1983 and $84 billion in 1984. If enacted, as proposed, it would go a considerable way toward dealing with the fiscal problem.

As you consider those and other proposals, I must emphasize the threat that, unless substantial budgetary actions are undertaken, private borrowers would be squeezed out of the market, with adverse consequences for homebuilding, for business investment, and for other credit-dependent sectors. In other words, the budgetary outlook as it stands does not seem to me consistent with the expansion in private investment we seek and have sought to encourage through tax reduction and other measures.

The problem is not simply one for the future—for 1983 and 1984 and beyond. Financial markets constantly look ahead—any lender or borrower tries to anticipate and "discount" what lies ahead. Anticipations of a future "squeeze" are translated into present high interest rates, into a desire to "stay short" in lending, into a reluctance to set into motion plans to build and to invest. Moreover, the deep-seated public instinct that sustained large deficits will lead, sooner or later, to pressure to create more money to finance those deficits, or will otherwise stimulate inflation, undercuts the effort to restore stability.

I would also point out that, even with measures as large as those proposed by the administration, we would be left with historically high deficits in relation to gross national product or our probable savings potential, as the projected recovery proceeded. And those projections have little margin for misjudgment of the underlying trend in spending or revenues, in interest rates, in the inflation rate and the like—areas in which any projection has an element of uncertainty. I note, in that respect, that projections of the existing budget gap by the Congressional Budget Office run somewhat higher than those of the administration.

The potential for a continuing squeeze on financial markets could be alleviated by increases in business and personal saving. Such saving has been abysmally low in recent years. Greater price stability, positive real interest rates, and the tax measures introduced last year, all should work in the direction of greater savings. But to count on a dramatically large increase in savings to "bail" us out of the budgetary problem would be to miss the point, at best. We need larger saving to finance higher levels of business investment and housing construction; we cannot afford to have it dissipated in financing prolonged excessive budget deficits—deficits that, as matters stand, would absorb, or more than absorb, a reasonable projection of increased savings.

Given the nature of the problem before us, and the clear risks of underestimating the size of the budgetary problem, I can only conclude that the Congress should set its sights for still larger budgetary savings, keeping in mind the widening gap now projected beyond fiscal 1983.

Credible steps to assure substantially declining federal deficits as the economy expands, looking toward balance as we restore satisfactory levels of unemployment, would be enormously helpful in resolving some of the problems in our financial markets today. Indeed, such action could have a galvanizing effect in bringing about lower interest rates because concern about the budgetary prospects preoccupies the thinking of many potential investors in the market today.

In carrying the primary responsibility for originating tax legislation and for certain large spending programs, your committee has the excruciating job of translating general budgetary objectives into concrete legislation. You must make choices involving social, national security, and programmatic considerations far beyond the purview of the Federal Reserve or me. As a purely economic matter, I do believe that, in general, lower taxes—particularly lower marginal income tax rates—will permit the private economy to perform more effectively, tending to increase incentives and to reduce distortions. From that standpoint, control of spending clearly deserves priority. But to the extent that the needed job cannot be done by expenditure control alone, I see no alternative to considering new sources of revenue.

The difficult economic circumstances of today should not blind us to the fact that we have much upon which to build. We can see the tangible progress against inflation. The administration and the Congress have taken action to spur productivity, work, and savings through the tax system. The inexorable upward trend in spending has been bent lower. Regulatory reform is under way. From that perspective, what we need is not any basic change in direction, but a sense of urgency and persistence in "carrying through." That sense has clear implications for continued discipline in monetary policy. And it has direct implications for dealing with the budgetary problem that looms so large before you.

Seldom in my experience has the challenge been so clear for all to see. And seldom has there been so strong a consensus on the need to meet it with bold measures. Those facts give me confidence that you and your colleagues, working with the administration, will find the way to reconcile the competing priorities among the particulars of spending and revenue decisions in a way consistent with needed reduction in the deficit. The quicker that can be done, the brighter, in my judgment, will be the outlook for the economy. □

Chairman Volcker gave similar testimony before the Finance Committee, U.S. Senate, February 24, 1982.

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. Senate, March 2, 1982.

I appreciate this opportunity to discuss with you important economic issues that are of concern to all of us. Obviously, interrelationships among monetary, fiscal, and other policies have important bearing on our national economic performance and, especially, on the performance of our credit markets. The Federal Reserve has responsibilities only for monetary policy. This committee has an important role in shaping the broad outlines of congressional budget policy and, particularly, in focusing on longer-term budget prospects. This longer-term focus is especially important at the current juncture.

Clearly, the economy is going through troubled times. Unemployment is painfully high, particularly in older industrial regions. Interest rates are imposing severe strains on housing, small business, and agriculture, and also on thrift institutions and certain other financial institutions. These problems are in major part a legacy of high inflation and lagging growth in productivity over a number of years. The recession has also played a major role in the current budgetary deficit, which is likely to be more than double the deficit you planned about a year ago.

I believe that there are strong reasons to expect a cyclical upturn later this year. Our monetary policy targets will accommodate such an upturn. And the deficit for the current year, with its large cyclical component, should be manageable; to a considerable extent, by supporting income flows and spending during the recession, it can help stabilize the economy and induce recovery.

For future years the situation is quite different. We face the bleak prospect, as things now stand and without strong action to contain spending and to increase revenues, that budgetary deficits will rise very substantially, even assuming satisfactory economic growth. That prospect threatens the recovery we need in business investment and housing by potentially preempting a sizable fraction of our savings potential; moreover, the *future* implications for congested credit markets feed back on *present* interest rates, as lenders and borrowers "discount" what might happen in the years ahead. While it might be argued that larger growth in the money supply, now or in the future, could relieve the pressure, one result would be to renew fears of inflation, just as marked progress toward greater price stability is apparent. An inflationary increase in the money supply cannot substitute for real savings, and in time would result in higher rather than lower interest rates.

Clearly, the potential problem before us lies squarely at the point where monetary and fiscal policies intersect our respective responsibilities. For that reason, I should like, first, to review the recent and prospective course of monetary policy and then to discuss its relationship to the fiscal problem.

Monetary policy has, of course, been directed toward restraining growth in money and credit with the important objective of reducing inflationary pressures and placing the economy on a course toward price stability. The hard fact is that uprooting a deeply embedded inflationary process is difficult; it is made even more difficult to the extent that the effort is concentrated on one policy instrument. The fact that interest rates have remained painfully high in the midst of recession, restraining activity in credit-dependent sectors of the economy, is one reflection of the difficulty. But the problem extends back over a number of years. As you know, the current recession has been superimposed on a pattern of stagnation extending over a considerable period.

In broad terms I do not think there is any great mystery as to why the economy has behaved this way. Beginning in the mid-1960s, inflation increasingly became a way of life and in the process distorted economic incentives, sapped our productive energies, and caused arbitrary and capricious transfers of income and wealth. For a time, as inflation gained momentum, real interest rates were low or negative. But after inflation took hold and became embedded in behavior and expectations, anticipations by borrowers and lenders alike tended to propel interest rates higher. And as monetary policy moved to deal more forcefully with the inflation—particularly in a context of fiscal imbalance—the strain on financial markets became more acute.

The alternative course of simply accommodating inflation by providing it monetary sustenance would, however, offer no lasting relief. By feeding expectations of inflation and reinforcing the reluctance of lenders to commit funds for any but the briefest periods of time, the high level of interest rates (particularly long-term rates) would only become further embedded in the economy. The hard fact is that loss of our most important financial yardstick—a stable dollar—bred high and volatile interest rates. Restoration and maintenance of lower interest rates are ultimately dependent on greater confidence that stability can and will be restored.

Developments during 1981 seem to me broadly consistent with that effort. While particular measures of money and credit diverged, responding in large part to legislative, regulatory, and institutional change affecting the way businesses and individuals chose to hold their financial assets, the general direction was consistent with the effort to curb the monetary sources of inflation. Specifically, M1-B growth (adjusted for the estimated shift of funds into negotiable order of withdrawal accounts) decelerated further last year, averaging a little more than 1 percent lower than the previous year—the third consecutive year of such deceleration. Growth of the broader aggregate, M2, averaged a bit higher than in 1980, but that rise, at the margin, reflected extraordinary growth in money market funds and regulatory and legislative changes affecting the attractiveness of time deposits, which pulled into M2 some funds that otherwise would have been placed elsewhere.

Despite the slow growth of the narrowly defined money supply, short-term interest rates fell substantially from midyear peaks, and had a particularly sharp drop after the recession took hold. As you know, however, short-term rates retraced part of that decline late in the year and early in 1982. The money supply rose sharply in the early weeks of 1982, and as a result, bank reserve positions came under renewed pressure. A spurt in money growth is unusual in a context of weak production and income, and it appeared at least in part related to uncertainties on the part of individuals, leading them to shift a portion of their financial assets into the most liquid form. More recently, the excessive growth has appeared to be subsiding, and interest rates have turned somewhat lower. But a characteristic of the past year has been the persistently high level of intermediate- and long-term interest rates, an area of the market most heavily affected by expectations.

Those interest rates have remained high despite visible progress—and potentially lasting progress—on the inflation front. To be sure, some of the progress against inflation reflects the more immediate, and potentially reversible, effects of recession-weakened markets, current surpluses in petroleum and grain production, and reduced commodity speculation and pressures generally for inventory liquidation due to extraordinarily high interest rates. However, we can now also see encouraging signs of more lasting progress. Attitudes of business and labor toward pricing and wage bargaining, and toward work rules that hamper productivity, seem to be changing. Not surprisingly, that change is most apparent in industries in which costs and wages have been most clearly out of line and in which international competitive pressures or those resulting from regulatory change are particularly intense. But—so long as monetary and fiscal policies are appropriate—I believe these changes will be reflected in a spreading pattern of cost and price restraint. Individually, workers and businessmen are naturally reluctant to maintain such restraint, partly for fear their concessions will not be matched by those of others. But collectively, such restraint, combined with higher productivity, will be amply repaid in the form of higher real wages and better prospects for job security. This is the foundation on which we can expect to build a sustainable recovery.

If these brighter prospects are to be achieved, however, we cannot afford—just as the disinflationary process is beginning to take hold—to abandon our monetary vigilance. Past failures to "carry through" have left a legacy of skepticism and uncertainty among workers and businessmen, among consumers, and, not least, among participants in financial markets in which lenders demand "inflation" and "uncertainty" premiums when committing their funds. That is one important factor holding up longer-term interest rates. Credibility in dealing with inflation will have to be earned by performance and persistence over time. And, I believe, it is broadly and rightly recognized that appropriate restraint on the expansion of money and credit will continue to be fundamental to restoring price stability.

Our intentions with respect to money and credit growth in 1982 reported to the Congress three weeks ago seem to me consistent with that need. The monetary targets are, we believe, consistent with recovery in real business activity over the second half of the year; in fact, the target range for M1 is consistent with somewhat larger growth in that aggregate than actual growth of the adjusted measure during 1981. At the same time, the targets do assume and are designed to encourage further progress toward price stability. In that sense, they are a "tight fit."

The performance of the credit markets in 1982 and beyond, in a framework of disciplined monetary policy, will be heavily influenced by supply and demand forces other than the course of inflation and inflationary expectations. Key among these is the size of the federal deficit.

Government borrowing and private borrowing compete for a limited supply of available savings and credit. That competition is usually ameliorated in the midst of recession because private credit demands are reduced. But a more prosperous economy also implies much stronger needs for mortgage and business credit; indeed, sustained recovery of the private economy and the investment we need to support productivity are dependent on more favorable financial market conditions. Precisely those more favorable market conditions are threatened by prospects for sharply rising deficits in fiscal 1983 and the years beyond. Members of this committee are acutely aware that all of the familiar projections, by the administration, the Congressional Budget Office, and private forecasters, point to historically huge deficits, assuming that the administration's defense plans are broadly carried out and no new steps are taken to curtail nondefense spending or raise revenues. We can debate whether the estimates of the administration or the Congressional Budget Office are more accurate. But the point is that there is no disagreement that deficits would rise to $150 billion and beyond, *in a context of a steadily expanding economy,* under either set of assumptions, and deficits of those magnitudes cannot be acceptable—not if we, in fact, want to see the rise in investment and housing we want.

Projecting the federal budgetary position for several years ahead necessarily involves a range of uncertainty about spending and tax programs, the level of interest rates, and overall gross national product. Moreover, a range of possible outcomes exists with respect to our savings potential and sources of funds in the credit markets, even with the given assumptions regarding GNP. Nevertheless, some general implications of the budgetary outlook as it stands are clear enough.

In the absence of action, the projected deficits would be outside the range of peacetime experience for good business years, whether measured in absolute terms or in relation to the potential GNP and savings.

In recognition of those concerns, the administration has proposed large cuts in spending and some measures to increase revenues. Such action would go a long way toward bringing the deficits down, cutting them by one-half or so in fiscal 1984 according to administration estimates. But even with such forceful action, the size of the projected deficits would remain large, relative to savings and GNP, for a relatively prosperous business year. While a few years in the 1970s appear roughly comparable, there would seem to be little or no "safety margin" for meeting expanded investment requirements. Should the deficit trends be more adverse, as the Congressional Budget Office suggests, the potential for "crowding out" private investment would be greater.

A substantial increase in savings could help protect against the implied squeeze on financial markets. Indeed, business saving is likely to be enhanced substantially by the provisions of last year's tax bill, and personal saving should also be increased as inflation declines and in response to other incentives. But we also need to remember that the larger savings potential should not be dissipated in financing government purchases or transfer payments when our investment needs are so urgent.

The hard fact is we cannot escape a choice—whether we want to encourage more favorable financing conditions for the private sector or whether we are willing to risk seeing our savings and financial resources diverted in large measure to financing a federal deficit.

While it is the deficits for fiscal 1983, 1984, and beyond that loom so large, action is needed now for several reasons. First, as you know, the budgetary momentum cannot be curbed without planning ahead. Steps to achieve large reductions in spending or higher receipts in fiscal 1983—only six months off—need to be put in place soon, and measures of spending restraint should be undertaken during the current congressional session to be fully effective in fiscal 1984.

Second, deficits of the projected magnitude are in some degree self-reinforcing. Prolongation of high deficits and high interest rates feeds back into future debt service and budget expenditures.

Finally, and most important, uncertainties about future credit market pressures cloud the planning of investors today. Strong actions taken now to assure that deficits can and will be reduced as the economy recovers can go far toward galvanizing investor attitudes in a favorable direction. Paradoxical as it may seem in light of some past economic analysis—analysis developed when inflation and high interest rates were not a preoccupation—prospects for recovery can be speeded by decisive action by this committee and your congressional colleagues to curb future deficits, for the result would be to relieve apprehension in the market that contributes to today's high rates.

As I noted earlier, if enacted, the proposals by the administration for deficit-reducing measures totaling more than $55 billion in fiscal 1983 and approaching $85 billion in 1984 would go a long way toward ameliorating the potential problem. They represent a major challenge to the Congress, but I would urge upon you the desirability of going even further to reduce demonstrably the pattern of deficits as the economy recovers. The appropriate target, it seems to me, would be to restore the prospect of budgetary balance as a high level of economic activity is restored.

On purely economic grounds, I believe that lower taxes will enable the economy to perform more effectively and that higher marginal tax rates distort incentives and impede economic efficiency. But you must weigh many considerations, and I recognize the choices before you are extremely difficult and involve detailed considerations of social objectives and program objectives beyond the purview of the Federal Reserve. To the extent that the job cannot be accomplished by further steps to reduce growth in spending, I see no alternative but action to bring the trend of revenues into better alignment with spending prospects.

In concluding, I would emphasize that the main directives of economic policy laid out last year seem to me broadly appropriate to the challenge before us. We are making progress against inflation, and sustaining that progress is fundamental to a brighter future. Tax and other policies developed last year should contribute to a more productive, competitive economy. Some steps have been taken to slow the strong upward momentum in government spending.

At the same time, the agenda for action is clear. The Federal Reserve will maintain the needed degree of monetary discipline. We need decisive action to curtail budget deficits.

As we approach that agenda, I can only be encouraged by the degree of understanding of the nature and the urgency of the problems before us. I believe a sense exists that, difficult as it is, the Congress and the administration have an opportunity in coming weeks to seize the initiative with a strong budgetary program. We in the Federal Reserve mean to do our part in fostering confidence in financial markets. Together, the Federal Reserve and the Congress can move from challenge to conviction that the base has been laid for national recovery. □

Chairman Volcker gave similar testimony before the Committee on Appropriations, U.S. Senate, March 4, 1982.

Statement by Lyle E. Gramley, 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 3, 1982.

I appreciate the opportunity to present my views regarding the effects of financial innovations on the conduct of monetary policy.

Innovation in U.S. financial markets and practices has been proceeding at a phenomenal pace in the last decade. The innovational process is by no means completed. It is therefore appropriate and timely to examine the implications of this development for monetary policy. Let me begin, if I may, with a review of the principal forces responsible for the drastic changes we have seen in financial markets.

Our economy has suffered from a rising trend of inflation since the mid-1960s. As borrowers and lenders came to expect inflation to continue, or even to accelerate, market interest rates moved progressively upward.

Higher market rates of interest increased the penalty for holding deposits whose yields were constrained by law or regulation. The yields that depository institutions could pay were limited by prohibitions or ceilings on the payment of explicit interest and also by reserve requirements that reduced the rate of return on the investment of deposit proceeds. Moreover, the thrift institutions have been, and still are, severely limited in their capacity to pay market interest rates on deposits because they hold a substantial volume of longer-term assets acquired earlier when inflation and interest rates were lower.

As the public has become increasingly sensitive to the earnings lost by holding non-interest-bearing or low-yielding deposits, it has become more adept at economizing on cash balances and more receptive to new kinds of financial investments. The increased financial sophistication of households and businesses, moreover, has been coupled with technological advances in the computer and telecommunications industries that have reduced the transaction costs of transferring funds.

New institutions and instruments have emerged to satisfy the public's demand for high-yielding liquid assets. The most widely publicized of these are the money market mutual funds, which have grown explosively during the past several years. These investment companies offer small savers the opportunity to invest indirectly in diversified pools of very short-term, large-denomination, money market instruments such as commercial paper and negotiable certificates of deposit. While money market funds are a repository for savings, they also can serve as transaction balances, or as a very close substitute for them. Most money market funds allow the immediate withdrawal of balances by check or other convenient means.

More recently, other interest-bearing assets have attracted considerable public interest as substitutes for money. A number of brokerage firms now offer cash management accounts, which combine the features of money market funds and margin accounts. Most of these allow for withdrawal of funds by check in any denomination and by debit card. The money market fund component of the Merrill Lynch Cash Management Account has already grown to more than $13 billion. Very recently, new types of "sweep" arrangements have emerged, some designed primarily for smaller businesses and others for households. Sweep arrangements permit funds to move automatically into or out of conventional transaction balances to investment accounts paying market-related yields.

The financial innovations of recent years have affected principally the asset portfolios and the cash management practices of individuals and other small investors. They parallel developments that began many years earlier in the management of cash by nonfinancial corporations and other large investors. The problems for monetary policy posed by these innovations have thus been around for a while.

Financial innovation has, however, raised more questions in recent years about the appropriate definition of money, about the precision of the Federal Reserve's control over the money stock, and about the meaning of changes in money balances. I will touch on each of these issues in turn.

Definitions of Money

The difficulties associated with defining money are not new: the existence of money substitutes and "near-monies" has always made it hard to decide which assets should be included in a particular measure of money. Traditionally, the issue has boiled down to drawing the line somewhere along a spectrum of assets ranked according to degrees of "moneyness," starting with balances serving as a generally accepted means of payment—having few investment characteristics—and moving successively to less liquid assets offering higher returns. The difficulties of defining money have increased as new instruments have come into use that possess overlapping transaction and investment characteristics. The conventional measure of transaction balances, M1, now includes interest-bearing checkable deposits that have a significant savings component. At the same time, money market funds and cash management accounts—which are not included in M1—are also used in part for transaction purposes.

Periodic redefinitions of money are needed when financial innovation proceeds rapidly. The 1980 redefinition of the monetary aggregates was designed to bring all transaction accounts into M1. Available evidence at that time suggested that money market mutual funds were not extensively used for transaction purposes, and so they were included in M2. Last month, M2 was revised to exclude shares in money market mutual funds held by institutional investors; retail repurchase agreements, which are close substitutions for small-denomination time deposits, were brought into the definition of M2.

Further revisions in definitions of the monetary aggregates may be necessary in the near future. The staff of the Federal Reserve Board, with the help of the Investment Company Institute, is undertaking a survey to determine the extent to which money market mutual funds are used for transaction purposes. The staff will also be gathering data this year on individual retirement and Keogh accounts. These latter data may provide the basis for removing these accounts—which are of a long-term nature—from the definition of M2 or for a better understanding of changes in M2.

Controlling the Monetary Aggregates

Turning next to the issue of controlling the monetary aggregates, my judgment is that financial innovations have not, as yet, created a serious problem. The Monetary Control Act of 1980 extended reserve requirements to all depository institutions, a step that helped to strengthen the link between reserves and narrow money balances. The extent to which balances used for transaction purposes escape reserve requirements because they are held outside depository institutions is not known with precision, but it appears to be small at present. For example, the average turnover rate of shares in money market mutual funds is about two to three times per year, slightly lower than that for passbook savings deposits at banks and thrift institutions. However, the prospect of rapid growth of transaction balances not covered by reserves poses a potentially serious problem for monetary control in the future. I will return to that subject shortly.

Stability of Money Demand

In recent years, the principal monetary policy problem stemming from financial innovations has been their effect on the relationship among the money stock, nominal gross national product, and interest rates. Relative stability in this relationship is an important ingredient in a central bank's use of monetary aggregates as intermediate targets or as indicators of policy. Before 1974, it was possible to predict reasonably well the amount of M1 that the public would want to hold given the size of the economy and the level of interest rates. Since then, however, growth of M1 has been considerably slower, relative to the rise of nominal GNP, than indicated by historical relationships. More important, the period since 1974 has been characterized by a greater degree of short-run instability in money demand.

Estimates of the amount of shortfall in money growth, relative to expectations based on historical experience, differ from one money demand equation to another. But a large number of studies of the public's demand for transaction balances point to a similar conclusion: for reasons that we understand only imperfectly, money demand has grown more slowly than expected over the past seven or eight years, and it has also been rather unstable in the short run.

The relationship between the broader monetary aggregates and GNP has also changed in recent years because of financial innovations and regulatory changes. In past periods of rising market interest rates, growth of M2 tended to slow abruptly because the flow of funds was diverted from depository institutions to market securities. But the composition of M2 has changed materially since 1978; now, more than 60 percent of its nontransaction component consists of assets bearing market-related yields. This change helps to insulate the growth of M2 and its relationship to GNP from the effects of changing market interest rates. Consequently, even in the face of substantial interest rate variations, the velocity of M2 has changed relatively little over each of the last three years, in contrast to the swings that used to occur.

I do not by any means conclude that the recent instability of money demand requires a basic change in our procedures for implementing monetary policy. On the contrary, setting targets in advance for growth of money provides an important safeguard against the pitfalls that would be encountered in a policy focused largely on interest rates. As history before October 6, 1979, amply demonstrates, focusing too much attention on interest rates in the conduct of monetary policy is apt to lead to a rate of monetary expansion that produces inflation. We have made substantial progress since the fourth quarter of 1979 in reducing the expansion of money and credit, and also in reducing the rate of inflation. The methods of monetary control employed since then have contributed to those developments.

However, several implications for monetary targeting can be drawn from the experience of recent years. First, short-run movements of the money stock have even less meaning than they once did as indicators of monetary policy. What happens to money growth over longer periods is what counts. Second, monetary targets should be expressed in rather wide ranges: the present ranges of 3 percentage points are certainly not too wide. Third, we need to continue to use multiple targets, rather than to focus on any single measure of money. Indeed, somewhat greater weight may need to be given to the broader monetary aggregates in the future as a consequence of the relative instability of the demand for M1. Finally, we need to stand ready to accept growth of money outside of our target ranges—or even to modify the ranges—if changes in the public's asset preferences warrant it.

What we cannot do, and what the Federal Reserve will not do, is to abandon the basic objective of gradually slowing the growth of money and credit in the interests of reducing inflation.

It is sometimes argued that our present monetary targets should be replaced by the monetary base. I do not believe that such a step would improve monetary policy. The base is a rather arbitrary combination of the various components of the monetary aggregates. Its largest component is currency, whose magnitude has always been—and, I believe, always should be—determined by the public's demands for currency. The remaining portion of the base, reserves, is basically a weighted sum of the reservable deposit components of the monetary aggregates, with the weights determined by their respective reserve ratios. When the significance of movements in the aggregates is uncertain, so also is the significance of changes in the monetary base. Furthermore, there is little reason to think that stability in the growth of the base will produce economic stability. Annual growth in the base actually was very stable over the 1970s, with yearly growth rates never deviating more than 1¼ percentage points from their average for the decade. Nevertheless, the 1970s was a period of considerable economic instability.

Finally, targeting on a broad credit aggregate—another suggestion sometimes offered—has some intellectual appeal for me. Unfortunately, the suggestion seems impractical. The data on credit flows become available with very substantial lags and are subject to large revisions.

Legislative Remedies

Let me turn now to legislative actions that would enhance the effectiveness of monetary policy. The greatest concern at this moment is the possibility that an increasing proportion of the financial assets used for transaction purposes will, over time, be held in forms other than deposits, thus escaping Federal Reserve reserve requirements. Such a development, besides its implications for monetary control, would mean that a growing fraction of the nation's money stock would lack the protection of deposit insurance and be held at institutions beyond the scope of supervision and regulation of the traditional federal financial regulatory authorities. If such shifts in asset preferences occurred suddenly, and on a wide scale, they might be accompanied by rather marked reductions in the supply of credit to borrowers heavily dependent on depository institutions as a source of funds—borrowers such as farmers, other small businesses, consumers, and homebuyers.

I would therefore recommend that the Congress authorize the Federal Reserve to impose reserve requirements on money market fund shares and all other instruments to the extent that they serve as the functional equivalent of transaction balances, regardless of the issuer. Such legislation would keep intact the basic philosophy of the Monetary Control Act, which extended reserve requirements to transaction balances of all depository institutions. It would also provide a framework for fairer competition among financial intermediaries.

In implementing the Monetary Control Act, the Federal Reserve designated as a transaction account one that is accessible by check or debit card, or one that can be used with some frequency for third-party transfers by other means, such as by telephone. The distinction between a transaction account and other accounts payable on demand inevitably is vague at the margin, and I believe the Federal Reserve should retain sufficiently flexible authority to put forward definitions to include the many new types of plans with transaction capabilities that are likely to be developed.

My expectation would be that money market funds would react to the imposition of such reserve requirements by segregating shares that can be used for transaction purposes from other accounts. Their customers would be offered a choice among types of funds, with the "transaction balance" account offering a somewhat lower yield. During the short period in 1980 when marginal reserve requirements were imposed on money market funds, fund managements amply demonstrated the feasibility and relative ease of "cloning" their funds to accommodate changes in the regulatory environment. Such an approach would not affect the returns available to individuals holding shares in money market funds purely as a savings vehicle.

This step alone would not address fully the existing disparities of regulatory treatment among financial intermediaries. Given the prohibition of explicit interest payments on demand deposits and the ceiling rates on time and savings deposits, deposit-taking institutions are unable to compete on an equal footing with intermediaries offering new instruments. The depository institutions have long been the core of our financial system, and many of their customers have no ready alternatives for the particular types of credit such institutions extend. I do not think we can take lightly the erosion of their competitive position.

Ceilings on rates paid on time and savings deposits will be phased out under existing legislation over the next four years. I wish the process could take place faster, and that we could also remove the prohibition of interest on demand deposits. Great caution must be exercised, however, to ensure that the process of deregulation does not add unnecessarily to the burdens of thrift institutions, whose earnings are already under severe strain.

Financial innovation will no doubt continue at a rapid pace in the foreseeable future. We as regulators and legislators must ensure that the process of innovation is consistent with an effective monetary policy and equitable treatment of financial institutions. □

Statement by Theodore E. Allison, Staff Director for Federal Reserve Bank Activities, before the Subcommittee on Consumer Affairs of the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, March 10, 1982.

I am pleased to have the opportunity to present the views of the Board of Governors on policies and practices regarding delayed funds availability. Delayed funds availability is a practice used by some banks, savings and loan associations, credit unions, other depository institutions, and nondepository institutions such as money market mutual funds whereby the depositor of a check may not withdraw the funds represented by the check for some period of time to assure that funds are available in the depositor's account if the check is returned unpaid. When confronted with problems involving these policies, many depositors are understandably irritated; often they must delay other transactions, and some may even realize costs as a result.

I would like to explain briefly how the check collection system works and how it relates to delayed funds availability; to share with you what the Board has learned from its studies of delayed availability problems and practices; and to explain what, in the Board's view, would be the most productive approach in seeking solutions to the problems that exist.

The Check Collection System

The check collection system in the United States frequently involves many handlings of a check between its deposit in one depository institution and its payment by the paying depository institution. Checks deposited to accounts in the same institution at which they are to be paid account for about 51 percent of all checks written. The remaining 49 percent of the checks must be collected by sending them to any of the following:

- A correspondent bank[1]
- A Federal Reserve office[2]
- A check clearinghouse[3]
- The paying depository institution directly
- Some combination of the above (the most likely alternative).

As little as one day or as many as six or more days may be required for a check to move from the institution at which it is first deposited (the endorsing institution) to the paying institution. The actual time required depends on the number of intermediary institutions involved, the weather, distance, whether there are holidays or weekends involved, the exposure to mechanical breakdowns in transportation or sorting equipment, and potential human error. Upon receipt of the check, the paying institution deducts funds equal to the amount of the check from the balance in the maker's account if the check is properly drawn and endorsed, if funds are available, and if no stop-payment order is made. But if the check is not properly drawn or endorsed, if funds are not available, or if a stop-payment order exists, then the paying institution will send the check back to the endorsing institution (table 1). When a paying institution returns a check, it must do so by midnight of the day after it receives the check.

Article 4 of the Uniform Commercial Code, which has been adopted in all states, governs check clearing and requires the paying institution to return the check to the institution from which it received the check. Thus, if several institutions were involved sequentially in the clearing process, each institution must also handle the check as it is returned to the depositor. Although the processing of return items is the reverse of the original processing for collection, this process is much more labor intensive. The machine-readable coding at the bottom of the check allows for collection routing through the use of computer-controlled high-speed check sorters. A check being returned, however, must be processed manually because each endorsement stamp on the back of the check must be read to determine the institution to which the check should be returned. As a result, return routing might typically require twice as much time as collection routing. For example, a check requiring two days to be delivered to the paying institution might require four additional days to be returned to the institution of first deposit. Unfortunately, at the time a check is first deposited, there is no way of knowing whether it will be paid or returned unpaid.

Slightly more than 1 percent of all checks the Federal Reserve collects—about half a million checks per day— are returned unpaid (table 1). We believe that the rate of return is similar for the checks not collected through the Federal Reserve.

Correspondent institutions and the Federal Reserve grant credit for checks that they collect for depository institutions that use an availability schedule, which reflects the normal processing and transportation time involved. For example, if a Federal Reserve office normally is able to collect a check in one day, it gives one-day availability. Most commonly, the Federal Reserve provides credit within two days. However, reflecting the uncertainty regarding the payment

1. A correspondent bank is any depository institution that provides services and holds balances for other depository institutions.
2. Federal Reserve Banks process approximately 40 percent of all checks written.
3. A check clearinghouse is usually an association of depository institutions, which may serve many needs of its member institutions including the exchange or clearing of checks.

1. Reasons for returned checks
Percent

Maker	Insufficient funds	Account closed	Endorsement errors	Payment stopped	Post-dated	Uncollected funds	Other	Total
Individual	60	9	2	2	2	1	2	78
Business	12	2	2	3	0	1	1	21
Other	0	0	1	0	0	0	0	1
Total	**72**	**11**	**5**	**5**	**2**	**2**	**3**	**100**

SOURCE. Federal Reserve Bank of Philadelphia, sample of 1,119 returned items, September 1981. Findings correspond to similar study by Bank Administration Institute.

or return of a check, the credit granted is provisional, and the institution receiving the credit must be prepared to give it up immediately should the check be returned unpaid. Depository institutions' depositors must also be prepared to make restitution of any funds credited to their account should a deposited check be returned unpaid, even though a delay in availability may have been imposed.

Several alternatives exist to the use of checks that can ensure against the problems and risks associated with checks being returned unpaid. Many payments—especially those that recur regularly such as salary, dividends, and social security—can be received through automated clearinghouses, and others can be handled as wire transfers. Both of these electronic means of payment are secure against loss or theft, and entail immediate and (usually) irrevocable credit to the receiver's account. I will discuss these alternatives in more detail later.

DELAYED FUNDS AVAILABILITY

Delayed funds availability is one way that institutions may protect themselves from the risks involved in the event a check is returned unpaid by the paying institution to the institution in which it was first deposited.

Delayed funds availability is practiced by all types of depository institutions but varies widely among individual institutions. A study by federal banking agencies in 1978 found that 38 percent of the commercial banks surveyed had adopted some formal policy on delayed funds availability, often specifying widely different procedures and criteria. Some institutions rarely or never delay availability. Frequently, institutions tailor the delay by considering their own exposure to individual risk—how well known the depositor is to the bank, the amount of the check, the average time required for collection and return of unpaid checks between this institution and the paying institution, and so forth. In other cases, institutions apparently delay funds on all checks or all out-of-town checks.

Whether the delay is imposed selectively or not, delayed funds availability is often characterized as "unfair" to depositors. Institutions, however, defend the practice as a means of protecting themselves from losses associated with returned checks. As the previous description of the check collection system shows, no mechanism exists for informing an endorsing institution affirmatively that a check has been paid. One way for an institution to avoid loss in the event a check is returned unpaid is to delay the depositor's use of the funds. The longer the delay, the less risk that the check might be returned and loss incurred by the institution. Thus, in view of the check collection system in this country, selective policies and practices on delayed availability have a legitimate business basis and may contribute to the safety and soundness of depository institutions.

It is frequently charged that delayed funds availability practices are intended to generate increased revenues for depository institutions at the expense of depositors. Certain institutions may be able to enhance their revenue through the practice of imposing blanket, rather than selective, delay policies because blanket delay programs are relatively easy to implement and affect all or most checks that are deposited. However, a selective policy of delayed availability may entail considerable expense for the institution because training employees to identify the need for and length of delay is costly, and selectively imposed delays are handled as exceptions to routine procedures. Moreover, delayed availability policies are just one of a number of terms and conditions—including service levels, check fees, required balances, hours of operation, location of branches, and interest rates—that must be considered as a whole in determining the costs and benefits of the account relationship for the customer. Thus, a less selective policy, such as imposing a delay on all out-of-area checks deposited, which would seemingly be more profitable for the institution, might be used in conjunction with lower fees or lower minimum balance requirements than would otherwise be the case. In effect, a less costly, less selective policy could be part of a product preferred by customers who are more interested in low fees and low minimum balances than a short delay in using their funds.

The Federal Reserve has made an effort to keep informed of delayed availability practices and problems, both because of its role in the monitoring of consumer complaints about banking practices and because of its responsibility for the effectiveness of the payments system. For example, we have a formal procedure for receiving, tabulating, and investigating consumer complaints involving banks. In the past five years the number of complaints involving delays in the use of funds has consistently been only about 1 or 2 percent of the total number of consumer complaints (table 2).

In addition, the Board has sponsored three surveys of consumer problems with delays in use of funds deposited by check in their accounts—one in 1977 and two in 1981—all conducted by the University of Michigan's Survey Research Center. Of the 1,200 account holders queried in the two most recent surveys, 90 percent had rarely or never experienced delays over the past few years. Less than 4 percent had experienced frequent problems. The same question was asked in the 1977 survey, and indications are that a

2. Complaints of funds availability received by the Federal Reserve System, 1977–81

Year	Total complaints	Funds availability	Percent
1977	3,474	45	1
1978	3,301	46	1
1979	4,065	75	2
1980	4,568	95	2
1981	3,913	75	2

slight increase in consumer problems has occurred during the intervening period. One possible explanation for this increase may be the higher level of interest rates recently, which may have provided incentives for banks to be more cautious in making funds available and for depositors to maintain lower checking and savings account balances.

Of the 4 percent of all respondents who reported problems, the consequence of delayed funds availability for about one-fifth was having checks they had written on their accounts returned, which probably led to personal distress and possibly to the levy of a service charge as well. By contrast, four-fifths of the consumers experiencing problems said their problem involved inconvenient delays in purchasing goods, or in getting cash, or some other inconvenience. More often than not, consumers indicated that the inconvenience had not been serious.

The cause of the delayed availability problem mentioned most frequently by consumers was lack of awareness of the bank's policy—either they never were informed of the policy or they had forgotten it. Of those depositors who experienced problems, substantially more than half appear to have contacted their depository institution and believed that the institution was helpful. The 1978 bank survey found that 97 percent of the banks that had a policy of delayed funds availability also had an officer authorized to make exceptions to the policy.

In addition, the consumer surveys indicated that depositors know a variety of ways to avoid problems once they become aware of the practice and that those who have had the most problems are most likely to have changed their habits or practices to avoid further problems. For example, many said they would plan ahead, keep enough money in their account, carry more cash, or cash their checks elsewhere and then deposit the balance not needed right away. When consumers are asked what they would do if they thought they would have to wait at least four days to use their money, the most frequent response was that they would change depository institutions. Consequently, depositors who are better informed apparently can and do take steps to avoid future problems and are better equipped to bring competitive forces to bear when policies are judged unreasonable.

What Should Be Done?

The Board is sympathetic to the problems that depositors face as a result of policies of delayed availability, especially when delays appear long relative to normal check-collection time requirements and when problems result from consumers not being aware of the policies. The Board believes that two approaches warrant further attention. First, the Federal Reserve System will expand its efforts to investigate possible ways to speed up the handling of returned checks. If substantial progress can be made in this area, depository institutions that impose delayed availability could reduce the length of the delays. In this connection, the Board has also directed that a study be conducted to determine whether existing Federal Reserve services can be enhanced or new Federal Reserve services developed to achieve prompt final settlement of certain types of checks that seem to cause delayed availability problems more frequently. These might include large payments for deposit in another part of the country—such as for the purchase of a house—or periodic payments by parents to students attending school away from home.

Second, the Board believes that financial institutions should, on their own initiative, better inform their depositors of the extent and nature of the policies and practices of delayed availability that they employ. Improved consumer awareness is needed on this subject. Our surveys show that depositors who ask often get some accommodation in particular cases from an official of their institution, generally avoid problems thereafter, and are prepared to change institutions if necessary when confronted by what they consider an unreasonable policy on funds availability. In this connection, the Federal Reserve and the American Bankers Association have agreed to reinstate a joint task force on delayed availability practices to address, among other things, the issue of disclosure by banks of their funds availability policies. The recommendations developed through this joint effort will be made available to other interested parties, including other supervisory agencies and other depository institution trade associations.

The Board does not believe that adoption of a legislative or regulatory approach to this practice would be advisable. To attempt to define, through legislation or regulation, an "appropriate" maximum period of delay would be difficult or impossible, given the complexity of our nation's check collection process. Any such legislative or regulatory *maximum* could well become the industry *standard*, thus worsening the situation for the majority of customers and reducing the efficiency of the payments system. Moreover, under any legislative or regulatory approach, if the risk of loss could not be avoided by selectively delaying funds availability beyond some maximum, fees or required balances would probably be increased by depository institutions to fund anticipated or actual losses.

Meanwhile, the Board will continue to monitor carefully the complaints it receives on this issue, and it will periodically conduct further surveys through the University of Michigan.

Finally, the Board wishes to note some alternatives to receiving payments by check that depository institutions and their customers can use to avoid the need for or the effects of delayed funds availability. Recurring check payments, such as salary, dividends, social security, and so forth, can most efficiently be accomplished through the automated clearinghouse (ACH). The ACH is a form of electronic fund transfer that does not have the delays associated with check collection.

Less frequent, large dollar-value transactions, such as the transfer of the proceeds from the sale of a former residence to a depository institution in a new location, are suitable for wire transfer, a service designed to accomplish large payments in a secure, rapid, and irrevocable manner.

A depositor having a large check and wishing to use a check collection method that includes an affirmative notice of payment or nonpayment may use the "noncash collection" service, which functions in the following manner. Upon instructions from its depositor, a depository institution may send a collection letter to the paying institution, enclosing the check and specifying that funds in payment of the check are to be wired to the originating institution for deposit to its depositor's account. Funds will not be credited to the depositor's account until received. Moreover, the preparation of the letter at the sending institution and processing at the paying institution are manual processes, the cost is substantially higher than the regular check collection costs, and five to ten business days may be required for completion of the transaction. Nonetheless, this may be a desirable alternative to assure that the check will not be returned because the transaction is final once the paying institution has sent the funds. In this manner, the depositor can invest or spend the funds when received without concern that the check may be returned later.

CONCLUSION

Consumers have experienced difficulties with the funds availability policies and practices of some depository institutions, and the Board and the Reserve Banks are moving on two fronts to help find ways of improving the situation. They are undertaking a study of possible improvements in check collection procedures that would achieve faster handling of return items or faster confirmation of payment or nonpayment of checks; and they will be working with the American Bankers Association on ways that depository institutions might improve customer awareness of their policies on funds availability. The Board does not believe that delayed availability problems are sufficiently widespread that federal legislation or regulation would be desirable at this time. The Board will, of course, continue to monitor consumer problems and attitudes in this area. □

Announcements

Frederick H. Schultz: Resignation as a Member of the Board of Governors

Frederick H. Schultz has resigned as a member of the Board of Governors, effective February 11, 1982. Mr. Schultz's letter of resignation follows.

February 11, 1982

Dear Mr. President:

Although my term of office officially expired on the last day of January, the law provides that I continue to serve until my successor is sworn in. However, the high ethical standards of the Federal Reserve require that I not take part in Board meetings within 30 days of the time that I am involved in activities in the private sector. Therefore, in an abundance of caution, I am herewith submitting my resignation as a Governor and Vice Chairman of the Federal Reserve Board.

It has been a great honor to serve in this capacity. This organization creates justifiable pride in its members. You can continue to be confident of the quality of the Federal Reserve and its commitment.

Sincerely,
Frederick H. Schultz

Regulation Z: Amendment

The Federal Reserve Board has amended Regulation Z (Truth in Lending) with respect to the definition, under the Truth in Lending Simplification Act, of an "arranger" of credit, effective February 19, 1982.

The definition includes those who regularly arrange for consumer loans by another person who is not a creditor. The amendment specified that this definition excludes those (such as real estate brokers) who arrange for the financing of the sale of a residence or real property by the seller.

The Board's action was taken after consideration of some 3,000 letters of comment on a proposal that would have included certain real estate brokers as arrangers of credit in seller-financed home sales.

The Board said that ideally the matter should be resolved by action of the Congress, and that it was excluding real estate brokers at this time to give the Congress time to act. Depending upon action by the Congress, the Board will review the question early in 1983.

Supplement to OTC Stock List

The Federal Reserve Board has published a supplement to its list of over-the-counter (OTC) stocks that are subject to its margin regulations, effective March 1, 1982. The supplement to the list issued October 5, 1981, makes the following changes: 173 stocks have been included for the first time; 17 stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing; and 54 stocks have been removed for reasons such as being listed on a national securities exchange or the companies being acquired by another firm.

The supplement is available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Money Stock Revision

On February 5, 1982, the Board published revised money stock data incorporating annual seasonal adjustment and benchmark changes, as well as minor compositional changes.

Seasonal adjustment factors were updated using data for 1981, and in accordance with a recommendation of the Committee of Experts on Seasonal Adjustment Techniques, an X-11–ARIMA method was used to compute seasonal factors for 1982. Updated monthly seasonal factors for 1981 and 1982 and weekly factors for late 1981 and 1982 are shown in tables 1 and 2.

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

Month	Currency	Nonbank traveler's checks	Demand deposits plus OCD[1]	Demand[1] deposits	Commercial banks			Thrift institutions		
					Savings deposits	Small time deposits	Large time deposits	Savings deposits	Small time deposits	Large time deposits
1981										
January	.9941	.9467	1.0179	1.0182	.9981	1.0030	1.0191	.9906	1.0079	1.0005
February	.9874	.9515	.9736	.9742	.9905	1.0104	1.0212	.9869	1.0099	1.0078
March	.9908	.9528	.9782	.9792	.9865	1.0109	1.0194	.9888	1.0102	.9951
April	.9935	.9494	1.0129	1.0136	.9938	1.0038	1.0053	.9934	1.0098	.9852
May	.9984	.9624	.9810	.9810	.9914	1.0031	.9954	.9899	1.0001	.9997
June	1.0000	1.0351	.9970	.9971	.9939	1.0032	.9842	.9961	.9998	.9960
July	1.0070	1.1111	1.0044	1.0039	1.0092	.9962	.9732	1.0137	.9932	1.0005
August	1.0048	1.1137	.9930	.9920	1.0120	.9917	.9788	1.0112	.9878	1.0036
September	.9975	1.0599	1.0005	.9995	1.0094	.9914	.9857	1.0179	.9906	1.0068
October	.9990	1.0078	1.0052	1.0042	1.0128	.9970	.9889	1.0127	.9978	1.0067
November	1.0092	.9609	1.0078	1.0077	1.0031	.9931	1.0052	1.0041	.9952	.9993
December	1.0183	.9442	1.0284	1.0292	1.0015	.9958	1.0214	.9955	.9969	.9968
1982										
January	.9952	.9477	1.0177	1.0180	.9982	1.0031	1.0194	.9906	1.0081	1.0027
February	.9873	.9529	.9738	.9744	.9902	1.0108	1.0223	.9868	1.0103	1.0100
March	.9898	.9537	.9787	.9794	.9851	1.0115	1.0200	.9882	1.0108	.9964
April	.9945	.9497	1.0126	1.0134	.9931	1.0038	1.0063	.9931	1.0101	.9851
May	.9983	.9630	.9812	.9812	.9908	1.0029	.9951	.9895	1.0002	.9993
June	.9990	1.0377	.9970	.9972	.9931	1.0030	.9847	.9956	1.0003	.9946
July	1.0072	1.1118	1.0042	1.0037	1.0098	.9959	.9731	1.0144	.9924	.9988
August	1.0039	1.1118	.9931	.9923	1.0126	.9913	.9784	1.0115	.9870	1.0020
September	.9974	1.0643	1.0002	.9993	1.0098	.9911	.9856	1.0183	.9904	1.0056
October	.9999	1.0121	1.0052	1.0041	1.0126	.9971	.9890	1.0124	.9980	1.0070
November	1.0081	.9595	1.0079	1.0078	1.0032	.9934	1.0043	1.0043	.9952	1.0003
December	1.0192	.9451	1.0282	1.0290	1.0020	.9959	1.0211	.9953	.9970	.9987

1. In constructing M1 the seasonal factors for "demand deposits plus other checkable deposits" are used to derive the sum of demand deposits and other checkable deposits, seasonally adjusted. The demand deposit component seasonally adjusted is constructed using the demand deposit seasonal factors. Other checkable deposits (OCD) seasonally adjusted, is derived as the difference between these two series.

Several benchmark revisions were made.

- Commercial bank deposits data were benchmarked to the March, June, and September 1981 call reports.
- A consolidation adjustment has been made to remove at the M1 level the portion of thrift institutions' holdings of vault cash that is estimated to be used for servicing their other checkable deposit liabilities; this adjustment lowers the currency component of the money stock that previously included all vault cash at thrift institutions. The remainder of thrift institution vault cash has been removed at the M2 level.
- Cash items in the process of collection (CIPC) of thrift institutions have been netted against transaction deposits at the M1 level. Owing to unavailability of data, CIPC of thrift institutions previously had not been deducted from measures of the money stock.
- Daily deposits data for savings and time deposits at thrift institutions—reported since November 1980 as a consequence of the Monetary Control Act of 1980—have been incorporated, making these components for thrifts comparable to those of commercial banks in terms of frequency of data and definition (daily deposits data include balances in escrow accounts and certain primary obligations). Historical data on savings and small time deposits at thrift institutions before November 1980 have been revised to be consistent with the broader daily deposits report definition.

In the revised measures, retail repurchase agreements (RPs) at all depository institutions—issued in denominations of less than $100,000—appear in the small-denomination time deposit component of M2; in the old measures, retail RPs entered at the M3 level as a component of term RPs. Institution-only money market mutual funds—which do not offer accounts to individuals—are removed from the money market mutual fund component of M2 and enter the money stock at the M3 level, along with large-denomination time deposits and large-denomination term RPs.

A more detailed description of these revisions and revised historical data are available on request from the Banking Section, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2. Seasonal factors for currency and deposit components of M1 and commercial bank deposit components of broader aggregates, weekly

Week		Currency	Demand deposits plus OCD[1]	Demand deposits[1]	Commercial banks: Savings deposits	Commercial banks: Small time deposits	Commercial banks: Large time deposits
1981							
October	7	1.0050	1.0200	1.0180	1.0177	.9951	.9958
	14	1.0060	1.0170	1.0150	1.0159	.9984	.9925
	21	.9970	1.0040	1.0010	1.0128	.9983	9873
	28	.9890	.9790	.9770	1.0082	.9965	.9890
November	4	.9990	1.0110	1.0110	1.0050	.9954	.9917
	11	1.0150	1.0140	1.0120	1.0042	.9933	.9980
	18	1.0090	1.0140	1.0140	1.0024	.9923	1.0032
	25	1.0070	.9890	.9870	1.0025	.9928	1.0135
December	2	1.0080	1.0150	1.0170	1.0031	.9930	1.0159
	9	1.0210	1.0250	1.0230	1.0069	.9946	1.0118
	16	1.0170	1.0280	1.0300	1.0043	.9951	1.0158
	23	1.0240	1.0280	1.0290	.9988	.9961	1.0256
	30	1.0170	1.0270	1.0310	.9972	.9982	1.0333
1982							
January	6	1.0110	1.0760	1.0720	1.0021	.9999	1.0186
	13	1.0030	1.0370	1.0370	1.0024	1.0015	1.0180
	20	.9930	1.0150	1.0180	.9987	1.0033	1.0163
	27	.9810	.9740	.9730	.9936	1.0049	1.0206
February	3	.9820	.9820	.9860	.9905	1.0073	1.0225
	10	.9950	.9820	.9830	.9910	1.0100	1.0214
	17	.9910	.9790	.9810	.9916	1.0102	1.0183
	24	.9820	.9570	.9570	.9894	1.0104	1.0214
March	3	.9840	.9740	.9740	.9857	1.0105	1.0227
	10	1.0000	.9850	.9840	9846	1.0121	1.0197
	17	.9940	.9840	.9880	.9841	1.0126	1.0192
	24	.9880	.9710	.9710	.9856	1.0109	1.0189
	31	.9820	.9750	.9780	.9908	1.0084	1 0168
April	7	1.0000	1.0170	1.0160	1.0011	1.0047	1.0107
	14	1.0050	1.0260	1.0280	.9991	1.0041	1.0069
	21	.9930	1.0210	1.0230	.9902	1.0040	1.0015
	28	.9820	.9940	.9930	.9870	1.0035	1.0032
May	5	.9970	.9930	.9990	.9892	1.0025	.9924
	12	1.0060	.9840	.9840	.9914	1.0025	.9946
	19	.9980	.9820	.9820	.9921	1.0028	.9960
	26	.9910	.9640	.9630	.9909	1.0032	.9980
June	2	.9960	.9860	.9860	.9907	1 0045	.9953
	9	1.0090	1.0000	.9990	.9934	1 0056	.9889
	16	1.0020	1.0090	1.0090	.9934	1.0043	.9832
	23	.9970	.9920	.9920	.9932	1.0022	.9780
	30	.9910	.9890	.9900	.9971	.9993	.9821
July	7	1.0190	1.0250	1.0190	1.0067	.9984	.9758
	14	1.0130	1.0150	1.0180	1.0098	.9972	.9703
	21	1.0050	1.0030	1.0010	1.0100	.9958	.9716
	28	.9960	.9780	.9780	1.0089	.9943	.9738
August	4	1.0030	1.0000	1.0010	1.0112	.9918	.9738
	11	1.0150	1.0060	1.0060	1.0136	.9921	.9767
	18	1.0080	.9960	.9940	1.0129	.9915	.9786
	25	.9980	.9770	.9760	1.0115	.9909	.9803
September	1	.9900	.9900	.9870	1.0096	.9935	.9845
	8	1.0130	1.0040	1.0000	1.0103	.9912	.9862
	15	1.0010	1.0200	1.0190	1.0098	.9911	.9809
	22	.9940	.9970	.9960	1.0069	.9912	.9846
	29	.9840	.9770	.9770	1.0083	.9905	.9922
October	6	1.0050	1.0220	1.0160	1.0165	.9945	.9869
	13	1.0070	1.0150	1.0140	1.0166	.9980	.9913
	20	.9990	1.0060	1.0020	1.0135	.9985	.9879
	27	.9900	.9810	.9800	1.0091	.9969	.9884
November	3	.9970	1.0060	1.0120	1.0057	.9956	.9913
	10	1.0150	1.0150	1.0130	1.0041	.9936	.9969
	17	1.0090	1.0160	1.0150	1.0027	.9924	1.0025
	24	1.0070	.9940	.9900	1.0024	.9927	1.0121
December	1	1.0050	1.0050	1.0110	1.0028	.9928	1.0158
	8	1.0210	1.0240	1.0220	1.0067	.9946	1.0117
	15	1.0180	1.0270	1.0290	1.0049	.9951	1.0147
	22	1.0220	1.0300	1.0310	.9998	.9960	1.0236
	29	1.0200	1.0200	1.0250	.9975	.9980	1.0319

1. In constructing M1 the seasonal factors for demand deposits plus other checkable deposits are used to derive the sum of demand deposits and other checkable deposits seasonally adjusted. The demand deposit component seasonally adjusted is constructed using the demand deposit seasonal factors. Other checkable deposits (OCD), seasonally adjusted, is derived as the difference between these two series.

PROPOSED ACTIONS

The Federal Reserve Board has proposed a policy statement to provide guidance on certain types of competitive situations in which the Board, or a Federal Reserve Bank, would subject applications for approval of bank acquisitions, mergers, or consolidations to intensive scrutiny. The Board requested comment by April 9, 1982.

The Federal Reserve Board has also issued for comment a regulatory framework that could be used to establish margin requirements on futures contracts based on stock indexes. Comments should be received by April 30, 1982.

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, 1982:

Florida

Miami .... Bayshore Bank of Florida
Tampa .... Great American Bank of Tampa

Oregon

Lincoln City .... Pacific State Bank

Texas

Dallas .... Texas Independent Bank

Virginia

Louisa .... Bank of Louisa
Vienna .... Commercial Bank of Tysons Corner

Legal Developments

AMENDMENT TO REGULATION Z

The Board of Governors of the Federal Reserve System has amended its Regulation Z-Truth in Lending (12 CFR Part 226 to change the definition of "arranger of credit" to state that it does not include anyone who arranges for seller financing of a dwelling. However, in light of the possibility of Congress' addressing the question of whether arrangers of credit should have the responsibility for providing Truth in Lending disclosures, the Board has decided not to adopt the amendment as proposed previously.

Effective February 19, 1982, the Board revises § 226.2(a)(3) of revised Regulation Z (46 FR 20848), by adding a sentence at the end, so that it will read as follows:

Section 226.2—Definitions and Rules of Construction

(a) *Definitions.* * * *

(3) "Arranger of credit" means a person who regularly arranges for the extension of consumer credit[2] by another person if:

(i) A finance charge may be imposed for that credit, or the credit is payable by written agreement in more than four installments (not including a downpayment); and

(ii) The person extending the credit is not a creditor.

The term does not include a person (such as a real estate broker) when arranging seller financing of a dwelling or real property.

* * * * *

AMENDMENT TO RULES REGARDING DELEGATION OF AUTHORITY

The Board of Governors of the Federal Reserve System has amended its "Rules Regarding Delegation of Authority" in order to delegate to the Director of its Division of Consumer and Community Affairs, the authority to issue examination or inspection manuals, report, agreements, and examination forms, guidelines, instructions or other similar materials, in consultation with the Board's Legal Division where appropriate, for use in connection with several laws and regulations that are part of the Board's Consumer Affairs and Civil Rights Compliance Program.

Effective January 28, 1982, the Board amends 12 CFR 265.2 by amending paragraph (h)(1) by revising (h)(1) introductory text, (h)(1)(i) and (h)(1)(ii) and adding (h)(1)(v) through (h)(1)(vii), effective immediately to read as follows:

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

* * * * *

(h) * * *

(1) Pursuant to the provisions of section 11(a) of the Federal Reserve Act (12 U.S.C. 248(a)), sections 108(b), 621(c), 704(b), 814(c) and 917(b) of the Consumer Credit Protection Act (15 U.S.C. 1607(b), 1681s(c), 1691c(b), 1692l(c), and 1693o(b), section 305(c) of the Home Mortgage Disclosure Act (12 U.S.C. 2804(c)), section 18(f)(3) of the Federal Trade Commission Act (15 U.S.C. 57a(f)(3), section 808(c) of the Civil Rights Act of 1968 (42 U.S.C. 3608(c)), and section 5(c) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844(c)), to issue examination or inspection manuals, report, agreement, and examination forms, guidelines, instructions or other similar materials, in consultation with the Board's Legal Division where appropriate, for use in connection with:

(i) Sections 1 through 921 (excluding sections 201 through 500) of the Consumer Credit Protection Act (15 U.S.C. 1601–1693r).

(ii) Sections 301 through 312 of the Home Mortgage Disclosure Act (12 U.S.C. 2801–2811).

(iii) * * *

(iv) * * *

(v) Section 1364 of the National Flood Insurance Act of 1968 (42 U.S.C. 4101 (a)) and Sections 105(b) and 202(b) of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a(b) and 4106(b)).

(vi) Section 19(j) of the Federal Reserve Act (12 U.S.C. 371b).

2. [Footnote unchanged]

(vii) Sections 801–806 of the Community Reinvestment Act (12 U.S.C. 2901–2905).

* * * * *

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

Orders Under Section 3 of Bank Holding Company Act

Barnett Banks of Florida, Inc., Jacksonville, Florida

Order Approving Acquisition of Bank Holding Company

Barnett Banks of Florida, Inc., Jacksonville, Florida, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 3 of the Act (12 U.S.C. § 1842) to directly acquire 100 percent of the voting shares of First Marine Banks, Inc. ("First Marine"), and to indirectly acquire at least 98 percent of the voting shares of its subsidiary bank, First Marine Bank and Trust of the Palm Beaches ("Bank"), both of Riviera Beach, Florida, and subsequently to merge with First Marine.

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

Applicant, the 2nd largest banking organization in Florida, controls 24 subsidiary banks with aggregate deposits of about \$3.7 billion, representing 9.5 percent of the total deposits in commercial banks in the state.[1] Acquisition of First Marine, the 17th largest banking organization in Florida, controlling one bank with deposits of \$376.2 million, would increase Applicant's share of commercial bank deposits in Florida by 1.0 percent but would not alter its statewide ranking.

The banking subsidiaries of Applicant and First Marine, with the exception of the banking subsidiaries in the Eastern Palm Beach banking market,[2] do not compete directly with each other in any banking market. Bank is the largest of 24 banking organizations competing in the Eastern Palm Beach banking market, controlling 15.6 percent of the deposits in the market. Applicant is the 4th largest banking organization in the relevant market, controlling \$179.1 million in deposits, representing 7.4 percent of the total deposits in commercial banks in the market. Acquisition of First Marine by Applicant would significantly increase Applicant's share of market deposits, to 23.0 percent, causing Applicant to become the largest banking organization in the market.

As a means of reducing the anticompetitive effects of its proposed acquisition upon existing competition in the Eastern Palm Beach market, Applicant has committed to divest 9 of Bank's 17 offices located in the banking markets as soon as possible within nine months of the Board's approval of the application. To document its commmitment, Applicant has submitted a detailed outline of the manner in which it intends to acquire First Marine and subsequently divest 9 of its offices (40 percent of First Marine's assets).[3] Upon completion of the proposed divestiture, Applicant's market share would drop to 17.0 percent of the deposits in the banking market. The resulting four-firm concentration ratio would be 46 percent and the market would remain relatively unconcentrated with 23 banking organizations represented. In addition, the competitive effects of consummation of this proposal would be further mitigated by the substantial presence of thrift institutions within the relevant banking market.

The Board wishes to emphasize that a divestiture, such as the one proposed by Applicant, should be completed prior to or concurrent with consummation of the proposal so as to avoid the existence of significant anticompetitive effects for even a short period of time. The Board expects that future bank holding company applicants will make every effort to arrange their proposals to comply with this policy. However, the Board recognizes that special circumstances exist in this case that justify an exception to this policy. In particular, the Board notes that Applicant has submitted a detailed outline of its divestiture plan and has signed an agreement with a potential purchaser of the banking offices to be divested. In addition, and of greater importance, is that the facts of record indicate that, in this case, Board approval is a prerequisite to further regulatory approvals. Thus, additional time is necessary to accomplish the divestiture and additional time is required to obtain these approvals. Therefore,

1. All deposit data are as of June 30, 1980.

2. The Eastern Palm Beach banking market includes the developed coastal area of Palm Beach County between Broward and Martin Counties, but excludes the Belle Glade-Pahokee area in the western part of Palm Beach County, Florida.

3. On November 3, 1981, Applicant and Pan American Banks Inc., Miami, Florida ("Pan American"), signed a stock purchase and sale agreement concerning Pan American's proposed purchase of the 9 offices of Bank. Pan American is the 14th largest banking organization in the relevant market and controls 2.0 percent of deposits.

in light of these considerations, as well as the fact that Applicant has committed to divest the nine banking offices as soon as possible within nine months of the Board's approval, the Board concludes that the application should be approved on the condition that Applicant divest the nine branches of Bank within nine months of the Board's approval of the acquisition of First Marine. Based upon this condition, the Board's judgment is that consummation of the acquisition and divestiture plan would not have any significantly adverse effects upon existing or potential competition, or on the concentration of resources in any relevant market.

The financial and managerial resources and future prospects of Applicant, First Marine, and their subsidiary banks are regarded as generally satisfactory and their future prospects appear favorable. Accordingly, banking factors are consistent with, but lend no weight toward, approval of the proposal.

Applicant intends to make the following services available to Bank's customers: a centralized securities portfolio management that permits Applicant's banking subsidiaries to maintain well-balanced bond portfolios suitable to their individual needs; the fiduciary management and portfolio expertise of Barnett Bank Trust Company, N.A.; access by Bank's existing customers to Applicant's statewide system of automated teller machines; Applicant's "umbrella" advertising program and its expertise in the marketing of banking products for business and customers; Bank's access to Applicant's experienced banking officers; the substantial efficiencies resulting from the standarization of forms and procedures relating to compliance with the federal and state laws and regulations governing banking; regular auditing by Applicant's staff of internal auditors; Applicant's loan review team; availability of the expertise of Applicant's international banking department and its corporate cash management services designed to assist businesses in making the most advantageous use of their liquid assets. While it appears that these banking services are already available in the market through Applicant's subsidiaries, making these services more widely available throughout the market would lend slight weight toward approval of this application and outweigh any anticompetitive effects associated with this proposal.

Accordingly, on the basis of the record, the application is approved subject to the condition that the proposed divestiture plan be completed as soon as possible within nine months of the Board's approval of the proposal. The transaction shall not be made before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective data of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Atlanta, under delegated authority.

By order of the Board of Governors, effective February 17, 1982.

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

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

Concurring Statement of Governor Teeters

The Board's action approving this application based upon Applicant's divestiture commitment implicitly permits an anticompetitive situation to persist for at least nine months following the Board's approval of the proposal. This result concerns me, and in order to avoid this consequence, I believe that such divestitures should be timed to occur prior to or concurrent with consummation of an applicant's proposal.

In this instance, I concur in the judgment of the Board that this application be conditionally approved. However, I believe this action represents an exception to the policy stated by the Board today, prohibiting horizontal acquisitions that result, even for a short period, in significant anticompetitive effects in a banking market.

February 17, 1982

Statement by the Board of Governors of the Federal Reserve System Regarding the Application of Mercantile Texas Corporation

By Order dated December 21, 1981, the Board approved the application of Mercantile Texas Corporation, Dallas, Texas ("Mercantile"), a bank holding company within the meaning of the Bank Holding Company Act to acquire by merger under section 3(a)(5) of the act (12 U.S.C. § 1842(a)(5)), PanNational Group Inc., El Paso, Texas ("PanNational"),[1] a registered bank holding company.

Mercantile, the fifth largest banking organization in Texas, controls nine banks with aggregate deposits of about $3.8 billion, representing 4.2 percent of total commercial bank deposits in the state.[2] PanNational is

1. PanNational has two nonbanking subsidiaries engaged in activities permissible under sections 225.4(a)(6) and (8) of the Board's Regulation Y. Because Mercantile plans to convert these subsidiaries into an operating subsidiary of a national bank and a bank service corporation, respectively, applications pursuant to section 4(c)(8) of the act are not necessary in this case.

2. All banking data are as of December 31, 1980, and reflect bank holding company formations and acquisitions approved as of November 30, 1981.

the fourteenth largest banking organization in Texas, and controls six banks with aggregate deposits of about $711.7 million, representing 0.8 percent of commercial bank deposits in the state.

PanNational is the second largest banking organization in the El Paso banking market,[3] and controls five banks in that market with deposits representing 29.8 percent of market commercial bank deposits. PanNational also controls the second largest banking organization in the Waco banking market,[4] through its control of deposits representing 26.7 percent of the deposits in the market. None of Mercantile's subsidiary banks has an office in either of these banking markets. Both the El Paso and Waco banking markets are concentrated, with the four largest banking organizations in each market controlling, respectively, 82.7 and 70.8 percent of total market commercial bank deposits.

The Board originally denied Mercantile's application by Order dated April 15, 1980,[5] on the ground that consummation of Mercantile's proposal would have substantially adverse effects on probable future competition in the relevant banking markets that were not clearly outweighed by considerations relating to the convenience and needs of the communities to be served. The Board also expressed its concern over the possibility that continued approval of acquisition or merger proposals involving large statewide holding companies and relatively sizable banking organizations might perpetuate the size disparity between statewide and regional banking organizations, and result in an increase in concentration ratios.

Mercantile petitioned the United States Circuit Court of Appeals for the Fifth Circuit for review of the Board's Order. On February 25, 1981, the Court vacated[6] the Board's Order and on July 10, 1981, formally remanded Mercantile's petition to the Board for reconsideration and additional findings of fact with regard to the applicability of probable future competition analysis to the circumstances involved. Specifically, the Court directed the Board to address questions of fact related to the number of other potential entrants into the El Paso and Waco markets, the likelihood that Mercantile would enter either market independently if this and comparable applications were denied, and the deconcentrating or other procompetitive effects associated with such independent entry. The Court's analysis requires the Board to make findings of fact with respect to each of four issues[7] if the Board is to deny a particular application on the basis of the probable future competition doctrine.

The Board has made a thorough investigation of the Mercantile application. On the basis of the record a majority of the Board has concluded that there is insufficient ground for making the factual findings that would justify denial under the evidentiary standards established in the Court's *Mercantile* decision. Therefore, the majority cannot conclude that there would be a substantially adverse competitive effect were Mercantile to enter the El Paso or Waco markets by the means proposed in its application. However, the Board wishes to note that in arriving at its final determination in this case it reserves judgment as to the appropriateness of applying the Court's analysis in all circumstances.

The financial and managerial resources and future prospects of Mercantile and PanNational and their respective subsidiaries are considered satisfactory and consistent with approval. While some new or expanded services may result from approval of this acquisition, including the offering of automated teller machine services to PanNational's customers, there is no evidence in the record indicating that the banking needs of the communities to be served are not being met. Considerations relating to the convenience and needs of the communities to be served are consistent with approval.

On the basis of the above, the Board concludes that the facts of record pertaining to this proposal do not provide a sufficient basis for making findings such as those listed by the Circuit Court of Appeals for the Fifth Circuit.[8] On reconsideration of all the facts of record, the Board's judgment is that approval of this application would not be contrary to the public interest and that the application should be approved.

Board of Governors of the Federal Reserve System, February 1, 1982.

(Signed) WILLIAM W. WILES,
[SEAL] *Secretary of the Board.*

3. The El Paso banking market is approximated by the El Paso SMSA, which is represented by El Paso County, Texas.

4. The Waco banking market is approximated by the Waco SMSA, which is represented by McClennan County, Texas.

5. *Mercantile Texas Corporation*, 66 FEDERAL RESERVE BULLETIN 423 (1980).

6. *Mercantile Texas Corp.* v. *Board of Governors*, 638 F.2d 1255 (5th Cir. 1981).

7. In addition to the three areas of inquiry described above, the Court also required the Board to consider the degree of concentration in the relevant banking markets if the Board is to deny a proposal on the basis of the probable future competition doctrine. The Court did not require the Board to make a finding on this issue on remand in this case because the opinion indicates the Board has made an adequate finding with respect to the degree of concentration in El Paso and Waco.

8. The Court held that the Board may not deny a proposed merger of bank holding companies without finding a violation of "the antitrust standards explicitly incorporated into" the act. 638 F.2d at 1263. However, the Board continues to be of the view that the last sentence of section 3(c) of the act, which requires that "[i]n every case the Board shall take into consideration . . . the convenience and needs of the community to be served," authorizes the Board to consider all competitive aspects of an acquisition or merger proposal.

Dissenting Statement of Governor Teeters

The majority of the Board has determined that the facts in this case, under the standards enunciated by the United States Circuit Court of Appeals for the Fifth Circuit, are insufficient to support a denial of the application. If the facts in *this* case are insufficient to support denial, then the possibility of developing a sufficient case for denial of future applicants is severely limited. The standards set by the Court require evidence that is so subjective that the Board will have great difficulty in enforcing them.

Probable future competition analysis has been burdened with standards that are unrealistic and not susceptible to objective determination. Four standards are established:

(1) The target market is concentrated and noncompetitive;

(2) There are a limited number of potential entrants into the market;

(3) There is a reasonable probability that the applicant would enter the market on a de novo or foothold basis if the proposed merger or acquisition is denied; and

(4) Such de novo or foothold entry would result in deconcentration of the market or in other significant procompetitive effects.

Whether the first standard is met can be determined objectively with relative ease. But the other three present difficulties. In the case of the second, for example, the number of potential entrants into a particular market depends most prominently on the intent of those entrants. Adequately and reliably measuring the intent of a business organization is extremely difficult. Moreover, changes in policy or goals can alter such "intent" in a very short period.

In the case of the third standard, applicants can readily argue that they would never enter a market on an independent basis, whether or not they intend to do so; and they can ensure that their records give no indication to the contrary. Thus attempts by the Board to meet this standard could often result in a mere contest of credibility between the Board and the applicant.

Finally, in applying the Court's fourth standard, regarding market deconcentration or other procompetitive effects, I believe insufficient account has been taken of the significant differences in competitive effects in a banking market between a large outside holding company opening a small branch and that same company acquiring a large bank, or the largest bank, in the market.

I do not believe that the Board has given sufficient attention to ways of administering these standards that would make their application more realistic and less cumbersome. It is evident to me that the facts of record in this case, when viewed realistically, support a finding that the acquisition will substantially lessen competition on the basis of the probable future competition doctrine, and warrant denial of this application. Indeed, as mentioned above, if the majority cannot find material in the evidence of record for this application adequate to make the findings required by the Court, I doubt that such material could be found for many future applications.

Furthermore, I believe that the precedential impact of this action may serve to greatly reduce the role of probable future competition analysis as a tool in monitoring the development of banking markets. Such analysis can be an important tool in shaping the Board's regulatory policy. For many years market-extension acquisitions and mergers have been the predominant force in consolidating the banking industry. Probable future competition analysis is the primary regulatory tool that is suitable for dealing with this phenomenon. The majority's interpretation of the standards expressed in the Court's opinion blunts this tool.

I recognize that the banking industry in the United States is undergoing significant change. These changes, however, do not render competitive analysis meaningless in terms of distinct banking markets. A bank charter continues to convey a degree of monopoly power with respect to particular banking product markets. Moreover, state boundaries cannot be ignored as long as the McFadden Act and the Douglas Amendment to the Bank Holding Company Act continue to restrict interstate competition. I believe that many local banking markets deserve the protection afforded them by the competitive standards enunciated in the Bank Holding Company Act. In my opinion, with respect to market-extension mergers and acquisitions, the majority demonstrates insufficient concern for these standards.

February 1, 1982

Dissenting Statement of Governor Rice

I share some of the concerns expressed in the Dissenting Statement of Governor Teeters with respect to the application of Mercantile Texas Corporation, although I am not prepared at this time to conclude with Governor Teeters, that the evidence required by the Court's standards would always be so subjective that the Board will have great difficulty in enforcing those standards. Indeed, I believe the evidence of record in this case is adequate to support a denial of this application, even taking into account the Court's criteria. In my view, the Court has deliberately left a considerable margin of discretion for the application of the Board's expertise and judgment. In light of the substantial degree of latitude afforded by the Court's opinion, I believe a denial of this application would be supportable under the Court's standards.

I consider it necessary, in view of my position on this case, to indicate the reasons underlying my participation in the majority Statement regarding the application of Republic of Texas Corporation to acquire The Citizens National Bank of Waco, which is also being issued today. In my opinion, there are significant distinctions between the factual situations surrounding the two applications. The Waco banking market is less concentrated than the El Paso banking market. The most recent available statistics indicate that the four-firm concentration ratio in El Paso is 82.7 percent while the corresponding figure for Waco is 70.8 percent. The number of additional potential entrants into the Waco market is also likely to be somewhat greater than that for the El Paso market, in view of the relatively attractive geographic location of the Waco market and the number of major banking organizations already represented in El Paso. Thus, although the facts of record warrant denial of Mercantile Texas Corporation's application, I believe such a conclusion is less warranted with respect to Republic of Texas Corporation's application. I accordingly dissent from the majority view in the one case and join it in the other.

February 1, 1982

Provident National Corporation, Philadelphia, Pennsylvania

Order Approving Acquisition of Bank

Provident National Corporation, Philadelphia, Pennsylvania, a bank holding company within the meaning of the Bank Holding Company Act, has applied for approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire Provident of Delaware Bank, Wilmington, Delaware, a proposed new bank.

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

Applicant, controlling one banking subsidiary with aggregate deposits of approximately $2.14 billion, has applied to acquire Bank, which will be located in Delaware.[1] Section 3(d) of the Bank Holding Company Act (12 U.S.C. § 1842(d)) prohibits the Board from approving any application by a bank holding company to acquire any bank located outside the state in which the operations of the bank holding company's banking subsidiaries are principally conducted unless such acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication." On February 18, 1981, Delaware amended its banking laws to permit an out-of-state bank holding company to acquire a single de novo bank that, among other things, will be "operated in a manner and at a location that is not likely to attract customers from the general public in [Delaware] to the substantial detriment of existing banking institutions located in this state."[2]

The State Bank Commissioner of Delaware, after a hearing on the matter, approved the application of Applicant to acquire Bank and found that the acquisition meets the statutory requirements for approval under Delaware law. In reviewing the application, the Secretary of the Board has determined that the proposed acquisition conforms to Delaware law and has determined that, as provided in section 3(d) of the act, the statute laws of Delaware specifically authorize the acquisition of a bank chartered in Delaware by an out-of-state bank holding company. In connection with the application, the Secretary of the Board has taken into consideration the competitive effects of the proposed transaction, the financial and managerial resources and future prospects of the company and the banks concerned, and the convenience and needs of the community to be served. After consideration of the record of this application in light of the factors contained in the act, the Secretary has determined that consummation of the transaction would be in the public interest. On the basis of these considerations, the application is approved.

The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, and Provident of Delaware Bank, Wilmington, Delaware, shall be opened for business not later than six months after the effective date of this Order, unless such periods are extended for good cause by the Board or by the Federal Reserve Bank of Philadelphia acting pursuant to delegated authority.

By order of the Secretary of the Board acting pursuant to delegated authority for the Board of Governors, effective February 8, 1982.

(Signed) JAMES MCAFEE,
Associate Secretary of the Board.

[SEAL]

1. Deposit data are as of September 30, 1981.

2. 5 Del. Code § 801, et. seq. (1974).

Statement by the Board of Governors of the Federal Reserve System Regarding the Application of Republic of Texas Corporation

By Order dated December 21, 1981, the Board approved the application of Republic of Texas Corporation, Dallas, Texas ("Republic"), a bank holding company within the meaning of the Bank Holding Company Act, to acquire The Citizens National Bank of Waco, Waco, Texas ("Bank"), under section 3(a)(3) of the act.

Republic, the fourth largest banking organization in Texas, controls 31 banks with aggregate deposits of approximately $6.8 billion, representing 7.6 percent of total commercial bank deposits in the state.[1] Bank is the thirtieth largest banking organization in Texas, with deposits of approximately $238.6 million, representing 0.27 percent of commercial bank deposits in the state.

Bank is the largest bank in the Waco banking market;[2] its deposits represent 29.4 percent of commercial bank deposits in the market. None of Republic's subsidiary banks has an office in the Waco banking market. The Waco banking market is concentrated; its four largest banking organizations control 70.8 percent of total market commercial bank deposits.

The Board originally denied Republic's application by Order dated August 20, 1980.[3] The Board's Order indicated that consummation of Republic's proposal might substantially lessen probable future competition in the relevant banking market, and that such an anticompetitive effect[4] was not clearly outweighed by considerations relating to the convenience and needs of the community to be served. The Board also expressed its concern over the possibility that continued approval of acquisition or merger proposals involving large statewide holding companies and relatively sizable banking organizations might perpetuate the size disparity between statewide and regional banking organizations, and result in an increase in concentration ratios.[5]

Republic petitioned the United States Circuit Court of Appeals for the Fifth Circuit (the "Court") for review of the Board's Order. On June 24, 1981, the Court vacated[6] the Board's Order and on July 16, 1981, formally remanded Republic's petition to the Board for reconsideration and additional findings of fact with regard to the applicability of probable future competition analysis to the circumstances involved. The Court directed the Board to address the same questions of fact that the Court had directed the Board to address regarding the application of Mercantile Texas Corporation, Dallas, Texas ("Mercantile"), to acquire by merger PanNational Corporation, El Paso, Texas.[7] These questions, as they apply to Republic's proposal, relate to the number of other potential entrants into the Waco banking market, the likelihood that Republic would enter the market independently if this and comparable applications were denied, and the deconcentrating or other procompetitive effects associated with such independent entry. The Court's analysis requires the Board to make findings of fact with respect to each of four issues[8] if the Board is to deny a particular application on the basis of the probable future competition doctrine.

The Board has made a thorough investigation of Republic's application. On the basis of the record, a majority of the Board has concluded that there is insufficient ground for making the factual findings that would justify denial under the evidentiary standards established in the Court's *Republic* decision.[9] Therefore, the majority cannot conclude that there would be a substantially adverse competitive effect were Republic to enter the Waco market by the means proposed in its application. However, the Board wishes to note that in arriving at its final determination in this case it reserves judgment as to the appropriateness of applying the Court's analysis in all circumstances.

The financial and managerial resources and future prospects of Republic, Bank and Republic's subsidiaries are considered satisfactory and consistent with approval. Although some new or expanded services may result from approval of this acquisition, there is no evidence in the record indicating that the banking needs of the community to be served are not being met. Considerations relating to the convenience and needs of the community to be served are consistent with approval.

1. All banking data are as of December 31, 1980, and reflect bank holding company formations and acquisitions approved through April 30, 1980.

2. The Waco banking market is approximated by the Waco SMSA, which is represented by McClennan County, Texas.

3. *Republic of Texas Corporation*, 66 FEDERAL RESERVE BULLETIN 787 (1980).

4. The Board's August, 1980 Order stated that even if the anticompetitive effects of Republic's proposal were viewed as less than substantial, the Board considered such effects to be so seriously adverse as to warrant denial.

5. In addition, the Board stated that consummation of Republic's proposal would eliminate the procompetitive effect Republic exerts as a result of its position as a perceived potential entrant into the market.

6. *Republic of Texas Corp.* v. *Board of Governors*, 649 F.2d 1026 (5th Cir. 1981).

7. See *Mercantile Texas Corp.* v. *Board of Governors*, 638 F.2d 1255 (5th Cir. 1981).

8. In addition to the three areas of inquiry described above, the Court also required consideration of the degree of concentration in the relevant banking market. The Court did not require the Board to make a finding on this issue on remand since the Court states in its opinion that Republic had not rebutted the Board's prima facie showing that the Waco banking market was behaving oligopolistically.

9. Although the Board has analyzed the present application chiefly with regard to the probable future competition doctrine, the Board continues to take into consideration procompetitive effects exerted by banks outside a particular market as perceived potential entrants.

On the basis of the above, the Board concludes that the facts of record pertaining to this proposal do not provide a sufficient basis for making findings such as those listed by the Circuit Court of Appeals for the Fifth Circuit.[10] On reconsideration of all the facts of record, it is the Board's judgment that approval of this application would not be contrary to the public interest and that the application should be approved.

Board of Governors of the Federal Reserve System, February 1, 1982.

(Signed) WILLIAM W. WILES,
[SEAL] *Secretary of the Board.*

Dissenting Statement of Governor Teeters

I dissented from the Statement of the majority of the Board issued on today's date with respect to the application of Mercantile Texas Corporation because I believe that the facts of record in that case, when realistically viewed, are adequate to support a denial of that application on the basis of the probable future competition doctrine. I stated my opinion that if the facts in that case were insufficient to support denial, the possibility of developing a sufficient case for denial of future applicants would be severely limited. The standards set by the United States Circuit Court of Appeals for the Fifth Circuit require evidence that is so subjective that the Board will have great difficulty in enforcing them.

In my Dissenting Statement, I described in some detail the reasons for my dissatisfaction with these standards. I find these standards no less unrealistic and subjective when applied to the facts of this case, and I do not believe that the majority has given sufficient attention to ways of administering these standards that would make their application more effective and less cumbersome. I believe that the facts of record in this case, viewed realistically, also warrant denial of the application of Republic of Texas Corporation.

I also expressed my concern that the majority's action regarding the application of Mercantile Texas Corporation would greatly reduce the role of the probable future competition doctrine as a tool in fulfilling the Board's statutory responsibilities in the area of safeguarding banking competition. I believe that the majority's action regarding the application by Republic of Texas Corporation could have the same type of destructive precedential impact. Accordingly, I dissent from the majority's Statement with respect to this application as well.

February 1, 1982

10. The Court held that the Board may not deny a section 3(a) application to acquire a bank unless the Board finds that the acquisition would constitute a violation of "the antitrust standards explicitly incorporated into" the act. 649 F.2d at 1043. However, the Board continues to be of the view that the last sentence of section 3(c) of the act, which requires that "[i]n every case the Board shall take into consideration . . . the convenience and needs of the community to be served," authorizes the Board to consider all competitive aspects of an acquisition or merger proposal.

Tulsa Commerce Bancshares, Inc., Tulsa, Oklahoma

Order Approving the Formation of a Bank Holding Company

Tulsa Commerce Bancshares, Inc., Tulsa, Oklahoma, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) of formation of a bank holding company by acquiring 99.4 percent or more of the voting shares of Bank of Commerce and Trust Company, Tulsa, Oklahoma ("Bank").

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with section 2(b) of the act. The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the act (12 U.S.C. § 1842(c)).

Applicant is a nonoperating company with no subsidiaries organized for the purpose of becoming a bank holding company by acquiring Bank. Upon the acquisition of Bank (which holds $172.1 million in deposits), Applicant would control the twelfth largest of 497 commercial banking organizations in Oklahoma and approximately 0.9 percent of the total deposits in commercial banks in the state.[1]

Bank is the sixth largest of 48 commercial banks located in the relevant banking market,[2] and holds 4.19 percent of total deposits in commercial banks in the market. Principals of Applicant and Bank have ownership interests in Gilcrease Hills Bank ("Gilcrease"), Tulsa, Oklahoma, which is located in Bank's market. Gilcrease is the smallest bank in the market and none of Applicant's or Bank's principals is in a policy making position with Gilcrease. In light of these facts and the existence of numerous intervening banking alternatives between Gilcrease and Bank, the Board has concluded that the relationship between Applicant, Bank, and Gilcrease has no significant effect on competition. Other principals of Applicant and Bank

1. All Banking data are as of March 31, 1981.
2. The relevant banking market is the Tulsa, Oklahoma RMA.

who are associated with various banking organizations in the market own less than 1.0 percent of the stock and hold no management positions in these organizations. Two of Bank's directors hold management positions in other banking organizations in Bank's market. These directors will hold no policy-making positions with Applicant and will own less than 1.0 percent of Applicant's voting stock. In light of these facts, the Board concludes that these affiliations have no significant effect on competition in the relevant market. It appears from these facts, and other facts of record, that consummation of the proposal would not result in any adverse effects upon competition or increase the concentration of banking resources in any relevant area. Accordingly, the Board concludes that competitive considerations are consistent with approval of this application.

The financial and managerial resources of Applicant and Bank are satisfactory and the future prospects for each appear favorable. In its consideration of this application, the Board applied the less restrictive debt service standards for one-bank holding company formations announced by the Board in March of 1980.[3] Although the Board stated at that time that these standards would be applicable to one-bank holding companies whose subsidiary bank would have total assets of approximately $150 million or less, the Board intended to permit larger one-bank holding companies to come under the policy if the Board found that circumstances warranted such an exception.[4] After reviewing all the facts of record, the Board finds such circumstances exist in this case.

Approval of this application would solidify local ownership of Bank and perpetuate Bank's current management, both of which the Board finds to be substantial public benefits. Principals of Applicant acquired control of Bank in 1979 at a time when Bank's earnings were low and it was experiencing large loan losses. Since that time, Applicant's principals have effected significant improvements in Bank's overall financial condition, including improvements in Bank's asset quality and capital position. Moreover, Applicant's principals appear willing to provide continuing support to Bank's capital position. Thus, under the direction of Applicant's principals, Bank's condition has become satisfactory and its future prospects are favorable. Accordingly the Board finds that under these circumstances, and in light of the general public interest in facilitating local ownership, it is appropriate to apply the standards that would be applicable for one-bank holding company formations involving banks with assets of $150 million or less. In applying such a standard, the Board's opinion is that banking factors are consistent with approval of this application.

While no immediate changes in Bank's services are anticipated as a result of approval of this application, considerations relating to the convenience and needs of the community to be served are consistent with approval. Accordingly, the Board has determined that consummation of the transaction would be in the public interest and that the application should be approved.

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

By Order of the Board of Governors, effective February 5, 1982.

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

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

3. 45 *Federal Register* 24,233 (1980).
4. See e.g., *The Union of Arkansas Corporation*, 66 FEDERAL RESERVE BULLETIN 659 (1980).

Yip Financial Investment, Ltd., Hong Kong

Yip Bancorporation, N.V., Netherlands Antilles

Yip Bancorp, San Francisco, California

Chung Hwa Bancorp, San Francisco, California

Order Approving Formation of Bank Holding Companies

Yip Financial Investment, Ltd., Hong Kong ("YFI, Ltd."); Yip Bancorporation, N.V., Netherlands Antilles ("YB–N.V."); Yip Bancorp, San Francisco, California ("YB–U.S."); and Chung Hwa Bancorp, San Francisco, California ("CHB"), have applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) to become bank holding companies through the acquisition by CHB of 100 percent of the voting shares of

Commercial Bank of San Francisco, San Francisco, California ("Bank").

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

Applicants are nonoperating corporations organized for the purpose of becoming bank holding companies by acquiring Bank. YFI, Ltd., a corporation organized under the laws of Hong Kong, owns all of the outstanding shares of YB–N.V. which is organized under the laws of the Netherlands Antilles. YB–N.V. owns 100 percent of the shares of YB–U.S. which in turn owns all of the shares of CHB. Both CHB and YB–U.S. are organized under the laws of California. Upon acquisition of Bank (deposits of $36.3 million as of September 30, 1981), Applicants will control the 108th largest commercial bank in California with 0.04 percent of the total deposits in commercial banks in that state.[1]

Bank is the 35th largest of 62 commercial banks in the relevant market and holds 0.1 percent of total deposits in commercial banks in the market.[2] Inasmuch as Applicants and their principal control no other banks and conduct no nonbanking business in the United States, consummation of the proposed transaction would have no adverse effects on existing or potential competition in any relevant market, and would not increase the concentration of resources in any relevant area. Therefore, competitive considerations are consistent with approval of the applications.

The financial and managerial resources of Applicants are considered satisfactory and their future prospects favorable. The financial and managerial resources of Bank will be enhanced by consummation of the transaction and Bank's future prospects appear favorable, especially in light of the additional capital Applicants have committed to furnish Bank. Thus, considerations relating to banking factors lend weight toward approval of the applications. Applicants also propose to improve the international financing services offered by Bank. Therefore, considerations relating to the convenience and needs of the community to be served are consistent with approval of the applications. Accordingly, the Board has determined that consummation of the transaction would be in the public interest and that the applications should be approved.

1. Statewide banking data are as of December 31, 1980.

2. Market data are as of June 30, 1980. The relevant market is approximated by the San Francisco-Oakland-San Jose Ranally Metropolitan Area ("RMA").

On the basis of the record, the applications are approved for the reasons summarized above. 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 San Francisco, pursuant to delegated authority.

By order of the Board of Governors, effective February 5, 1982.

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

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

Orders Under Section 4 of Bank Holding Company Act

Orbanco Financial Services Corporation, Portland, Oregon

Order Denying Investment Note Activity

Orbanco Financial Services Corporation, Portland, Oregon, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 4(c)(8) of the act, 12 U.S.C. § 1843(c)(8), to engage in offering an investment note ("Note") with transactional characteristics. The proposed activity is not included in the list of permissible activities for bank holding companies contained in the Board's Regulation Y, 12 C.F.R. § 225.4(a).

Notice of the application, affording opportunity for interested persons to submit comments and views, has been duly published. (46 *Federal Register* 52426). 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, the fourth largest commercial banking organization in Oregon with consolidated assets of $1.4 billion,[1] controls three banks with aggregate deposits of $726.7 million, representing about 6.1 percent of the total deposits in commercial banks in that state. Applicant also controls several nonbanking subsidiaries engaged in commercial finance and mortgage lending activities.

1. Banking data are as of June 30, 1980.

The Note that Applicant proposes to offer would be available in minimum denominations of $5,000 and would bear an interest rate computed daily on the basis of current market rates, and paid monthly. Note purchasers would be required to hold each Note for a minimum of eight days, after which the Note would have a one day maturity and would be automatically renewed daily. Note purchasers would be required to maintain a checking account at The Oregon Bank ("Bank"), Applicant's lead subsidiary bank, through which additional purchases and redemptions could be effected by means of telephone transfer.[2] Although the initial purchase of Notes would be made directly with Orbanco at its offices, all subsequent transactions would occur through the Bank. Withdrawals and purchases could be made in denominations of $500 or more, provided a minimum balance of $2500 were maintained. Checks could be drawn on the checking account in any amount. Investors would not be issued individual Notes but would receive monthly statements of all transactions involving the Notes. Orbanco proposes to register a $50 million Note issue with the Oregon Corporation Commissioner. Applicant indicates that the issue would be offered to Oregon residents only and, as an intrastate offering, would be exempt from registration under the Securities Act of 1933. Proceeds of the Note would be used to fund Orbanco's nonbanking activities and no proceeds would be channeled to Applicant's banking subsidiaries.

As noted above, the proposed activity is not included in the list of permissible bank holding company activities contained in Regulation Y. Applicant maintains that the activity is nevertheless permissible without prior Board approval as a method of funding its nonbanking operations. The Board has permitted bank holding companies to engage in funding activities under section 4(a)(2) of the act, which authorizes bank holding companies to engage in "banking or . . . managing or controlling banks and other subsidiaries authorized under [the] Act or . . . furnishing services to or performing services for its subsidiaries." (12 U.S.C. § 1843 (a)(2)). The funding activities that the Board has permitted in the past, however, have involved either investment certificates or thrift notes with fixed maturities of at least 14 days, or commercial paper. Orbanco's proposed activity differs significantly from traditional funding activities that the Board has permitted in the past due to the demand feature[3] and transactional capability of the Note Plan. Accordingly, the Board has determined that the activity is not permissible as a funding method under section 4(a)(2) of the act and consequently, prior Board approval to engage in the activity is required under section 4(c)(8) of the act.

The Board is authorized under section 4(c)(8) of the Bank Holding Company Act to approve nonbanking activities for bank holding companies if the Board determines that the proposed activity is so closely related to banking or managing or controlling banks as to be a proper incident thereto. Banks in fact provide, or are particularly well equipped to provide, services similar to those involved in Orbanco's proposal. Accordingly, the Board has determined that the proposed activity is closely related to banking. See *National Courier Association* v. *Board of Governors*, 516 F.2d 1229 (D.C. Cir. 1975). In determining whether a particular activity is a proper incident to banking, however, the Board is required to determine whether the proposal 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.

The Note involves the taking of a deposit through Bank and the use of this deposit to establish a debt obligation of the parent holding company that can be redeemed virtually on demand through a checking account at Bank. In view of the extensive contact with Bank required to purchase and redeem the Note, and because of the fact that the Note is an obligation of the parent holding company, the Board believes that the Note has a high degree of potential for public confusion inasmuch as the Note is targeted at retail bank customers and is sold to these customers in small denominations. Customers may not appreciate fully the fact that their funds would be shifted from insured to non-insured status and that when so shifted the Note would lack the prudential safeguards associated with bank deposits. Although Bank itself is subject to bank regulation, the organization that ultimately receives and places the public's funds at risk is not regulated to the same degree.

In light of this potential for customer confusion, the fact that customers' funds would be invested only in nonbank subsidiaries of Orbanco causes particular concern. This special concern derives, in major part, from the fact that the security underlying the Note would not provide diversification of risk or liquidity usually required with respect to short term financial instruments available to small savers and investors.

2. The Board does not regard the tie-in of the Note with the checking account at The Oregon Bank as unlawful under the anti-tie-in provisions of section 106 of the Bank Holding Company Act Amendments of 1970. The use of the Bank's services is intended to facilitate sale of the Notes rather than to benefit the Bank. The Board regards the Note as a single product not involving any tie-in of additional services for purposes of section 106.

3. The Board regards any instrument with a maturity of less than 14 days as a demand obligation.

The Board does not believe that these problems can be fully eliminated through disclosures or disclaimers in a situation where the holding company's obligations and the originating deposit are linked in a parent-subsidiary relationship. The Board thus concludes that such factors represent adverse effects that weigh against approval of the proposal.

The Board also considered the fact that the money market rate payable on the Note has the potential to interfere with the orderly transition to market rates that Congress mandated in the Depository Institutions Deregulation and Monetary Control Act of 1980 ("DIDMCA"). Until that transition is completed, the Congress has indicated a policy that all transaction accounts at depository institutions should be subject to the same rate ceiling. Approval of the proposed Note, issued by a bank holding company, in effect would permit the offering of a transaction account by Bank, an affiliate of the issuer, at an interest rate far in excess of the rate that banks and thrift institutions are permitted to pay on NOW accounts. The Board concludes that this arrangement is inconsistent with congressionally mandated policy for an orderly phaseout of Regulation Q, and thus is an adverse effect that weighs against approval.

Similarly, the Board regards the Note's transaction account feature as undermining the objective of the DIDMCA to impose reserve requirements on transaction accounts at all depository institutions. Funds in the Note flow through a transaction account at Bank to the parent holding company and, thus, balances maintained in the Note are not now subject to reserve requirements because the Note constitutes a liability of the holding company. In view of the likelihood that a number of bank holding companies may wish to offer similar debt obligations, this adverse effect also appears significant and weighs against approval of the application.

Applicant asserts that the proposal could result in public benefits by providing a higher rate of return on customers' funds and greater efficiencies in funding Orbanco's nonbank operations. While some public benefits may be associated with the proposal, the Board does not believe that such benefits are sufficient to outweigh the adverse effects of the proposal. Indeed, each of the adverse effects that the Board has determined weigh against approval of the application are sufficient, in the Board's view, to outweigh any public benefits associated with the proposal.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that, in the particular factual situation presented in this case, the balance of the public interest factors that the Board is required to consider under section 4(c)(8) is not consistent with approval of the application. Accordingly, the application is hereby denied.

By order of the Board of Governors, effective February 16, 1982.

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

(Signed) WILLIAM W. WILES,
Secretary of the Board.

[SEAL]

ORDERS APPROVING APPLICATIONS UNDER THE BANK HOLDING COMPANY ACT AND BANK MERGER ACT

By Federal Reserve Banks

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

Section 3

Applicant	Bank(s)	Effective date
Exchange Bancorporation, Inc., Tampa, Florida	First National Bank of Englewood, Englewood, Florida	February 9, 1982
First City Bancorporation of Texas, Inc., Houston, Texas	First City National Bank of Floresville, Floresville, Texas	February 22, 1982
Pioneer American Bancorporation, Pendleton, Oregon	Pendleton Banking Company, Pendleton, Oregon	February 12, 1982
Southwest Bancshares, Inc., Houston, Texas	First Pasadena State Bank, Pasadena, Texas	February 17, 1982

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Texas American Bancshares Inc., Fort Worth, Texas	Charter National Bank, Plano, Texas		February 5, 1982
Texas Commerce Bancshares, Inc., Houston, Texas	Texas Commerce Bank-Cypress Station, N.A., Houston, Texas		February 10, 1982

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
Allied Bancshares, Inc., Houston, Texas	Lakewood Bank and Trust Company, Dallas, Texas	Dallas	February 5, 1982
Amarillo National Bancorp, Inc., Amarillo, Texas	Amarillo National Bank, Amarillo, Texas	Dallas	February 11, 1982
Argyle Financial Services, Inc., Argyle, Minnesota	Argyle State Bank, Argyle, Minnesota	Minneapolis	February 1, 1982
Azle Bancorp, Azle, Texas	Azle State Bank Azle, Texas	Dallas	February 10, 1982
BSD Bancorp, Inc., San Diego, California	American Valley Bank, El Cajon, California	San Francisco	February 16, 1982
Banks of Iowa, Inc., Des Moines, Iowa	The Avoca State Bank, Avoca, Iowa	Chicago	January 22, 1982
Buffalo Bancorporation, Inc., Buffalo, South Dakota	First State Bank of Buffalo, Buffalo, South Dakota	Minneapolis	February 22, 1982
Carolina Bancorp, Inc., Sanford, North Carolina	Bank of Alamance, Graham, North Carolina	Richmond	February 24, 1982
Chebelle Corporation, Solon, Iowa	Chelsea Savings Bank, Belle Plaine, Iowa	Chicago	January 27, 1982
Commerce Bancshares, Inc., Kansas City, Missouri	Wentzville State Bank, Wentzville, Missouri	Kansas City	February 16, 1982
Commercial National Corporation, Peoria, Illinois	Prospect National Bank of Peoria, Peoria, Illinois University National Bank of Peoria, Peoria, Illinois	Chicago	January 21, 1982
The Conifer Group, Inc., Worcester, Massachusetts	Commonwealth National Corporation, Boston, Massachusetts	Boston	February 8, 1982
Corporate Bankshares, Inc., Overland Park, Kansas	Corporate Woods State Bank, Overland Park, Kansas	Kansas City	February 12, 1982
Crookston Financial Services, Inc., Crookston, Minnesota	Crookston National Bank, Crookston, Minnesota	Minneapolis	February 19, 1982

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
El Campo Bancshares, Inc., El Campo, Texas	Commercial State Bank of El Campo, El Campo, Texas	Dallas	January 28, 1982
Far-Mer Bankshares, Inc., Reyno, Arkansas	Farmers & Merchants Bank, Reyno, Arkansas	St. Louis	January 29, 1982
Fifth Third Bancorp, Cincinnati, Ohio	The Bank of Russellville, Russellville, Ohio	Cleveland	February 17, 1982
First Alsip Bancorp, Inc., Alsip, Illinois	First State Bank of Alsip, Alsip, Illinois	Chicago	February 12, 1982
First Bancorp of Belleville, Inc., Belleville, Illinois	First United Bancshares, Inc., Belleville, Illinois Bank of Belleville, Belleville, Illinois	St. Louis	February 16, 1982
First Bancshares, Inc., Slidell, Louisiana	First Bank, Slidell, Louisiana	Atlanta	February 12, 1982
First Bancshares of Texas, Inc., Longview, Texas	Cushing Bancshares, Inc., Cushing, Texas Van Bancshares, Inc., Van, Texas White Oak Bancshares, Inc., White Oak, Texas	Dallas	February 2, 1982
First Colonial Bankshares Corporation, Chicago, Illinois	All American Bank of Chicago, Chicago, Illinois (additional shares)	Chicago	February 1, 1982
First Delhi Corporation, Delhi, Louisiana	Capital Bank of Delhi, Delhi, Louisiana	Dallas	February 1, 1982
First State Holding Company, Inc., Mullinville, Kansas	First State Bank, Mullinville, Kansas	Kansas City	February 11, 1982
First Texas Financial Corporation, Dallas, Texas	First Texas Bank, Dallas, Texas	Dallas	February 16, 1982
Fourth Financial Corporation, Wichita, Kansas	M-E Bancshares, Inc., Wichita, Kansas Newton Bancshares, Inc., Newton, Kansas The Kansas State Bank, Newton, Kansas	Kansas City	January 28, 1982
Fulton Bancshares, Inc., Alpharetta, Georgia	Fulton County Bank, Alpharetta, Georgia	Atlanta	February 12, 1982
Gaylord Bancorporation Ltd., Gaylord, Minnesota	Citizens State Bank of Gaylord, Gaylord, Minnesota	Minneapolis	February 1, 1982
Great Guaranty Bancshares, Inc., New Roads, Louisiana	Guaranty Bank and Trust Company, New Roads, Louisiana	Atlanta	February 18, 1982
HNB Corporation, Homer, Louisiana	The Homer National Bank, Homer, Louisiana	Dallas	February 23, 1982
Highland Park Bancorporation, Inc., St. Paul, Minnesota	The Highland Bank, St. Paul, Minnesota	Minneapolis	February 2, 1982
Island American Bancshares, Inc., Galveston, Texas	American Bank, Galveston, Texas	Dallas	February 12, 1982

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Kansas Unlimited Investments, Inc., Pleasanton, Kansas	Bank of Pleasanton, Pleasanton, Kansas	Kansas City	January 21, 1982
Keene Bancorp, Inc., Keene, Texas	First State Bank, Keene, Texas	Dallas	February 16, 1982
Keyesport Bancshares, Inc., Keyesport, Illinois	State Bank of Keyesport, Keyesport, Illinois	St. Louis	February 5, 1982
Liberty Holding Company, Cantonment, Florida	Liberty Bank of Cantonment, Cantonment, Florida	Atlanta	February 12, 1982
Liberty National Bancshares, Inc., Lovington, New Mexico	Liberty National Bank, Lovington, New Mexico	Dallas	February 19, 1982
M-L Bancshares, Inc., Wichita, Kansas	Newton Bancshares, Inc., Newton, Kansas The Kansas State Bank, Newton, Kansas	Kansas City	January 28, 1982
Mark Twain Bancshares, Inc., St. Louis, Missouri	Hub State Bank, Independence, Missouri	St. Louis	February 12, 1982
Maryland National Corporation, Baltimore, Maryland	Central Atlantic Bank, N.A., Newark, Delaware	Richmond	February 12, 1982
Mason State Company, Mason City, Nebraska	Mason State Bank, Mason City, Nebraska	Kansas City	January 22, 1982
Merchants Bancorp, Inc., Aurora, Illinois	The Merchants National Bank of Aurora, Aurora, Illinois	Chicago	February 18, 1982
Midwest National Bancshares, Inc., Midwest City, Oklahoma	Midwest National Bank, Midwest City, Oklahoma	Kansas City	January 28, 1982
Minnehaha Bancshares, Inc., Sioux Falls, South Dakota	Farmers State Bank of Flandreau, Flandreau, South Dakota	Minneapolis	February 12, 1982
Minto Bancorporation, Inc. Minto, North Dakota	Bank of Minto, Minto, North Dakota	Minneapolis	February 17, 1982
NCB Corp., Mansfield, Georgia	Newton County Bank, Mansfield, Georgia	Atlanta	February 1, 1982
Northern Trust Corporation, Chicago, Illinois	Security Trust Company of Sarasota, N.A., Sarasota, Florida	Chicago	February 5, 1982
North Plaza Bancshares, Inc., Topeka, Kansas	North Plaza State Bank, Topeka, Kansas	Kansas City	February 5, 1982
Ogden-Saratoga Corporation, Downers Grove, Illinois	First Security Bank of Downers Grove, Downers Grove, Illinois	Chicago	January 26, 1982
Paraclete Bancorp., Afton, Iowa	Commercial State Bank, Afton, Iowa	Chicago	January 25, 1982
Prairie Bancorp, Inc., Bloomington, Illinois	Prairie State Bank, Bloomington, Illinois	Chicago	February 5, 1982
Ramsey Bancshares, Inc., Devils Lake, North Dakota	Ramsey National Bank & Trust of Devils Lake, Devils Lake, North Dakota	Minneapolis	February 3, 1982
Sesser Bancorporation, Inc., Sesser, Illinois	Bank of Sesser, Sesser, Illinois	St. Louis	February 8, 1982

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Tuscola Bancorp, Inc., Springfield, Illinois	The First National Bank of Douglas County, Tuscola, Illinois	Chicago	February 6, 1982
United Missouri Bancshares, Inc., Kansas City, Missouri	Paris Savings Bank, Paris, Missouri	Kansas City	January 25, 1982
Union Colony Bancorp., Greeley, Colorado	Union Colony Bank, Greeley, Colorado	Kansas City	February 12, 1982
United Madison Bancshares, Inc., Houston, Texas	United Madison Bank, N.A., Houston, Texas	Dallas	February 18, 1982
Uptown Bancorporation, Inc., Moline, Illinois	Uptown National Bank of Moline, Moline, Illinois	Chicago	February 1, 1982
Wabash Valley Bancorporation, Inc., Peru, Indiana	Wabash Valley Bank and Trust Company, Peru, Indiana	Chicago	February 19, 1982
Wells-Foster Bankshares, Inc., Carrington, North Dakota	Farmers State Bank, Carrington, North Dakota	Minneapolis	February 19, 1982
Westlake Bancshares, Inc., Austin, Texas	Westlake National Bank, Austin, Texas	Dallas	February 5, 1982
Woodriver Banco, Inc., Oconto, Nebraska	The Farmers Bank, Oconto, Nebraska	Kansas City	February 19, 1982
Youell Sales Department, Inc., Manson, Iowa	Manson State Bank, Manson, Iowa	Chicago	February 12, 1982

Sections 3 and 4

Applicant	Bank(s)	Nonbanking company (or activity)	Reserve Bank	Effective date
Hol-Ark, Inc., Blytheville, Arkansas	The First National Bank in Blytheville, Blytheville, Arkansas	to retain and service certain notes receivable directly connected with previous business activities.	St. Louis	February 4, 1982
Pioneer Bancshares Corporation, Shreveport, Louisiana	Zachary Taylor Life Insurance Company, Shreveport, Louisiana Pioneer Bank and Trust Company Shreveport, Louisiana		Dallas	February 2, 1982

Section 4

Applicant	Nonbanking company (or activity)	Reserve Bank	Effective date
First Glen Bancorp Inc., Glens Falls, New York	Van Dyke Associates Inc., Glens Falls, New York	New York	February 17, 1982

ORDERS APPROVED UNDER BANK MERGER ACT

By Federal Reserve Banks

Applicant	Bank(s)	Reserve Bank	Effective date
The FTB Fifth Bank, Russellville, Ohio	The Bank of Russellville, Russellville, Ohio	Cleveland	February 17, 1982
The Interim Dime Bank of Marietta, Marietta, Ohio	The Dime Bank of Ross County, N.A., Adelphi, Ohio	Cleveland	February 12, 1982
Michigan Bank-Port Huron, Port Huron, Michigan	Marine Bank & Trust, Marine City, Michigan	Chicago	February 5, 1982
United Jersey Bank Southwest, Camden, New Jersey	Pine Hill office of The Bank of New Jersey Pine Hill, New Jersey	Philadelphia	February 4, 1982

*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.*

Darnell Hilliard v. *Esmond Langley*, filed February 1982, Superior Court of the District of Columbia.

C. A. Cavendes, Sociedad Financiera v. *Board of Governors*, filed January 1982, U.S.C.A. for the District of Columbia.

First Lakefield BanCorporation v. *Board of Governors, et al.*, filed January 1982, U.S.D.C. for the District of Minnesota.

C. A. Cavendes, Sociedad Financiera v. *Board of Governors*, filed December 1981, U.S.C.A. for the District of Columbia.

Option Advisory Service, Inc. v. *Board of Governors*, filed December 1981, U.S.C.A. for the Second Circuit.

Edwin F. Gordon v. *Board of Governors, et al.*, filed October 1981, U.S.C.A. for the Eleventh Circuit (Two Consolidated Cases).

Wendall Hall v. *Board of Governors, et al.*, filed September 1981, U.S.D.C. for the Northern District of Georgia.

Allen Wolfson v. *Board of Governors*, filed September 1981, U.S.D.C. for the Middle District of Florida.

Option Advisory Service, Inc. v. *Board of Governors*, filed September 1981, U.S.C.A. for the Second Circuit (two cases).

American Bankers Association v. *Federal Home Loan Bank Board, et al.*, filed August 1981, U.S.D.C. for the District of Columbia.

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.

Louis J. Roussell v. *Board of Governors*, filed May 1981, U.S.C.A. for the District of Columbia.

Wilshire Oil Company of Texas v. *Board of Governors, et al.*, filed April 1981, U.S.C.A. for the Third Circuit.

People of the State of Arkansas v. *Board of Governors, et al.*, filed March 1981, U.S.C.A. for the Western District of Arkansas.

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.

Otero Savings and Loan Association v. *Board of Governors*, filed August 1980, U.S.D.C. for the District of Colorado.

Berkovitz, et al. v. *Government of Iran, et al.*, filed June 1980, U.S.D.C. for the Northern District of California.

Louis J. Roussel v. *Comptroller of the Currency and Federal Reserve Board,* filed April 1980, U.S.D.C. for the District of Columbia.

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

Security Bancorp and Security National Bank v. *Board of Governors,* filed March 1978, U.S.C.A. for the Ninth Circuit.

Darnell Hilliard v. *G. William Miller, et al.*, filed September 1976, U.S.C.A. for the District of Columbia.

Financial and Business Statistics

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FEDERAL FINANCE

1.10 MONETARY AGGREGATES AND INTEREST RATES

Item	1981				1981				1982
	Q1	Q2	Q3	Q4	Sept	Oct	Nov	Dec.	Jan.
	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
Reserves of depository institutions									
1 Total	5.5	4.2	4.0	3.2	15.1	5.8	1.0	11.3r	22.2
2 Required	6.4	5.0	3.1	3.5	18.6	1.7	1.1	12.1	19.4
3 Nonborrowed	10.7	-2.4	7.9	10.5	14.5	2.5	17.0	12.3	4.0
4 Monetary base[2]	5.2	5.8	4.3	3.9	6.0	0.7	3.3	11.3	11.6
Concepts of money and liquid assets[3]									
5 M1	4.6r	9.2	.3	5.7	.3	4.7	9.7	12.4r	21.0
6 M2	7.5	12.0	8.3	8.8	4.0	7.6	13.7r	8.4	11.7
7 M3	11.2	12.2	11.2	9.2	6.9	7.3	13.1	7.3r	8.8
8 L	11.6	10.6	11.9	n.a.	8.2r	10.3r	12.0	n.a.	n.a.
Time and savings deposits									
Commercial banks									
9 Total	16.0	11.9	18.4	8.3	9.8	6.2	6.9r	1.6r	4.2
10 Savings[4]	-28.3	8.9	22.7	-11.9	22.4	16.8	8.5	4.6	14.5
11 Small-denomination time[5]	28.5	16.2	24.3	20.8r	23.7	22.2	17.4r	-.3	2.0
12 Large-denomination time[6]	34.3	19.9	36.0	5.4r	11.2	.4	-5.2	2.2r	1.1
13 Thrift institutions[7]	4.0	3.2	2.6	2.7	-2.5	5.1	4.2	1.3	1.1
14 Total loans and securities at commercial banks[8]	11.3	8.4	8.7	3.7	5.2	5.6	3.3	-8.8	4.2

Item	1981				1981			1982	
	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.	Jan.	Feb.
	Interest rates (levels, percent per annum)								
Short-term rates									
15 Federal funds[9]	16.57	17.78	17.58	13.59	15.08	13.31	12.37	13.22	14.78
16 Discount window borrowing[10]	13.00	13.62	14.00	13.04	14.00	13.03	12.10	12.00	12.00
17 Treasury bills (3-month market yield)[11]	14.39	14.91	15.05	11.75	13.54	10.86	10.85	12.28	13.48
18 Commercial paper (3-month)[11,12]	15.34	16.15	16.78	13.04	14.85	12.16	12.12	13.09	14.53
Long-term rates									
Bonds									
19 U.S. government[13]	12.74	13.49	14.51	14.14	15.13	13.56	13.73	14.57	14.48
20 State and local government[14]	9.97	10.69	12.11	12.54	12.83	11.89	12.91	13.28	12.97
21 Aaa utility (new issue)[15]	14.45	15.41	16.82	15.67	16.94	15.56	15.20	15.68	15.93
22 Conventional mortgages[16]	15.10	16.15	17.50	17.33	18.05	16.95	17.00	17.30	17.20

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

8. Changes calculated from figures shown in table 1.23. December 1981 and 1981 Q4 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.

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							
	1981	1982		1982							
	Dec.	Jan.	Feb *p*	Jan. 13	Jan. 20	Jan. 27	Feb. 3	Feb. 10	Feb 17*p*	Feb. 24*p*
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit outstanding**	**151,920**	**152,297**	**150,554**	**150,931**	**152,276**	**151,086**	**152,857**	**148,574**	**151,072**	**151,391**
2 U.S. government securities[1]	128,505	127,473	126,948	127,323	125,853	126,143	129,016	125,075	127,542	127,471
3 Bought outright	127,483	126,112	125,599	127,323	125,437	124,791	125,340	125,075	125,197	126,697
4 Held under repurchase agreements	1,022	1,361	1,349	0	416	1,352	3,676	0	2,345	774
5 Federal agency securities	9,291	9,184	9,102	9,100	9,105	9,103	9,206	9,053	9,141	9,083
6 Bought outright	9,126	9,084	9,044	9,100	9,082	9,058	9,056	9,053	9,046	9,040
7 Held under repurchase agreements	165	100	58	0	23	45	150	0	95	43
8 Acceptances	315	156	165	0	60	186	466	0	396	55
9 Loans	642	1,526	1,713	998	951	2,469	1,851	1,662	1,908	1,900
10 Float	3,456	4,485	3,292	4,159	6,798	3,569	2,721	3,116	2,465	4,060
11 Other Federal Reserve assets	9,711	9,473	9,334	9,351	9,508	9,615	9,597	9,668	9,622	8,822
12 Gold stock	11,152	11,151	11,151	11,151	11,151	11,151	11,151	11,151	11,151	11,150
13 Special drawing rights certificate account	3,318	3,318	3,559	3,318	3,318	3,318	3,389	3,568	3,568	3,568
14 Treasury currency outstanding	13,707	13,777	13,708	13,693	13,700	13,705	14,056	13,705	13,710	13,710
ABSORBING RESERVE FUNDS										
15 Currency in circulation	143,700	142,207	140,529	143,263	141,878	140,446	140,293	140,520	141,189	140,464
16 Treasury cash holdings	443	448	466	447	448	449	457	462	465	470
Deposits, other than reserves, with Federal Reserve Banks										
17 Treasury	2,965	4,713	5,506	3,069	3,712	6,147	7,863	5,319	4,568	6,693
18 Foreign	343	389	304	530	334	292	314	279	321	276
19 Other	605	538	472	480	470	448	475	490	489	431
20 Required clearing balances	110	127	139	125	128	131	135	137	139	141
21 Other Federal Reserve liabilities and capital	5,768	5,401	5,396	5,379	5,391	5,269	5,474	5,097	5,467	5,206
22 Reserve accounts[2]	26,163	26,721	26,161	25,799	28,085	26,078	26,443	24,694	26,863	26,137
	End-of-month figures			Wednesday figures						
	1981	1982		1982						
	Dec.	Jan.	Feb.	Jan. 13	Jan. 20	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 24
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit outstanding**	**153,136**	**151,560**	**147,618**	**152,714**	**157,766**	**155,060**	**158,376**	**150,288**	**155,143**	**148,050**
24 U.S. government securities[1]	130,954	128,230	125,410	125,446	127,787	129,047	132,942	125,183	130,353	126,250
25 Bought outright	127,738	124,967	125,410	125,446	124,872	126,541	125,588	125,183	126,025	126,250
26 Held under repurchase agreements	3,216	3,263	0	0	2,915	2,506	7,354	0	4,328	0
27 Federal agency securities	9,394	9,192	9,026	9,089	9,217	9,159	9,460	9,046	9,218	9,031
28 Bought outright	9,125	9,058	9,026	9,089	9,057	9,057	9,054	9,046	9,046	9,031
29 Held under repurchase agreements	269	134	0	0	160	102	406	0	172	0
30 Acceptances	195	597	0	0	417	368	596	0	453	0
31 Loans	1,601	2,217	1,180	2,906	3,682	5,109	1,800	2,283	1,505	1,414
32 Float	1,762	1,635	2,959	5,346	6,579	1,732	3,869	3,952	4,789	2,400
33 Other Federal Reserve assets	9,230	9,689	9,043	9,927	10,084	9,645	9,709	9,824	8,825	8,955
34 Gold stock	11,151	11,151	11,150	11,151	11,151	11,151	11,151	11,151	11,151	11,150
35 Special drawing rights certificate account	3,318	3,318	3,568	3,318	3,318	3,318	3,568	3,568	3,568	3,568
36 Treasury currency outstanding	14,480	14,523	13,713	13,698	13,705	13,705	13,705	13,705	13,710	13,710
ABSORBING RESERVE FUNDS										
37 Currency in circulation	145,566	140,475	139,655	142,921	141,450	140,356	140,359	141,231	141,492	140,407
38 Treasury cash holdings	444	462	475	449	446	448	457	464	464	471
Deposits, other than reserves, with Federal Reserve Banks										
39 Treasury	4,301	8,285	3,835	3,235	3,661	7,169	5,576	4,417	5,541	5,143
40 Foreign	505	333	416	275	264	346	274	340	271	264
41 Other	781	393	414	448	543	437	516	529	509	350
42 Required clearing balances	117	135	139	125	128	131	135	137	139	141
43 Other Federal Reserve liabilities and capital	5,261	5,539	6,291	5,306	5,272	5,044	5,440	4,967	5,488	4,938
44 Reserve accounts[2]	25,111	24,931	24,825	28,122	34,176	29,303	34,043	26,627	29,668	24,764

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									
	1980	1981							1982	
	Dec.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[p]
1 Reserve balances with Reserve Banks[1]	26,664	26,623	27,111	27,000	25,499	25,690	25,892	26,163	26,721	26,161
2 Total vault cash (estimated)	18,149	18,187	18,273	18,435	18,925	18,810	18,844	19,538	20,284	19,254
3 Vault cash at institutions with required reserve balances[2]	12,602	12,358	12,443	12,549	13,041	12,924	12,986	13,577	14,199	13,117
4 Vault cash equal to required reserves at other institutions	704	1,462	1,457	1,477	2,053	2,097	2,073	2,178	2,290	2,187
5 Surplus vault cash at other institutions[3]	4,843	4,367	4,373	4,409	3,831	3,789	3,785	3,783	3,795	3,950
6 Reserve balances + total vault cash[4]	44,940	44,810	45,384	45,435	44,424	44,500	44,736	45,701	47,005	45,425
7 Reserve balances + total vault cash used to satisfy reserve requirements[4,5]	40,097	40,443	41,011	41,026	40,593	40,711	40,951	41,918	43,210	41,475
8 Required reserves (estimated)	40,067	40,104	40,667	40,731	40,177	40,433	40,604	41,606	42,785	40,992
9 Excess reserve balances at Reserve Banks[4,6]	30	339	344	295	416	278	347	312	425	483
10 Total borrowings at Reserve Banks	1,617	2,039	1,751	1,408	1,473	1,149	695	642	1,526	1,713
11 Seasonal borrowings at Reserve Banks	116	291	248	220	222	152	79	53	75	132
12 Extended credit at Reserve Banks	n.a.	n.a.	n.a.	79	301	442	178	149	197	232
	Weekly averages of daily figures for week ending:									
	1981		1982							
	Dec. 23	Dec. 30	Jan. 6	Jan. 13	Jan 20	Jan. 27	Feb. 3	Feb. 10	Feb. 17[p]	Feb. 24[p]
13 Reserve balances with Reserve Banks[1]	26,940	26,317	27,140	25,799	28,085	26,078	26,443	24,694	26,863	26,137
14 Total vault cash (estimated)	18,613	19,749	19,172	19,723	20,980	21,009	20,449	20,062	19,218	18,158
15 Vault cash at institutions with required reserve balances[2]	13,105	13,891	13,498	14,318	14,459	14,505	14,055	13,609	12,974	12,507
16 Vault cash equal to required reserves at other institutions	2,076	2,152	2,137	2,399	2,288	2,318	2,286	2,346	2,215	2,062
17 Surplus vault cash at other institutions[3]	3,432	3,706	3,537	3,006	4,233	4,186	4,108	4,107	4,029	3,589
18 Reserve balances + total vault cash[4]	45,553	46,066	46,312	45,522	49,065	47,087	46,892	44,756	46,089	44,302
19 Reserve balances + total vault cash used to satisfy reserve requirements[4,5]	42,121	42,360	42,775	42,516	44,832	42,901	42,784	40,649	42,060	40,713
20 Required reserves (estimated)	41,746	42,026	42,148	42,173	44,299	42,704	42,300	40,532	41,457	40,658
21 Excess reserve balances at Reserve Banks[1,6]	375	334	627	343	533	197	484	117	603	55
22 Total borrowings at Reserve Banks	620	882	1,452	998	951	2,469	1,851	1,662	1,908	1,900
23 Seasonal borrowings at Reserve Banks	70	75	59	53	70	96	110	114	134	146
24 Extended credit at Reserve Banks	161	173	193	194	195	199	212	225	227	222

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.)

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

Averages of daily figures, in millions of dollars

By maturity and source	1981 and 1982, week ending Wednesday							
	Jan. 6ʳ	Jan. 13	Jan. 20	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 24
One day and continuing contract								
1 Commercial banks in United States	57,560	58,089	55,172	50,762	53,711	57,156	56,219	52,871
2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	18,375	18,181	17,889	17,452ʳ	16,495	17,300	19,302	19,211
3 Nonbank securities dealers	3,744	3,638	4,019	4,368ʳ	4,202	4,099	4,102	4,011
4 All other	20,501	21,715	21,558	21,999ʳ	21,766	21,135	20,338	21,992
All other maturities								
5 Commercial banks in United States	3,622	3,388	3,891	3,824	3,744	3,873	4,908	4,063
6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	7,897	7,140	7,339	7,434	7,389	7,536	7,510	7,543
7 Nonbank securities dealers	3,459	3,603	3,718	4,151	4,183	4,027	4,572	3,814
8 All other	10,834	9,778	9,310	9,173	8,982	8,817	10,575	9,278
MEMO: Federal funds and resale agreement loans in maturities of one day or continuing contract								
9 Commercial banks in United States	22,231	18,534	18,896	17,811ʳ	18,477	19,070	19,764	18,974
10 Nonbank securities dealers	4,349	4,227	4,177	3,462	3,438	3,318	2,959	3,861

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 2/28/82	Effective date	Previous rate	Rate on 2/28/82	Previous rate	Rate on 2/28/82	Previous rate	Rate on 2/28/82	Previous rate	
Boston	12	12/4/81	13	12	13	13	14	14	15	12/4/81
New York	12	12/4/81	13	12	13	13	14	14	15	12/4/81
Philadelphia	12	12/4/81	13	12	13	13	14	14	15	12/4/81
Cleveland	12	12/4/81	13	12	13	13	14	14	15	12/4/81
Richmond	12	12/4/81	13	12	13	13	14	14	15	12/4/81
Atlanta	12	12/4/81	13	12	13	13	14	14	15	12/4/81
Chicago	12	12/4/81	13	12	13	13	14	14	15	12/4/81
St. Louis	12	12/4/81	13	12	13	13	14	14	15	12/4/81
Minneapolis	12	12/4/81	13	12	13	13	14	14	15	12/4/81
Kansas City	12	12/4/81	13	12	13	13	14	14	15	12/4/81
Dallas	12	12/4/81	13	12	13	13	14	14	15	12/4/81
San Francisco	12	12/4/81	13	12	13	13	14	14	15	12/4/81

Range of rates in recent years[2]

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1972	4½	4½
1973— Jan. 15	5	5
Feb. 26	5–5½	5½
Mar. 2	5½	5½
Apr. 23	5½–5¾	5½
May 4	5¾	5¾
11	5¾–6	6
18	6	6
June 11	6–6½	6½
15	6½	6½
July 2	7	7
Aug. 14	7–7½	7½
23	7½	7½
1974— Apr. 25	7½–8	8
30	8	8
Dec. 9	7¾–8	7¾
16	7¾	7¾
1975— Jan. 6	7¼–7¾	7¾
10	7¼–7¾	7¼
24	7¼	7¼
Feb. 5	6¾–7¼	6¾
7	6¾	6¾
Mar. 10	6¼–6¾	6¼
14	6¼	6¼
May 16	6–6¼	6
23	6	6

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1976— Jan. 19	5½–6	5½
23	5½	5½
Nov. 22	5¼–5½	5¼
26	5¼	5¼
1977— Aug. 30	5¼–5¾	5¼
31	5¼–5¾	5¾
Sept. 2	5¾	5¾
Oct. 26	6	6
1978— Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7–7¼	7¼
July 10	7¼	7¼
Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
1979— July 20	10	10
Aug. 17	10–10½	10½
20	10½	10½

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1979— Sept. 19	10½–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980— Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981 May 5	13–14	14
May 8	14	14
Nov. 2	13–14	13
Nov 6	13	13
Dec. 4	12	12
In effect Feb. 28, 1982	12	12

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, 1971–1975, 1972–1976, 1973–1977,* and *1974–1978.*

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 DEPOSITORY INSTITUTIONS RESERVE REQUIREMENTS[1]

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	Depository institution requirements after implementation of the Monetary Control Act[5]	
	Percent	Effective date		Percent	Effective date
Net demand[2]			*Net transaction accounts*[6,7]		
0–2	7	12/30/76	$0–$26 million	3	11/13/80
2–10	9½	12/30/76	Over $26 million	12	11/13/80
10–100	11¾	12/30/76			
100–400	12¾	12/30/76	*Nonpersonal time deposits*[8]		
Over 400	16¼	12/30/76	By original maturity		
Time and savings[2,3]			Less than 4 years	3	11/13/80
Savings	3	3/16/67	4 years or more	0	11/13/80
Time[4]			*Eurocurrency liabilities*		
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. (a) Requirement schedules are graduated, and each deposit interval applies to that part of the deposits of each bank. Demand deposits subject to reserve requirements were gross demand deposits minus cash items in process of collection and demand balances due from domestic banks.

(b) 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.

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

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

3. (a) 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.

(b) 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. (a) 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.

(b) 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 reduced to zero beginning July 24, 1980. Managed liabilities are defined as large time deposits, Eurodollar borrowings, repurchase agreements against U.S. government and federal agency securities, federal funds borrowings from nonmember institutions, and certain other obligations. In general, the base for the marginal reserve requirement was originally the greater of (a) $100 million or (b) the average amount of the managed liabilities held by a member bank, Edge corporation, or family of U.S branches and agencies of a foreign bank for the two statement weeks 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. For existing nonmember banks and thrift institutions at the time of implementation of the Monetary Control Act, the phase-in period ends Sept. 3, 1987. 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. For existing agencies and branches of foreign banks, the phase-in ends Aug. 12, 1982. All new institutions will have a two-year phase-in beginning with the date that they open for business.

6. 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.

7. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement will apply be modified annually to 80 percent of the percentage increase in transaction accounts held by all depository institutions on the previous June 30. At the beginning of 1982 the amount was accordingly increased from $25 million to $26 million.

8. 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.

NOTE TO TABLE 1.16

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

1.16 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 Feb. 28, 1982		Previous maximum		In effect Feb. 28, 1982		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]			5¾	1/21/70			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 Individual retirement accounts 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
Special variable ceiling rates by maturity								
13 6-month money market time deposits [12]	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)
14 12-month all savers certificates	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(14)
15 2½ years to 4 years	(15)	(15)	(16)	(16)	(15)	(15)	(16)	(16)
Accounts with no ceiling rates								
16 Individual retirement accounts and Keogh (H.R. 10) plans (18 months or more)	(17)	(17)	(17)	(17)	(17)	(17)	(17)	(17)

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

2. For authorized states only. Federally insured commercial banks, savings and loan associations, cooperative banks, and mutual savings banks in Massachusetts and New Hampshire were first permitted to offer negotiable order of withdrawal (NOW) accounts on Jan. 1, 1974. Authorization to issue NOW accounts was extended to similar institutions throughout New England on Feb. 27, 1976, in New York State on Nov. 10, 1978, and in New Jersey on Dec. 28, 1979. Authorization to issue NOW accounts was extended to similar institutions nationwide effective Dec. 31, 1980.

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 the new 2½-year or more variable-ceiling certificates or in 26-week money market certificates regardless of the level of the Treasury bill rate.

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

13. Commercial banks and thrift institutions were authorized to offer money market time deposits effective June 1, 1978. These deposits have a minimum denomination requirement of $10,000 and a maturity of 26 weeks. 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 prior to the date of deposit (4-week average bill rate). Rate ceilings are determined as follows:

Bill rate or 4-week average bill rate	*Commercial bank ceiling*
7.50 percent or below	7.75 percent
Above 7.50 percent	¼ of 1 percentage point plus the higher of the bill rate or 4-week average bill rate

Bill rate or 4-week average bill rate	*Thrift ceiling*
7.25 percent or below	7.75 percent
Above 7.25 percent, but below 8.50 percent	½ 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	¼ of 1 percentage point plus the higher of the bill rate or 4-week average bill rate

The maximum allowable rates in February for commercial banks and thrifts based on the bill rate were as follows: Jan. 26, 13.78; Feb. 2, 14.096; Feb. 9, 14.183; Feb. 17, 14.61; Feb. 23, 12.945. The maximum allowable rates in February for commercial banks and thrifts based on the 4-week average bill rate were as follows: Jan. 26, 13.18; Feb. 2, 13.571; Feb. 9, 13.853; Feb. 17, 14.167; Feb. 23, 13.958.

14. 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 yields for ASCs issued in February (in percent) were as follows: Feb. 21, 10.79.

15. Effective Aug. 1, 1981, commercial banks may 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 ¼ 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. 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 (in percent) for commercial banks were as follows: Feb. 2, 14.3; Feb. 17, 14.80; and for thrift institutions: Feb. 2, 14.55; Feb. 17, 15.05.

16. 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 ¾ percentage point below the average yield on 2½-year U.S. Treasury securities; the ceiling rate for thrift institutions was ¼ percentage point higher than that for commercial banks. Effective Mar. 1, 1980, a temporary ceiling of 11¾ percent was placed on these accounts at commercial banks and 12 percent on these accounts at savings and loan associations. Effective June 2, 1980, the ceiling rates for these deposits at commercial banks and savings and loans was increased ½ 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.

17. Effective Dec. 1, 1981, depository institutions were 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.

For NOTE see opposite page.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

Type of transaction	1979	1980	1981	1981 July	1981 Aug.	1981 Sept.	1981 Oct.	1981 Nov.	1981 Dec.	1982 Jan.
U.S. GOVERNMENT SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	15,998	7,668	13,899	1,325	1,713	1,753	241	1,765	2,170	0
2 Gross sales	6,855	7,331	6,746	0	333	945	1,157	0	0	2,756
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	2,900	3,389	1,816	100	0	500	200	16	0	600
Others within 1 year[1]										
5 Gross purchases	3,203	912	317	122	0	0	0	0	80	0
6 Gross sales	0	0	23	0	0	0	0	0	0	0
7 Maturity shift	17,339	12,427	13,794	1,073	2,807	628	425	1,389	887	542
8 Exchange	-11,308	-18,251	-12,869	-351	-2,430	-599	0	-3,047	-754	0
9 Redemptions	2,600	0	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	2,148	2,138	1,702	607	0	0	0	100	526	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shift	-12,693	-8,909	-10,299	1,073	-820	-628	-425	-1,057	-887	-542
13 Exchange	7,508	13,412	10,117	351	1,724	599	0	2,325	754	0
5 to 10 years										
14 Gross purchases	523	703	393	64	0	0	0	0	165	0
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shift	-4,646	-3,092	-3,495	0	-1,987	0	0	-332	0	0
17 Exchange	2,181	2,970	1,500	0	400	0	0	400	0	0
Over 10 years										
18 Gross purchases	454	811	379	182	0	0	0	0	108	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	0	-426	0	0	0	0	0	0	0	0
21 Exchange	1,619	1,869	1,253	0	305	0	0	322	0	0
All maturities[1]										
22 Gross purchases	22,325	12,232	16,690	2,301	1,713	1,753	241	1,865	3,049	0
23 Gross sales	6,855	7,331	6,769	0	333	945	1,157	0	0	2,756
24 Redemptions	5,500	3,389	1,816	100	0	500	200	16	0	600
Matched transactions										
25 Gross sales	627,350	674,000	589,312	69,972	54,329	52,055	58,581	42,012	54,098	51,132
26 Gross purchases	624,192	675,496	589,647	69,309	55,917	51,555	58,372	41,900	54,044	51,717
Repurchase agreements										
27 Gross purchases	107,051	113,902	79,920	23,217	7,199	0	3,902	9,505	14,180	12,962
28 Gross sales	106,968	113,040	78,733	21,599	8,817	0	3,902	7,709	12,760	12,914
29 Net change in U.S. government securities	6,896	3,869	9,626	3,155	1,350	-192	-1,325	3,534	4,415	-2,724
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	853	668	494	0	0	0	0	494	0	0
31 Gross sales	399	0	0	0	0	0	0	0	0	0
32 Redemptions	134	145	108	*	*	33	15	10	4	68
Repurchase agreements										
33 Gross purchases	37,321	28,895	13,320	5,182	864	0	787	1,607	1,647	800
34 Gross sales	36,960	28,863	13,576	4,822	1,225	0	787	1,288	1,697	935
35 Net change in federal agency obligations	681	555	130	360	-360	-33	-15	802	-54	-203
BANKERS ACCEPTANCES										
36 Outright transactions, net	0	0	0	0	0	0	0	0	0	0
37 Repurchase agreements, net	116	73	-582	453	-453	0	0	744	-549	402
38 Net change in bankers acceptances	116	73	-582	453	-453	0	0	744	-549	402
39 **Total net change in System Open Market Account**	**7,693**	**4,497**	**9,175**	**3,968**	**536**	**-225**	**-1,340**	**5,080**	**3,812**	**-2,524**

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

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

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements

Millions of dollars

Account	Wednesday 1982 Jan. 27	Wednesday 1982 Feb. 3	Wednesday 1982 Feb. 10	Wednesday 1982 Feb. 17	Wednesday 1982 Feb. 24	End of month 1981 Dec.	End of month 1982 Jan.	End of month 1982 Feb.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,151	11,151	11,151	11,151	11,150	11,151	11,151	11,150
2 Special drawing rights certificate account	3,318	3,568	3,568	3,568	3,568	3,318	3,318	3,568
3 Coin	410	416	428	431	439	377	422	453
Loans								
4 To depository institutions	5,109	1,800	2,263	1,505	1,414	1,601	2,217	1,180
5 Other	0	0	0	0	0	0	0	0
Acceptances								
6 Held under repurchase agreements	368	596	0	453	0	195	597	0
Federal agency obligations								
7 Bought outright	9,057	9,054	9,046	9,046	9,031	9,125	9,058	9,026
8 Held under repurchase agreements	102	406	0	172	0	269	134	0
U.S. government securities								
Bought outright								
9 Bills	48,162	47,209	46,804	47,646	47,801	49,359	46,588	46,961
10 Notes	59,978	59,978	59,978	60,289	60,359	59,978	59,978	60,359
11 Bonds	18,401	18,401	18,401	18,090	18,090	18,401	18,401	18,090
12 Total[1]	126,541	125,588	125,183	126,025	126,250	127,738	124,967	125,410
13 Held under repurchase agreements	2,506	7,354	0	4,328	0	3,216	3,263	0
14 Total U.S. government securities	129,047	132,942	125,183	130,353	126,250	130,954	128,230	125,410
15 **Total loans and securities**	**143,683**	**144,798**	**136,512**	**141,529**	**136,695**	**142,144**	**140,236**	**135,616**
16 Cash items in process of collection	6,983	10,233	9,392	13,669	8,047	8,557	8,119	8,672
17 Bank premises	502	502	503	505	505	503	502	505
Other assets								
18 Denominated in foreign currencies[2]	5,200	5,112	5,132	5,131	5,137	5,129	5,112	5,137
19 All other[3]	3,943	4,095	4,189	3,189	3,313	3,598	4,075	3,401
20 **Total assets**	**175,190**	**179,875**	**170,875**	**179,173**	**168,854**	**174,777**	**172,935**	**168,502**
LIABILITIES								
21 Federal Reserve notes	127,509	127,527	128,418	128,677	127,607	131,906	126,835	126,869
Deposits								
22 Depository institutions	29,434	34,178	26,764	29,807	24,905	25,228	25,066	24,964
23 U.S. Treasury—General account	7,169	5,576	4,417	5,541	5,143	4,301	8,285	3,835
24 Foreign—Official accounts	346	274	340	271	264	505	333	416
25 Other	437	516	529	509	350	781	393	414
26 **Total deposits**	**37,386**	**40,544**	**32,050**	**36,128**	**30,662**	**30,815**	**34,077**	**29,629**
27 Deferred availability cash items	5,251	6,364	5,440	8,880	5,647	6,795	6,484	5,713
28 Other liabilities and accrued dividends[4]	2,196	2,627	2,096	2,610	2,061	2,705	2,611	3,341
29 **Total liabilities**	**172,342**	**177,062**	**168,004**	**176,295**	**165,977**	**172,221**	**170,007**	**165,552**
CAPITAL ACCOUNTS								
30 Capital paid in	1,286	1,287	1,289	1,291	1,290	1,278	1,287	1,291
31 Surplus	1,278	1,278	1,278	1,278	1,278	1,278	1,278	1,278
32 Other capital accounts	284	248	304	309	309	0	363	381
33 **Total liabilities and capital accounts**	**175,190**	**179,875**	**170,875**	**179,173**	**168,854**	**174,777**	**172,935**	**168,502**
34 MEMO: Marketable U.S. government securities held in custody for foreign and international account	95,533	92,265	96,024	93,641	94,410	95,220	94,794	94,816
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to bank)	150,632	150,650	150,557	150,655	150,682	151,033	150,605	150,636
36 LESS: Held by bank[5]	23,123	23,123	22,139	21,978	23,075	19,127	23,770	23,767
37 Federal Reserve notes, net	127,509	127,527	128,418	128,677	127,607	131,906	126,835	126,869
Collateral for Federal Reserve notes								
38 Gold certificate account	11,151	11,151	11,151	11,151	11,150	11,151	11,151	11,150
39 Special drawing rights certificate account	3,318	3,568	3,568	3,568	3,568	3,318	3,318	3,568
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. government and agency securities	113,040	112,808	113,699	113,958	112,889	117,437	112,366	112,151
42 **Total collateral**	**127,509**	**127,527**	**128,418**	**128,677**	**126,607**	**131,906**	**126,835**	**126,869**

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		
	1982					1981	1982	
	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 24	Dec. 31	Jan. 29	Feb. 26
1 Loans– Total	5,109	1,800	2,283	1,505	1,414	1,601	2,217	1,180
2 Within 15 days	5,079	1,728	2,207	1,479	1,319	1,576	2,180	1,069
3 16 days to 90 days	30	72	76	26	95	25	37	111
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances – Total	368	596	0	453	0	195	597	0
6 Within 15 days	368	596	0	453	0	195	597	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	129,047	132,942	125,183	130,353	126,250	130,954	128,230	125,410
10 Within 15 days[1]	7,801	11,031	5,249	10,609	6,419	3,936	4,618	2,617
11 16 days to 90 days	23,428	23,314	21,587	23,596	24,820	25,190	24,980	26,558
12 91 days to 1 year	33,407	34,237	33,987	33,482	32,295	37,417	34,221	33,520
13 Over 1 year to 5 years	36,025	35,974	35,974	35,764	35,814	36,025	36,025	35,814
14 Over 5 years to 10 years	11,752	11,752	11,752	10,193	10,193	11,752	11,752	10,193
15 Over 10 years	16,634	16,634	16,634	16,709	16,709	16,634	16,634	16,708
16 Federal agency obligations– Total	9,159	9,460	9,046	9,218	9,031	9,394	9,192	9,026
17 Within 15 days[1]	243	484	135	367	292	529	276	173
18 16 days to 90 days	622	708	572	512	540	631	622	540
19 91 days to 1 year	1,357	1,331	1,378	1,378	1,238	1,443	1,357	1,369
20 Over 1 year to 5 years	5,404	5,404	5,428	5,428	5,428	5,256	5,404	5,396
21 Over 5 years to 10 years	960	960	960	960	960	962	960	976
22 Over 10 years	573	573	573	573	573	573	573	572

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

1.20 BANK DEBITS AND DEPOSIT TURNOVER

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

Bank group, or type of customer	1978	1979	1980	1981				
				Aug	Sept.	Oct.	Nov.	Dec.
	Debits to demand deposits[1] (seasonally adjusted)							
1 All commercial banks	40,297.8	49,775.0	63,013.4	89,723.4	87,303.2r	83,671.3r	82,000.3r	86,430.0r
2 Major New York City banks	15,008.7	18,512.7	25,192.5	41,877.2	39,209.4r	35,109.8r	34,237.6r	34,937.3r
3 Other banks	25,289.1	31,262.3	37,820.9	47,846.3	48,093.8	48,561.5	47,762.6	51,492.7
	Debits to savings deposits[2] (not seasonally adjusted)							
4 ATS/NOW[3]	17.1	83.3	158.4	745.0	820.2	833 4	753.3	903.5
5 Business[4]	56.7	77.3	93.4	118.1	122.0	117.2	96.3	117.9
6 Others[5]	359.7	515 2	605.3	595.5	577.0	581.6	539.7	597.0
7 All accounts	432.9	675.8	857.2	1,458.6	1,519.2	1,532.2	1,389.2	1,618.4
	Demand deposit turnover[1] (seasonally adjusted)							
8 All commercial banks	139.4	163.5	201.6	316.8	309.5r	296.2r	292.0r	309.2r
9 Major New York City banks	541.9	646.2	813.7	1,338.1	1,260.1r	1,109.8r	1,128.3r	1,156.8r
10 Other banks	96 8	113.3	134.3	189.9	191.6	193.6	190.7	206.6
	Savings deposit turnover[2] (not seasonally adjusted)							
11 ATS/NOW[3]	7.0	7.8	9.7	13.5	14.5	14.6	12.8	14.6
12 Business[4]	5.1	7.2	9.3	13.5	14.3	14.1	11.7	13.9
13 Others[5]	1.7	2 7	3.4	3.9	3.9	3.9	3.6	4.0
14 All accounts	1.9	3.1	4.2	6.7	7.1	7.2	6.4	7.4

1. *Represents accounts of individuals*, partnerships, and corporations, and of states and political subdivisions.
2. Excludes special club accounts, such as Christmas and vacation clubs.
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. Represents corporations and other profit-seeking organizations (excluding commercial banks but including savings and loan associations, mutual savings banks, credit unions, the Export-Import Bank, and federally sponsored lending agencies).
5. Savings accounts other than NOW; business; and, from December 1978, ATS.

NOTE. Historical data for the period 1970 through June 1977 have been estimated; these estimates are based in part on the debits series for 233 SMSAs, which were available through June 1977. Back data are available from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Debits and turnover data for savings deposits are not available before July 1977.

1.21 MONEY STOCK MEASURES AND COMPONENTS

Billions of dollars, averages of daily figures

Item	1978 Dec.	1979 Dec.	1980 Dec.	1981 Dec.	1981 Sept.	1981 Oct.	1981 Nov.	1981 Dec.	1982 Jan.
	Seasonally adjusted								
MEASURES[1]									
1 M1	363.2	389.0	414.5	440.9r	431.2	432.9	436.4	440.9r	448.6
2 M2	1,403.9	1,518.9	1,656.1	1,822.4r	1,778.1	1,789.3	1,809.7r	1,822.4r	1,840.2
3 M3	1,629.0	1,779.3	1,963.1	2,187.8r	2,138.0	2,151.0	2,174.5r	2,187.8r	2,203.9
4 L[2]	1,938.9	2,153.9	2,370.4	n.a.	2,577.2r	2,599.4r	2,625.3	n.a.	n.a.
SELECTED COMPONENTS									
5 Currency	97.4	106.1	116.2	123.1	121.1	121.3	121.8	123.1	123.8
6 Traveler's checks[3]	3.5	3.7	4.2	4.3	4.3	4.3	4.3	4.3	4.3
7 Demand deposits	253.9	262.2	267.2	236.4	234.7	235.7	235.7	236.4	239.3
8 Other checkable deposits[7]	8.4	16.9	26.9	77.0	71.2	71.6	74.7	77.0	81.1
9 Savings deposits[4]	479.9	421.7	398.9	343.6r	343.1	339.6	340.9	343.6r	348.9
10 Small-denomination time deposits[5]	533.9	652.6	751.7	854.7r	839.7	849.8	856.8r	854.7r	851.6
11 Large-denomination time deposits[6]	194.6	221.8	257.9	300.4	302.3	302.2	300.6	300.4	303.1
	Not seasonally adjusted								
MEASURES[1]									
12 M1	372.5	398.8	424.6	451.2r	431.5	434.5	439.7	451.2r	453.4
13 M2	1,408.5	1,524.6	1,662.4	1,829.1r	1,775.6	1,793.1	1,809.3	1,829.1r	1,848.1
14 M3	1,637.5	1,789.2	1,973.8	2,199.6r	2,132.2	2,152.4	2,175.4r	2,199.6r	2,216.7
15 L[2]	1,946.6	2,162.8	2,380.2	n.a.	2,568.3r	2,597.8r	2,624.5	n.a.	n.a.
SELECTED COMPONENTS									
16 Currency	99.4	108.2	118.3	125.4	120.8	121.2	122.9	125.4	123.2
17 Traveler's checks[3]	3.3	3.5	3.9	4.1	4.5	4.3	4.1	4.1	4.1
18 Demand deposits	261.5	270.1	275.1	243.3	234.6	236.6	237.5	243.3	243.6
19 Other checkable deposits[7]	8.4	17.0	27.2	78.4	71.7	72.4	75.2	78.4	82.5
20 Overnight RPs and Eurodollars[8]	24.1	26.3	35.0	38.1	39.6	36.1r	36.9	38.1	43.3
21 Savings deposits[4]	478.0	420.5	398.0	343.0r	347.9	343.9	342.2	343.0r	346.8
22 Small-denomination time deposits[5]	531.1	649.7	748.9	851.7r	832.1	847.6	851.9	851.7r	856.8
Money Market Mutual Funds									
23 General purpose and broker/dealer	7.1	34.3	61.8	150.8	130.4	137.1	144.6	150.8	154.4
24 Institution only	3.1	9.3	13.9	33.7	26.6	29.4	32.0	33.7	32.5
25 Large-denomination time deposits[6]	198.6	226.0	262.3	305.5r	299.1	299.8	301.8	305.5r	308.1

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.

2. 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 nonbank issuers.

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

7. Includes ATS and NOW balances at all institutions, credit union share draft balances, and demand deposits at mutual savings banks.

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.

1.22 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1978 Dec.	1979 Dec.	1980 Dec.	1981 May	1981 June	1981 July	1981 Aug.	1981 Sept.	1981 Oct.	1981 Nov.	1981 Dec.	1982 Jan.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 **Total reserves**[3]	**35.08**	**36.37**	**39.01**	**39.63**	**39.62**	**39.73**	**39.81**	**40.31**	**40.12**	**40.15**	**40.53**	**41.28**
2 Nonborrowed reserves	34.22	34.90	37.32	37.40	37.58	38.05	38.39	38.86	38.94	39.49	39.89	39.76
3 Required reserves	34.85	36.04	38.49	39.37	39.28	39.39	39.52	39.90	39.84	39.81	40.21	40.86
4 Monetary base[4]	134 7	145.0	158.0	161.4	161.7	162.5	162.9	163.7	163.8	164.3	165.8	167.4
	Not seasonally adjusted											
5 **Total reserves**[3]	**35.66**	**36.97**	**39.70**	**39.31**	**39.05**	**39.64**	**39.48**	**40.09**	**40.22**	**40.33**	**41.26**	**42.70**
6 Nonborrowed reserves	34.80	35.50	38.01	37.08	37.02	37.96	38.06	38.63	39.04	39.67	40.63	41.18
7 Required reserves	35.43	36.65	39.19	39.05	38 72	39.30	39.19	39.67	39.94	39.99	40.94	42.28
8 Monetary base[4]	137.4	147.9	161.0	160.8	161.2	163.3	163.2	163.3	163.8	165.6	168.9	168.5
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[5]												
9 **Total reserves**[3]	**41.68**	**43.91**	**40.66**	**40.52**	**40.44**	**41.01**	**41.02**	**40.59**	**40.71**	**40.95**	**41.92**	**43.20**
10 Nonborrowed reserves	40.81	42.43	38.97	38.29	38.41	39.33	39 60	39.13	39.53	40.29	41.29	41.69
11 Required reserves	41.45	43.58	40 15	40.26	40.10	40.67	40.73	40.18	40.43	40.60	41.60	42.78
12 Monetary base[4]	144 6	156 2	162.4	162.6	163.3	165.4	165.4	163.9	164.3	166.3	169.7	169.1

1. Reserve measures from November 1980 to date reflect a one-time increase—estimated at $550 million to $600 million—in required reserves associated with the reduction of week-end avoidance activities of a few large banks.

2. 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.

3. 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.

4. 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.

5. 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 Nov. 13, 1980, other depository institutions. Under the transitional 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 $2.8 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 $245 million; Sept. 3, 1981, a reduction of $1.3 billion; and Nov. 19, 1981, an increase of $220 million.

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.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1980 Dec.	1981 Oct.	1981 Nov.	1981 Dec.[2]	1982 Jan.[2]	1980 Dec.	1981 Oct.	1981 Nov.	1981 Dec.[2]	1982 Jan.[2]
	Seasonally adjusted					Not seasonally adjusted				
1 **Total loans and securities[3]**	**1,239.6**	**1324.0**	**1327.5**	**1317.7[4]**	**1322.2**	**1,249.5**	**1329.9**	**1333.4**	**1327.5[4]**	**1324.7**
2 U.S. Treasury securities	110.0	112.5	110.3	110.9	114.3	110.5	111.5	109.5	111.4	113.8
3 Other securities	214.4	228.7	231.2	231.7	232.1	215.7	229.0	231.9	233.1	232.3
4 Total loans and leases[3]	915.1	982.8	986.0	975.0[4]	975.9	923.3	989.4	992.0	983.0[4]	978.7
5 Commercial and industrial loans	326.8	363.7	363.4	358.6[4,5]	360.9	328.8	364.2	364.8	360.8[4,5]	360.7
6 Real estate loans	262.6	281.8	283.1	285.5[4]	287.3	263.3	283.0	284.4	286.3[4]	287.9
7 Loans to individuals	179.6	183.4	183.7	185.2	185.9	180.9	185.0	184.9	186.5	186.4
8 Security loans	18.5	19.6	21.0	21.9	20.6	19.1	19.4	21.3	22.7	20.8
9 Loans to nonbank financial institutions	29.0	30.5	30.4	30.2[4]	31.1	29.9	30.8	30.9	31.2[4]	31.2
10 Agricultural loans	31.5	32.9	32.9	33.0	33.2	31.4	33.4	33.1	33.0	32.9
11 Lease financing receivables	10.9	12.5	12.6	12.7	13.0	10.9	12.5	12.6	12.7	13.0
12 All other loans	56.2	58.3	58.9	47.8	43.9	59.0	61.1	60.0	49.9	45.7
MEMO:										
13 **Total loans and securities plus loans sold[3,6]**	**1,242.3**	**1326.7**	**1330.3**	**1320.5[4]**	**1325.1**	**1,252.2**	**1332.6**	**1336.2**	**1330.3[4]**	**1327.6**
14 Total loans plus loans sold[3,6]	917.8	985.5	988.8	977.9[4]	978.8	926.0	992.0	994.7	985.8[4]	981.6
15 Total loans sold to affiliates[6]	2.7	2.7	2.7	2.8	2.9	2.7	2.7	2.7	2.8	2.9
16 Commercial and industrial loans plus loans sold[6]	328.6	365.8	365.5	360.8[4,5]	363.2	330.6	366.3	366.9	362.9[4,5]	363.0
17 Commercial and industrial loans sold[6]	1.8	2.0	2.1	2.2	2.2	1.8	2.0	2.1	2.2	2.2
18 Acceptances held	7.8	9.2	8.8	8.9	8.7	8.5	9.2	9.2	9.8	9.1
19 Other commercial and industrial loans	319.0	354.6	354.5	349.7	352.2	320.3	355.1	355.6	351.0	351.7
20 To U.S. addressees[7]	297.6	327.8	328.3	335.0	339.6	297.1	328.4	329.2	334.4	338.4
21 To non-U.S. addressees	21.4	26.7	26.3	14.7	12.6	23.2	26.7	26.5	16.6	13.3
22 Loans to foreign banks	23.4	23.6	23.4	19.0	15.4	25.1	24.0	23.2	20.0	16.1

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 reduced the levels of several items as follows: line 1, \$23.2 billion; line 4, \$22.8 billion; line 21, \$10.9 billion; line 22, \$5.9 billion; line 12, \$11.8 billion; and line 3, \$0.5 billion. After December 1981, levels were reduced as follows: line 1, \$30.2 billion; line 4, \$29.6 billion; line 21, \$13.9 billion; line 22, \$7.5 billion; line 12, \$15.7 billion, and line 3, \$0.6 billion.
3. Excludes loans to commercial banks in the United States.
4. Absorption of a nonbank affiliate by a large commercial bank added the following to February figures: total loans and securities, \$1.0 billion; total loans and leases, \$1.0 billion; commercial and industrial loans, \$.5 billion; real estate loans, \$.1 billion; nonbank financial, \$.1 billion.
5. An accounting procedure change by one bank reduced commercial and industrial loans by \$0.1 billion as of Apr. 1, 1981.
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 BANKS[1]

Monthly averages, billions of dollars

Source	1980 Dec.	1981 Mar.	1981 Apr.	1981 May	1981 June	1981 July	1981 Aug.	1981 Sept.	1981 Oct.	1981 Nov.	1981 Dec.	1982 Jan.
Total nondeposit funds												
1 Seasonally adjusted[2]	121.9	119.3	113.2	120.1	124.1	122.7	123.3	119.8	116.3	116.2	98.7	89.6
2 Not seasonally adjusted	122.5	120.0	113.4	125.7	126.0	124.6	127.4	125.0	118.3	120.8	99.1	88.0
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	111.0	112.9	110.6	108.7	115.3	113.8	110.5	108.2	109.1	110.1	114.4	116.3
4 Not seasonally adjusted	111.6	113.8	111.4	114.2	117.2	115.7	114.6	113.3	111.1	114.7	114.8	114.7
5 Net balances due to foreign-related institutions, not seasonally adjusted	8.2	3.5	-.7	8.7	5.9	6.2	10.1	8.9	4.5	3.3	18.5	-29.6
6 Loans sold to affiliates, not seasonally adjusted[4]	2.7	2.8	2.7	2.8	2.9	2.7	2.6	2.7	2.7	2.7	2.8	2.9
MEMO												
7 Domestically chartered banks net positions with own foreign branches, not seasonally adjusted[6]	-14.7	-17.0	-21.3	-13.6	-14.6	-14.6	-10.2	-12.3	-15.4	-15.0	22.4	27.1
8 Gross due from balances	37.5	38.8	43.0	43.4	42.5	45.0	43.7	44.5	45.5	47.9	54.9	57.1
9 Gross due to balances	22.8	21.8	21.7	29.8	27.8	30.4	33.5	32.2	30.1	32.9	32.5	30.0
10 Foreign-related institutions net positions with directly related institutions, not seasonally adjusted[7]	22.9	20.5	20.6	22.3	20.6	20.8	20.4	21.2	19.9	18.4	3.9	-2.5
11 Gross due from balances	32.5	31.9	34.0	35.7	36.9	37.4	38.0	40.1	38.3	39.1	48.1	50.0
12 Gross due to balances	55.4	52.4	54.6	57.9	57.4	58.2	58.4	61.3	58.2	57.4	52.0	47.5
Security RP borrowings												
13 Seasonally adjusted[8]	64.0	66.9	67.0	64.3	70.8	69.2	65.7	63.0	64.9	65.0	70.0	73.0
14 Not seasonally adjusted	62.3	65.6	65.5	67.6	70.5	68.9	67.6	65.9	64.7	67.3	68.2	69.2
U.S. Treasury demand balances[9]												
15 Seasonally adjusted	9.5	12.0	12.1	12.5	11.4	10.9	8.3	9.3	11.1	12.1	11.8	13.5
16 Not seasonally adjusted	9.0	10.4	12.2	12.5	12.5	10.8	7.5	10.9	13.3	9.7	11.3	14.6
Time deposits, $100,000 or more[10]												
17 Seasonally adjusted	267.0	281.4	283.0	294.9	302.4	313.1	321.7	324.7	324.8	323.4	324.0	324.3
18 Not seasonally adjusted	272.4	285.9	283.9	293.9	298.2	304.7	314.8	320.2	322.6	324.6	330.3	330.6

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.

NOTE. Beginning December 1981, shifts of foreign assets and liabilities from U.S. banking offices to international banking facilities (IBFs) reduced levels for several items as follows: lines 1 and 2, $22.4 billion; lines 3 and 4, $1.7 billion; line 5, $20.7 billion; line 7, $3.1 billion; and line 10, $17.6 billion. After December 1981, levels were reduced as follows: lines 1 and 2, $29.6 billion; lines 3 and 4, $2.4 billion; line 5, $27.2 billion; line 7, $4.7 billion; and line 10 $22.4 billion.

Total nondeposit funds and federal funds, RPs, and other borrowings from nonbanks have been revised because of new seasonal factors and benchmarking to the June and September 1980 call reports.

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

Billions of dollars except for number of banks

Account	1981										1982
	Mar	Apr.	May	June	July	Aug.	Sept.r	Oct.	Nov.	Dec.r	Jan
DOMESTICALLY CHARTERED COMMERCIAL BANKS[1]											
1 Loans and securities, excluding interbank	1,170.4	1,188.7	1,195.5	1,206.1	1,214.1	1,221.3	1,242.5	1,239.9	1,249.4	1,268.1	1,262.5
2 Loans, excluding interbank	842.6	857.5	864.5	874.2	881.2	888.7	906.2	902.9	912.8	926.6	920.6
3 Commercial and industrial	279.8	287.8	290.3	295.4	298.3	301.2	308.5	308.5	312.6	320.9	320.9
4 Other	562.8	569.7	574.3	578.8	582.9	587.5	597.8	594.3	600.2	605.7	599.7
5 U.S. Treasury securities	110.3	113.1	112.1	113.4	113.1	111.3	109.4	110.0	106.7	109.6	111.7
6 Other securities	217.5	218.1	218.8	218.4	219.8	221.4	226.9	227.1	229.9	231.8	230.2
7 Cash assets, total	163.9	178.1	175.9	165.7	156.8	168.4	190.2	149.8	162.8	173.1	155.1
8 Currency and coin	17.7	18.7	19.3	19.0	19.5	20.0	19.2	19.7	18.3	22.0	19.8
9 Reserves with Federal Reserve Banks	31.8	38.3	25.2	25.4	27.0	25.4	26.8	25.3	26.1	28.0	30.2
10 Balances with depository institutions	51.3	53.7	57.7	56.8	52.7	61.4	68.9	49.3	52.0	54.5	50.1
11 Cash items in process of collection	63.1	67.4	73.5	64.5	57.6	61.6	75.4	55.5	66.4	68.7	55.0
12 Other assets[2]	167.2	171.1	163.1	172.2	162.8	168.3	184.5	175.5	194.4	212.5	197.8
13 Total assets/total liabilities and capital	**1,501.5**	**1,537.8**	**1,534.4**	**1,544.0**	**1,533.7**	**1,558.0**	**1,617.2**	**1,565.2**	**1,606.7**	**1,653.7**	**1,615.5**
14 Deposits	1,135.7	1,151.2	1,169.3	1,164.6	1,160.0	1,181.3	1,224.4	1,177.1	1,206.0	1,241.2	1,206.3
15 Demand	345.3	356.8	360.7	350.8	333.7	342.5	378.0	324.0	339.2	364.6	322.6
16 Savings	220.1	222.4	220.4	220.0	219.2	217.2	216.7	214.0	217.9	222.4	223.0
17 Time	570.3	572.0	588.3	593.8	607.2	621.6	629.7	639.1	648.9	654.2	660.7
18 Borrowings	164.8	180.4	156.8	170.3	160.4	164.4	176.9	174.5	179.3	190.1	191.7
19 Other liabilities	80.6	81.8	82.5	81.8	86.3	89.8	91.4	89.3	95.2	91.7	89.9
20 Residual (assets less liabilities)	120.4	124.4	125.8	127.3	127.0	122.5	124.4	124.3	126.2	130.7	127.6
MEMO:											
21 U.S. Treasury note balances included in borrowing	10.2	16.8	5.5	17.4	7.2	6.4	15.3	13.9	5.6	13.6	16.6
22 Number of banks	14,701	14,713	14,719	14,719	14,719	14,720	14,720	14,740	14,743	14,744	14,690
ALL COMMERCIAL BANKING INSTITUTIONS[3]											
23 Loans and securities, excluding interbank	1,254.6	....	....	1,291.2	1,297.9	1,306.7	1,334.3	1,324.7	1,335.5	1,330.6	1,322.9
24 Loans, excluding interbank	922.8	....	....	955.1	960.8	969.8	993.8	983.6	994.7	984.7	976.3
25 Commercial and industrial	331.6	....	....	345.5	350.3r	354.2r	366.3	361.7r	365.5r	361.4	360.3
26 Other	591.3	....	....	609.8	610.4r	615.6r	627.5	621.9r	629.2r	623.4	616.1
27 U.S. Treasury securities	112.6	....	....	115.8	115.3	113.5	111.6	111.9	108.8	112.3	114.6
28 Other securities	219.3	....	....	220.4	221.8	223.4	228.9	229.2	232.0	233.6	232.0
29 Cash assets, total	193.2	....	....	207.5	187.8	205.2	234.5	165.4r	179.3	188.0	169.8
30 Currency and coin	17.7	....	....	19.0	19.5	20.1	19.2	19.7	18.3	22.0	19.8
31 Reserves with Federal Reserve Banks	32.7	....	....	26.5	28.0	26.6	28.1	26.5	27.5	29.3	31.3
32 Balances with depository institutions	77.8	....	....	94.4	81.4	95.7r	110.7	62.5r	66.0	67.0	62.5
33 Cash items in process of collection	65.1	....	....	67.5	58.9	62.9	76.5	56.6	67.4	69.7	56.1
34 Other assets[2]	229.0	....	....	238.0	228.4	233.7	251.0	244.0	267.0	290.1	275.0
35 Total assets/total liabilities and capital	**1,677.0**	....	....	**1,736.9**	**1,714.1**	**1,745.6**	**1,819.8**	**1,734.0**	**1,781.7**	**1,808.7**	**1,767.8**
36 Deposits	1,193.3	....	....	1,235.5	1,221.5r	1,250.3	1,293.7	1,224.6	1,254.1	1,289.7	1,252.0
37 Demand	371.0	....	....	389.3	362.4r	378.3	412.2	337.1	352.6	378.4	335.4
38 Savings	220.4	....	....	220.3	219.5	217.5	216.9	214.3	218.1	222.7	223.2
39 Time	602.0	....	....	625.9	639.7	654.5	664.7	673.1	683.4	688.6	693.3
40 Borrowings	224.4	....	....	231.6	218.7r	223.5	242.7	236.8	246.2	250.8	253.3
41 Other liabilities	137.1	....	....	140.6	145.0r	147.4	157.0	146.4	153.3	135.6	133.0
42 Residual (assets less liabilities)	122.4	....	....	129.4	128.9	124.4	126.3	126.3	128.1	132.6	129.5
MEMO:											
43 U.S. Treasury note balances included in borrowing	10.2	....	....	17.4	7.2	6.4	15.3	13.9	5.6	13.6	16.6
44 Number of banks	15,147	....	....	15,188	15,188	15,189	15,189	15,209	15,212	15,213	15,185

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 for the last day of the quarter until June 1981; beginning July 1981, these data 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	1981	1882								Adjustment bank, 1981
	Dec. 30	Jan. 6	Jan. 13	Jan. 20	Jan. 27^p	Feb. 3^p	Feb. 10^p	Feb. 17^p	Feb. 24^p	
1 Cash items in process of collection	54,879	53,600	48,082	49,251	44,111	48,220	43,519	60,614	44,956	118
2 Demand deposits due from banks in the United States	8,226	7,230	6,853	7,065	6,773	6,868	6,468	9,121	6,696	190
3 All other cash and due from depository institutions	36,114	35,566	35,090	40,636	37,002	40,816	34,043	37,459	31,168	354
4 **Total loans and securities**	**608,325**	**612,198**	**606,700**	**604,314**	**600,360**	**610,409**	**603,759**	**607,023**	**607,539**	**1,711**
Securities										
5 U.S. Treasury securities	36,819	37,325	37,376	37,577	37,977	38,090	37,606	38,417	37,645	353
6 Trading account	5,947	6,604	6,664	6,599	6,854	7,304	6,789	7,606	6,802	....
7 Investment account, by maturity	30,872	30,721	30,712	30,978	31,122	30,785	30,817	30,811	30,844	353
8 One year or less	9,861	9,702	9,655	9,970	10,145	10,223	10,304	10,184	10,342	110
9 Over one through five years	17,904	17,991	18,043	17,994	17,958	17,573	17,513	17,709	17,647	219
10 Over five years	3,107	3,028	3,014	3,014	3,019	2,989	3,001	2,918	2,855	24
11 Other securities	80,086	81,293	79,968	79,267	79,290	80,413	79,328	79,090	79,146	688
12 Trading account	3,868	4,677	3,589	3,090	3,088	4,568	3,265	3,101	3,128	6
13 Investment account	76,218	76,616	76,378	76,177	76,202	75,845	76,063	75,989	76,018	682
14 U.S. government agencies	16,300	16,515	16,539	16,383	16,302	16,247	16,287	16,305	16,188	237
15 States and political subdivisions, by maturity	57,021	57,194	56,966	56,942	57,081	56,776	56,967	56,882	57,026	432
16 One year or less	8,122	8,172	7,891	7,915	8,016	7,853	7,912	7,750	7,860	108
17 Over one year	48,899	49,022	49,075	49,027	49,064	48,923	49,055	49,132	49,167	324
18 Other bonds, corporate stocks and securities	2,896	2,907	2,873	2,852	2,818	2,821	2,809	2,801	2,803	13
Loans										
19 Federal funds sold[1]	35,527	38,127	37,153	36,718	32,601	37,362	34,637	33,708	35,641	179
20 To commercial banks	25,740	26,958	25,740	26,247	22,285	26,818	24,357	23,975	24,508	179
21 To nonbank brokers and dealers in securities	7,504	8,274	8,503	7,705	7,434	7,705	7,585	6,955	8,043	....
22 To others	2,283	2,894	2,910	2,766	2,882	2,839	2,695	2,777	3,090	....
23 Other loans, gross	468,270	467,900	464,724	463,231	463,040	467,180	464,869	468,494	467,813	529
24 Commercial and industrial	195,499	195,962	194,657	194,887	195,719	198,011	198,040	199,099	198,950	515
25 Bankers acceptances and commercial paper	4,295	3,989	4,130	3,628	3,984	3,959	3,944	4,103	4,352	4
26 All other	191,205	191,973	190,528	191,259	191,735	194,052	194,096	194,996	194,599	510
27 U.S. addressees	184,435	185,166	184,018	184,868	185,400	187,699	187,663	188,630	188,137	506
28 Non-U.S. addressees	6,769	6,807	6,510	6,391	6,334	6,353	6,433	6,366	6,462	4
29 Real estate	124,444	125,644	125,744	125,920	126,041	126,157	126,278	126,502	126,703	1,059
30 To individuals for personal expenditures	75,164	73,781	73,640	73,412	73,289	73,059	72,748	72,708	72,509	−1,175
To financial institutions										
31 Commercial banks in the United States	7,069	7,420	7,218	7,280	7,124	7,301	6,910	7,011	6,444	40
32 Banks in foreign countries	8,257	8,146	7,627	7,511	7,516	7,517	7,200	8,181	8,130	....
33 Sales finance, personal finance companies, etc	10,695	10,439	10,206	10,303	10,461	11,158	10,654	10,448	10,218	6
34 Other financial institutions	16,034	15,938	16,064	15,853	15,511	15,598	15,908	16,255	15,974	2
35 To nonbank brokers and dealers in securities	7,946	7,195	6,905	5,655	5,241	6,017	5,462	4,882	6,780	2
36 To others for purchasing and carrying securities[2]	2,810	2,741	2,700	2,651	2,664	2,658	2,677	2,667	2,682	4
37 To finance agricultural production	5,702	5,728	5,870	5,817	5,716	5,768	5,771	5,763	5,778	28
38 All other	14,648	14,907	14,090	13,942	13,758	13,935	13,220	14,977	13,642	47
39 LESS: Unearned income	5,827	5,874	5,904	5,865	5,936	5,899	5,924	5,920	5,933	49
40 Loan loss reserve	6,551	6,574	6,616	6,614	6,611	6,736	6,758	6,766	6,774	−10
41 Other loans, net	455,893	455,453	452,203	450,752	450,492	454,544	452,187	455,808	455,106	490
42 Lease financing receivables	10,781	10,943	10,993	10,955	11,014	11,022	11,100	11,090	11,067	2
43 All other assets	108,184	108,521	108,301	104,916	103,712	106,468	108,133	103,549	104,699	342
44 **Total assets**	**826,509**	**828,058**	**816,019**	**817,138**	**802,972**	**823,804**	**807,023**	**828,856**	**806,124**	**2,717**
Deposits										
45 Demand deposits	187,518	188,424	173,827	171,859	162,015	170,630	159,427	181,923	161,074	1,145
46 Mutual savings banks	556	762	619	579	570	692	573	683	520	....
47 Individuals, partnerships, and corporations	140,376	142,202	134,585	129,634	123,277	127,407	120,039	133,870	121,147	973
48 States and political subdivisions	5,235	5,120	4,924	4,523	4,740	5,270	4,535	5,631	4,590	60
49 U.S. government	2,148	2,974	1,199	3,585	2,203	3,538	2,174	1,912	2,456	6
50 Commercial banks in the United States	21,896	21,226	18,068	18,278	17,084	19,263	17,641	24,857	17,220	50
51 Banks in foreign countries	8,206	7,676	7,255	7,701	7,232	6,731	6,602	7,338	7,297	10
52 Foreign governments and official institutions	1,211	1,154	1,128	1,334	1,052	1,464	1,194	1,110	1,152	3
53 Certified and officers' checks	7,889	7,309	6,048	6,223	5,856	6,264	6,670	6,522	6,692	44
54 Time and savings deposits	362,502	363,114	364,230	363,890	365,612	367,193	366,814	363,746	369,200	1,632
55 Savings	76,971	80,813	80,299	79,706	78,156	79,293	78,658	78,728	77,758	1,137
56 Individuals and nonprofit organizations	73,446	77,162	76,663	76,125	74,612	75,771	75,145	75,165	74,269	1,090
57 Partnerships and corporations operated for profit	2,977	3,041	3,000	2,939	2,923	2,893	2,887	2,858	2,854	35
58 Domestic governmental units	524	582	614	610	593	606	603	683	615	11
59 All other	24	28	21	31	28	23	22	22	20	....
60 Time	285,531	282,301	283,931	284,184	287,457	287,900	288,156	285,017	291,442	495
61 Individuals, partnerships, and corporations	250,511	247,821	249,319	249,676	252,442	252,226	252,093	249,149	254,161	259
62 States and political subdivisions	19,849	19,671	19,957	19,950	20,364	20,480	20,841	20,582	21,370	229
63 U.S. government	239	235	246	266	281	290	299	295	310	7
64 Commercial banks in the United States	9,852	9,693	9,578	9,602	9,757	10,357	10,436	10,555	11,187	....
65 Foreign governments, official institutions, and banks	5,079	4,880	4,831	4,690	4,612	4,547	4,486	4,435	4,414	....
Liabilities for borrowed money										
66 Borrowings from Federal Reserve Banks	436	1,671	2,553	3,112	4,038	889	1,283	518	321	....
67 Treasury tax-and-loan notes	10,013	3,913	7,085	10,757	11,962	11,955	11,957	n.a.	n.a.	−2
68 All other liabilities for borrowed money[3]	139,215	146,354	142,208	141,836	133,101	146,283	141,161	n.a.	n.a.	−435
69 Other liabilities and subordinated notes and debentures	73,384	69,798	71,352	71,147	71,403	71,514	71,090	70,476	73,882	58
70 **Total liabilities**	**773,069**	**773,273**	**761,254**	**762,600**	**748,131**	**768,466**	**751,732**	**773,928**	**751,252**	**2,398**
71 Residual (total assets minus total liabilities)[4]	53,440	54,784	54,765	54,538	54,841	55,338	55,291	54,928	54,872	320

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

NOTE. Beginning in the week ending Dec 9, 1981, shifts of assets and liabilities to international banking facilities (IBFs) reduced the amounts reported in some items, especially in loans to foreigners and to a lesser extent in time deposits. Based on preliminary reports, the large weekly reporting banks shifted $4.7 billion of assets to their IBFs in the five weeks ending Jan. 13, 1982 Domestic offices net positions with IBFs are now included in net due from or net due to related institutions. More detail will be available later

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	1981					1982				Adjustment bank, 1981
	Dec. 30	Jan. 6	Jan. 13	Jan. 20	Jan. 27ᵖ	Feb. 3ᵖ	Feb. 10ᵖ	Feb. 17ᵖ	Feb. 24ᵖ	
1 Cash items in process of collection	51,553	50,176	45,225	45,972	41,436	45,270	40,953	56,776	42,377	115
2 Demand deposits due from banks in the United States	7,587	6,551	6,206	6,412	6,150	6,158	5,848	8,195	6,081	159
3 All other cash and due from depository institutions	33,606	33,384	32,583	37,899	34,495	38,144	31,761	34,907	28,611	340
4 Total loans and securities	**567,776**	**572,294**	**567,142**	**565,050**	**561,695**	**571,090**	**564,562**	**567,982**	**568,937**	**3,347**
Securities										
5 U.S. Treasury securities	33,535	33,974	33,999	34,165	34,681	34,812	34,391	35,185	34,464	335
6 Trading account	5,887	6,522	6,580	6,513	6,796	7,197	6,713	7,462	6,702	...
7 Investment account, by maturity	27,648	27,452	27,419	27,652	27,885	27,615	27,678	27,723	27,762	335
8 One year or less	8,816	8,605	8,535	8,813	9,039	9,157	9,231	9,121	9,284	107
9 Over one through five years	16,040	16,137	16,181	16,136	16,145	15,785	15,761	15,998	15,936	204
10 Over five years	2,792	2,710	2,703	2,703	2,701	2,674	2,686	2,603	2,542	24
11 Other securities	73,650	74,812	73,493	72,825	72,834	73,941	72,824	72,650	72,682	625
12 Trading account	3,751	4,562	3,496	3,024	3,005	4,478	3,172	3,037	3,035	6
13 Investment account	69,899	70,250	69,997	69,801	69,829	69,463	69,651	69,613	69,647	619
14 U.S. government agencies	15,092	15,295	15,320	15,164	15,080	15,032	15,051	15,073	14,976	223
15 States and political subdivision, by maturity	52,090	52,230	51,987	51,968	52,114	51,793	51,974	51,922	52,051	384
16 One year or less	7,284	7,325	7,040	7,063	7,165	6,992	7,036	6,891	6,993	100
17 Over one year	44,806	44,905	44,947	44,904	44,949	44,801	44,938	45,030	45,058	284
18 Other bonds, corporate stocks and securities	2,717	2,724	2,690	2,669	2,634	2,637	2,626	2,618	2,620	12
Loans										
19 Federal funds sold[1]	31,671	33,300	32,587	32,444	28,878	33,013	30,351	29,578	31,850	148
20 To commercial banks	22,403	22,806	21,876	22,717	19,196	23,332	20,831	20,570	21,444	148
21 To nonbank brokers and dealers in securities	7,028	7,656	7,866	7,034	6,892	6,919	6,910	6,309	7,370	...
22 To others	2,239	2,839	2,845	2,693	2,790	2,763	2,610	2,699	3,035	...
23 Other loans, gross	440,274	441,664	438,589	437,106	436,855	440,970	438,684	442,260	441,652	2,312
24 Commercial and industrial	185,752	186,129	184,893	185,071	185,864	188,106	188,110	189,099	189,027	486
25 Bankers acceptances and commercial paper	4,144	3,846	3,998	3,487	3,843	3,814	3,796	3,968	4,223	5
26 All other	181,608	182,282	180,895	181,584	182,020	184,292	184,314	185,131	184,804	480
27 U.S. addressees	174,916	175,563	174,468	175,274	175,769	178,024	177,967	178,850	178,428	476
28 Non-U.S. addressees	6,692	6,719	6,428	6,311	6,252	6,268	6,348	6,281	6,376	4
29 Real estate	117,629	118,670	118,736	118,893	118,999	119,121	119,240	119,467	119,657	929
30 To individuals for personal expenditures	65,765	66,417	66,294	66,060	65,948	65,773	65,479	65,456	65,259	775
To financial institutions										
31 Commercial banks in the United States	6,861	7,227	7,038	7,120	6,967	7,110	6,742	6,844	6,258	41
32 Banks in foreign countries	8,178	8,056	7,561	7,442	7,444	7,450	7,130	8,110	8,032	..
33 Sales finance, personal finance companies, etc	10,549	10,292	10,060	10,154	10,303	10,996	10,493	10,282	10,067	6
34 Other financial institutions	15,658	15,518	15,643	15,431	15,115	15,208	15,502	15,866	15,593	1
35 To nonbank brokers and dealers in securities	7,886	7,112	6,852	5,606	5,196	5,966	5,412	4,835	6,731	2
36 To others for purchasing and carrying securities[2]	2,559	2,497	2,453	2,408	2,419	2,418	2,440	2,442	2,464	4
37 To finance agricultural production	5,569	5,591	5,732	5,679	5,572	5,623	5,627	5,619	5,634	26
38 All other	13,867	14,154	13,326	13,242	13,028	13,199	12,509	14,240	12,928	41
39 Less: Unearned income	5,189	5,234	5,266	5,227	5,293	5,266	5,289	5,283	5,293	46
40 Loan loss reserve	6,166	6,221	6,260	6,262	6,260	6,380	6,400	6,408	6,417	28
41 Other loans, net	428,920	430,208	427,064	425,617	425,302	429,324	426,996	430,568	429,942	2,238
42 Lease financing receivables	10,442	10,602	10,657	10,620	10,680	10,689	10,768	10,757	10,733	3
43 All other assets	104,943	105,431	105,180	101,820	100,591	103,213	104,739	100,120	101,372	361
44 Total assets	**775,907**	**778,440**	**766,994**	**767,774**	**755,047**	**774,563**	**758,631**	**778,738**	**758,112**	**4,325**
Deposits										
45 Demand deposits	174,411	175,009	161,431	159,248	150,266	158,398	148,006	169,205	150,023	1,106
46 Mutual savings banks	543	734	598	560	555	666	554	657	500	...
47 Individuals, partnerships, and corporations	130,196	131,871	124,741	119,998	114,232	118,178	111,299	124,220	112,613	950
48 States and political subdivisions	4,594	4,578	4,350	3,942	4,128	4,658	3,891	4,998	4,050	47
49 U.S. government	1,946	2,691	978	3,008	1,891	3,199	1,846	1,691	2,231	6
50 Commercial banks in the United States	20,308	19,494	16,718	16,875	15,730	17,664	16,304	23,034	15,828	50
51 Banks in foreign countries	8,074	7,602	7,188	7,622	7,155	6,666	6,544	7,282	7,233	10
52 Foreign governments and official institutions	1,209	1,153	1,126	1,331	1,034	1,437	1,188	1,092	1,145	3
53 Certified and officers' checks	7,541	6,886	5,732	5,912	5,541	5,932	6,380	6,231	6,423	40
54 Time and savings deposits	339,283	341,049	342,206	341,908	343,635	345,104	344,631	341,580	346,870	2,826
55 Savings	71,105	74,586	74,126	73,578	72,168	73,212	72,628	72,674	71,785	1,021
56 Individuals and nonprofit organizations	67,844	71,197	70,749	70,249	68,875	69,946	69,363	69,360	68,538	975
57 Partnerships and corporations operated for profit	2,752	2,813	2,772	2,719	2,702	2,673	2,674	2,641	2,643	35
58 Domestic governmental units	484	548	585	580	564	570	570	651	584	11
59 All other	24	28	21	31	28	23	22	22	20	...
60 Time	268,178	266,463	268,079	268,329	271,466	271,892	272,003	268,906	275,085	1,805
61 Individuals, partnerships, and corporations	235,290	234,070	235,527	235,814	238,453	238,261	238,022	235,086	239,918	1,576
62 States and political subdivisions	18,136	18,005	18,288	18,310	18,697	18,774	19,089	18,854	19,585	222
63 U.S. government	229	225	235	256	271	280	288	285	300	7
64 Commercial banks in the United States	9,443	9,284	9,198	9,261	9,433	10,030	10,116	10,246	10,868	...
65 Foreign governments, official institutions, and banks	5,079	4,880	4,831	4,690	4,612	4,547	4,486	4,435	4,414	...
Liabilities for borrowed money										
66 Borrowings from Federal Reserve Banks	436	1,584	2,520	3,061	3,853	741	1,217	436	275	...
67 Treasury tax-and-loan notes	9,207	3,608	6,607	9,918	10,999	10,965	10,970	n.a.	n.a.	...
68 All other liabilities for borrowed money[3]	131,178	137,927	133,593	133,295	125,328	137,863	132,827	n.a.	n.a.	18
69 Other liabilities and subordinated notes and debentures	71,475	67,963	69,413	69,256	69,578	69,600	69,130	68,492	71,850	52
70 Total liabilities	***725,990***	***727,140***	***715,770***	***716,686***	***703,658***	***722,673***	***706,780***	***727,344***	***706,778***	**4,001**
71 Residual (total assets minus total liabilities)[4]	49,917	51,300	51,224	51,088	51,389	51,890	51,851	51,393	51,334	324

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	1981	1982							
	Dec 30	Jan. 6	Jan. 13	Jan. 20	Jan. 27p	Feb 3p	Feb. 10p	Feb. 17p	Feb 24p
1 Cash items in process of collection	17,269	13,663	14,377	13,816	12,932	13,040	13,497	16,298	13,066
2 Demand deposits due from banks in the United States	1,361	1,237	977	1,310	1,038	964	1,034	1,611	1,385
3 All other cash and due from depository institutions	9,812	10,882	8,137	9,008	7,507	11,408	6,602	11,064	4,762
4 Total loans and securities[1]	***135,997***	***133,843***	***133,127***	***133,572***	***132,793***	***136,861***	***133,774***	***132,509***	***134,085***
Securities									
5 U.S. Treasury securities[2]	....	....	....	....	....	....	....	....	....
6 Trading account[2]	....	....	....	....	....	....	....	....	....
7 Investment account, by maturity	6,907	6,864	6,850	6,831	6,815	6,655	6,617	6,797	6,694
8 One year or less	1,213	1,198	1,198	1,231	1,215	1,238	1,220	1,181	1,178
9 Over one through five years	5,093	5,055	5,046	4,997	4,998	4,835	4,816	5,030	4,942
10 Over five years	601	611	607	603	602	582	582	585	574
11 Other securities[2]	....	....	....	....	....	....	....	....	....
12 Trading account[2]	....	....	....	....	....	....	....	....	....
13 Investment account	14,750	14,752	14,637	14,618	14,710	14,598	14,620	14,612	14,675
14 U.S. government agencies	2,353	2,348	2,352	2,303	2,274	2,281	2,254	2,254	2,229
15 States and political subdivision, by maturity	11,552	11,563	11,445	11,480	11,598	11,486	11,530	11,530	11,610
16 One year or less	1,964	1,998	1,956	1,990	2,130	2,038	2,059	2,030	2,119
17 Over one year	9,589	9,565	9,488	9,490	9,468	9,448	9,471	9,500	9,491
18 Other bonds, corporate stocks and securities	844	841	840	834	838	830	836	828	836
Loans									
19 Federal funds sold[3]	8,215	6,887	7,670	9,441	8,528	10,620	9,568	6,776	8,738
20 To commercial banks	3,825	2,252	2,777	4,845	4,047	6,035	5,264	2,862	4,316
21 To nonbank brokers and dealers in securities	3,289	3,306	3,457	2,967	2,844	2,899	2,936	2,420	2,772
22 To others	1,101	1,330	1,435	1,628	1,638	1,685	1,368	1,495	1,650
23 Other loans, gross	109,585	108,829	107,474	106,187	106,311	108,562	106,561	107,917	107,609
24 Commercial and industrial	56,225	55,777	55,254	55,468	55,358	56,348	55,913	55,736	55,984
25 Bankers acceptances and commercial paper	1,265	1,194	1,284	1,042	1,163	1,010	912	874	1,320
26 All other	54,960	54,582	53,969	54,426	54,195	55,338	55,001	54,862	54,664
27 U.S. addressees	53,446	53,115	52,550	53,024	52,773	53,925	53,519	53,465	53,152
28 Non-U.S. addressees	1,514	1,467	1,419	1,402	1,422	1,414	1,482	1,396	1,512
29 Real estate	17,648	17,667	17,620	17,662	17,697	17,677	17,680	17,700	17,763
30 To individuals for personal expenditures	11,150	11,160	11,122	11,084	11,030	11,071	11,053	11,096	11,020
To financial institutions									
31 Commercial banks in the United States	2,001	2,362	2,033	1,964	2,147	2,179	1,883	1,979	1,653
32 Banks in foreign countries	3,467	3,845	3,365	3,216	3,272	3,221	2,915	3,747	3,530
33 Sales finance, personal finance companies, etc.	4,323	4,253	4,249	4,349	4,509	5,154	4,648	4,536	4,434
34 Other financial institutions	4,595	4,365	4,485	4,436	4,340	4,332	4,328	4,434	4,497
35 To nonbank brokers and dealers in securities	5,090	4,271	4,272	3,138	3,113	3,676	3,330	2,687	3,876
36 To others for purchasing and carrying securities[4]	724	685	683	670	666	649	617	641	669
37 To finance agricultural production	277	276	464	459	401	414	429	439	415
38 All other	4,087	4,168	3,927	3,741	3,778	3,840	3,764	4,923	3,767
39 Less: Unearned income	1,374	1,366	1,367	1,367	1,428	1,403	1,406	1,407	1,434
40 Loan loss reserve	2,086	2,124	2,137	2,137	2,143	2,171	2,187	2,186	2,197
41 Other loans, net	106,126	105,340	103,970	102,683	102,740	104,989	102,968	104,324	103,978
42 Lease financing receivables	2,258	2,302	2,308	2,314	2,318	2,285	2,339	2,338	2,309
43 All other assets[5]	43,264	44,179	43,052	41,073	41,070	43,014	43,348	40,705	41,261
44 Total assets	**209,961**	**206,106**	**201,980**	**201,094**	**197,658**	**207,573**	**200,593**	**204,526**	**196,868**
Deposits									
45 Demand deposits	52,326	49,434	45,931	45,491	43,191	45,316	42,606	48,696	43,773
46 Mutual savings banks	268	368	313	282	284	302	276	326	202
47 Individuals, partnerships, and corporations	34,733	34,184	32,191	30,306	29,724	30,858	27,574	32,552	29,404
48 States and political subdivisions	424	610	552	522	437	654	486	619	396
49 U.S. government	500	808	365	942	532	866	582	367	547
50 Commercial banks in the United States	5,434	4,122	3,883	3,883	3,800	3,945	4,633	5,746	3,367
51 Banks in foreign countries	6,387	5,934	5,602	6,046	5,412	5,051	5,010	5,379	5,650
52 Foreign governments and official institutions	919	823	861	1,103	795	1,195	970	848	915
53 Certified and officers' checks	3,661	2,584	2,164	2,406	2,207	2,443	3,075	2,860	3,290
54 Time and savings deposits	66,460	65,224	65,927	65,693	66,930	68,349	67,764	65,976	66,709
55 Savings	9,318	9,707	9,648	9,540	9,357	9,468	9,411	9,448	9,278
56 Individuals and nonprofit organizations	8,966	9,341	9,277	9,185	9,005	9,111	9,026	9,027	8,903
57 Partnerships and corporations operated for profit	256	255	252	237	237	234	236	237	235
58 Domestic governmental units	94	109	116	114	112	120	145	180	135
59 All other	2	2	3	4	3	2	3	4	4
60 Time	57,142	55,517	56,279	56,153	57,573	58,881	58,353	56,527	57,432
61 Individuals, partnerships, and corporations	49,056	47,727	48,506	48,458	49,596	50,277	49,624	47,868	48,609
62 States and political subdivisions	2,073	1,916	1,923	1,961	2,121	2,263	2,326	2,341	2,399
63 U.S. government	25	25	40	54	56	57	59	60	87
64 Commercial banks in the United States	3,504	3,462	3,420	3,408	3,508	3,997	4,058	3,971	4,081
65 Foreign governments, official institutions, and banks	2,484	2,387	2,390	2,272	2,291	2,286	2,286	2,287	2,255
Liabilities for borrowed money									
66 Borrowings from Federal Reserve Banks	....	1,280	2,317	600	1,512	....	875	....	....
67 Treasury tax-and-loan notes	2,856	954	1,832	2,902	3,021	2,967	2,989	n.a.	n.a.
68 All other liabilities for borrowed money[6]	42,003	45,330	41,905	42,685	39,284	46,189	41,973	n.a.	n.a.
69 Other liabilities and subordinated notes and debentures	29,678	26,827	26,956	26,648	26,741	27,363	27,076	27,336	27,029
70 Total liabilities	**193,323**	**189,049**	**184,869**	**184,018**	**180,680**	**190,184**	**183,284**	**187,216**	**179,656**
71 Residual (total assets minus total liabilities)[7]	16,638	17,057	17,111	17,077	16,978	17,389	17,310	17,310	17,212

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	1981					1982				Adjustment bank, 1981
	Dec. 30	Jan. 6	Jan. 13	Jan 20	Jan. 27p	Feb. 3p	Feb. 10p	Feb. 17p	Feb. 24p	
BANKS WITH ASSETS OF $750 MILLION OR MORE										
1 Total loans (gross) and securities adjusted[1]	587,893	590,267	586,262	583,266	583,499	588,926	585,174	588,723	589,292	1,529
2 Total loans (gross) adjusted[1]	470,988	471,649	468,918	466,422	466,232	470,423	468,239	471,216	472,501	488
3 Demand deposits adjusted[2]	108,595	110,624	106,477	100,744	98,616	99,608	96,093	94,540	96,442	972
4 Time deposits in accounts of $100,000 or more	187,938	182,990	184,113	183,947	186,944	186,812	186,452	182,731	188,502	-965
5 Negotiable CDs	137,490	132,238	133,022	132,653	135,481	135,380	134,235	130,889	135,142	-1,382
6 Other time deposits	50,448	50,752	51,090	51,293	51,462	51,432	52,217	51,842	53,360	417
7 Loans sold outright to affiliates[3]	2,848	2,888	2,906	2,893	2,863	2,838	2,850	2,826	2,799	....
8 Commercial and industrial	2,210	2,245	2,265	2,251	2,246	2,232	2,242	2,215	2,185	....
9 Other	638	643	641	642	616	607	608	611	614	....
BANKS WITH ASSETS OF $1 BILLION OR MORE										
10 Total loans (gross) and securities adjusted[1]	549,866	553,717	549,754	546,703	547,085	552,295	548,677	552,259	552,945	3,231
11 Total loans (gross) adjusted[1]	442,681	444,931	442,262	439,714	439,570	443,542	441,462	444,424	445,799	2,271
12 Demand deposits adjusted[2]	100,605	102,647	98,510	93,393	91,209	92,266	88,903	87,703	89,586	935
13 Time deposits in accounts of $100,000 or more	178,259	174,953	176,103	175,965	178,871	178,724	178,260	174,602	180,186	432
14 Negotiable CDs	130,940	127,240	128,045	127,732	130,510	130,416	129,236	125,932	130,069	25
15 Other time deposits	47,319	47,713	48,059	48,232	48,361	48,308	49,024	48,670	50,117	407
16 Loans sold outright to affiliates[3]	2,771	2,816	2,834	2,819	2,789	2,766	2,776	2,757	2,718	....
17 Commercial and industrial	2,150	2,189	2,207	2,191	2,185	2,171	2,180	2,160	2,119	....
18 Other	621	627	627	628	604	595	596	597	599	....
BANKS IN NEW YORK CITY										
19 Total loans (gross) and securities adjusted[1,4]	133,630	132,719	131,821	130,267	130,170	132,220	130,219	131,262	131,747	....
20 Total loans (gross) adjusted[1]	111,973	111,102	110,334	108,818	108,645	110,967	108,982	109,853	110,378	....
21 Demand deposits adjusted[2]	29,122	30,841	27,307	26,849	25,928	27,464	23,894	26,285	26,792	....
22 Time deposits in accounts of $100,000 or more	44,768	43,005	43,708	43,527	45,028	46,178	45,612	43,718	44,440	....
23 *Negotiable CDs*	34,028	32,050	32,765	32,670	34,246	35,205	34,559	32,835	33,324	....
24 Other time deposits	10,740	10,955	10,943	10,857	10,782	10,974	11,052	10,883	11,116	....

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	1981	1982							
	Dec. 30	Jan. 6	Jan. 13	Jan. 20	Jan. 27p	Feb. 3p	Feb. 10p	Feb. 17p	Feb. 24p
1 Cash and due from depository institutions	6,545	6,421	6,591	6,402	6,327	6,042	5,996	6,510	6,033
2 Total loans and securities	51,178	50,150	50,055	48,682	49,443	47,651	48,509	48,273	48,835
3 U.S. Treasury securities	2,196	2,209	2,445	2,435	2,387	2,545	2,680	2,613	2,618
4 Other securities	801	800	826	811	816	817	826	838	827
5 Federal funds sold[1]	5,070	5,282	4,791	4,205	5,044	3,865	4,212	4,816	4,399
6 To commercial banks in U.S.	4,442	4,926	4,554	4,014	4,758	3,664	4,041	4,622	4,232
7 To others	628	355	236	191	286	201	171	194	167
8 Other loans, gross	43,111	41,860	41,993	41,231	41,196	40,424	40,791	40,006	40,990
9 Commercial and industrial	20,463	20,291	20,108	19,488	19,716	19,362	19,607	19,690	19,685
10 Bankers acceptances and commercial paper	3,791	3,835	3,644	3,591	3,453	3,582	3,569	3,614	3,538
11 All other	16,672	16,456	16,464	15,898	16,263	15,780	16,038	16,076	16,147
12 U.S. addressees	13,971	13,902	13,886	13,395	13,645	13,591	13,939	13,957	13,919
13 Non-U.S. addressees	2,701	2,554	2,578	2,503	2,617	2,189	2,099	2,119	2,227
14 To financial institutions	17,504	16,740	16,949	16,939	16,832	16,499	16,625	16,027	16,686
15 Commercial banks in U.S.	13,683	12,991	13,230	13,089	13,114	12,746	12,621	12,194	12,880
16 Banks in foreign countries	3,452	3,356	3,314	3,443	3,322	3,377	3,623	3,461	3,437
17 Nonbank financial institutions	370	394	404	406	396	376	382	371	369
18 For purchasing and carrying securities	687	456	492	371	332	438	449	366	571
19 All other	4,456	4,372	4,444	4,432	4,316	4,125	4,109	3,923	4,047
20 Other assets (claims on nonrelated parties)	12,202	11,858	12,266	12,064	12,074	11,959	11,733	11,840	12,077
21 Net due from related institutions	12,639	12,903	12,660	13,183	12,917	12,768	12,946	11,837	12,322
22 Total assets	82,564	81,332	81,572	80,331	80,760	78,421	79,184	78,461	79,267
23 Deposits or credit balances[2]	25,292	24,061	23,821	23,234	23,135	22,611	22,722	22,664	23,204
24 Credit balances	320	356	317	326	292	268	266	357	314
25 Demand deposits	2,379	2,459	2,096	1,939	1,972	1,872	1,953	2,139	1,936
26 Individuals, partnerships, and corporations	895	938	774	767	804	776	766	806	724
27 Other	1,484	1,521	1,322	1,172	1,168	1,096	1,186	1,333	1,212
28 Total time and savings	22,593	21,246	21,408	20,969	20,871	20,472	20,503	20,167	20,955
29 Individuals, partnerships, and corporations	18,866	17,936	17,926	17,452	17,744	17,425	17,335	17,075	17,915
30 Other	3,727	3,310	3,482	3,516	3,127	3,047	3,167	3,092	3,040
31 Borrowings[3]	31,573	33,068	32,779	33,041	32,231	32,238	33,017	32,326	33,824
32 Federal funds purchased[4]	5,666	8,169	7,659	8,176	7,167	7,351	7,979	7,874	8,748
33 From commercial banks in U.S.	4,568	7,410	6,777	7,250	6,265	6,234	7,068	6,714	7,531
34 From others	1,097	759	882	926	902	1,118	911	1,160	1,217
35 Other liabilities for borrowed money	25,907	24,899	25,119	24,865	25,064	24,886	25,038	24,452	25,076
36 To commercial banks in U.S.	23,242	22,428	22,596	22,395	22,553	22,435	22,447	21,902	22,537
37 To others	2,665	2,470	2,524	2,470	2,511	2,451	2,590	2,550	2,539
38 Other liabilities to nonrelated parties	12,306	11,921	12,472	12,216	12,237	12,069	11,851	11,849	12,196
39 Net due to related institutions	13,393	12,282	12,500	11,840	13,158	11,503	11,595	11,622	10,043
40 Total liabilities	82,564	81,332	81,572	80,331	80,760	78,421	79,184	78,461	79,267
MEMO									
41 Total loans (gross) and securities adjusted[5]	33,054	32,233	32,270	31,579	31,570	31,240	31,848	31,457	31,722
42 Total loans (gross) adjusted[5]	30,056	29,224	28,999	28,333	28,368	27,879	28,341	28,006	28,277

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 U.S.

NOTE. Beginning in the week ending Dec. 9, 1981, shifts of assets and liabilities to international banking facilities (IBFs) reduced the amounts reported in some items, especially in loans to foreigners and to a lesser extent in time deposits. Based on preliminary reports, the large weekly reporting branches and agencies shifted $22.2 billion of assets to their IBFs in the six weeks ending Jan. 13, 1982. Domestic offices net positions with IBFs are now included in net due from or net due to related institutions. More detail will be available later.

1.30 LARGE WEEKLY REPORTING COMMERCIAL BANKS Domestic Classified Commercial and Industrial Loans

Millions of dollars

Industry classification	Outstanding					Net change during					Adjustment bank[1]
	1981				1982	1981		1981		1982	
	Oct. 28	Nov. 25	Dec. 30	Jan. 27	Feb. 24p	Q3	Q4	Dec.	Jan.	Feb.p	
1 Durable goods manufacturing	25,907	25,568	26,864	27,126	28,281	834	756	1,297	245	1,155	17
2 Nondurable goods manufacturing	22,060	22,189	21,753	21,588	21,904	2,782	1,647	437	176	316	11
3 Food, liquor, and tobacco	4,310	4,282	4,190	4,148	4,407	26	-241	-92	43	258	2
4 Textiles, apparel, and leather	4,859	4,652	4,166	4,162	4,411	156	-910	485	6	249	2
5 Petroleum refining	3,722	4,769	4,861	4,574	4,133	543	906	92	287	441	....
6 Chemicals and rubber	5,056	4,624	4,341	4,483	4,743	1,700	1,408	-283	140	260	2
7 Other nondurable goods	4,113	3,863	4,195	4,220	4,210	356	6	332	20	10	4
8 Mining (including crude petroleum and natural gas)	21,728	22,940	24,364	24,552	25,804	3,088	3,082	1,424	187	1,253	...
9 Trade	27,481	28,175	28,005	28,103	27,758	892	1,006	170	32	-344	65
10 Commodity dealers	1,666	1,901	2,292	2,297	1,802	158	634	390	5	495	...
11 Other wholesale	12,636	12,791	12,919	13,224	13,142	546	285	128	286	82	20
12 Retail	13,180	13,483	12,795	12,581	12,814	188	86	688	259	233	45
13 Transportation, communication, and other public utilities	21,716	22,019	23,184	23,416	23,380	1,035	1,324	1,165	208	36	24
14 Transportation	8,410	8,281	8,619	8,740	8,891	262	160	338	100	151	22
15 Communication	3,573	3,701	3,954	4,027	4,076	7	419	253	72	49	....
16 Other public utilities	9,734	10,037	10,611	10,648	10,412	780	745	574	36	-236	1
17 Construction	7,163	7,137	7,193	7,062	7,204	262	53	56	-176	142	45
18 Services	25,424	25,591	26,482	26,648	27,112	792	1,145	891	62	464	104
19 All other[2]	15,920	16,057	17,070	17,273	16,983	642	1,251	1,014	6	290	209
20 Total domestic loans	**167,400**	**169,675**	**174,916**	**175,769**	**178,428**	**10,328**	**6,864**	**5,242**	**376**	**2,659**	**476**
21 MEMO: Term loans (original maturity more than 1 year) included in domestic loans	84,629	83,833	85,086	85,201	87,853	2,733	-1,049	1,254	54	2,652	169

1. Adjustment bank amounts represent accumulated adjustments originally made to offset the cumulative effects of mergers. These adjustment amounts should be added to outstanding data for any date in the year to establish comparability with any date in the subsequent year. Changes shown have been adjusted for these amounts.

2. Includes commercial and industrial loans at a few banks with assets of $1 billion or more that do not classify their loans.

NOTE. New series. The 134 large weekly reporting commercial banks with domestic assets of $1 billion or more as of Dec. 31, 1977, are included in this series. The revised series is on a last-Wednesday-of-the-month basis. Partly estimated historical data are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

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

Billions of dollars, estimated daily-average balances

Type of holder	1977 Dec.	1978 Dec.	1979[2] Dec.	1980 June	1980 Sept.	1980 Dec.	1981 Mar.[3]	1981 June[4]	1981 Sept.	1981 Dec.
	Commercial banks									
1 **All holders—Individuals, partnerships, and corporations**	**274.4**	**294.6**	**302.2**	**288.6**	**302.0**	**315.5**	**280.8**	n.a.	**277.5**	**288.9**
2 Financial business	25.0	27.8	27.1	27.7	29.6	29.8	30.8	n.a.	28.2	28.0
3 Nonfinancial business	142.9	152.7	157.7	145.3	151.9	162.3	144.3	n.a.	148.6	154.8
4 Consumer	91.0	97.4	99.2	97.9	101.8	102.4	86.7	n.a.	82.1	86.6
5 Foreign	2.5	2.7	3.1	3.3	3.2	3.3	3.4	n.a.	3.1	2.9
6 Other	12.9	14.1	15.1	14.4	15.5	17.2	15.6	n.a.	15.5	16.7
	Weekly reporting banks									
	1977 Dec.	1978 Dec.	1979[5] Dec.	1980 June	1980 Sept.	1980 Dec.	1981 Mar.[3]	1981 June[4]	1981 Sept.	1981 Dec.
7 **All holders—Individuals, partnerships, and corporations**	**139.1**	**147.0**	**139.3**	**133.9**	**140.6**	**147.4**	**133.2**	n.a.	**131.3**	**137.5**
8 Financial business	18.5	19.8	20.1	20.2	21.2	21.8	21.9	n.a.	20.7	21.0
9 Nonfinancial business	76.3	79.0	74.1	69.2	72.4	78.3	69.8	n.a.	71.2	75.2
10 Consumer	34.6	38.2	34.3	33.9	36.0	35.6	30.6	n.a.	28.7	30.4
11 Foreign	2.4	2.5	3.0	3.1	3.1	3.1	3 2	n.a.	2.9	2.8
12 Other	7.4	7.5	7.8	7.5	7.9	8.6	7.7	n.a.	7.9	8.0

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 data for March 1981 are subject to greater than normal errors reflecting unusual reporting difficulties associated with funds shifted to NOW accounts authorized at year-end 1980. For the household category, the $15.7 billion decline in demand deposits at all commercial banks between December 1980 and March 1981 has an estimated standard error of $4.8 billion.

4. Demand deposit ownership survey estimates for June 1981 are not yet available due to unresolved reporting errors.

5. 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 July	1981 Aug.	1981 Sept.	1981 Oct	1981 Nov	1981 Dec.	1982 Jan.
	Commercial paper (seasonally adjusted)										
1 **All issuers**	**65,051**	**83,438**	**112,087**	**123,597**	**151,013**	**157,121**	**165,379**	**164,026**	**164,349**	**164,036**	**165,118**
Financial companies[2]											
Dealer-placed paper[3]											
2 Total	8,796	12,181	17,161	19,236	26,006	27,813	30,213	28,909	28,745	28,613	29,233
3 Bank-related	2,132	3,521	2,874	3,561	5,267	6,037	6,161	5,626	5,725	6,036	6,495
Directly placed paper[4]											
4 Total	40,574	51,647	64,748	67,888	79,571	80,769	83,311	83,053	82,290	81,702	80,504
5 Bank-related	7,102	12,314	17,598	22,382	26,104	25,153	26,426	25,397	26,224	26,901	28,587
6 Nonfinancial companies[5]	15,681	19,610	30,178	36,473	45,436	48,539	51,855	52,064	53,314	53,721	55,381
	Bankers dollar acceptances (not seasonally adjusted)										
7 **Total**	**25,450**	**33,700**	**45,321**	**54,744**	**63,721**	**64,577**	**65,048**	**66,072**	**68,749**	**69,226**	n.a.
Holder											
8 Accepting banks	10,434	8,579	9,865	10,564	10,505	9,959	10,022	10,511	11,253	10,857	n.a.
9 Own bills	8,915	7,653	8,327	8,963	9,437	9,214	9,040	9,522	10,268	9,743	n.a.
10 Bills bought	1,519	927	1,538	1,601	1,068	745	982	989	985	1,115	n.a.
Federal Reserve Banks											
11 Own account	954	1	704	776	453	0	0	0	0	0	n.a.
12 Foreign correspondents	362	664	1,382	1,791	1,459	1,451	1,243	1,428	1,408	1,442	n.a.
13 Others	13,700	24,456	33,370	41,614	51,303	53,167	53,783	54,133	56,089	56,926	n.a.
Basis											
14 Imports into United States	6,378	8,574	10,270	11,776	13,059	13,313	13,992	14,699	14,851	14,765	n.a.
15 Exports from United States	5,863	7,586	9,640	12,712	13,296	13,774	13,514	13,981	14,936	15,400	n.a.
16 All other	13,209	17,540	25,411	30,257	37,365	37,490	37,542	37,391	38,962	39,061	n.a.

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.

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—May 19	20.00	1981—Nov. 3	17.50	1980—Oct.	13.79	1981—July	20.39
22	20.50	9	17.00	Nov.	16.06	Aug.	20.50
June 3	20.00		16.50 -	Dec.	20.35	Sept.	20.08
July 8	20.50	17	17.00			Oct.	18.45
Sept. 15	20.00	20	16.50	1981—Jan.	20.16	Nov.	16.84
22	19.50	24	16.00	Feb.	19.43	Dec.	15.75
Oct. 5	19.00	Dec. 1	15.75	Mar.	18.05		
13	18.00			Apr.	17.15	1982 Jan.	15.75
		1982—Feb. 2	16.50	May	19.61	Feb.	16.56
		Feb. 18	17.00	June	20.03		
		Feb. 23	16.50				

1.34 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, November 2–7, 1981

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)	$25,466,901	$853,739	$639,132	$579,473	$2,158,438	$814,291	$20,421,829
2 Number of loans	161,627	115,558	20,039	8,992	12,122	1,275	3,641
3 Weighted-average maturity (months)	1.6	3.0	2.8	3.9	3.4	3.0	1.2
4 Weighted-average interest rate (percent per annum)	17.23	19.95	19.19	19.65	19.13	18.64	16.73
5 Interquartile range[1]	16.14–18.06	18.25–21.55	18.25–20.85	18.27–21.15	18.25–20.22	17.50–19.65	15.99–17.30
Percentage of amount of loans							
6 With floating rate	35.5	27.9	48.2	56.5	57.0	72.1	31.1
7 Made under commitment	48.1	31.3	35.9	35.8	45.9	71.9	48.8
8 With no stated maturity	15.9	10.1	15.3	17.1	19.9	35.2	15.0
LONG-TERM COMMERCIAL AND INDUSTRIAL LOANS							
9 Amount of loans (thousands of dollars)	$2,438,209	$317,491			$688,950	$205,534	$1,226,234
10 Number of loans	27,160	23,639			2,811	319	391
11 Weighted-average maturity (months)	37.6	29.4			34.0	37.1	41.8
12 Weighted-average interest rate (percent per annum)	18.94	19.60			21.22	18.52	17.55
13 Interquartile range[1]	17.50–19.56	18.00–20.50			18.00–20.50	17.50–19.75	16.72–18.90
Percentage of amount of loans							
14 With floating rate	56.3	48.0			33.1	85.6	66.6
15 Made under commitment	54.1	36.3			27.2	69.5	71.2
CONSTRUCTION AND LAND DEVELOPMENT LOANS							
16 Amount of loans (thousands of dollars)	$1,420,394	$155,847	$192,683	$187,702	$425,106	$459,056	
17 Number of loans	23,437	12,668	5,497	2,616	2,406	250	
18 Weighted-average maturity (months)	9.9	7.6	9.9	5.7	11.5	11.1	
19 Weighted-average interest rate (percent per annum)	19.46	19.86	19.60	20.43	20.03	18.34	
20 Interquartile range[1]	18.54–20.75	19.00–21.00	18.77–19.90	18.50–21.74	19.56–20.82	17.12–19.90	
Percentage of amount of loans							
21 With floating rate	55.3	17.6	21.2	45.2	48.5	92.8	
22 Secured by real estate	82.4	95.9	98.5	98.9	78.9	67.5	
23 Made under commitment	38.5	16.4	11.6	16.8	28.2	75.6	
24 With no stated maturity	10.2	3.6	2.3	4.3	4.3	23.7	
Type of construction							
25 1- to 4-family	45.8	79.6	55.2	63.4	57.3	12.6	
26 Multifamily	5.0	1.2	1.6	2.8	3.7	9.8	
27 Nonresidential	49.2	19.1	43.2	33.8	39.0	77.7	
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)	$1,260,648	$156,504	$179,965	$197,569	$162,025	$301,038	$263,546
29 Number of loans	64,345	41,247	12,442	5,909	2,448	1,919	380
30 Weighted-average maturity (months)	5.8	5.8	7.3	5.5	5.7	5.6	4.9
31 Weighted-average interest rate (percent per annum)	18.76	18.52	18.79	18.59	18.40	19.04	18.93
32 Interquartile range[1]	17.72–19.56	17.72–19.44	17.72–19.54	17.72–19.36	17.72–19.06	18.10–20.12	18.00–20.15
By purpose of loan							
33 Feeder livestock	18.50	18.56	18.19	18.35	18.41	18.14	19.10
34 Other livestock	18.66	18.23	19.50	18.77	18.05	(2)	(2)
35 Other current operating expenses	18.88	18.67	19.04	18.74	18.47	19.20	19.11
36 Farm machinery and equipment	18.11	18.00	17.94	17.98	(2)	(2)	(2)
37 Other	18.87	18.68	19.13	19.31	18.28	19.03	18.63

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	1979	1980	1981	1981		1982		1982, week ending				
				Nov	Dec.	Jan	Feb	Jan 29	Feb 5	Feb 12	Feb. 19	Feb. 26
MONEY MARKET RATES												
1 Federal funds[1,2]	11.19	13.36	16.38	13.31	12.37	13.22	14.78	13.98	14.77	15.19	15.61	13.86
Commercial paper[3,4]												
2 1-month	10.86	12.76	15 69	12.35	12.16	12 90	14.62	13.64	14.85	15.04	15.28	13.54
3 3-month	10 97	12.66	15.32	12.16	12 12	13.09	14.53	13.83	14.70	14.92	15.15	13 55
4 6-month	10 91	12.29	14.76	11.96	12.14	13.35	14.27	13.87	14.49	14.60	14.72	13.43
Finance paper, directly placed[3,4]												
5 1-month	10.78	12.44	15.30	12.13	11.89	12.67	14.41	13.43	14.54	14.90	15.02	13.41
6 3-month	10.47	11.49	14.08	11.80	11.31	12.56	13.59	13.11	13.60	13.84	13.97	13.08
7 6-month	10 25	11.28	13.73	11.72	11.24	12.56	13.58	13.11	13.56	13.80	13.97	13.12
Bankers acceptances[4,5]												
8 3-month	11 04	12.78	15.32	12 00	12.13	13.06	14.47	13.68	14 63	14.88	14.96	13.59
9 6-month	n.a.	n.a.	14 66	11.84	12.27	13.31	14.09	13.57	14.22	14.48	14.48	13.35
Certificates of deposit, secondary market[6]												
10 1-month	11.03	12.91	15 91	12.45	12.27	13.03	14.78	13.80	14.88	15 14	15.52	13.81
11 3-month	11.22	13.07	15.91	12.48	12.49	13.51	15.00	14.24	15.11	15.40	15.66	14.03
12 6-month	11.44	12.99	15.77	12.65	13.07	14.25	15.12	14.58	15.19	15.50	15.69	14.29
13 Eurodollar deposits, 3-month[2]	11.96	14.00	16.79	13.33	13.24	14.29	15.75	15.10	15 24	15.86	16.53	15.30
U.S. Treasury bills[4]												
Secondary market[7]												
14 3-month	10.07	11.43	14.03	10.86	10.85	12.28	13.48	12.79	13.68	14.12	14.06	12.31
15 6-month	10.06	11.37	13.80	11.30	11.52	12.83	13.61	12.96	13.72	14 01	14.04	12.84
16 1-year	9.75	10.89	13.14	11.20	11.57	12.77	13.11	12.78	13.19	13 43	13.37	12.56
Auction average[8]												
17 3-month	10.041	11.506	14.077	11.269	10.926	12 412	13.780	13.364	13.850	14.099	14.740	12.430
18 6-month	10.017	11.374	13.811	11.530	11.471	12 930	13.709	13.530	13.846	13.933	14.360	12.695
19 1-year	9.817	10.748	13.159	14.077	11.504	13 143	13.180	13.143	......	......	......	13.180
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[9]												
Constant maturities[10]												
20 1-year	10.67	12.05	14.78	12 41	12.85	14.32	14.73	14.37	14.85	15.11	15.03	14.08
21 2-year	10.12	11.77	14.56	12.88	13.29	14.57	14.82	14.55	14.93	15 10	15.04	14.32
22 2-1/2-year[11]	......	......	......	......	......	......	......	14.55	......	15.05	......	14.30
23 3-year	9.71	11.55	14.44	13.11	13.66	14.64	14.73	14.57	14.84	15.05	14.88	14.26
24 5-year	9 52	11.48	14.24	13.38	13.60	14.65	14.54	14.52	14.73	14.91	14.58	14.02
25 7-year	9.48	11.43	14.06	13 42	13.62	14.67	14.46	14.48	14.66	14.87	14.42	13.97
26 10-year	9 44	11.46	13.91	13.39	13.72	14.59	14.43	14.42	14.63	14 84	14 39	13.92
27 20-year	9 33	11.39	13 72	13.56	13 73	14.57	14 48	14 37	14.67	14.95	14.44	13.96
28 30-year	9.29	11.30	13.44	13.35	13.45	14.22	14 22	14 09	14.39	14.68	14.18	13.71
Composite[12]												
29 Over 10 years (long-term)	8.74	10.81	12.87	12.68	12.88	13.73	13.63	13.57	13.83	14.05	13.58	13.13
State and local notes and bonds												
Moody's series[13]												
30 Aaa	5.92	7.85	10.43	10.98	11.70	12.30	12.20	12.20	12.20	12.20	12.20	12.20
31 Baa	6.73	9 01	11 76	12.69	13.30	13.95	13.83	13.80	13.90	13.80	13.80	13.80
32 *Bond Buyer* series[14]	6.52	8.59	11.33	11.89	12.91r	13.28	12.97	13.15	13.13	13.09	12.96	12.70
Corporate bonds												
Seasoned issues[15]												
33 All industries	10.12	12.75	15.06	15.35	15.38	16.05	16.13	16.14	16.15	16 24	16.23	15.92
34 Aaa	9 63	11.94	14.17	14.22	14.23	15.18	15.27	15.27	15.34	15.49	15.34	14.92
35 Aa	9.94	12.50	14.75	14 97	15.00	15.75	15 72	15.84	15.83	15.80	15 77	15.49
36 A	10.20	12.89	15.29	15.82	15.75	16.19	16.35	16.27	16.27	16.40	16.51	16.26
37 Baa	10.69	13.67	16.04	16 39	16.55	17.10	17.18	17.17	17.18	17.28	17.29	16.98
Aaa utility bonds[16]												
38 New issue	10 03	12.74	15.56	15.56	15.20	15.68	15.93	15.68	......	16.56	......	15.30
39 Recently offered issues	10.02	12.70	15.56	15.49	15.18	15.88	15.97	15.59	15.97	16.34	16.00	15.57
MEMO: Dividend/price ratio[17]												
40 Preferred stocks	9.07	10.57	n.a.	12.76	12.83	13.19	13.20	13.13	13.12	13 32	13.23	13.14
41 Common stocks	5.46	5.25	n.a	5.54	5.57	5.95	6.06	5.98	5.95	6.05	6.10	6.12

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	1979	1980	1981	1981 July	1981 Aug.	1981 Sept.	1981 Oct.	1981 Nov.	1981 Dec.	1982 Jan.	1982 Feb.
						Prices and trading (averages of daily figures)					
Common stock prices											
1 New York Stock Exchange (Dec. 31, 1965 = 50)	55.67	68.06	74 02	74.98	75.24	68.37	69.40	71.49	71.81	67.91	66.16
2 Industrial	61.82	78.64	85.44	86.64	86.72	78.07	78.94	80.86	81.70	76.85	74 78
3 Transportation	45.20	60.52	72.61	74.42	73.27	63.67	65.65	67.68	68.27	62.04	59 09
4 Utility	36.46	37.35	38.90	38.90	40.22	38.17	38.87	40.73	40.22	39.30	38.32
5 Finance	58.65	64.28	73.52	74.97	73.76	69.38	72.58	76.47	74.74	70.99	70.50
6 Standard & Poor's Corporation (1941–43 = 10)[1]	107 94	118.71	128.05	129.13	129.63	118.27	119.84	122.92	123.79	117.41	114.50
7 American Stock Exchange (Aug. 31, 1973 = 100)	186.56	300.94	343.50	364.33	364.60	313.60	308.81	321.0	321.84	296.49	275.10
Volume of trading (thousands of shares)											
8 New York Stock Exchange	32,233	44,867	47,237	43,930	44,489	46,042	46,233	50,791	43,596	48,723	51,169
9 American Stock Exchange	4,182	6,377	5,346	4,374	5,137	5,556	4,233	5,257	4,992	4,497	4,400
						Customer financing (end-of-period balances, in millions of dollars)					
10 **Regulated margin credit at brokers–dealers**[2]	**11,619**	**14,721**	**14,321**	**15,134**	**14,545**	**13,973**	**13,866**	**14,044**	**14,321**	**13,441**r	
11 Margin stock[3]	11,450	14,500	14,060	14,870	14,270	13,710	13,600	13,780	14,060	13,190r	
12 Convertible bonds	167	219	259	263	274	263	263	261	259	259	
13 Subscription issues	2	2	2	1	1	......	3	3	2	2	n.a.
Free credit balances at brokers[4]											
14 Margin-account	1,105	2,105	3,515	2,670	2,645	2,940	2,990	3,290	3,515	3,455	
15 Cash-account	4,060	6,070	7,150	6,470	6,640	6,555	6,100	6,865	7,150	6,580	
						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**	
By equity class (in percent)[5]											
17 Under 40	16.0	14.0	37.0	25.0	38.5	47.0	32.0	30.0	37.0	37.0	
18 40–49	29.0	30.0	21.0	29.0	24.0	22.0	28.0	25.0	24.0r	24.0	n.a.
19 50–59	27.0	25.0	20.0	22.0	15.0	13.0	18.0	21.0	17.0r	16.0	
20 60–69	14 0	14.0	10.0	11.0	10.0	8.0	10.0	11.0	10.0	10.0	
21 70–79	8.0	9.0	6.0	7.0	6.0	5.0	6.0	6.0	6.0	7.0	
22 80 or more	7.0	8.0	6.0	6.0	6.0	5.0	6.0	7.0	6.0	6.0	
						Special miscellaneous-account balances at brokers (end of period)					
23 **Total balances (millions of dollars)**[6]	**16,150**	**21,690**	**25,870**	**24,460**	**24,760**	**25,234**	**24,962**	**25,409**	**25,870**	**26,080**	
Distribution by equity status (percent)											
24 Net credit status	44.2	47.8	58.0	53.8	53.5	55.0	55.0	57.0	58.0	58.0	n.a.
Debt status, equity of											
25 60 percent or more	47.0	44.4	31.0	37.9	37.0	33.0	35.0	33.0	31.0	31.0	
26 Less than 60 percent	8.8	7.7	11.0	8.3	9.5	12.0	10 0	10.0	11.0	11.0	

Margin requirements (percent of market value and effective date)[7]

	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
27 Margin stocks	70	80	65	55	65	50
28 Convertible bonds	50	60	50	50	50	50
29 Short sales	70	80	65	55	65	50

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2. 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
			Apr.[r]	May[r]	June[r]	July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.	Jan.[p]
	Savings and loan associations											
1 **Assets**	**578,962**	**629,829**	**639,770**	**645,586**	**647,704**	**649,807**	**653,022**	**655,658**	**659,073**	**660,326**	**663,844**	**667,118**
2 Mortgages	475,688	502,812	509,942	512,183	515,256	511,990	518,172	518,778	519,248	519,146	518,350	517,457
3 Cash and investment securities[1]	46,341	57,572	57,242	59,418	57,980	57,817	58,932	59,530	61,517	61,369	62,756	63,812
4 Other	56,933	69,445	72,586	73,985	74,468	75,000	75,918	77,350	78,308	79,811	82,738	85,849
5 **Liabilities and net worth**	**578,962**	**629,829**	**639,770**	**645,586**	**647,704**	**649,807**	**653,022**	**655,658**	**659,073**	**660,326**	**663,844**	**667,118**
6 Savings capital	470,004	510,959	516,782	518,351	518,359	514,805	513,438	515,649	519,288	519,777	524,374	526,173
7 Borrowed money	55,232	64,491	67,818	70,153	74,875	79,704	83,456	87,477	86,108	86,255	89,097	89,140
8 FHLBB	40,441	47,045	49,607	51,064	53,836	57,188	60,025	61,857	62,000	61,922	62,794	62,899
9 Other	14,791	16,309	18,211	19,089	21,039	22,516	23,431	25,620	24,108	24,333	26,303	26,241
10 Loans in process	9,582	8,120	7,816	7,973	7,985	7,741	7,354	7,040	6,757	6,451	6,369	6,219
11 Other	11,506	12,227	15,085	17,243	14,933	16,556	18,275	15,307	17,506	19,101	15,612	18,069
12 Net worth[2]	32,638	33,319	32,269	31,866	31,552	31,001	30,499	30,185	29,414	28,742	28,392	27,517
13 MEMO: Mortgage loan commitments outstanding[3]	16,007	16,102	18,573	18,761	18,037	17,235	16,689	16,012	15,733	15,758	15,225	15,615
	Mutual savings banks[4]											
14 **Assets**	**163,405**	**171,564**	**172,837**	**173,776**	**174,387**	**174,578**	**174,761**	**175,234**	**175,693**	**175,258**	**175,612**	
Loans												
15 Mortgage	98,908	99,865	99,798	99,790	99,993	100,095	99,987	99,944	99,903	99,879	100,015	
16 Other	9,253	11,733	12,756	13,375	14,403	14,359	14,560	14,868	14,725	15,073	14,740	
Securities												
17 U.S. government[5]	7,658	8,949	9,262	9,296	9,230	9,361	9,369	9,594	9,765	9,508	9,861	
18 State and local government	2,930	2,390	2,314	2,328	2,337	2,291	2,326	2,323	2,394	2,271	2,274	
19 Corporate and other[6]	37,086	39,282	39,247	39,111	38,418	38,374	38,180	38,118	38,108	37,874	37,674	
20 Cash	3,156	4,334	4,172	4,513	4,473	4,629	4,791	4,810	5,118	5,039	5,415	
21 Other assets	4,412	5,011	5,288	5,364	5,534	5,469	5,547	5,577	5,681	5,615	5,632	
22 **Liabilities**	**163,405**	**171,564**	**172,837**	**173,776**	**174,387**	**174,578**	**174,761**	**175,234**	**175,693**	**175,258**	**175,612**	n.a.
23 Deposits	146,006	154,805	153,692	153,891	154,926	153,757	153,120	153,412	154,066	153,809	154,913	
24 Regular[7]	144,070	151,416	151,429	151,658	152,603	151,394	150,753	151,072	151,975	151,787	152,834	
25 Ordinary savings	61,123	53,971	52,331	51,212	51,594	50,593	49,003	49,254	48,238	48,456	49,409	
26 Time and other	82,947	97,445	99,098	100,447	101,009	100,800	101,750	101,818	103,737	126,889	126,334	
27 Other	1,936	2,086	2,264	2,232	2,323	28,494	27,073	25,769	24,806	2,023	2,079	
28 Other liabilities	5,873	6,695	8,103	8,922	8,634	10,156	11,125	11,458	11,513	11,434	10,731	
29 General reserve accounts	11,525	11,368	11,042	10,923	10,827	10,665	10,516	10,364	10,114	10,015	9,969	
30 MEMO: Mortgage loan commitments outstanding[8]	3,182	1,476	1,614	1,709	1,577	1,401	1,333	1,218	1,140	1,207	1,293	
	Life insurance companies											
31 **Assets**	**432,282**	**479,210**	**493,185**	**497,276**	**500,316**	**503,994**	**506,585**	**509,478**	**515,079**	**519,281**	**521,354**	
Securities												
32 Government	0,338	21,378	22,603	22,948	23,415	23,691	23,949	24,280	24,621	25,200	25,310	
33 United States[9]	4,888	5,345	6,502	6,787	7,119	7,359	7,544	7,670	7,846	8,321	8,578	
34 State and local	6,428	6,701	6,809	6,815	6,876	6,865	6,904	7,033	7,129	7,148	6,968	
35 Foreign[10]	9,022	9,332	9,292	9,346	9,420	9,467	9,501	9,577	9,646	9,731	9,764	
36 Business	222,332	238,113	245,841	247,437	248,737	250,186	250,371	250,315	253,976	255,632	254,978	n.a.
37 Bonds	178,371	190,747	198,397	199,818	201,402	203,016	204,501	205,908	208,004	209,194	208,587	
38 Stocks	39,757	47,366	47,444	47,619	47,335	41,170	45,870	44,407	45,972	46,438	46,391	
39 Mortgages	118,421	131,080	133,896	134,492	135,318	135,928	136,516	136,982	137,736	138,433	139,046	
40 Real estate	13,007	15,033	16,464	16,738	16,966	17,429	17,626	17,801	18,382	18,629	19,157	
41 Policy loans	34,825	41,411	43,772	44,292	44,970	45,591	46,252	47,042	47,731	48,275	48,741	
42 Other assets	27,563	31,702	30,609	31,369	30,910	31,169	31,971	33,058	32,633	33,112	34,122	
	Credit unions											
43 **Total assets/liabilities and capital**	**65,854**	**71,709**	**74,442**	**75,278**	**75,781**	**76,043**	**75,656**	**76,145**	**76,123**	**76,830**	**77,682**	**78,012**
44 Federal	35,934	39,801	40,626	41,105	41,443	41,678	41,394	41,682	41,727	42,025	42,382	42,512
45 State	29,920	31,908	33,816	34,173	34,338	34,365	34,262	34,463	34,396	34,805	35,300	35,500
46 Loans outstanding	53,125	47,774	49,186	49,697	50,271	50,724	51,207	51,407	51,029	50,631	50,448	49,949
47 Federal	28,698	25,627	26,410	26,744	27,133	27,378	27,701	27,871	27,686	27,508	27,458	27,204
48 State	24,426	22,147	22,776	22,953	23,138	23,346	23,506	23,536	23,343	23,123	22,990	22,745
49 Savings	56,232	64,399	67,160	67,740	68,317	67,690	66,943	67,512	67,625	67,981	68,871	69,432
50 Federal (shares)	35,530	36,348	36,882	37,241	37,618	37,176	36,713	36,928	37,015	37,261	37,574	37,875
51 State (shares and deposits)	25,702	28,051	30,278	30,499	30,699	30,514	30,230	30,584	30,610	30,720	31,297	31,557

For notes see bottom of page A30.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1979	Fiscal year 1980	Fiscal year 1981	Calendar year 1980 H2	1981 H1	1981 H2	1981 Nov.	1981 Dec.	1982 Jan.
U.S. budget									
1 Receipts[1]	463,302	517,112	599,272	260,569r	317,304r	301,777r	44,018r	56,825r	55,269
2 Outlays[1,2]	490,997	576,675	657,204	309,389r	333,115r	358,558r	54,660r	76,293r	45,930
3 Surplus, or deficit (−)	−27,694	−59,563	−57,932	−48,821	−15,811	−56,780	−10,642	−19,468	9,339
4 Trust funds	18,335	8,791	7,168	−2,551	5,797	−8,085	−2,352	−7,675	10,799
5 Federal funds[3]	−46,069	−67,752	−65,099	−46,306	−21,608	−48,697	−8,290	−11,793	−1,460
Off-budget entities (surplus, or deficit (−))									
6 Federal Financing Bank outlays	−13,261	−14,549	−20,769	−7,552	−11,046	−8,728	−1,189	−727	−1,241
7 Other[4,5]	793	303	−236	376	−900	−1,752	−691	−320	11
U.S. budget plus off-budget, including Federal Financing Bank									
8 Surplus, or deficit (−)	−40,162	−73,808	−78,936	−55,998	−27,757	−67,260	−12,522	−20,516	8,109
Source or financing									
9 Borrowing from the public	33,641	70,515	79,329	54,764	33,213	54,081	10,972	14,274	9,783
10 Cash and monetary assets (decrease, or increase (−))[6]	−408	−355	−1,878	−6,730	2,873	−1,111	8,129	−3,889	−13,371
11 Other[7]	6,929	3,648	1,485	7,964	−8,328	14,290	−6,579	10,131	−4,521
MEMO:									
12 Treasury operating balance (level, end of period)	24,176	20,990	18,670	12,305	16,389	12,046	7,796	12,046	24,710
13 Federal Reserve Banks	6,489	4,102	3,520	3,062	2,923	4,301	3,475	4,301	8,285
14 Tax and loan accounts	17,687	16,888	15,150	9,243	13,466	7,745	4,321	7,745	16,425

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. Includes Postal Service Fund; Rural Electrification and Telephone Revolving Fund; and Rural Telephone Bank.

5. Other off-budget includes petroleum acquisition and transportation, strategic petroleum reserve effective November 1981.

6. 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.

7. 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 1983.*

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 NAMSB reports that, effective April 1979, balance sheet data are not strictly comparable with previous months. Beginning April 1979, data are reported on a net-of-valuation-reserves basis. 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 1979	Fiscal year 1980	Fiscal year 1981	Calendar year					
				1980	1981		1981		
				H2	H1	H2	Nov.	Dec	Jan.
RECEIPTS									
1 **All sources**[1]	**463,302**	**517,112**	**599,272**	**260,569**[r]	**317,304**	**301,777**[r]	**44,018**[r]	**56,825**	**55,269**
2 Individual income taxes, net	217,841	244,069	285,917	131,962	142,889	147,035	21,775	25,770	32,646
3 Withheld	195,295	223,763	256,332	120,924	126,101	134,199	21,387	24,590	20,810
4 Presidential Election Campaign Fund	36	39	41	4	36	5	0	0	0
5 Nonwithheld	56,215	63,746	76,844	14,592	59,907	17,391	846	1,602	12,000
6 Refunds	33,705	43,479	47,299	3,559	43,155	4,559	458	423	163
Corporation income taxes									
7 Gross receipts	71,448	72,380	73,733	28,579	44,048	31,056	1,877	11,087	3,212
8 Refunds	5,771	7,780	12,596	4,518	6,565	6,847	1,133	867	738
9 Social insurance taxes and contributions, net	138,939	157,803	182,720	75,679[r]	101,316[r]	91,592[r]	15,496[r]	14,059	14,575
10 Payroll employment taxes and contributions[2]	115,041	133,042	156,953	66,831	83,851	82,984	13,610	13,504	13,085
11 Self-employment taxes and contributions[3]	5,034	5,723	6,041	188	6,240	244	0	0	530
12 Unemployment insurance	15,387	15,336	16,129	6,742	9,205	6,355	1,563	221	604
13 Other net receipts[1,4]	3,477	3,702	3,598	1,919[r]	2,020[r]	2,009[r]	323[r]	335	357
14 Excise taxes	18,745	24,329	40,839	15,332	21,945	22,097	3,334	3,633	3,087
15 Customs deposits	7,439	7,174	8,083	3,717	3,926	4,661	729	823	696
16 Estate and gift taxes	5,411	6,389	6,787	3,499	3,259	3,742	598	642	615
17 Miscellaneous receipts[5]	9,252	12,748	13,790	6,318	6,487	8,441	1,341	1,679	1,176
OUTLAYS									
18 **All types**[1,6]	**490,997**	**576,675**	**657,204**	**309,389**[r]	**333,115**[r]	**358,558**[r]	**54,660**	**76,293**	**45,930**
19 National defense	117,681	135,856	159,765	72,457	80,005	87,421	14,205	16,258	14,131
20 International affairs	6,091	10,733	11,130	5,430	5,999	4,655	745	830	759
21 General science, space, and technology	5,041	5,722	6,359	3,205	3,314	3,388	592	613	496
22 Energy	6,856	6,313	10,277	3,997	5,677	4,394	173	399	383
23 Natural resources and environment	12,091	13,812	13,525	7,722	6,476	7,296	955	1,289	933
24 Agriculture	6,238	4,762	5,572	1,892	3,101	5,181	1,637	2,681	2,701
25 Commerce and housing credit	2,579	7,788	3,946	3,163	2,047[r]	1,825	243	1,051	849
26 Transportation	17,459	21,120	23,381	11,547	11,991	10,753	1,559	1,871	1,465
27 Community and regional development	9,542	10,068	9,394	5,370	4,621	4,269	707	688	591
28 Education, training, employment, social services	29,685	30,767	31,402	15,221	15,928	13,878	2,274	2,245	2,160
29 Health[1]	46,962	55,220	65,982	29,680	33,113	35,322	5,874	5,839	5,711
30 Income security[6]	160,159	193,100	225,099	107,912	113,490	129,269	18,462	33,175	7,370
31 Veterans benefits and services	19,928	21,183	22,988	11,731	10,531	12,880	854	3,217	763
32 Administration of justice	4,153	4,570	4,698	2,299	2,344	2,290	371	352	340
33 General government	4,093	4,505	4,614	2,432	2,692	2,311	339	384	210
34 General-purpose fiscal assistance	8,372	8,584	6,856	4,191	3,015	3,043	259	28	1,451
35 Interest	52,566	64,504	82,537	35,909	41,178	47,667	7,869	13,081	6,634
36 Undistributed offsetting receipts[7]	18,488	21,933	30,320	14,769	-12,432	17,281	-1,973	7,710	1,017

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. Supplementary medical insurance premiums, federal employee retirement contributions, and Civil Service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts
6. Effective 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. Consists of interest received by trust funds, rents and royalties on the Outer Continental Shelf, and U.S. government contributions for employee retirement.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" and the *Budget of the U.S. Government, Fiscal Year 1983*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1979	1980				1981			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	**852.2**	**870.4**	**884.4**	**914.3**	**936.7**	**970.9**	**977.4**	**1,003.9**	**1,034.7**
2 Public debt securities	845 1	863.5	877.6	907.7	930.2	964.5	971.2	997.9	1,028.7
3 Held by public	658.0	677.1	682.7	710.0	737.7	773.7	771.3	789.8	825.5
4 Held by agencies	187.1	186.3	194 9	197.7	192.5	190.9	199.9	208.1	203.2
5 Agency securities	7.1	7.0	6 8	6.6	6.5	6.4	6.2	6.1	6.0
6 Held by public	5.6	5.5	5 3	5.1	5.0	4.9	4.7	4.6	4.6
7 Held by agencies	1.5	1.5	1 5	1.5	1.5	1.5	1.5	1.5	1.4
8 **Debt subject to statutory limit**	**846.2**	**864.5**	**878.7**	**908.7**	**931.2**	**965.5**	**972.2**	**998.8**	**1,039.3**
9 Public debt securities	844.5	862.8	877 0	907.1	929.6	963.9	970.6	997.2	1,037.7
10 Other debt[1]	1 7	1.7	1 7	1.6	1.6	1.6	1.6	1.6	1.6
11 MEMO: Statutory debt limit	879 0	879.0	925.0	925.0	935.1	985.0	985.0	999.8	1,079.8

1. Includes guaranteed debt of government agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

NOTE. Data from *Treasury Bulletin* (U S. Treasury Department).

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1977	1978	1979	1980	1981			1982	
					Oct.	Nov	Dec.	Jan.	Feb.
1 **Total gross public debt**	**718.9**	**789.2**	**845.1**	**930.2**	**1,005.0**	**1,013.3**	**1,028.7**	**1,038.4**	**1,048.2**
By type									
2 Interest-bearing debt	715.2	782.4	844.0	928.9	999.5	1,011.9	1,027.3	1,032.7	1,042.2
3 Marketable	459 9	487.5	530.7	623.2	689.6	704.8	720.3	726.5	737.5
4 Bills	161.1	161.7	172.6	216.1	229.1	233.9	245.0	250.6	254.0
5 Notes	251.8	265.8	283.4	321.6	362.6	370.8	375.3	374.4	382.1
6 Bonds	47.0	60.0	74 7	85.4	97.9	100.1	99.9	101.6	101.4
7 Nonmarketable[1]	255.3	294.8	313.2	305.7	309.9	307.1	307.0	306.1	304.7
8 Convertible bonds[2]	2.2	2.2	2.2	......	......	......	......	......	......
9 State and local government series	13.9	24.3	24.6	23.8	23.1	23.0	23.0	22.7	22.7
10 Foreign issues[3]	22.2	29.6	28.8	24.0	20.5	20.3	19.0	18.9	18.4
11 Government	21.0	28.0	23.6	17.6	15.5	15.3	14.9	14.8	14.3
12 Public	1.2	1.6	5.3	6.4	5.0	5.0	4.1	4.1	4.1
13 Savings bonds and notes	77.0	80.9	79.9	72.5	68 0	68.0	68.1	67.8	67.6
14 Government account series[4]	139.8	157.5	177.5	185.1	198.1	195.5	196.7	196.4	195 7
15 Non-interest-bearing debt	3.7	6.8	1.2	1.3	5.6	1.4	1.4	5.7	6.0
By holder[5]									
16 U.S. government agencies and trust funds	154.8	170.0	187.1	192.5	204.9	202 1	203.3		
17 Federal Reserve Banks	102.8	109.6	117.5	121.3	122.4	126.5	131.0		
18 Private investors	461.3	508.6	540.5	616.4	677.2	684.6	694.5		
19 Commercial banks	101.4	93 2	96.4	116.0	111.3	110.0	109.4		
20 Mutual savings banks	5.9	5.0	4.7	5.4	5.5	5.2	5.2		
21 Insurance companies	15.1	15.7	16.7	20 1	19.2	19.4	19.1	n.a.	n a.
22 Other companies	20.5	19.6	22.9	25.7	38.6	38.3	37.8		
23 State and local governments	55.2	64.4	69.9	78.8	88.3	87.5	85 6		
Individuals									
24 Savings bonds	76.7	80.7	79.9	72.5	68.0	68.1	68.0r		
25 Other securities	28.6	30.3	36.2	56.7	73 0	73.6	75 6		
26 Foreign and international[6]	109.6	137.8	124.4	127.7	135.3	138.3	141.4		
27 Other miscellaneous investors[7]	49.7	58.9	90.1	106 9	138.0	144.3	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

Par value; millions of dollars, end of period

Type of holder	1979	1980	1981		1979	1980	1981	
			Nov.	Dec.			Nov.	Dec.
	All maturities				1 to 5 years			
1 **All holders**	**530,731**	**623,186**	**704,819**	**720,293**	**89,578**	**197,409**	**227,886**	**228,550**
2 U.S. government agencies and trust funds	11,047	9,564	8,745	8,669	2,555	1,990	1,906	1,906
3 Federal Reserve Banks	117,458	121,328	126,539	130,954	8,469	35,835	36,410	38,223
4 Private investors	402,226	492,294	569,534	580,671	133,173	159,585	189,570	188,422
5 Commercial banks	69,076	77,868	76,348	74,618	38,346	44,482	39,741	39,021
6 Mutual savings banks	3,204	3,917	3,847	3,971	1,668	1,925	1,814	1,870
7 Insurance companies	11,496	11,930	12,538	12,090	4,518	4,504	5,527	5,596
8 Nonfinancial corporations	8,433	7,758	5,497	4,214	2,844	2,203	1,212	1,146
9 Savings and loan associations	3,209	4,225	3,913	4,122	1,763	2,289	2,302	2,260
10 State and local governments	15,735	21,058	24,263	18,991	3,487	4,595	4,518	4,278
11 All others	291,072	365,539	444,001	462,663	80,546	99,577	134,455	134,251
	Total, within 1 year				5 to 10 years			
12 **All holders**	**255,252**	**297,385**	**328,572**	**340,082**	**50,440**	**56,037**	**60,112**	**63,483**
13 U.S. government agencies and trust funds	1,629	830	648	647	871	1,404	824	779
14 Federal Reserve Banks	63,219	56,858	61,761	64,113	12,977	13,458	11,673	11,854
15 Private investors	190,403	239,697	266,163	275,322	36,592	41,175	47,615	50,851
16 Commercial banks	20,171	25,197	27,708	29,480	8,086	5,793	4,505	4,496
17 Mutual savings banks	836	1,246	1,439	1,569	459	455	229	238
18 Insurance companies	2,016	1,940	2,132	2,201	2,815	3,037	2,464	2,507
19 Nonfinancial corporations	4,933	4,281	2,436	2,421	308	357	298	344
20 Savings and loan associations	1,301	1,646	1,509	1,731	69	216	32	98
21 State and local governments	5,607	7,750	8,789	7,536	1,540	2,030	2,724	2,365
22 All others	155,539	197,636	222,150	230,383	24,314	29,287	37,365	40,804
	Bills, within 1 year				10 to 20 years			
23 **All holders**	**172,644**	**216,104**	**233,905**	**245,015**	**27,588**	**36,854**	**43,062**	**44,744**
24 U.S. government agencies and trust funds	0	1	1	*	4,520	3,686	4,027	3,996
25 Federal Reserve Banks	45,337	43,971	47,661	49,679	3,272	5,919	6,580	6,692
26 Private investors	127,306	172,132	186,243	195,335	19,796	27,250	32,455	34,055
27 Commercial banks	5,938	9,856	8,083	9,667	993	1,071	1,324	873
28 Mutual savings banks	262	394	340	423	127	181	197	151
29 *Insurance companies*	473	672	673	760	1,305	1,718	1,548	1,119
30 Nonfinancial corporations	2,793	2,363	1,059	1,173	218	431	801	131
31 Savings and loan associations	219	818	203	363	58	52	37	16
32 State and local governments	3,100	5,413	6,124	5,126	1,762	3,597	4,724	2,824
33 All others	114,522	152,616	169,760	177,824	15,332	20,200	23,824	28,940
	Other, within 1 year				Over 20 years			
34 **All holders**	**82,608**	**81,281**	**94,667**	**95,068**	**33,254**	**35,500**	**45,187**	**43,434**
35 U.S. government agencies and trust funds	1,629	829	647	647	1,472	1,656	1,340	1,340
36 Federal Reserve Banks	17,882	12,888	14,101	14,433	9,520	9,258	10,115	10,073
37 Private investors	63,097	67,565	79,920	79,987	22,262	24,587	33,731	32,020
38 Commercial banks	14,233	15,341	19,624	19,814	1,470	1,325	2,198	749
39 Mutual savings banks	574	852	1,099	1,146	113	110	168	144
40 Insurance companies	1,543	1,268	1,459	1,442	842	730	866	666
41 Nonfinancial corporations	2,140	1,918	1,377	1,248	130	476	750	172
42 Savings and loan associations	1,081	828	1,306	1,368	19	21	34	17
43 State and local governments	2,508	2,337	2,665	2,410	3,339	3,086	3,509	1,988
44 All others	41,017	45,020	52,389	52,560	16,340	18,838	26,208	28,285

NOTE. Direct public issues only. Based on Treasury Survey of Ownership from *Treasury Bulletin* (U.S. Treasury Department).

Data complete for U.S government agencies and trust funds and Federal Reserve Banks, but data for other groups include only holdings of those institutions that report. The following figures show, for each category, the number and proportion reporting as of Dec. 31, 1981: (1) 5,317 commercial banks, 452 mutual savings banks, and 723 insurance companies, each about 80 percent; (2) 407 nonfinancial corporations and 469 savings and loan associations, each about 50 percent; and (3) 489 state and local governments, about 40 percent.

"All others," a residual, includes holdings of all those not reporting in the Treasury Survey, including investor groups not listed separately.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Transactions

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

	Item	1978	1979	1980	1981		1982	1981 and 1982, week ending Wednesday				
					Nov.	Dec.	Jan.	Jan. 13	Jan 20	Jan. 27	Feb. 3	Feb. 10
	Immediate delivery[1]											
1	U.S. government securities	10,285	13,183	18,331	35,034	27,425	28,274	29,817	24,662	28,935	28,320	25,220
	By maturity											
2	Bills	6,173	7,915	11,413	18,862	16,599	13,998	18,028	15,806	18,671	16,602	13,135
3	*Other within 1 year*	392	454	421	1,137	986	680	722	505	523	613	514
4	1–5 years	1,889	2,417	3,330	7,713	5,354	4,749	4,177	4,099	5,742	6,403	4,777
5	5–10 years	965	1,121	1,464	3,534	2,265	2,578	4,373	2,208	1,858	2,200	2,712
6	Over 10 years	867	1,276	1,704	3,789	2,222	2,080	2,517	2,045	91	2,502	4,082
	By type of customer											
7	U.S. government securities dealers	1,135	1,448	1,484	2,040	1,908	1,371	1,619	1,545	1,587	1,450	1,257
8	U.S. government securities brokers	3,838	5,170	7,610	16,519	12,316	13,650	15,417	11,534	13,903	14,347	12,472
9	All others[2]	5,312	6,564	9,237	16,475	13,201	13,066	12,781	11,583	13,445	12,523	11,491
10	Federal agency securities	1,894	2,723	3,258	4,383	2,803	2,768	2,602	2,500	3,272	2,754	2,947
11	Certificates of deposit	1,292	1,764	2,472	6,380	4,781	4,249	4,759	3,609	4,458	4,361	3,209
12	Bankers acceptances				2,643	2,042	1,911	2,210	1,697	1,688	2,212	1,480
13	Commercial paper				7,512	6,782	7,573	6,834	7,852	7,329	8,131	6,627
	Futures transactions[3]											
14	Treasury bills				4,905	5,024	5,153	5,107	5,255	5,884	5,391	3,555
15	Treasury coupons				2,629	1,525	1,193	1,115	1,037	1,161	1,112	1,311
16	Federal agency securities	n.a.	n.a.	n.a.	260	218	194	163	172	226	271	161
	Forward transactions[4]											
17	U.S. government securities				569	602	591	205	503	988	1,027	731
18	Federal agency securities				1,921	1,269	1,273	1,354	1,368	1,286	1,362	1,504

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	1978	1979	1980	1981		1982	1981 and 1982, week ending Wednesday				
					Nov.	Dec.^{p}	Jan.^{p}	Dec. 30	Jan. 6	Jan. 13	Jan. 20	Jan 27
		Positions										
	Net immediate[1]											
1	U.S. government securities	2,656	3,223	4,306	8,592	4,111	5,457	5,423	9,523	5,934	3,142	4,852
2	Bills	2,452	3,813	4,103	4,920	2,308	3,507	3,536	7,242	3,732	1,728	2,895
3	*Other within 1 year*	260	-325	-1,062	3,611	-3,915	-2,620	-3,048	-2,999	-2,703	-2,528	-2,466
4	1–5 years	-92	455	434	3,779	3,148	2,867	3,105	3,456	2,708	2,254	3,058
5	5–10 years	40	160	166	241	-80	-349	-380	-496	261	-174	-815
6	Over 10 years	-4	30	665	3,264	2,650	1,993	2,210	2,320	1,937	1,863	1,916
7	Federal agency securities	606	1,471	797	2,809	3,721	3,016	3,762	3,638	3,282	3,113	2,514
8	Certificates of deposit	2,775	2,794	3,115	4,396	5,086	3,876	5,837	5,154	4,334	3,362	3,139
9	Bankers acceptances				2,211	2,587	2,233	2,368	2,398	2,324	2,365	1,987
10	Commercial paper				3,273	3,254	2,577	3,293	2,823	2,612	2,624	2,289
	Future positions											
11	Treasury bills				-7,318	-5,209	-6,565	-5,506	-6,152	6,068	6,871	6,966
12	Treasury coupons	n.a.	n.a.	n.a.	-3,872	-3,626	2,726	-3,134	2,966	2,592	-2,643	-2,642
13	Federal agency securities				-197	379	-64	-469	-437	143	-46	63
	Forwards positions											
14	U.S. government securities				443	-642	-461	-513	-397	117	546	626
15	Federal agency securities				-1,045	1,241	-1,226	-1,131	1,156	-1,305	1,404	1,091
		Financing[2]										
	Reverse repurchase agreements[3]											
16	*Overnight and continuing*				20,711	25,185	25,006	26,474	27,118	23,946	26,195	22,765
17	Term agreements				44,981	51,003	47,632	53,624	46,898	47,494	47,583	48,554
	Repurchase agreements[4]	n.a.	n.a.	n.a.								
18	Overnight and continuing				43,324	50,681	49,809	51,740	54,309	50,296	50,245	44,384
19	Term agreements				41,525	43,358	38,804	49,607	38,990	38,753	37,806	39,668

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	1981 July	1981 Aug.	1981 Sept.	1981 Oct.	1981 Nov.	1981 Dec.
1 **Federal and federally sponsored agencies[1]**	**137,063**	**163,290**	**193,229**	**213,690**	**218,362**	**223,393**	**226,010**	**226,269**	**227,210**
2 Federal agencies	23,488	24,715	28,606	29,978	30,088	30,870	31,069	31,156	31,806
3 Defense Department[2]	968	738	610	536	526	516	514	490	484
4 Export-Import Bank[3,4]	8,711	9,191	11,250	12,401	12,385	12,855	12,845	12,829	13,339
5 Federal Housing Administration[5]	588	537	477	443	449	432	427	419	413
6 Government National Mortgage Association participation certificates[6]	3,141	2,979	2,817	2,715	2,715	2,715	2,715	2,715	2,715
7 Postal Service[7]	2,364	1,837	1,770	1,538	1,538	1,538	1,538	1,538	1,538
8 Tennessee Valley Authority	7,460	8,997	11,190	12,130	12,260	12,599	12,830	12,965	13,115
9 United States Railway Association[7]	356	436	492	215	215	215	200	200	202
10 Federally sponsored agencies[1]	113,575	138,575	164,623	183,712	188,274	192,523	194,941	195,113	195,404
11 Federal Home Loan Banks	27,563	33,330	41,258	52,431	55,161	58,276	57,990	57,854	58,090
12 Federal Home Loan Mortgage Corporation	2,262	2,771	2,536	2,408	2,408	2,308	2,308	2,608	2,604
13 Federal National Mortgage Association	41,080	48,486	55,185	55,362	56,372	56,688	57,805	58,533	58,749
14 Federal Land Banks	20,360	16,006	12,365	10,317	10,317	10,317	9,717	9,717	9,717
15 Federal Intermediate Credit Banks	11,469	2,676	1,821	1,388	1,388	1,388	1,388	1,388	1,388
16 Banks for Cooperatives	4,843	584	584	220	220	220	220	220	220
17 Farm Credit Banks[1]	5,081	33,216	48,153	57,784	58,306	59,024	60,911	60,191	60,034
18 Student Loan Marketing Association[8]	915	1,505	2,720	3,800	4,100	4,300	4,600	4,600	4,600
19 Other	2	1	1	2	2	2	2	2	2
MEMO:									
20 **Federal Financing Bank debt[1,9]**	**51,298**	**67,383**	**87,460**	**102,853**	**103,597**	**107,309**	**108,171**	**109,495**	**110,698**
Lending to federal and federally sponsored agencies									
21 Export-Import Bank[4]	6,898	8,353	10,654	11,933	11,933	12,409	12,409	12,409	12,741
22 Postal Service[7]	2,114	1,587	1,520	1,288	1,288	1,288	1,288	1,288	1,288
23 Student Loan Marketing Association[8]	915	1,505	2,720	3,800	4,100	4,300	4,600	4,600	4,600
24 Tennessee Valley Authority	5,635	7,272	9,465	10,405	10,535	10,874	11,105	11,240	11,390
25 United States Railway Association[7]	356	436	492	215	215	215	200	200	200
Other Lending[10]									
26 Farmers Home Administration	23,825	32,050	39,431	47,396	47,171	48,821	48,571	49,029	48,821
27 Rural Electrification Administration	4,604	6,484	9,196	11,604	11,861	12,343	12,674	12,924	13,516
28 Other	6,951	9,696	13,982	16,212	16,494	17,059	17,324	17,805	18,142

1. In September 1977 the Farm Credit Banks issued their first consolidated bonds, and in January 1979 they began issuing these bonds on a regular basis to replace the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks, and the Banks for Cooperatives. Line 17 represents those consolidated bonds outstanding, as well as any discount notes that have been issued. Lines 1 and 10 reflect the addition of this item.
2. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
3. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
4. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.
5. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
6. Certificates of participation issued prior to fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare, Department of Housing and Urban Development, Small Business Administration, and the Veterans Administration.
7. Off-budget.
8. Unlike other federally sponsored agencies, the Student Loan Marketing Association may borrow from the Federal Financing Bank (FFB) since its obligations are guaranteed by the Department of Health, Education, and Welfare.
9. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.
10. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

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

1.46 NEW SECURITY ISSUES of State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1978	1979	1980	1981					
				June	July	Aug.	Sept.	Oct.	Nov.
1 **All issues, new and refunding**[1]	**48,512**	**43,365**	**48,367**	**4,886**	**3,184**	**3,078**	**3,874**	**3,977**	**5,137**
Type of issue									
2 General obligation	17,854	12,109	14,100	1,389	1,066	961	567	730	1,273
3 U.S. government loans[2]	n.a.	53	38	1	5	8	2	2	3
4 Revenue	30,658	31,256	34,267	3,497	2,118	2,117	3,307	3,247	3,864
5 U.S. government loans[2]	n.a.	67	57	4	1	4	10	5	2
Type of issuer									
6 State	6,632	4,314	5,304	585	353	446	92	439	518
7 Special district and statutory authority	24,156	23,434	26,972	2,711	1,728	1,688	2,722	2,404	3,326
8 Municipalities, counties, townships, school districts	17,718	15,617	16,090	1,591	1,103	943	1,060	1,133	1,291
9 **Issues for new capital, total**	**37,629**	**41,505**	**46,736**	**4,812**	**3,174**	**2,426**	**3,868**	**3,890**	**5,109**
Use of proceeds									
10 Education	5,003	5,130	4,572	641	255	272	162	195	568
11 Transportation	3,460	2,441	2,621	161	537	113	214	496	284
12 Utilities and conservation	9,026	8,594	8,149	767	881	543	1,626	695	742
13 Social welfare	10,494	15,968	19,958	1,380	712	807	498	951	1,850
14 Industrial aid	3,526	3,836	3,974	757	364	292	849	921	539
15 Other purposes	6,120	6,120	5,536	1,106	425	399	519	632	1,126

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	1979	1980ʳ	1981	1981						
				Juneʳ	Julyʳ	Aug.ʳ	Sept.ʳ	Oct.ʳ	Nov.ʳ	Dec.
1 **All issues**[1]	**51,533**	**73,694**	**69,093**	**9,452**	**3,842**	**3,097**	**4,696**	**4,368**	**8,518**	**5,717**
2 **Bonds**	**40,208**	**53,206**	**44,593**	**5,518**	**2,186**	**1,616**	**2,797**	**2,845**	**6,724**	**3,844**
Type of offering										
3 Public	25,814	41,587	37,604	4,604	1,926	905	2,198	2,582	6,560	3,526
4 Private placement	14,394	11,619	6,989	914	260	711	599	263	164	317
Industry group										
5 Manufacturing	9,678	15,409	12,325	1,312	507	308	452	21	2,054	954
6 Commercial and miscellaneous	3,948	6,693	5,229	566	189	390	201	617	949	850
7 Transportation	3,119	3,329	2,054	584	120	95	63	51	130	82
8 Public utility	8,153	9,557	8,963	847	322	360	1,012	1,008	802	582
9 Communication	4,219	6,683	4,280	470	767	115	471	83	326	106
10 Real estate and financial	11,094	11,534	11,743	1,738	281	348	598	1,065	2,463	1,269
11 **Stocks**	**11,325**	**20,489**	**24,500**	**3,934**	**1,656**	**1,481**	**1,899**	**1,523**	**1,794**	**1,873**
Type										
12 Preferred	3,574	3,631	1,796	187	67	14	186	141	59	80
13 Common	7,751	16,858	22,704	3,747	1,589	1,467	1,713	1,382	1,735	1,793
Industry group										
14 Manufacturing	1,679	4,839	4,786	382	335	160	117	193	407	206
15 Commercial and miscellaneous	2,623	5,245	7,424	1,024	340	661	487	449	564	444
16 Transportation	255	549	735	18	29	91	87	23	15	23
17 Public utility	5,171	6,230	5,416	843	308	248	514	438	405	534
18 Communication	303	567	1,772	1,036	73	12	369	7	85	89
19 Real estate and financial	12,931	3,059	4,368	632	571	310	325	412	318	577

1. Figures, which represent gross proceeds of issues maturing in more than one year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.

SOURCE. Securities and Exchange Commission.

1.48 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1980	1981ʳ	1981 June	1981 July	1981 Aug.	1981 Sept	1981 Oct	1981 Nov	1981 Dec ʳ	1982 Jan.
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	15,266	20,596	1,910	1,639	1,457	1,449	1,768	1,729	2,140	3,032
2 Redemptions of own shares[3]	12,012	15,866	1,512	1,297	1,422	1,457	593	1,125	1,769	1,475
3 Net sales	3,254	4,730	398	342	35	-8	1,175	604	371	1,557
4 Assets[4]	58,400	55,207	58,887	57,494	54,221	51,659	54,335	57,408	55,207	54,347
5 Cash position[5]	5,321	5,277	5,199	5,109	5,058	5,409	5,799	6,269	5,277	5,424
6 Other	53,079	49,930	53,688	52,385	49,163	46,250	48,536	51,139	49,930	48,923

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	1978	1979	1980	1980 Q1	1980 Q2	1980 Q3	1980 Q4	1981 Q1	1981 Q2	1981 Q3
1 Corporate profits with inventory valuation and capital consumption adjustment	185.5	196.8	182.7	200.2	169.3	177.9	183.3	203.0	190.3	195.7
2 Profits before tax	223.3	255.3	245.5	277.1	217.9	237.6	249.5	257.0	229.0	234.4
3 Profits tax liability	82.9	87.6	82.3	94.2	71.5	78.5	85.2	87.7	76.4	78.1
4 Profits after tax	140.3	167.7	163.2	182.9	146.4	159.1	164.3	169.3	152.6	156.3
5 Dividends	44.6	50.1	56.0	53.9	55.7	56.7	57.7	59.6	62.0	64.8
6 Undistributed profits	95.7	117.6	107.2	129.0	90.7	102.4	106.6	109.7	90.6	91.5
7 *Inventory valuation*	-24.3	42.6	45.6	-61.4	-31.1	-41.7	48.4	-39.2	-24.0	-25.3
8 Capital consumption adjustment	13.5	15.9	17.2	15.4	-17.6	-17.9	17.8	14.7	-14.7	-13.4

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

1.50 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, except for ratio

Account	1975	1976	1977	1978	1979	1980 Q3	1980 Q4	1981 Q1	1981 Q2	1981 Q3
1 **Current assets**	**759.0**	**826.8**	**902.1**	**1,030.0**	**1,200.9**	**1,254.9**	**1,281.6**	**1,321.2**	**1,317.4**	**1,349.2**
2 Cash	82.1	88.2	95.8	104.5	116.1	113.4	121.0	120.5	118.5	118.3
3 U.S. government securities	19.0	23.4	17.6	16.3	15.6	16.4	17.3	17.0	17.7	16.0
4 Notes and accounts receivable	272.1	292.8	324.7	383.8	456.8	478.7	491.2	507.3	507.4	519.7
5 Inventories	315.9	342.4	374.8	426.9	501.7	524.5	525.4	542.8	540.0	557.2
6 Other	69.9	80 1	89.2	98.5	110.8	121 9	126.7	133.6	133.7	138 1
7 **Current liabilities**	**451.6**	**494.7**	**549.4**	**665.5**	**809.1**	**850.5**	**877.2**	**910.9**	**908.1**	**951.1**
8 Notes and accounts payable	264.2	281 9	313.2	373.7	456.3	477.2	498.3	504.0	500.8	529 1
9 Other	187.4	212 8	236 2	291.7	352.8	373.4	378.9	406.9	407.2	422.0
10 **Net working capital**	**307.4**	**332.2**	**352.7**	**364.6**	**391.8**	**404.3**	**404.4**	**410.3**	**409.3**	**398.1**
11 MEMO: Current ratio [1]	1.681	1.672	1.642	1.548	1.484	1.475	1.461	1 450	1.451	1.419

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

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

All data in this table reflect the most current benchmarks. Complete data are available upon request from the Flow of Funds Section, Division of Research and Statistics.

SOURCE. Federal Trade Commission.

1.51 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment

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

Industry	1980	1981 [r]	1982 [1]	1980 Q4	1981 Q1	1981 Q2	1981 Q3	1981 Q4	1982 Q1 [1]	1982 Q2 [1]
1 **Total nonfarm business**	**295.63**	**321.49**	**345.11**	**299.58**	**312.24**	**316.73**	**328.25**	**327.83**	**330.34**	**336.77**
Manufacturing										
2 Durable goods industries	58 91	61.84	67.24	59.77	61.24	63.10	62.58	60.78	62.95	64 79
3 Nondurable goods industries	56 90	64.95	69.58	58.86	63.27	62.40	67.53	66.14	66.28	68 72
Nonmanufacturing										
4 Mining	13.51	16.86	18.33	15.28	16.20	16.80	17.55	16.81	17.26	17.20
Transportation										
5 Railroad	4 25	4.24	4.55	4.54	4.23	4.38	4.18	4.18	4.39	4.37
6 Air	4.01	3.81	4 15	3.77	3.85	3.29	3.34	4.82	3.23	2 97
7 Other	3.82	4.00	4.83	3.39	3.66	4.04	4.09	4.12	4.52	4.71
Public utilities										
8 Electric	28.12	29 74	31 77	27.54	27.69	29 32	30.54	31 14	30.86	31.59
9 Gas and other	7.32	8.65	8.43	7.41	8.36	8.53	9.01	8.60	8.46	8.04
10 Trade and services	81.79	86.33	90.48	82.91	83.43	85.88	87.55	88.33	89.46	89.92
11 Communication and other [2]	36.99	41.06	45 75	36.11	40.32	39.02	41.89	42.92	42.93	44.45

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	1975	1976	1977	1978	1979	1980	1981 Q1	1981 Q2	1981 Q3	1981 Q4
ASSETS										
Accounts receivable, gross										
1 Consumer	36.0	38.6	44.0	52.6	65.7	73.6	76.1	79.0	84.5	85.5
2 Business	39.3	44.7	55.2	63.3	70.3	72.3	72.7	78.2	76.9	81.0
3 Total	75.3	83.4	99.2	116.0	136.0	145.9	148.7	157.2	161.3	166.5
4 LESS: Reserves for unearned income and losses	9.4	10.5	12.7	15.6	20.0	23.3	24.3	25.7	27.7	28.9
5 Accounts receivable, net	65.9	72.9	86.5	100.4	116.0	122.6	124.5	131.4	133.6	138.1
6 Cash and bank deposits	2.9	2.6	2.6	3.5						
7 Securities	1.0	1.1	.9	1.3	24.9[1]	27.5	30.8	31.6	34.5	34.2
8 All other	11.8	12.6	14.3	17.3						
9 Total assets	**81.6**	**89.2**	**104.3**	**122.4**	**140.9**	**150.1**	**155.3**	**163.0**	**168.1**	**172.3**
LIABILITIES										
10 Bank loans	8.0	6.3	5.9	6.5	8.5	13.2	13.1	14.4	14.7	15.4
11 Commercial paper	22.2	23.7	29.6	34.5	43.3	43.4	44.2	49.0	51.2	51.2
Debt										
12 Short-term, n.e.c.	4.5	5.4	6.2	8.1	8.2	7.5	8.2	8.5	11.9	9.6
13 Long-term, n.e.c.	27.6	32.3	36.0	43.6	46.7	52.4	51.6	52.6	50.7	54.8
14 Other	6.8	8.1	11.5	12.6	14.2	14.3	17.3	17.0	17.1	17.8
15 Capital, surplus, and undivided profits	12.5	13.4	15.1	17.2	19.9	19.4	20.9	21.5	22.4	23.6
16 Total liabilities and capital	**81.6**	**89.2**	**104.3**	**122.4**	**140.9**	**150.1**	**155.3**	**163.0**	**168.1**	**172.3**

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, 1981[1]	Changes in accounts receivable			Extensions			Repayments		
		1981			1981			1981		
		Oct.	Nov.	Dec.	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.
1 Total	**81,022**	**418**	**1,395**	**552**	**17,393**	**20,029**	**16,192**	**16,975**	**18,634**	**15,640**
2 Retail automotive (commercial vehicles)	11,401	41	188	5	877	1,081	898	918	893	903
3 Wholesale automotive	13,103	184	534	-48	4,804	5,275	3,408	4,620	4,741	3,456
4 Retail paper on business, industrial, and farm equipment	27,959	76	510	387	1,352	2,091	1,701	1,276	1,581	1,314
5 Loans on commercial accounts receivable and factored commercial accounts receivable	8,695	21	83	91	8,061	9,120	7,378	8,082	9,037	7,469
6 All other business credit	19,864	220	80	309	2,299	2,462	2,807	2,079	2,382	2,498

1. Not seasonally adjusted.

1.54 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1979	1980	1981	1981 July	1981 Aug.	1981 Sept	1981 Oct.	1981 Nov.	1981 Dec.	1982 Jan.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	74 4	83 4	90 4	95.2	98.1	89.1	89.2	84 5	88.7	102.6
2 Amount of loan (thousands of dollars)	53 3	59.2	65 2	67 7	70 3	64.8	63.5	62 7	64.4	73.3
3 Loan/price ratio (percent)	73.9	73 2	74 8	73.9	74 7	74.1	73.0	77.3	75.3	75.5
4 Maturity (years)	28.5	28 2	27 7	28.3	27 2	26.6	27.4	23.4	27 7	27.4
5 Fees and charges (percent of loan amount)[2]	1 66	2 09	2.67	2.73	2.98	2.75	2 86	2.52	2.87	2.55
6 Contract rate (percent per annum)	10.48	12.25	14 16	14.13	14.60	14.69	15.04	15.68	15.23	14.66
Yield (percent per annum)										
7 FHLBB series[3]	10.77	12 65	14.74	14.72	15 27	15.29	15.65	16.38	15.87	15.25
8 HUD series[4]	11.15	13.95	16 52	16.70	17.50	18.30	18.05	16.95	17.00	17.30
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series)[5]	10 87	13 42	16.29	16.76	17 96	18.55	17.43	15 98	16.43	17.38
10 GNMA securities[6]	10 22	12 55	15 29	15.76	16 67	17.06	16 54	15.10	15.51	16.19
FNMA auctions[7]										
11 Government-underwritten loans	11 17	14.11	16 70	16.65	17.63	18 99	18.13	16.64	16.92	17.80
12 Conventional loans	11.77	14.43	16 64	16.44	17.59	19 14	18.61	17 20	16.95	17 33
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
13 Total	46,050	55,104	58,675	57,979	58,722	59,682	60,489	60,949	61,412	61,721
14 FHA/VA-insured	33,673	37,364	39,342	39,108	39,368	39,792	40,043	40,056	39,997	39,937
15 Conventional	14,377	17,724	19,334	18,870	19,354	19,890	20,445	20,885	21,435	21,435
Mortgage transactions (during period)										
16 Purchases	10,812	8,099	6,112	627	944	1,125	1,000	594	655	430
17 Sales	0	0	2	0	0	0	0	0	0	0
Mortgage commitments[8]										
18 Contracted (during period)	10,179	8,083	9,331	1,662	1,394	811	533	560	1,272	703
19 Outstanding (end of period)	6,409	3,278	3,577	4,039	4,399	3,997	3,447	3,354	3,577	3,285
Auction of 4-month commitments to buy										
Government-underwritten loans										
20 Offered	8,860 4	8,605 4	2,487 2	331.9	689.5	145.9	66.3	79.0	59.2	41.5
21 Accepted	3,920 9	4,002.0	1,478 0	290.4	336.6	64.1	37.3	34.4	27.0	30.8
Conventional loans										
22 Offered	4,495.3	3,639.2	2,524 7	306.6	862.2	120.7	43.2	147.7	84.4	31.7
23 Accepted	2,343.6	1,748.5	1,392 3	238.2	304.3	67.9	27.5	63.1	48.0	11.5
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[9]										
24 Total	3,543	4,362	5,245	5,250	5,294	5,431	5,469	5,283	5,255	5,240
25 FHA/VA	1,995	2,116	2,236	2,233	2,238	2,264	2,267	2,232	2,227	2,209
26 Conventional	1,549	2,246	3,010	3,017	3,056	3,167	3,202	3,051	3,028	3,032
Mortgage transactions (during period)										
27 Purchases	5,717	3,723	3,789	242	101	337	290	416	1,140	1,628
28 Sales	4,544	2,527	3,531	238	44	249	244	596	1,158	162
Mortgage commitments[10]										
29 Contracted (during period)	5,542	3,859	6,974	866	386	365	1,834	2,011	203	328
30 Outstanding (end of period)	797	447	3,518	824	1,028	982	2,863	4,451	3,518	5,033

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, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are unweighted averages of Monday quotations for the month
7. Average gross yields (before deduction of 38 basis points for mortgage servicing) on accepted bids in Federal National Mortgage Association's auctions of 4-month commitments to purchase home mortgages, assuming prepayment in 12 years for 30-year mortgages. No adjustments are made for FNMA commitment fees or stock related requirements. Monthly figures are unweighted averages for auctions conducted within the month.
8. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
9. 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	1979	1980	1981	1980	1981			
					Q4	Q1	Q2	Q3	Q4r
1	**All holders**	**1,326,916**	**1,446,074r**	**1,543,771r**	**1,446,074r**	**1,467,370r**	**1,497,061r**	**1,523,522r**	**1,543,771**
2	1- to 4-family	878,938	960,344r	1,018,472r	960,344r	972,556r	990,862r	1,007,529r	1,018,472
3	Multifamily	128,850	137,163r	144,267r	137,163r	138,544r	140,100r	141,675r	144,267
4	Commercial	236,451	256,549r	279,096r	256,549r	261,809r	268,587r	274,250r	279,096
5	Farm	82,677	92,018r	101,936r	92,018r	94,461r	97,512r	100,068r	101,936
6	Major financial institutions	938,567	996,789	1,044,496r	996,789	1,006,836	1,023,340	1,036,687	1,044,496
7	Commercial banks[1]	245,187	263,030	286,626	263,030	266,734	273,225	281,126	286,626
8	1- to 4-family	149,460	160,326	172,549	160,326	161,758	164,873	169,378	172,549
9	Multifamily	11,180	12,924	14,905	12,924	13,282	13,800	14,478	14,905
10	Commercial	75,957	81,081	90,717	81,081	83,133	86,091	88,836	90,717
11	Farm	8,590	8,699	8,455	8,699	8,561	8,461	8,434	8,455
12	Mutual savings banks	98,908	99,866	100,000	99,866	99,719	99,993	100,200	100,000
13	1- to 4-family	64,706	65,332	65,420	65,332	65,236	65,415	65,551	65,420
14	Multifamily	17,180	17,347	17,370	17,347	17,321	17,369	17,405	17,370
15	Commercial	16,963	17,127	17,150	17,127	17,102	17,149	17,184	17,150
16	Farm	59	60	60	60	60	60	60	60
17	Savings and loan associations	475,688	502,812	517,637	502,812	507,152	514,803	518,379	517,637
18	1- to 4-family	394,345	419,446	432,693	419,446	423,269	430,324	433,313	432,693
19	Multifamily	37,579	38,113	38,253	38,113	38,189	38,044	38,308	38,253
20	Commercial	43,764	45,253	46,691	45,253	45,694	46,435	46,758	46,691
21	Life insurance companies	118,784	131,081	140,233r	131,081	133,231	135,319	136,982	140,233
22	1- to 4-family	16,193	17,943	17,966r	17,943	17,847	17,646	17,512	17,966
23	Multifamily	19,274	19,514	20,101r	19,514	19,579	19,603	19,592	20,101
24	Commercial	71,137	80,666	88,991r	80,666	82,839	85,038	86,742	88,991
25	Farm	12,180	12,958	13,175r	12,958	12,966	13,032	13,136	13,175
26	Federal and related agencies	97,084	114,300	126,186	114,300	116,243	119,124r	121,772r	126,186
27	Government National Mortgage Association	3,852	4,642	4,765	4,642	4,826	4,972	4,382	4,765
28	1- to 4-family	763	704	765	704	696	698	696	765
29	Multifamily	3,089	3,938	4,000	3,938	4,130	4,274	3,686	4,000
30	Farmers Home Administration	1,274	3,492	2,235r	3,492	2,837	2,662r	1,562r	2,235
31	1- to 4-family	417	916	914r	916	1,321	1,151r	500r	914
32	Multifamily	71	610	473r	610	528	464r	242r	473
33	Commercial	174	411	506r	411	479	357r	325r	506
34	Farm	612	1,555	342r	1,555	509	690r	495r	342
35	Federal Housing and Veterans Administration	5,555	5,640	6,073	5,640	5,799	5,895	6,005	6,073
36	1- to 4-family	1,955	2,051	2,293	2,051	2,135	2,172	2,240	2,293
37	Multifamily	3,600	3,589	3,780	3,589	3,664	3,723	3,765	3,780
38	Federal National Mortgage Association	51,091	57,327	61,412	57,327	57,362	57,657	59,682	61,412
39	1- to 4-family	45,488	51,775	55,986	51,775	51,842	52,181	54,227	55,986
40	Multifamily	5,603	5,552	5,426	5,552	5,520	5,476	5,455	5,426
41	Federal Land Banks	31,277	38,131	46,446	38,131	40,258	42,681	44,708	46,446
42	1- to 4-family	1,552	2,099	2,788	2,099	2,228	2,401	2,605	2,788
43	Farm	29,725	36,032	43,658	36,032	38,030	40,280	42,103	43,658
44	Federal Home Loan Mortgage Corporation	4,035	5,068	5,255r	5,068	5,161	5,257	5,433	5,255
45	1- to 4-family	3,059	3,873	4,018r	3,873	3,953	4,025	4,166	4,018
46	Multifamily	976	1,195	1,237r	1,195	1,208	1,232	1,267	1,237
47	Mortgage pools or trusts[2]	119,278	142,258	162,273r	142,258	147,246	152,308r	158,140r	162,273
48	Government National Mortgage Association	76,401	93,874	105,790	93,874	97,184	100,558	103,750	105,790
49	1- to 4-family	74,546	91,602	102,750	91,602	94,810	98,057	101,068	102,750
50	Multifamily	1,855	2,272	3,040	2,272	2,374	2,501	2,682	3,040
51	Federal Home Loan Mortgage Corporation	15,180	16,854	19,843r	16,854	17,067	17,565	17,936	19,843
52	1- to 4-family	12,149	13,471	15,888r	13,471	13,641	14,115	14,401	15,888
53	Multifamily	3,031	3,383	3,955	3,383	3,426	3,450	3,535	3,955
54	Farmers Home Administration	27,697	31,530	36,640r	31,530	32,995	34,185r	36,454r	36,640
55	1- to 4-family	14,884	16,683	18,378r	16,683	16,640	17,165r	18,407r	18,378
56	Multifamily	2,163	2,612	3,426r	2,612	2,853	3,097r	3,488r	3,426
57	Commercial	4,328	5,271	6,161r	5,271	5,382	5,750r	6,040r	6,161
58	Farm	6,322	6,964	8,675r	6,964	8,120	8,173r	8,519r	8,675
59	Individual and others[3]	171,987	192,727r	210,816r	192,727r	197,045r	202,289r	206,923r	210,816
60	1- to 4-family	99,421	114,123r	126,064r	114,123r	117,180r	120,639r	123,465r	126,064
61	Multifamily	23,249	26,114r	28,301r	26,114r	26,470r	27,067r	27,772r	28,301
62	Commercial	24,128	26,740r	28,880r	26,740r	27,180r	27,767r	28,365r	28,880
63	Farm	25,189	25,750r	27,571r	25,750r	26,215r	26,816r	27,321r	27,571

1. Includes loans held by nondeposit trust companies but not bank trust departments.
2. Outstanding principal balances of mortgages backing securities insured or guaranteed by the agency indicated.
3. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and U.S. agencies for which amounts are small or separate data are not readily available.

NOTE. Based on data from various institutional and 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 CREDIT[1] Total Outstanding, and Net Change▲

Millions of dollars

Holder, and type of credit	1978	1979	1980	1981 July	1981 Aug.	1981 Sept.	1981 Oct.	1981 Nov.	1981 Dec.	1982 Jan.
	Amounts outstanding (end of period)									
1 **Total**	**273,645**	**312,024**	**313,472**	**320,656**	**324,161**	**328,187**	**328,652**	**329,053**	**333,375**	**330,135**
By major holder										
2 Commercial banks	136,016	154,177	147,013	145,382	146,006	147,060	146,889	146,687	149,300	148,162
3 Finance companies	54,298	68,318	76,756	83,924	86,152	88,698	89,583	89,956	89,818	88,925
4 Credit unions	44,334	46,517	44,041	46,096	46,605	46,791	46,416	46,092	45,954	45,907
5 Retailers[2]	25,987	28,119	28,448	26,396	26,477	26,594	26,922	27,510	29,551	28,179
6 Savings and loans	7,097	8,424	9,911	10,959	11,125	11,236	11,348	11,529	11,598	11,668
7 Gasoline companies	3,220	3,729	4,468	5,078	5,004	5,007	4,713	4,487	4,403	4,541
8 Mutual savings banks	2,693	2,740	2,835	2,821	2,792	2,801	2,781	2,792	2,751	2,753
By major type of credit										
9 Automobile	101,647	116,362	116,838	121,476	123,481	125,703	126,344	126,385	126,431	125,525
10 Commercial banks	60,510	67,367	61,536	59,908	59,747	59,451	59,242	59,125	59,181	58,849
11 Indirect paper	33,850	38,338	35,233	34,505	34,599	34,616	34,651	34,781	35,097	35,029
12 Direct loans	26,660	29,029	26,303	25,403	25,148	24,835	24,591	24,344	24,084	23,820
13 Credit unions	21,200	22,244	21,060	22,044	22,286	22,375	22,196	22,041	21,975	21,953
14 Finance companies	19,937	26,751	34,242	39,525	41,448	43,877	44,906	45,219	45,275	44,723
15 Revolving	48,309	56,937	58,352	56,764	57,280	58,318	58,451	58,923	63,049	61,433
16 Commercial banks	24,341	29,862	29,765	29,290	29,778	30,686	30,763	30,876	33,110	32,643
17 Retailers	20,748	23,346	24,119	22,396	22,498	22,625	22,975	23,560	25,536	24,249
18 Gasoline companies	3,220	3,729	4,468	5,078	5,004	5,007	4,713	4,487	4,403	4,541
19 Mobile home	15,235	16,838	17,322	17,760	17,959	18,124	18,300	18,380	18,486	18,397
20 Commercial banks	9,545	10,647	10,371	10,168	10,213	10,241	10,288	10,267	10,300	10,206
21 Finance companies	3,152	3,390	3,745	4,076	4,178	4,282	4,384	4,439	4,494	4,481
22 Savings and loans	2,067	2,307	2,737	3,026	3,072	3,103	3,134	3,184	3,203	3,222
23 Credit unions	471	494	469	490	496	498	494	490	489	488
24 Other	108,454	121,887	120,960	124,656	125,441	126,042	125,557	125,365	125,409	124,780
25 Commercial banks	41,620	46,301	45,341	46,016	46,268	46,682	46,596	46,419	46,709	46,464
26 Finance companies	31,209	38,177	38,769	40,323	40,526	40,539	40,293	40,298	40,049	39,721
27 Credit unions	22,663	23,779	22,512	23,563	23,823	23,918	23,726	23,561	23,490	23,466
28 Retailers	5,239	4,773	4,329	4,000	3,979	3,969	3,947	3,950	4,015	3,930
29 Savings and loans	5,030	6,117	7,174	7,933	8,053	8,133	8,214	8,345	8,395	8,446
30 Mutual savings banks	2,693	2,740	2,835	2,821	2,792	2,801	2,781	2,792	2,751	2,753
	Net change (during period)[3]									
31 **Total**	**43,079**	**38,381**	**1,448**	**1,551**	**2,428**	**2,975**	**1,002**	**600**	**-33**	**443**
By major holder										
32 Commercial banks	23,641	18,161	-7,163	29	-246	427	-76	433	1,160	10
33 Finance companies	9,430	14,020	8,438	948	2,383	2,682	1,204	462	-414	-597
34 Credit unions	6,729	2,185	-2,475	532	245	-134	-209	-224	-369	689
35 Retailers[2]	2,497	2,132	329	265	-13	11	104	-126	-338	27
36 Savings and loans	7	1,327	1,485	-175	42	71	32	121	57	172
37 Gasoline companies	257	509	739	4	33	-62	-42	-81	-98	39
38 Mutual savings banks	518	47	95	-52	-16	-20	-11	15	-31	103
By major type of credit										
39 Automobile	18,736	14,715	477	1,056	1,859	2,079	1,024	564	68	-121
40 Commercial banks	10,933	6,857	-5,830	47	-347	-404	-226	220	236	103
41 Indirect paper	6,471	4,488	-3,104	196	-42	-79	16	371	413	232
42 Direct loans	4,462	2,369	-2,726	-149	-305	-325	-242	-151	-177	-129
43 Credit unions	3,101	1,044	-1,184	263	106	-82	-98	-77	-200	345
44 Finance companies	4,702	6,814	7,491	746	2,100	2,565	1,348	421	32	-569
45 Revolving	9,035	8,628	1,415	116	177	571	324	21	59	-196
46 Commercial banks	5,967	5,521	-97	-205	126	593	182	198	467	-276
47 Retailers	2,811	2,598	773	317	18	40	184	-96	-310	41
48 Gasoline companies	257	509	739	4	33	-62	-42	-81	-98	39
49 Mobile home	286	1,603	483	59	156	157	122	75	143	-26
50 Commercial banks	419	1,102	-276	12	24	30	28	-9	81	-74
51 Finance companies	74	238	355	81	93	102	74	42	49	6
52 Savings and loans	-276	240	430	-44	37	26	23	45	15	30
53 Credit unions	69	23	-25	10	2	-1	-3	-3	-2	12
54 Other	15,022	13,435	-927	320	236	168	-468	-60	-303	786
55 Commercial banks	6,322	4,681	960	175	-49	208	-60	24	376	257
56 Finance companies	4,654	6,968	592	121	190	15	-218	-1	-495	-34
57 Credit unions	3,559	1,118	-1,266	259	137	-51	-108	-144	-167	332
58 Retailers	-314	-466	-444	-52	-31	-29	-80	-30	-28	-14
59 Savings and loans	283	1,087	1,056	-131	5	45	9	76	42	142
60 Mutual savings banks	518	47	95	-52	-16	-20	-11	15	-31	103

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 $71.3 billion at the end of 1979, $72.2 billion at the end of 1980, and $78.4 billion at the end of 1981.

▲ These data have been revised from January 1980 through December 1981.

1.57 CONSUMER INSTALLMENT CREDIT Extensions and Liquidations ▲

Millions of dollars; monthly data are seasonally adjusted.

Holder, and type of credit	1978	1979	1980	1981						1982
				July	Aug.	Sept.	Oct	Nov	Dec.	Jan
	Extensions									
1 **Total**	**297,668**	**324,777**	**306,076**	**28,290**	**28,323**	**29,406**	**26,836**	**27,370**	**26,656**	**26,888**
By major holder										
2 Commercial banks	142,433	154,733	134,960	11,973	11,458	12,384	11,610	12,430	13,264	11,775
3 Finance companies	50,505	61,518	60,801	5,439	6,385	7,158	5,327	5,287	4,089	4,433
4 Credit unions	38,111	34,926	29,594	3,299	2,913	2,558	2,621	2,571	2,517	3,326
5 Retailers[1]	44,571	47,676	49,942	4,826	4,616	4,568	4,559	4,279	4,142	4,385
6 Savings and loans	3,724	5,901	6,621	383	537	573	553	668	588	716
7 Gasoline companies	16,017	18,005	22,253	2,252	2,284	2,035	2,021	1,963	1,931	2,000
8 Mutual savings banks	2,307	2,018	1,905	118	130	130	145	172	125	253
By major type of credit										
9 Automobile	87,981	93,901	83,454	8,059	8,396	9,000	7,490	8,073	7,352	7,474
10 Commercial banks	52,969	53,554	41,109	3,755	3,280	3,218	3,263	3,979	3,978	3,696
11 Indirect paper	29,342	29,623	22,558	2,268	1,951	1,932	1,966	2,516	2,489	2,293
12 Direct loans	23,627	23,931	18,551	1,487	1,329	1,286	1,297	1,463	1,489	1,403
13 Credit unions	18,539	17,397	15,294	1,663	1,537	1,337	1,308	1,342	1,345	1,702
14 Finance companies	16,473	22,950	27,051	2,641	3,579	4,445	2,919	2,752	2,029	2,076
15 Revolving	105,125	120,174	128,068	11,706	11,663	12,263	11,753	11,379	11,592	11,070
16 Commercial banks	51,333	61,048	61,593	5,073	5,227	6,124	5,578	5,584	5,961	5,135
17 Retailers	37,775	41,121	44,222	4,381	4,152	4,104	4,154	3,832	3,700	3,935
18 Gasoline companies	16,017	18,005	22,253	2,252	2,284	2,035	2,021	1,963	1,931	2,000
19 Mobile home	5,412	6,471	5,093	445	520	532	475	479	508	434
20 Commercial banks	3,697	4,542	2,937	276	281	291	254	235	308	188
21 Finance companies	886	797	898	116	120	134	123	108	106	99
22 Savings and loans	609	948	1,146	30	105	95	89	127	86	122
23 Credit unions	220	184	113	23	14	12	9	9	8	25
24 Other	99,150	104,231	89,461	8,080	7,744	7,611	7,118	7,439	7,204	7,910
25 Commercial banks	34,434	35,589	29,321	2,869	2,670	2,751	2,515	2,632	3,017	2,756
26 Finance companies	33,146	37,771	32,852	2,682	2,686	2,579	2,285	2,427	1,954	2,258
27 Credit unions	19,352	17,345	14,187	1,613	1,362	1,209	1,304	1,220	1,164	1,599
28 Retailers	6,796	6,555	5,720	445	464	464	405	447	442	450
29 Savings and loans	3,115	4,953	5,476	353	432	478	464	541	502	594
30 Mutual savings banks	2,307	2,018	1,905	118	130	130	145	172	125	253
	Liquidations									
31 **Total**	**254,589**	**286,396**	**304,628**	**26,739**	**25,895**	**26,431**	**25,834**	**26,770**	**26,689**	**26,445**
By major holder										
32 Commercial banks	118,792	136,572	142,123	11,944	11,704	11,957	11,686	11,997	12,104	11,765
33 Finance companies	41,075	47,498	52,363	4,491	4,002	4,476	4,123	4,825	4,503	5,030
34 Credit unions	31,382	32,741	32,069	2,767	2,668	2,692	2,830	2,795	2,886	2,637
35 Retailers[1]	42,074	45,544	49,613	4,561	4,629	4,557	4,455	4,405	4,480	4,358
36 Savings and loans	3,717	4,574	5,136	558	495	502	521	547	531	544
37 Gasoline companies	15,760	17,496	21,514	2,248	2,251	2,097	2,063	2,044	2,029	1,961
38 Mutual savings banks	1,789	1,971	1,810	170	146	150	156	157	156	150
By major type of credit										
39 Automobile	69,245	79,186	82,977	7,003	6,537	6,921	6,466	7,509	7,284	7,595
40 Commercial banks	42,036	46,697	46,939	3,708	3,627	3,622	3,489	3,759	3,742	3,593
41 Indirect paper	22,871	25,135	25,662	2,072	1,993	2,011	1,950	2,145	2 076	2,061
42 Direct loans	19,165	21,562	21,277	1,636	1,634	1,611	1,539	1,614	1,666	1,532
43 Credit unions	15,438	16,353	16,478	1,400	1,431	1,419	1,406	1,419	1,545	1,357
44 Finance companies	11,771	16,136	19,560	1,895	1,479	1,880	1,571	2,331	1,997	2,645
45 Revolving	96,090	111,546	126,653	11,590	11,486	11,692	11,429	11,358	11,533	11,266
46 Commercial banks	45,366	55,527	61,690	5,278	5,101	5,531	5,396	5,386	5,494	5,411
47 Retailers	34,964	38,523	43,449	4,064	4,134	4,064	3,970	3,928	4,010	3,894
48 Gasoline companies	15,760	17,496	21,514	2,248	2,251	2,097	2,063	2,044	2,029	1,961
49 Mobile home	5,126	4,868	4,610	386	364	375	353	404	365	460
50 Commercial banks	3,278	3,440	3,213	264	257	261	226	244	227	262
51 Finance companies	812	559	543	35	27	32	49	66	57	93
52 Savings and loans	885	708	716	74	68	69	66	82	71	92
53 Credit unions	151	161	138	13	12	13	12	12	10	13
54 Other	84,128	90,796	90,388	7,760	7,508	7,443	7,586	7,499	7,507	7,124
55 Commercial banks	28,112	30,908	30,281	2,694	2,719	2,543	2,575	2,608	2,641	2,499
56 Finance companies	28,492	30,803	32,260	2,561	2,496	2,564	2,503	2,428	2,449	2,292
57 Credit unions	15,793	16,227	15,453	1,354	1,225	1,260	1,412	1,364	1,331	1,267
58 Retailers	7,110	7,021	6,164	497	495	493	485	477	470	464
59 Savings and loans	2,832	3,866	4,420	484	427	433	455	465	460	452
60 Mutual savings banks	1,789	1,971	1,810	170	146	150	156	157	156	150

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

▲ These data have been revised from January 1980 through December 1981.

1.58 FUNDS RAISED IN U.S. CREDIT MARKETS

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

Transaction category, sector	1976	1977	1978	1979	1980	1981	1979		1980		1981	
							H1	H2	H1	H2	H1	H2
	Nonfinancial sectors											
1 **Total funds raised**	**273.6**	**336.6**	**395.6**	**387.0**	**371.9**	**393.0**	**385.0**	**389.0**	**339.0**	**404.9**	**423.5**	**362.5**
2 Excluding equities	262.8	333.5	396.3	394.0	357.0	399.9	394.7	393.3	330.1	383.8	422.0	377.9
By sector and instrument												
3 U.S. government	69.0	56.8	53.7	37.4	79.2	87.3	30.0	44.7	66.5	91.9	85.7	88.9
4 Treasury securities	69.1	57.6	55.1	38.8	79.8	87.7	32.3	45.2	67.2	92.4	86.3	89.2
5 Agency issues and mortgages	-.1	.9	-1.4	-1.4	-.6	-.4	-2.3	-.5	-.6	.6	-.5	-.4
6 All other nonfinancial sectors	204.6	279.9	342.0	349.6	292.7	305.7	355.0	344.3	272.5	313.0	337.8	273.6
7 Corporate equities	10.8	3.1	-.6	-7.1	15.0	-6.9	-9.8	-4.3	8.9	21.0	1.5	-15.4
8 Debt instruments	193.8	276.7	342.6	356.7	277.8	312.6	364.7	348.6	263.6	292.0	336.3	289.0
9 Private domestic nonfinancial sectors	185.0	266.0	308.7	328.6	263.4	274.9	341.0	316.1	241.3	285.6	301.9	248.0
10 Corporate equities	10.5	2.7	.1	-7.8	12.9	-6.9	-9.6	-6.1	6.9	18.8	.9	-14.7
11 Debt instruments	174.5	263.2	308.8	336.4	250.6	281.8	350.6	322.2	234.4	266.8	301.0	262.7
12 Debt capital instruments	123.7	172.2	193.7	200.1	179.4	150.0	203.0	197.2	177.0	181.9	171.7	128.3
13 State and local obligations	15.7	21.9	26.1	21.8	26.9	25.3	20.9	22.7	21.6	32.1	28.7	21.9
14 Corporate bonds	22.8	21.0	20.1	21.2	30.4	25.1	21.7	20.7	35.3	25.6	27.7	22.4
Mortgages												
15 Home mortgages	64.0	96.3	108.5	113.7	81.7	60.0	117.6	109.8	76.5	87.0	73.4	46.7
16 Multifamily residential	3.9	7.4	9.4	7.8	8.5	7.2	8.0	7.6	8.2	8.8	6.4	8.0
17 Commercial	11.6	18.5	22.1	24.4	22.4	22.6	23.4	25.4	24.8	19.9	26.7	18.6
18 Farm	5.7	7.1	7.5	11.3	9.5	9.8	11.6	11.0	10.6	8.4	8.9	10.8
19 Other debt instruments	50.7	91.0	115.1	136.3	71.1	131.8	147.6	125.0	57.4	84.9	129.3	134.4
20 *Consumer credit*	25.4	40.2	47.6	46.3	2.3	26.4	50.9	41.6	-5.1	9.7	29.1	23.8
21 Bank loans n.e.c.	4.4	26.7	37.1	49.2	37.3	53.0	55.5	42.8	13.5	61.2	45.0	61.0
22 Open market paper	4.0	2.9	5.2	11.1	6.6	19.0	8.0	14.2	24.8	-11.6	17.6	20.5
23 Other	16.9	21.3	25.1	29.7	24.9	33.4	33.1	26.4	24.1	25.6	37.6	29.1
24 By borrowing sector	185.0	266.0	308.7	328.6	263.4	274.9	341.0	316.1	241.3	285.6	301.9	248.0
25 State and local governments	15.2	17.3	20.9	18.4	25.3	22.5	17.9	18.9	19.7	30.9	26.1	18.9
26 Households	89.6	139.1	164.3	170.6	101.7	106.7	179.1	162.1	94.2	109.1	123.4	90.1
27 Farm	10.2	12.3	15.0	20.8	14.5	17.2	21.2	20.4	17.9	11.1	22.7	11.6
28 Nonfarm noncorporate	5.7	12.7	15.3	14.0	15.8	15.1	13.5	14.5	11.0	20.6	17.0	13.2
29 Corporate	64.3	84.6	93.2	104.8	106.1	113.5	109.3	100.2	98.4	113.8	112.7	114.2
30 Foreign	19.6	13.9	33.2	21.0	29.3	30.8	14.0	28.1	31.2	27.4	35.9	25.7
31 Corporate equities	3	.4	-.5	.8	2.1	*	-.2	1.7	1.9	2.2	.6	-.7
32 Debt instruments	19.3	13.5	33.8	20.3	27.2	30.8	14.1	26.4	29.2	25.2	35.3	26.3
33 Bonds	8.6	5.1	4.2	3.9	.8	5.3	2.8	4.9	2.0	-.4	3.3	7.2
34 Bank loans n.e.c.	5.6	3.1	19.1	2.3	11.5	6.5	2.1	2.4	6.1	17.0	6.1	6.8
35 Open market paper	1.9	2.4	6.6	11.2	10.1	13.9	6.1	16.3	15.7	4.5	20.6	7.1
36 U.S. government loans	3.3	3.0	3.9	3.0	4.7	5.2	3.1	2.8	5.4	4.0	5.3	5.1
	Financial sectors											
37 **Total funds raised**	**23.4**	**51.4**	**76.8**	**84.3**	**66.7**	**86.9**	**87.8**	**80.8**	**59.8**	**73.5**	**90.8**	**83.0**
By instrument												
38 U.S. government related	15.1	21.9	36.7	48.2	43.0	43.1	43.7	52.8	44.7	41.3	38.7	47.6
39 Sponsored credit agency securities	3.3	7.0	23.1	24.3	24.4	29.6	21.2	27.3	25.1	23.7	24.0	35.2
40 Mortgage pool securities	12.2	16.1	13.6	24.0	18.6	13.5	22.5	25.5	19.6	17.6	14.7	12.4
41 Loans from U.S. government	-.4	-1.2	0	0	0	0	0	0	0	0	0	0
42 Private financial sectors	8.2	29.5	40.1	36.0	23.7	43.8	44.1	28.0	15.2	32.2	52.1	35.4
43 Corporate equities	-.2	2.6	1.8	2.5	6.2	8.9	3.6	1.4	7.1	5.2	10.4	7.4
44 Debt instruments	8.4	26.9	38.3	33.6	17.5	34.9	40.6	26.6	8.1	27.0	41.8	28.0
45 Corporate bonds	9.8	10.1	7.5	7.8	7.1	-.9	8.2	7.5	10.1	4.2	-1.7	-.1
46 Mortgages	2.1	3.1	.9	-1.2	-.9	-3.1	.3	2.6	-5.8	4.0	-2.9	-3.3
47 Bank loans n.e.c.	-3.7	-.3	2.8	-.4	.5	2.7	-1.4	6	*	-.9	4.6	.7
48 Open market paper and RPs	2.2	9.6	14.6	18.2	4.6	20.0	25.4	10.9	-.8	10.1	23.7	16.3
49 Loans from Federal Home Loan Banks	-2.0	4.3	12.5	9.2	7.1	16.2	8.2	10.1	4.6	9.6	18.0	14.5
By sector												
50 Sponsored credit agencies	2.9	5.8	23.1	24.3	24.4	29.6	21.2	27.3	25.1	23.7	24.0	35.4
51 Mortgage pools	12.2	16.1	13.6	24.0	18.6	13.5	22.5	25.5	19.6	17.6	14.7	12.4
52 Private financial sectors	8.2	29.5	40.1	36.0	23.7	43.8	44.1	28.0	15.2	32.2	52.1	35.4
53 Commercial banks	2.3	1.1	1.3	1.6	.5	.4	1.3	1.8	.8	.3	2	.5
54 Bank affiliates	5.4	2.0	7.2	6.5	6.9	8.3	8.0	4.9	5.8	8.0	6.9	9.6
55 Savings and loan associations	.1	9.9	14.3	11.4	6.9	13.6	11.1	11.7	-1.4	15.2	17.0	10.3
56 *Other insurance companies*	.9	1.4	.8	.9	.9	.9	.9	.9	.9	.9	9	.9
57 Finance companies	4.3	16.9	18.1	16.8	5.8	13.7	22.7	10.9	5.2	6.3	18.6	8.7
58 REITs	2.2	2.3	-1.1	-.4	-1.7	-.7	-.6	-.2	-1.4	-2.0	-.8	-.5
59 Open-end investment companies	-2.4	4	.5	6	4.4	-7.6	.7	-1.9	5.3	3.4	9.3	5.9
	All sectors											
60 **Total funds raised, by instrument**	**297.0**	**388.0**	**472.5**	**471.3**	**438.6**	**479.9**	**472.8**	**469.7**	**398.8**	**478.4**	**514.4**	**445.5**
61 Investment company shares	-2.4	.4	-.5	-.6	4.4	7.6	.7	-1.9	5.3	3.4	9.3	5.9
62 Other corporate equities	13.1	5.3	1.7	-4.0	16.8	-5.6	-6.9	-1.0	10.7	22.8	2.6	-13.9
63 Debt instruments	286.4	382.3	471.3	475.8	417.5	478.0	479.0	472.6	382.9	452.1	502.5	453.5
64 U.S. government securities	84.6	79.9	90.5	85.7	122.3	130.6	73.8	97.6	111.3	133.2	124.5	136.6
65 State and local obligations	15.7	21.9	26.1	21.8	26.9	25.3	20.9	22.7	21.6	32.1	28.7	21.9
66 Corporate and foreign bonds	41.2	36.1	31.8	32.8	38.4	29.4	32.6	33.0	47.4	29.5	29.3	29.5
67 Mortgages	87.2	132.3	148.3	155.9	121.1	96.5	160.6	151.1	114.2	128.0	112.4	80.6
68 Consumer credit	25.4	40.2	47.6	46.3	2.3	26.4	50.9	41.6	-5.1	9.7	29.1	23.8
69 Bank loans n.e.c.	6.2	29.5	59.0	51.0	48.4	62.1	56.2	45.8	19.6	77.2	55.8	68.5
70 Open market paper and RPs	8.1	15.0	26.4	40.5	21.4	52.9	39.5	41.5	39.7	3.1	61.9	43.9
71 Other loans	17.8	27.4	41.5	41.9	36.7	54.8	44.4	39.3	34.1	39.3	60.8	48.7

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	1976	1977	1978	1979	1980	1981	1979		1980		1981	
							H1	H2	H1	H2	H1	H2
1 **Total funds advanced in credit markets to nonfinancial sectors**	**262.8**	**333.5**	**396.3**	**394.0**	**357.0**	**399.9**	**394.7**	**393.3**	**330.1**	**383.8**	**422.0**	**377.9**
By public agencies and foreign												
2 Total net advances	49.8	79.2	101.9	74.0	92.1	90.0	49.6	98.5	102.9	81.3	101.2	78.8
3 U.S. government securities	23.1	34.9	36.1	-6.2	15.6	16.1	-27.1	14.7	23.2	8.0	21.6	10.6
4 Residential mortgages	12.3	20.0	25.7	36.7	31.1	22.1	35.7	37.8	33.3	28.9	20.8	23.3
5 FHLB advances to savings and loans	-2.0	4.3	12.5	9.2	7.1	16.2	8.2	10.1	4.6	9.6	18.0	14.5
6 Other loans and securities	16.4	20.1	27.6	34.3	38.2	35.6	32.8	35.8	41.7	34.8	40.8	30.3
Total advanced, by sector												
7 U.S. government	7.9	10.0	17.1	19.0	23.7	24.9	19.8	18.3	25.4	22.1	29.9	19.9
8 Sponsored credit agencies	16.8	22.4	39.9	53.4	43.8	44.4	47.8	58.9	42.4	45.2	40.4	48.4
9 Monetary authorities	9.8	7.1	7.0	7.7	4.5	9.2	-.9	16.2	12.1	-3.1	-7.1	25.4
10 Foreign	15.2	39.6	38.0	-6.1	20.0	11.5	-17.2	5.1	23.0	17.0	38.0	14.9
11 Agency borrowing not included in line 1	15.1	21.9	36.7	48.2	43.0	43.1	43.7	52.8	44.7	41.3	38.7	47.6
Private domestic funds advanced												
12 Total net advances	228.1	276.2	331.0	368.2	307.9	353.1	388.9	347.6	271.9	343.8	359.5	346.7
13 U.S. government securities	61.5	45.1	54.3	91.9	106.7	114.4	101.0	82.9	88.1	125.3	102.9	126.0
14 State and local obligations	15.7	21.9	26.1	21.8	26.9	25.3	20.9	22.7	21.6	32.1	28.7	21.9
15 Corporate and foreign bonds	30.5	22.2	22.4	24.0	26.2	25.7	24.0	24.0	32.5	19.9	24.5	26.8
16 Residential mortgages	55.5	83.7	92.1	84.6	59.1	45.0	89.8	79.5	51.2	66.9	58.9	31.2
17 Other mortgages and loans	62.9	107.7	148.6	155.1	96.2	158.9	161.4	148.7	83.1	109.3	162.5	155.3
18 Less: Federal Home Loan Bank advances	-2.0	4.3	12.5	9.2	7.1	16.2	8.2	10.1	4.6	9.6	18.0	14.5
Private financial intermediation												
19 Credit market funds advanced by private financial institutions	191.4	260.9	302.4	292.5	270.3	309.6	316.9	268.0	246.1	294.4	321.0	298.2
20 Commercial banking	59.6	87.6	128.7	121.1	99.7	103.3	130.3	112.0	58.5	140.9	101.9	104.8
21 Savings institutions	70.5	82.0	73.5	55.9	58.4	27.9	59.6	52.2	35.5	81.3	42.0	13.9
22 Insurance and pension funds	49.7	67.8	75.0	66.4	79.8	83.8	72.3	60.5	89.2	70.3	79.3	88.3
23 Other finance	11.6	23.4	25.2	49.0	32.4	94.5	54.8	43.3	62.8	1.9	97.7	91.2
24 Sources of funds	191.4	260.9	302.4	292.5	270.3	309.6	316.9	268.0	246.1	294.4	321.0	298.2
25 Private domestic deposits	124.4	138.9	140.8	143.2	171.1	188.6	135.1	151.2	158.7	183.6	203.4	173.8
26 Credit market borrowing	8.4	26.9	38.3	33.6	17.5	34.9	40.6	26.6	8.1	27.0	41.8	28.0
27 Other sources	58.5	95.1	123.2	115.7	81.6	86.1	141.2	90.3	79.4	83.8	75.8	96.3
28 Foreign funds	-4.7	1.2	6.3	25.6	-22.3	6.6	45.6	5.6	-22.8	-21.9	-6.6	19.7
29 Treasury balances	.1	4.3	6.8	.4	-2.6	.6	5.0	-4.2	-2.3	-2.8	10.3	9.1
30 Insurance and pension reserves	34.3	50.1	62.2	47.8	64.1	72.2	52.3	43.4	70.0	58.1	62.7	81.7
31 Other, net	29.0	39.5	48.0	41.9	42.4	6.7	38.4	45.4	34.5	50.4	9.3	4.0
Private domestic nonfinancial investors												
32 Direct lending in credit markets	45.1	42.2	67.0	109.3	55.1	78.4	112.5	106.1	33.9	76.4	80.3	76.5
33 U.S. government securities	16.4	24.1	35.6	62.8	32.6	48.2	71.0	54.5	19.3	45.8	37.2	59.3
34 State and local obligations	3.3	-.8	1.4	1.4	3.1	14.1	2.6	.2	-1.8	7.9	20.5	7.7
35 Corporate and foreign bonds	11.8	-3.8	-2.9	10.3	3.6	9.1	4.6	16.0	4.8	2.3	-5.0	-13.2
36 Commercial paper	1.9	9.6	16.5	11.4	-3.8	5.0	11.4	11.4	4.5	-3.1	5.8	4.3
37 Other	11.7	13.2	16.4	23.5	19.7	20.1	22.9	24.0	16.0	23.3	21.8	18.5
38 Deposits and currency	133.4	148.5	152.1	152.6	182.3	195.7	149.3	155.9	167.6	197.1	209.4	181.9
39 Currency	7.3	8.3	9.3	7.9	10.3	8.7	9.0	6.9	8.5	12.1	4.8	12.6
40 Checkable deposits	10.4	17.2	16.3	19.2	4.2	15.5	16.6	21.9	1.5	9.9	29.6	1.3
41 Small time and savings accounts	123.7	93.5	63.5	61.7	80.9	37.4	66.5	56.9	66.7	95.2	13.7	61.2
42 Money market fund shares	*	.2	6.9	34.4	29.2	107.5	30.2	38.6	61.9	-3.4	104.1	110.8
43 Large time deposits	-12.0	25.8	46.6	21.2	50.3	27.6	3.3	39.1	26.3	74.2	48.3	6.8
44 Security RPs	2.3	2.2	7.5	6.6	6.5	.7	18.5	-5.3	5.3	7.8	7.7	-6.3
45 *Foreign deposits*	1.7	1.3	2.0	1.5	.9	-1.6	5.2	2.3	.4	1.3	1.2	-4.5
46 **Total of credit market instruments, deposits and currency**	**178.5**	**190.7**	**219.1**	**261.9**	**237.5**	**274.1**	**261.8**	**262.0**	**201.5**	**273.4**	**289.7**	**258.5**
47 Public support rate (in percent)	19.0	23.7	25.7	18.8	25.8	22.5	12.6	25.0	31.2	21.2	24.0	20.8
48 Private financial intermediation (in percent)	83.9	94.4	91.3	79.4	87.8	87.7	81.5	77.1	90.5	85.6	89.3	86.0
49 Total foreign funds	10.5	40.8	44.3	19.5	-2.3	18.1	28.4	10.7	.2	-4.8	31.4	4.8
Memo: Corporate equities not included above												
50 **Total net issues**	**10.6**	**5.7**	**1.2**	**-4.6**	**21.1**	**2.0**	**-6.2**	**-2.9**	**16.0**	**26.3**	**11.9**	**-8.0**
51 Mutual fund shares	-2.4	.4	.5	-.6	4.4	7.6	.7	1.9	5.3	3.4	9.3	5.9
52 Other equities	13.1	5.3	1.7	-4.0	16.8	-5.6	6.9	1.0	10.7	22.8	2.6	13.9
53 Acquisitions by financial institutions	12.5	7.4	4.5	10.6	17.7	21.7	7.1	14.0	10.5	24.9	26.4	17.0
54 Other net purchases	-1.9	-1.6	-3.4	-15.1	3.4	-19.8	-13.4	-16.9	5.5	1.4	-14.5	25.0

NOTES BY LINE NUMBER.
1. Line 2 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.
12. Line 1 less line 2 plus line 11. Also line 19 less line 26 plus line 32. Also sum of lines 27, 32, and 38 less lines 40 and 46.
17. Includes farm and commercial mortgages.
25. Line 38 less lines 40 and 46.
26. Excludes equity issues and investment company shares. Includes line 18.
28. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
29. Demand deposits at commercial banks.
30. Excludes net investment of these reserves in corporate equities.
31. Mainly retained earnings and net miscellaneous liabilities.
32. Line 12 less line 19 plus line 26.
33-37. Lines 13-17 less amounts acquired by private finance. Line 37 includes mortgages.
39. Mainly an offset to line 9.
46. Lines 32 plus 38, or line 12 less line 27 plus 39 and 45.
47. Line 2/line 1.
48. Line 19/line 12.
49. Sum of lines 10 and 28.
50, 52. Includes issues by financial institutions.

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

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

1967 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1979	1980	1981r	1981								1982	
				May	June	July	Aug.	Sept.	Oct.	Nov.r	Dec.	Jan.	Feb.
1 **Industrial production**[1]	**152.5**	**147.0**	**151.0**	**152.7**	**152.9**	**153.9**	**153.6**	**151.6**	**149.1**	**146.3**	**143.2**	**139.6**	**141.8**
Market groupings													
2 Products, total	150.0	146.7	150.6	152.3	152.7	153.0	152.6	151.0	149.4	147.5	145.8	142.3	144.3
3 Final, total	147.2	145.3	149.5	151.3	151.4	152.1	151.5	150.0	148.9	147.2	145.8	142.3	144.2
4 Consumer goods	150.8	145.4	147.8	150.7	150.3	150.7	149.6	147.8	146.5	144.0	141.4	138.6	140.9
5 Equipment	142.2	145.2	151.8	152.1	153.0	154.1	154.0	152.9	152.1	151.5	151.8	147.5	148.8
6 Intermediate	160.5	151.9	154.4	156.1	154.9	156.2	156.8	154.6	151.4	148.7	145.9	141.9	144.4
7 Materials	156.4	147.6	151.6	153.4	154.0	155.3	155.2	152.5	148.5	144.6	139.1	135.6	138.1
Industry groupings													
8 Manufacturing	153.6	146.7	150.4	152.8	152.4	153.2	153.2	151.1	148.2	145.0	141.7	137.6	140.1
Capacity utilization (percent)[1,2]													
9 Manufacturing	85.7	79.1	78.5	80.0	79.6	79.8	79.6	78.3	76.6	74.8	72.9	70.6	71.8
10 Industrial materials industries	87.4	80.0	79.9	81.2	81.3	81.9	81.7	80.0	77.7	75.5	72.5	70.5	71.7
11 Construction contracts (1972 = 100)[3]	185.6	161.8	n.a.	160.0	170.0	153.0	156.0	159.0	157.0	142.0	172.0	n.a.	n.a.
12 Nonagricultural employment, total[4]	136.5	137.6	139.1	139.1	139.2	139.6	139.7	139.9	139.6	139.1	138.5r	138.0r	138.2
13 Goods-producing, total	113.5	110.3	110.2	110.3	110.8	111.3	111.3	111.2	110.1	109.1	107.7r	106.2r	106.4
14 Manufacturing, total	108.2	104.4	104.2	105.0	105.0	105.6	105.4	105.4	104.1	102.9	101.5r	100.4r	100.2
15 Manufacturing, production-worker	105.3	99.4	98.5	99.6	99.6	100.1	99.9	99.8	98.1	96.4	94.5r	93.2r	93.2
16 Service-producing	149.1	152.6	155.0	155.0	154.8	155.2	155.2	155.6	155.7	155.6	155.3r	155.5r	155.7
17 Personal income, total	308.5	342.9	381.5	375.8	378.5	384.0	387.8	390.9	392.8r	395.6	395.4r	396.0r	n.a.
18 Wages and salary disbursements	289.5	314.7	347.3	343.6	345.2	347.8	351.4	353.7r	355.4	357.8	356.2r	357.1r	n.a.
19 Manufacturing	248.6	261.5	288.9	289.2	289.9	292.1	294.3	294.9	293.7	292.0	288.8r	287.1r	n.a.
20 Disposable personal income[5]	299.6	332.5	379.6	362.3	364.4	369.7	372.9	375.5r	379.6	381.9	381.7	383.5	n.a.
21 Retail sales[6]	281.6	303.8	332.5	326.7	333.9	333.8	338.5	338.9	331.1	333.3	334.1	329.2	334.5
Prices[7]													
22 Consumer	217.4	246.8	272.4	269.0	271.3	274.4	276.5	279.3	279.9	280.7	281.5	282.5	n.a.
23 Producer finished goods	217.7r	247.0r	269.8	269.6	270.5	271.8	271.5r	272.6	274.2	275.3r	276.1	277.3	276.9

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	1981				1981				1981			
	Q1	Q2	Q3	Q4r	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4r
	Output (1967 = 100)				Capacity (percent of 1967 output)				Utilization rate (percent)			
1 **Manufacturing**	**151.3**	**152.4**	**152.5**	**144.9**	**189.4**	**190.9**	**192.4**	**193.9**	**79.9**	**79.8**	**79.3**	**74.7**
2 Primary processing	157.5	156.5	155.8	143.5	193.8	195.0	196.3	197.5	81.3	80.3	79.4	72.7
3 Advanced processing	148.1	150.2	150.7	145.6	187.1	188.7	190.4	192.0	79.1	79.6	79.2	75.9
4 **Materials**	**154.2**	**153.4**	**154.3**	**144.1**	**187.6**	**189.0**	**190.3r**	**191.5r**	**82.2**	**81.2**	**81.1**	**75.2**
5 Durable goods	150.9	152.3	152.8	140.2	191.8	192.9	194.2	195.3	78.7	78.9	78.7	71.8
6 Metal materials	117.5	112.8	114.2	99.5	141.5	141.7	141.9	142.1	83.0	79.6	80.5	70.0
7 Nondurable goods	179.2	178.4	175.8	164.4	207.3	209.2	211.2	213.1	86.5	85.3	83.3	77.3
8 Textile, paper, and chemical	186.7	185.9	182.8	169.7	217.1	219.4	221.7	223.9	86.0	84.8	82.5	75.8
9 Textile	114.8	114.5	115.5	106.8	140.1	140.6	141.0	141.6	81.9	81.4	81.8	75.4
10 Paper	151.4	151.0	152.2	148.1	159.7	160.7	161.9	162.8	94.8	93.9	94.1	91.0
11 Chemical	232.7	231.6	224.9	206.2	274.1	277.5	281.0	284.4	84.9	83.5	80.0	72.5
12 Energy materials	130.9	125.1	131.6	127.8	153.5	154.3r	155.0	155.8r	85.3	81.1	84.9	82.0

2.11 Continued

Series	Previous cycle[1]		Latest cycle[2]		1981							1982	
	High	Low	High	Low	Feb.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
	Capacity utilization rate (percent)												
13 Manufacturing	88.0	69.0	87.2	74.9	79.8	79.8	79.6	78.3	76.6	74.8	72.9	70.6	71.8
14 Primary processing	93.8	68.2	90.1	71.0	81.5	80.1	79.9	78.2	75.7	72.7	69.6	67.0	67.9
15 Advanced processing	85.5	69.4	86.2	77.2	79.0	79.8	79.4	78.3	77.0	75.8	74.7	72.7	73.9
16 Materials	92.6	69.4	88.8	73.8	82.3	81.9	81.6	80.0	77.7	75.5	72.5	70.5	71.7
17 Durable goods	91.5	63.6	88.4	68.2	78.5	79.3	79.4	77.3	74.7	72.2	68.5	65.9	67.2
18 Metal materials	98.3	68.6	96.0	59.6	83.2	79.5	83.0	79.1	73.9	70.8	65.3	63.9	63.8
19 Nondurable goods	94.5	67.2	91.6	77.5	86.8	83.9	83.0	82.9	80.3	77.3	74.3	72.0	73.4
20 Textile, paper, and chemical	95.1	65.3	92.2	75.3	86.3	83.2	82.3	82.1	79.1	75.9	72.5	69.7	71.1
21 Textile	92.6	57.9	90.6	80.9	82.2	82.0	82.3	81.3	78.8	75.5	72.0	68.8	71.0
22 Paper	99.4	72.4	97.7	89.3	94.5	92.9	93.6	95.7	92.1	92.3	88.6	88.5	89.7
23 Chemical	95.5	64.2	91.3	70.7	85.3	81.2	79.7	79.2	76.2	72.4	69.0	65.8	66.9
24 Energy materials	94.6	84.8	88.3	82.7	85.8	86.2	85.6	83.0	82.5	82.2	81.3	82.0	82.5

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	1979	1980	1981	1981					1982	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.
HOUSEHOLD SURVEY DATA										
1 **Noninstitutional population[1]**	**166,952**	**169,848**	**172,272**	**172,559**	**172,758**	**172,967**	**173,154**	**173,330**	**173,494**	**173,657**
2 Labor force (including Armed Forces)[1]	107,050	109,042	111,812	110,978	110,659	111,170	111,430	111,348	111,038	111,333
3 Civilian labor force	104,962	106,940	108,670	108,818	108,494	109,012	109,272	109,184	108,879	109,165
Employment										
4 Nonagricultural industries[2]	95,477	95,938	97,030	97,436	96,900	96,965	96,800	94,404	96,170[r]	96,217
5 Agriculture	3,347	3,364	3,368	3,404	3,358	3,378	3,372	3,209	3,411	3,373
Unemployment										
6 Number	6,137	7,637	8,273	7,978	8,236	8,669	9,100	9,571	9,298	9,575
7 Rate (percent of civilian labor force)	5.8	7.1	7.6	7.3	7.6	8.0	8.3	8.8	8.5	8.8
8 Not in labor force	59,902	60,806	60,460	61,581	62,099	61,797	61,724	61,982	62,456	62,324
ESTABLISHMENT SURVEY DATA										
9 **Nonagricultural payroll employment[3]**	**89,823**	**90,564**	**91,548**	**91,901**	**92,033**	**91,832**	**91,522**	**91,113[r]**	**90,839[r]**	**90,936**
10 Manufacturing	21,040	20,300	20,264	20,505	20,496	20,241	20,017	19,736[r]	19,528[r]	19,482
11 Mining	958	1,020	1,104	1,151	1,162	1,162	1,172	1,175[r]	1,168[r]	1,161
12 Contract construction	4,463	4,399	4,307	4,275	4,272	4,259	4,229	4,193[r]	4,068[r]	4,146
13 Transportation and public utilities	5,136	5,143	5,152	5,170	5,186	5,168	5,147	5,122[r]	5,120[r]	5,114
14 Trade	20,192	20,386	20,736	20,862	20,872	20,916	20,838	20,735[r]	20,843[r]	20,905
15 Finance	4,975	5,168	5,330	5,354	5,366	5,360	5,355	5,366[r]	5,361[r]	5,362
16 Service	17,112	17,901	18,598	18,667	18,774	18,788	18,838	18,856[r]	18,849[r]	18,902
17 Government	15,947	16,249	16,056	15,917	15,905	15,938	15,926	15,930[r]	15,902[r]	15,864

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 proportion	1981 average[r]	1981 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1982 Jan.[p]	Feb.[e]
			Index (1967 = 100)													
MAJOR MARKET																
1 **Total index**	**100.00**	**151.0**	**151.4**	**151.8**	**152.1**	**151.9**	**152.7**	**152.9**	**153.9**	**153.6**	**151.6**	**149.1**	**146.3**	**143.2**	**139.6**	**141.8**
2 Products	60.71	150.6	149.9	150.2	150.7	151.3	152.3	152.2	153.0	152.6	151.0	149.4	147.5	145.8	142.3	144.3
3 Final products	47.82	149.5	147.8	148.2	149.0	149.9	151.3	151.4	152.1	151.5	150.0	148.9	147.2	145.8	142.3	144.2
4 Consumer goods	27.68	147.8	146.9	147 8	148.3	148.9	150.7	150.3	150.7	149.6	147.8	146.5	144.0	141.4	138.6	140.9
5 Equipment	20.14	151.8	149.1	148.7	150.0	151.4	152.1	153.0	154.1	154.0	152.9	152.1	151.5	151.8	147.5	148.8
6 Intermediate products	12.89	154.4	157.5	157 7	157.1	156.3	156.1	154.9	156.2	156.8	154.6	151.4	148.7	145.9	141.9	144.4
7 Materials	39.29	151.6	153.8	154.3	154.4	152.9	153.4	154.0	155.3	155.2	152.5	148.5	144.6	139.1	135.6	138.1
Consumer goods																
8 Durable consumer goods	7.89	140.5	140 1	141.2	143 6	144.3	147.3	147.9	146.5	142.5	140.4	136.3	129.7	123.2	118.9	123.5
9 Automotive products	2.83	137.9	130.4	133.9	139 2	142.9	151.8	153.1	147.6	137.6	139.1	132.8	121.7	119.2	107.5	114.1
10 Autos and utility vehicles	2.03	111.2	102 7	108.5	116.1	120.2	129.1	131.4	123.0	107.8	110.0	101.7	88.9	87.5	71.6	81.3
11 Autos	1.90	103.4	93.3	101.1	107 8	113.2	120.0	122.2	118.1	104.0	103.3	92.5	81.1	78.1	61.3	70.5
12 Auto parts and allied goods	80	205.6	200.8	198.4	197 5	200.8	209.5	208.0	210.0	213.1	212.9	211.8	205.0	199.7	198.5	197.4
13 Home goods	5.06	142.0	145.6	145.2	146 1	145.0	144.8	145.0	145.8	145.3	141.1	138.2	134.1	125.4	125.3	128.8
14 Appliances, A/C, and TV	1.40	119.6	132.2	125.8	129.1	121.2	121.4	120.0	123.6	126 8	119.0	116.7	107.7	85.7	99.2	100.9
15 Appliances and TV	1.33	121.2	134.1	128.2	131.2	122 6	122.3	121.4	124.8	128.9	121.4	118.7	108.7	86.6	100.1	.....
16 Carpeting and furniture	1.07	158.0	156.2	160.4	160.2	165.2	163.1	166.3	163.2	160 1	158.6	152.6	146.9	144.4	135.8	.....
17 Miscellaneous home goods	2.59	147.4	148 4	149.5	149.4	149.7	149.9	149.8	150.7	149.2	145.8	143.9	143.2	139.1	135.1	139.0
18 Nondurable consumer goods	19.79	150.8	149.6	150.5	150.1	150.7	152.1	151.2	152.3	152.5	150.8	150.5	149.7	148.7	146.5	147.8
19 Clothing	4.29	119.7	121.2	120.9	118.9	120.6	122.1	120.9	122.8	121.9	119.3	117.8	116.1	112.6	.....	.....
20 Consumer staples	15.50	159.4	157.5	158.6	158.8	159.0	160 3	159.6	160.5	161.0	159.5	159.6	159.0	158.7	157.7	158.2
21 Consumer foods and tobacco	8.33	150.3	149.3	150.5	150.5	150.2	151.3	149.6	150.5	150.6	149.5	150.7	150.4	151.1	148.9	.....
22 Nonfood staples	7.17	169.9	167.0	168.1	168.4	169.3	170.8	171.3	172 2	173.0	171.1	169 9	169.1	167.4	167.8	167.8
23 Consumer chemical products	2.63	222.8	213.0	219.3	220.0	224.1	225.1	224.4	226.8	227.7	227.5	223.0	220.3	216.1	217.4	.....
24 Consumer paper products	1.92	127.9	127.9	129.0	128.7	127.4	127.7	129.2	127 6	128 9	127.7	126.9	125.7	126.6	127.0	.....
25 Consumer energy products	2.62	147.7	149.4	145.4	143.7	144.9	147.9	148.9	150.0	150.4	146.4	148.2	149.4	148.5	147.9	.....
26 Residential utilities	1.45	166.3	167.5	161.3	161 1	162 9	168 9	170.4	172.6	169.7	162.8	166.2	167.4	166.4	.....	.....
Equipment																
27 Business	12.63	181.1	177.7	177 5	179.3	181.0	182.0	183.6	184.8	184.8	182.7	180.5	179.0	178.4	172.4	173.3
28 Industrial	6.77	166.4	161.5	163.4	164.6	165.9	167 0	169.0	169.4	170.2	168.9	166.9	165.1	163.7	158.6	157.9
29 Building and mining	1.44	286.1	264.0	270.4	276.6	281.7	286.4	289.7	290.3	293.0	293.6	295.6	293.8	294.1	289.1	281.6
30 Manufacturing	3.85	127.9	127.7	128.4	128.6	128.5	128.4	130.6	130.8	130.8	129.3	125 7	123.6	121.7	117.1	118.2
31 Power	1.47	149.7	149.1	149.9	149.3	149.9	150.8	151.2	151.6	152.7	150.4	148.4	147.1	145.4	139.2	140.5
32 Commercial transit, farm	5.86	198.0	196.6	193.7	196.2	198.6	199.4	200.4	202.5	200.9	198.5	196.2	195.0	195.5	188.4	191.0
33 Commercial	3.26	258.6	249.3	250.4	252.7	254.5	258.0	259.9	263.7	264.3	264.2	259.8	260.6	261.3	255.0	257.7
34 Transit	1.93	125.4	133.1	124.8	127.8	131 5	130.0	129 7	128.4	124.6	121.0	120.6	116.6	117.5	109.0	112.6
35 Farm	67	112.1	122.9	116.4	118.5	119.7	113.9	114.9	118.0	111.8	102.1	104.6	101.7	99.8	92.9	.....
36 Defense and space	7.51	102.7	100.9	100 5	100.7	101.5	102.0	101.7	102.6	102.8	103.0	104.5	105.3	107.0	105.5	107.7
Intermediate products																
37 Construction supplies	6.42	141.9	148.4	148.9	149.0	147.9	146.5	143.4	144.3	144.0	139.7	135.2	130.1	127.2	122.3	124.9
38 Business supplies	6.47	166.8	166.6	166.4	165.1	164.7	165 6	166.2	168.0	169.5	169.4	167.5	167.1	164.5	161.4	.....
39 Commercial energy products	1.14	176.4	175.5	174.0	174.7	175.2	179.0	177.7	180.0	176.6	174.2	174.3	177.0	177.4	177.1	.....
Materials																
40 Durable goods materials	20.35	149.1	150.0	150.6	152.2	151.8	152.8	152 4	153.6	154.3	150.4	145.6	141.0	134.1	129.2	131.9
41 Durable consumer parts	4.58	114.5	114.7	114.3	118.4	119.7	121.1	123.1	123.2	121.8	114.5	107.6	102.8	92.9	84.9	89.1
42 Equipment parts	5.44	191.2	189.7	188.9	191.1	192.8	194.0	193.2	193.8	194.7	192.7	190.3	188.7	183.3	178.7	180.3
43 Durable materials n.e.c.	10.34	142.4	144.7	146.6	146.7	144.3	145.1	143.9	145.9	147.4	144.1	138.9	132.9	126.5	122.7	125.4
44 Basic metal materials	5.57	112.0	116.6	118.6	118.3	113.8	114.3	112.8	114.5	117.4	113.1	106.5	101.6	94.7	93.2	.....
45 Nondurable goods materials	10.47	174.6	180.2	179.9	177.5	179.3	179.0	176.9	176.5	175.4	175.5	170.6	164.7	158.7	154.2	157.4
46 Textile, paper, and chemical materials	7.62	181.4	187.6	187.3	185.1	186.8	187.3	183.7	183.5	182.4	182.5	176.4	169.9	162.7	157.0	160.3
47 Textile materials	1.85	113.0	114.8	115.1	114.4	115.1	114.9	113.4	115.5	116.0	114.9	111.6	106.9	102.0	97.6	.....
48 Paper materials	1.62	150.8	150.5	151.0	152.6	152.2	150.9	149.8	150.0	151.5	155.1	149.6	150.2	144.6	144.7	.....
49 Chemical materials	4.15	224.0	234.7	233.8	229.5	232.4	233.9	228.4	227.1	224.1	223.4	215.9	205.8	196.9	188.4	.....
50 Containers, nondurable	1.70	169.2	173.0	172.3	168.7	172.0	167.8	171.4	171.7	169.4	170.9	166.7	163.5	160.9	158.4	.....
51 Nondurable materials n.e.c.	1.14	137.4	141.0	141.8	139.6	139.7	140.5	139.6	136.6	137.8	136.2	137.1	131.9	128.7	129.0	.....
52 Energy materials	8.48	129.0	130.2	131.6	130.9	123.1	123 0	129.3	133.3	132.6	128.9	128.3	128.1	127.0	128.1	129.1
53 Primary energy	4.65	115.0	115.8	118.2	116.9	104.2	104.4	113.7	120.3	120.9	117.4	116.4	115.6	115.9	116.1	.....
54 Converted fuel materials	3.82	145.9	147.8	148.0	148.1	146.1	145.5	148.2	149.2	146.9	142.9	142.8	143.4	140.5	142.7	.....
Supplementary groups																
55 Home goods and clothing	9.35	131.7	134.4	134.1	133.6	133.8	134.4	133.9	135.2	134.5	131.1	128.8	125.9	119.5	116.5	120.2
56 Energy, total	12.23	137.4	138.5	138.5	137.7	132.6	133.5	138.0	141.2	140.5	136.8	136.9	137.2	136.3	136.9	136.9
57 Products	3.76	156.4	157.3	154.0	153.1	154.1	157.3	157.6	159.1	158.4	154.8	156.1	157.8	157.3	156.7	.....
58 Materials	8.48	129.0	130.2	131.6	130.9	123.1	123.0	129.3	133.3	132.6	128.9	128.3	128.1	127.0	128.1	129.1

2.13 Continued

Grouping	SIC code	1967 proportion	1981 avg.[r]	1981 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1982 Jan.[p]	Feb.[e]
				Index (1967 = 100)													
MAJOR INDUSTRY																	
1 Mining and utilities	......	12.05	154.9	153.3	154.1	154.8	150.5	152.1	156.3	159.1	158.2	155.8	156.1	155.4	154.2	155.6	154.0
2 Mining	......	6.36	142.2	140.4	143.1	143.2	135.2	135.4	141.7	146.5	146.0	145.0	145.3	143.3	142.5	143.8	142.0
3 Utilities	......	5.69	169.1	167.6	166.4	167.8	167.6	170.7	172.7	173.1	171.9	167.8	168.1	168.9	167.3	168.8	167.4
4 Electric	..	3.88	190.9	189.3	187.1	188.9	188.6	192.9	195.6	196.2	194.2	188.3	189.4	190.9	188.8	190.4	188.7
5 Manufacturing	......	87.95	150.4	151.1	151.2	151.6	152.0	152.8	152.4	153.2	153.2	151.1	148.0	145.0	141.7	137.6	140.1
6 Nondurable	.....	35.97	164.7	165.6	166.2	165.3	165.9	166.4	165.8	167.1	167.3	165.9	162.8	160.3	156.9	153.5	155.8
7 Durable	.....	51.98	140.5	141.0	140.8	142.1	142.5	143.5	143.2	143.6	143.4	140.9	137.8	134.4	131.2	126.6	129.2
Mining																	
8 Metal	10	.51	123.1	125.5	134.1	131.1	123.1	125.0	123.5	123.6	124.1	121.5	119.8	115.4	109.4	118.0	....
9 Coal	11.12	.69	141.3	147.5	159.0	151.2	75.9	77.0	122.9	170.0	167.4	161.9	166.9	160.8	145.5	147.9	154.3
10 Oil and gas extraction	13	4.40	146.8	141.4	142.2	144.1	146.1	146.2	148.2	147.7	148.2	148.8	148.9	148.4	150.5	151.5	147.1
11 Stone and earth minerals	14	.75	129.4	138.4	140.0	138.8	133.7	132.2	132.7	133.3	128.2	123.4	122.0	116.7	115.7	112.5	......
Nondurable manufactures																	
12 Foods	20	8.75	152.1	151.9	152.5	152.4	151.9	152.2	151.3	151.6	151.9	150.7	151.4	153.0	152.4	150.2	...
13 Tobacco products	21	.67	122.9	123.5	125.4	125.7	122.2	122.3	120.9	121.3	123.8	122.4	124.3	119.6	121.7	...	....
14 Textile mill products	22	2.68	135.7	138.4	139.3	136.2	138.9	138.8	138.3	139.4	140.7	136.3	132.5	126.1	122.8	117.0	....
15 Apparel products	23	3.31	120.3	123.8	121.6	120.2	121.6	122.6	121.1	122.6	122.6	122.5	117.8	113.8	112.5	...	...
16 Paper and products	26	3.21	155.1	156.5	156.0	157.6	157.0	155.9	153.4	154.9	156.7	158.6	153.3	152.6	146.8	146.9	148.5
17 Printing and publishing	27	4.72	144.2	143.9	144.8	142.7	141.6	141.3	143.1	144.4	146.1	145.9	145.6	143.4	144.9	146.0	147.1
18 Chemicals and products	28	7.74	215.4	218.9	219.8	218.5	219.8	220.6	218.4	221.5	219.2	216.3	208.8	204.6	197.9	192.7	...
19 Petroleum products	29	1.79	129.7	133.1	131.5	130.3	130.0	129.8	129.3	128.7	130.4	129.1	128.3	128.0	128.4	123.0	120.1
20 Rubber and plastic products	30	2.24	274.0	264.0	270.2	269.5	275.2	280.3	285.1	285.3	286.7	282.2	276.0	264.1	246.9	237.3	...
21 Leather and products	31	.86	69.3	68.9	68.3	68.8	68.9	69.8	68.4	70.1	69.6	69.7	71.2	70.8	65.6	63.7	.....
Durable manufactures																	
22 Ordnance, private and government	19.91	3.64	81.1	78.6	78.4	78.5	79.8	80.9	80.9	80.6	81.8	82.3	82.5	84.3	85.5	84.7	86.3
23 Lumber and products	24	1.64	119.0	127.4	126.2	125.6	126.3	126.2	122.5	122.9	119.1	113.2	109.6	104.7	103.8	95.5	......
24 Furniture and fixtures	25	1.37	157.2	150.0	154.3	155.6	158.7	158.9	162.4	164.9	163.3	159.9	157.2	153.7	149.4	142.5	......
25 Clay, glass, stone products	32	2.74	147.9	156.8	156.4	154.6	154.3	151.7	148.1	148.7	148.2	147.3	143.4	135.9	132.0	128.2	....
26 Primary metals	33	6.57	107.9	114.1	114.5	114.9	110.6	111.9	107.4	109.4	113.1	108.6	102.3	96.6	89.5	87.2	86.8
27 Iron and steel	331.2	4.21	99.8	108.7	108.4	108.0	103.4	105.6	98.5	99.7	105.1	99.2	92.2	87.2	79.2	78.3	......
28 Fabricated metal products	34	5.93	136.4	135.8	137.6	139.2	139.5	138.4	139.3	140.1	140.0	136.8	133.8	130.2	126.1	119.7	122.1
29 Nonelectrical machinery	35	9.15	171.2	167.3	168.3	169.2	169.7	172.1	174.1	176.7	176.4	173.9	169.7	167.9	166.7	161.2	163.5
30 Electrical machinery	36	8.05	178.4	177.6	174.9	177.4	178.8	179.9	180.1	180.9	182.6	180.0	179.6	175.7	170.7	168.5	171.3
31 Transportation equipment	37	9.27	116.1	117.4	116.1	119.5	121.3	123.7	123.4	119.8	115.4	114.2	110.6	106.1	103.7	96.5	101.2
32 Motor vehicles and parts	371	4.50	122.3	120.0	119.9	127.1	130.7	136.4	137.5	130.5	123.1	120.4	113.8	105.5	100.4	90.2	97.3
33 Aerospace and miscellaneous transportation equipment	372.9	4.77	110.2	114.9	112.6	112.3	112.4	111.8	110.2	109.7	108.2	108.5	107.5	106.8	106.7	102.5	104.9
34 Instruments	38	2.11	170.3	173.9	171.1	170.0	170.0	170.6	171.3	172.1	172.3	169.7	168.6	167.1	166.4	162.1	164.6
35 Miscellaneous manufactures	39	1.51	154.7	152.9	154.9	155.4	157.3	157.0	158.8	159.4	158.6	154.2	151.5	151.7	147.9	142.9	144.6
				Gross value (billions of 1972 dollars, annual rates)													
MAJOR MARKET																	
36 Products, total	......	**507.4[1]**	**612.3**	**612.9**	**614.5**	**618.0**	**616.2**	**622.2**	**619.2**	**621.4**	**616.5**	**611.5**	**605.0**	**597.6**	**592.2**	**574.0**	**585.7**
37 Final	......	390.9[1]	474.0	471.6	472.8	476.4	476.3	482.4	480.5	481.9	476.4	473.0	470.1	465.2	461.6	446.7	455.9
38 Consumer goods	......	277.5[1]	317.9	316.8	318.8	320.5	320.0	324.3	322.1	324.0	319.3	317.7	314.3	310.5	306.7	296.6	303.0
39 Equipment	.....	113.4[1]	156.1	154.8	154.0	155.9	156.3	158.1	158.5	157.9	157.1	155.3	155.8	154.7	154.9	150.1	152.8
40 Intermediate	......	116.6[1]	138.2	141.2	141.7	141.7	139.9	139.8	138.7	139.5	140.1	138.4	134.9	132.4	130.6	127.3	129.8

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	1979	1980	1981	1981							1982
				June	July	Aug.	Sept.	Oct.r	Nov.r	Dec.r	Jan.
	Private residential real estate activity (thousands of units)										
NEW UNITS											
1 Permits authorized	1,552	1,191	969r	963	913	865	850	722	723	789	836
2 1-family	981	710	558	567	528	494	453	398	401	454	456
3 2-or-more-family	571	481	412r	396	385	371	397	324	322	335	380
4 Started	1,745	1,292	1,085r	1,046r	1,040r	946r	899r	854r	860	899	894
5 1-family	1,194	852	706r	705r	696r	614r	623r	507	554	559	588
6 2-or-more-family	551	440	379r	341r	344r	332r	276r	347	306	340	306
7 Under construction, end of period[1]	1,140	896	691r	853r	822	788	762	726	709	705	
8 1-family	639	515	385	482	462	438	423	407	399	401	
9 2-or-more-family	501	382	305	371	361	349	340	318	311	303	n.a.
10 Completed	1,855	1,502	1,264	1,377	1,324	1,226	1,197	1,251	1,016	1,132	
11 1-family	1,286	957	818	877	864	804	776	713	650	672	
12 2-or-more-family	569	545	446	500	460	422	421	538	366	460	
13 Mobile homes shipped	277	222	241	256r	267r	238r	232r	208	207	206	
Merchant builder activity in 1-family units											
14 Number sold	709	545r	436r	417r	408	364	335r	359	390	457	353
15 Number for sale, end of period[1]	402	342r	278	318	312	308	304r	291	282	272	277
Price (thousands of dollars)[2]											
Median											
16 Units sold	62.8r	64.7r	68.9r	68.8r	69.5r	72.6r	65.8	69.6	71.3	68.6	68.0
Average											
17 Units sold	71.9	76.4r	83.1r	84.7	82.6r	87.0r	81.3r	82.5	85.3	83.3	81.3
EXISTING UNITS (1-family)											
18 Number sold	3,701	2,881	2,350r	2,680r	2,450r	2,240r	2,070r	1,930	1,900	1,940	1,820
Price of units sold (thous. of dollars)[2]											
19 Median	55.5	62.1	66.1r	66.7r	67.5	68.1	67.1	66.0	65.9	66.6	66.8
20 Average	64.0	72.7	78.0	79.9	79.6	80.5	79.1	76.6	77.5	78.6	80.3
	Value of new construction[3] (millions of dollars)										
CONSTRUCTION											
21 Total put in place	**230,781**	**230,273**	**236,312**	**233,998**	**233,862**	**229,844**	**230,892**	**229,857**	**231,587**	**234,395**	**230,956**
22 Private	181,690	174,896	182,816	181,811	182,288	180,576	178,649	178,245	179,179	181,323	180,055
23 Residential	99,032	87,260	85,720	85,971	82,916	80,535	78,503	78,202	78,056	79,643	77,864
24 Nonresidential, total	82,658	87,636	97,096	95,840	99,372	100,041	100,146	100,043	101,123	101,680	102,191
Buildings											
25 Industrial	14,953	13,839	16,839	16,243	17,182	18,295	18,344	18,558	18,373	17,736	17,213
26 Commercial	24,919	29,940	33,308	32,442	34,028	33,721	33,412	33,046	34,506	35,921	36,889
27 Other	7,427	8,654	9,358	9,735	9,241	9,367	9,402	9,553	9,193	9,019	9,779
28 Public utilities and other	35,359	35,203	37,591	37,420	38,921	38,658	38,988	38,886	39,051	39,004	38,310
29 Public	49,088	55,371	53,496	52,186	51,574	49,268	52,243	51,611	52,408	53,072	50,901
30 Military	1,648	1,880	1,956	2,254	2,091	2,105	2,065	2,116	1,960	1,919	2,108
31 Highway	11,998	13,784	13,143	13,338	13,203	12,227	12,537	11,515	12,478	11,642	12,167
32 Conservation and development	4,586	5,089	5,268	4,912	5,233r	4,717	4,910r	6,978	4,868	4,908	5,273
33 Other	30,856	34,618	33,129	31,682	31,047r	30,219	32,731	31,002	33,102	34,603	31,353

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

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	12 months to		3 months (at annual rate) to				1 month to					Index level Jan. 1982 (1967 = 100)[1]
	1981 Jan.	1982 Jan.	*1981*				*1981*				*1982*	
			Mar.	June	Sept.	Dec.	Sept.	Oct.	Nov.	Dec	Jan	
CONSUMER PRICES[2]												
1 **All items**	**11.7**	**8.4**	**9.6**	**8.1**	**12.8**	**5.4**	**1.1**	**.4**	**.5**	**.4**	**.3**	**282.5**
2 Commodities	10.3	5.5	8.8	3.2	8.5	3.6	7	.4	.2	.3	.1	258.8
3 Food	10.2	4.6	5.3	2.2	7.7	1.7	.7	.3	1	.1	.7	281.0
4 Commodities less food	10.5	5.8	10.2	3.8	9 0	4.3	.8	4	2	.4	-.1	245.9
5 Durable	9.8	5.6	1.3	9.7	10.8	1.2	.7	.1	1	.3	.2	233.4
6 Nondurable	11.2	6.1	26.7	-1.4	4.6	3.8	.6	8	.5	.3	.2	260.2
7 Services	13.7	12.6	10.9	14.8	19.2	7.8	1.5	.5	9	.5	.5	323.9
8 Rent	9 1	8.4	7.0	7.7	10.2	9 0	.8	8	7	.7	.6	217.8
9 Services less rent	14 3	13.1	11.5	15.8	20.4	7 6	1.6	4	1 0	.4	.5	344.2
Other groupings												
10 All items less food	12 0	9.2	10.5	9.3	13.9	6.2	1 2	.5	6	4	.2	281.4
11 All items less food and energy	11.4	9.3	6.4	11.6	15 0	5 6	1.1	5	.4	.5	.3	268.5
12 Homeownership	14.8	9.4	2.9	16.9	21.5	3	1 7	.3	.2	2	-.1	367.5
PRODUCER PRICES												
13 Finished goods	11.3	6.3	12 8	7.1	3.4	5.2	2	.5	.5	.3	.4	277.4
14 Consumer	11.3	5.8	13 2	6.4	2.8	4.0	.2	.4	.4	.2	.5	277.7
15 Foods	8 3	2.2	5.1	3.5	1 6	3.7	5	.3	6	0	1.1	256.4
16 Excluding foods	12.7	7.3	16 5	7.6	3.2	7.2	.5	.6	.9	3	.2	284.4
17 Capital equipment	11 1	8.4	11.6	10.0	5.7	9.7	2	1.0	.8	.6	4	276.1
18 Intermediate materials[3]	10.8	6.2	13 8	8.0	5.2	2.8	.2	.0	.4	.3	3	316.6
Crude materials												
19 Nonfood	18.0	6 9	34 3	16.1	1.1	5.6	5	.8	.8	.1	-1.1	481.1
20 Food	11 1	-10.4	-15.6	6.4	18.2	25.5	3 8	2.3	-2.2	2 8	4 4	242.5

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers

3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

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

Account	1979	1980	1981	1980	1981			
				Q4	Q1	Q2	Q3	Q4
GROSS NATIONAL PRODUCT								
1 **Total**	**2,413.9**	**2,626.1**	**2,924.8**	**2,730.6**	**2,853.0**	**2,885.8**	**2,965.0**	**2,995.3**
By source								
2 Personal consumption expenditures	1,510.9	1,672.8	1,857.8	1,751.0	1,810.1	1,829.1	1,883.9	1,908.4
3 Durable goods	212.3	211.9	232.1	223.3	238.3	227.3	236.2	226.8
4 Nondurable goods	602.2	675.7	743.0	703.5	726.0	735.3	751.3	759.3
5 Services	696.3	785.2	882.7	824.2	845.8	866.5	896.4	922.2
6 Gross private domestic investment	415.8	395.3	450.7	397.7	437.1	458.6	463.0	443.9
7 Fixed investment	398.3	401.2	433.7	415.1	432.7	435.3	435.6	431.3
8 Nonresidential	279.7	296.0	328.3	302.1	315.9	324.6	335.1	337.5
9 Structures	96.3	108.8	125.4	111.5	117.2	123.1	128.3	133.0
10 Producers' durable equipment	183.4	187.1	202.9	190.7	198.7	201.5	206.8	204.5
11 Residential structures	118.6	105.3	105.4	113.0	116.7	110.7	100.5	93.8
12 Nonfarm	113.9	100.3	99.9	107.6	111.4	105.4	94.9	88.1
13 Change in business inventories	17.5	−5.9	17.0	−17.4	4.5	23.3	27.5	12.6
14 Nonfarm	13.4	−4.7	14.6	−14.0	6.8	21.5	23.1	7.1
15 Net exports of goods and services	13.4	23.3	25.0	23.3	29.2	20.8	29.3	20.8
16 Exports	281.3	339.8	365.6	346.1	367.4	368.2	368.0	358.9
17 Imports	267.9	316.5	340.6	322.7	338.2	347.5	338.7	338.2
18 Government purchases of goods and services	473.8	534.7	591.3	558.6	576.5	577.4	588.9	622.2
19 Federal	167.9	198.9	203.3	212.0	221.6	219.5	226.4	253.6
20 State and local	305.9	335.8	361.0	346.6	354.9	357.9	362.5	368.6
By major type of product								
21 Final sales, total	2,396.4	2,632.0	2,907.8	2,748.0	2,848.5	2,862.5	2,937.6	2,982.6
22 Goods	1,055.9	1,130.4	1,272.5	1,169.0	1,247.5	1,257.0	1,298.3	1,287.4
23 Durable	451.2	458.6	507.4	476.7	501.4	516.9	525.2	486.2
24 Nondurable	604.7	671.9	765.1	692.2	746.1	740.1	773.0	801.2
25 Services	1,097.2	1,229.6	1,371.1	1,285.3	1,317.1	1,344.7	1,390.5	1,432.2
26 Structures	260.8	266.0	281.1	276.4	288.4	284.1	276.3	275.7
27 Change in business inventories	17.5	−5.9	17.0	−17.4	4.5	23.3	27.5	12.6
28 Durable goods	11.5	−4.0	7.9	.7	−4.2	18.5	18.6	−1.3
29 Nondurable goods	6.0	−1.8	9.1	−18.1	8.6	4.8	8.9	14.0
30 MEMO: **Total GNP in 1972 dollars**	**1,483.0**	**1,480.7**	**1,510.1**	**1,485.6**	**1,516.4**	**1,510.4**	**1,515.8**	**1,497.6**
NATIONAL INCOME								
31 **Total**	**1,963.3**	**2,121.4**	**2,346.3**	**2,204.8**	**2,291.1**	**2,320.9**	**2,377.6**	**2,395.5**
32 Compensation of employees	1,460.9	1,596.5	1,771.5	1,661.8	1,722.4	1,752.0	1,790.7	1,820.9
33 Wages and salaries	1,235.9	1,343.6	1,482.6	1,397.3	1,442.9	1,467.0	1,498.7	1,522.0
34 Government and government enterprises	235.9	253.6	273.9	263.3	267.1	270.5	274.7	283.2
35 Other	1,000.0	1,090.0	1,208.7	1,134.0	1,175.7	1,196.4	1,224.0	1,238.8
36 Supplement to wages and salaries	225.0	252.9	288.8	264.5	279.5	285.1	292.0	298.9
37 Employer contributions for social insurance	106.4	115.8	134.7	121.0	131.5	133.2	135.6	138.4
38 Other labor income	118.6	137.1	154.2	143.5	148.0	151.8	156.3	160.5
39 Proprietors' income[1]	131.6	130.6	134.6	134.0	132.1	134.1	137.1	135.2
40 Business and professional[1]	100.7	107.2	112.4	111.6	113.2	112.5	112.4	111.5
41 Farm[1]	30.8	23.4	22.3	22.5	18.9	21.7	24.7	23.8
42 Rental income of persons[2]	30.5	31.8	33.6	32.4	32.7	33.3	33.9	34.5
43 Corporate profits[1]	196.8	182.7	191.5	183.3	203.0	190.3	195.7	n.a.
44 Profits before tax[3]	255.4	245.5	232.9	249.5	257.0	229.0	234.4	n.a.
45 Inventory valuation adjustment	−42.6	−45.7	−27.5	−48.4	−39.2	−24.0	−25.3	−21.5
46 Capital consumption adjustment	−15.9	−17.2	−13.9	−17.8	−14.7	−14.7	−13.4	−12.8
47 Net interest	143.4	179.8	215.0	193.3	200.8	211.0	220.2	228.0

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustments.
3. For after-tax profits, dividends, and the like, see table 1.49.

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	1979	1980	1981	1980	1981			
				Q4	Q1	Q2	Q3	Q4
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**1,943.8**	**2,160.2**	**2,404.0**	**2,256.2**	**2,319.8**	**2,368.5**	**2,441.7**	**2,485.9**
2 Wage and salary disbursements	1,236.1	1,343.7	1,482.6	1,397.8	1,442.9	1,467.0	1,498.5	1,522.1
3 Commodity-producing industries	437.9	465.4	512.7	484.0	501.3	508.1	520.2	521.0
4 Manufacturing	333.4	350.7	387.3	364.0	377.4	386.7	393.9	391.0
5 Distributive industries	303.0	328.9	361.0	340.6	351.9	357.8	365.3	369.1
6 Service industries	259.2	295.7	335.0	310.0	322.5	330.5	338.5	348.7
7 Government and government enterprises	236.1	253.6	273.9	263.3	267.1	270.5	274.5	283.3
8 Other labor income	118.6	137.1	154.2	143.5	148.0	151.8	156.3	160.5
9 Proprietors' income[1]	131.6	130.6	134.6	134.0	132.1	134.1	137.1	135.2
10 Business and professional[1]	100.8	107.2	112.4	111.6	113.2	112.5	112.4	111.5
11 Farm[1]	30.8	23.4	22.3	22.5	18.9	21.7	24.7	23.8
12 Rental income of persons[2]	30.5	31.8	33.6	32.4	32.7	33.3	33.9	34.5
13 Dividends	48.6	54.4	61.3	56.1	58.0	60.2	63.0	64.1
14 Personal interest income	209.6	256.3	308.6	269.7	288.7	300.9	315.7	329.0
15 Transfer payments	249.4	294.2	333 2	313.9	319.6	324.2	342.2	347.0
16 Old-age survivors, disability, and health insurance benefits	131.8	153.8	180.4	165.3	169.8	172.0	188.5	191.4
17 LESS: Personal contributions for social insurance	80.6	87.9	104.2	91.2	102.3	103.1	105.0	106.5
18 EQUALS: Personal income	1,943.8	2,160.2	2,404.0	2,256.2	2,319.8	2,368.5	2,441.7	2,485.9
19 LESS: Personal tax and nontax payments	302.0	338.5	388.1	359.2	372.0	382.9	399.8	398.0
20 EQUALS: Disposable personal income	1,641.7	1,821.7	2,015.8	1,897.0	1,947.8	1,985.6	2,042.0	2,087.9
21 LESS: Personal outlays	1,555.5	1,720 4	1,908.5	1,799.4	1,858.9	1,879.0	1,935.1	1,961.2
22 EQUALS: Personal saving	86.2	101.3	107.3	97.6	88.9	106.6	106.9	126.7
MEMO: Per capita (1972 dollars)								
23 Gross national product	6,588	6,503	6,568	6,499	6,619	6,581	6,585	6,492
24 Personal consumption expenditures	4,135	4,108	4,170	4,142	4,191	4,162	4,184	4,149
25 Disposable personal income	4,493	4,473	4,525	4,488	4,511	4,517	4,535	4,539
26 Saving rate (percent)	5.2	5.6	5.3	5.1	4.6	5.4	5.2	6.1
GROSS SAVING								
27 **Gross saving**	**412.0**	**401.9**	**454.9**	**406.7**	**442.6**	**465.3**	**469.4**	**n.a.**
28 Gross private saving	398.9	432.9	479.7	436.4	451.1	475.3	486.2	n.a.
29 Personal saving	86.2	101.3	107.3	97.6	88.9	106.6	106.9	126.7
30 Undistributed corporate profits[1]	59.1	44.3	50.7	40.4	55.7	52.0	52.8	n.a.
31 Corporate inventory valuation adjustment	42.6	-45.7	-27.5	48.4	-39.2	-24.0	-25.3	-21.5
Capital consumption allowances								
32 Corporate	155.4	175.4	197.7	183.2	187.5	194.6	201.1	207.7
33 Noncorporate	98.2	111.8	123.9	115.8	119.0	122.1	125.4	129.1
34 Wage accruals less disbursements	0	.0	.0	.5	.0	0	.0	.0
35 Government surplus, or deficit (–), national income and product accounts	11.9	32.1	25.9	-30 8	9.7	11.2	-17.9	n.a.
36 Federal	-14.8	-61.2	62.5	67.9	46.6	-47 2	-55 7	n.a.
37 State and local	26.7	29.1	36.6	37 1	36.9	36.1	37.8	n.a.
38 Capital grants received by the United States, net	1 1	1.1	1.1	1 1	1 1	1.1	1.1	1.1
39 **Gross investment**	**414.1**	**401.2**	**454.1**	**400.1**	**446.0**	**458.3**	**469.6**	**442.7**
40 Gross private domestic	415.8	395.3	450.7	397.7	437.1	458.6	463.0	443.9
41 Net foreign	1.7	5.9	3.5	2.3	8.8	-.2	6.5	-1.3
42 **Statistical discrepancy**	**2.2**	**-.7**	**-.8**	**-6.6**	**3.4**	**-6.9**	**.2**	**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	1978	1979	1980	1980		1981		
				Q3	Q4	Q1	Q2	Q3p
1 Balance on current account	-14,075	1,414	3,723	4,975	1,390	3,263	1,142	2,100
2 Not seasonally adjusted	....	....	....	1,149	3,244	3,546	2,438	-886
3 Merchandise trade balance[2]	-33,759	-27,346	25,342	2,902	-5,570	-4,677	-6,910	7,042
4 Merchandise exports	142,054	184,473	223,966	56,252	57,149	61,098	60,477	58,037
5 Merchandise imports	-175,813	-211,819	-249,308	-59,154	-62,719	65,775	-67,387	-65,079
6 Military transactions, net	738	-1,947	-2,515	455	715	-568	-698	-72
7 Investment income, net[3]	21,400	33,462	32,762	8,154	8,257	9,053	8,733	9,490
8 Other service transactions, net	2,613	2,839	5,874	1,681	1,762	982	1,535	1,618
9 Remittances, pensions, and other transfers	-1,884	-2,057	-2,397	-591	-720	-550	553	-602
10 U.S. government grants (excluding military)	-3,183	-3,536	-4,659	-912	-1,624	-977	-965	-1,292
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	-4,644	-3,767	-5,165	-1,427	-1,094	-1,395	-1,485	-1,242
12 Change in U.S. official reserve assets (increase, −)	732	-1,132	-8,155	1,109	-4,279	-4,529	-905	4
13 Gold	65	-65	0	0	0	0	0	0
14 Special drawing rights (SDRs)	1,249	-1,136	-16	-261	1,285	-1,441	-23	-225
15 Reserve position in International Monetary Fund	4,231	189	-1,667	-294	-1,240	-707	-780	-647
16 Foreign currencies	-4,683	257	-6,472	-554	-4,324	-2,381	-102	868
17 Change in U.S. private assets abroad (increase, −)[3]	-57,158	-57,739	71,456	-16,766	-22,622	-16,473	-19,581	-16,758
18 Bank-reported claims	-33,667	-26,213	46,947	-12,440	13,139	-11,241	-15,627	-14,808
19 Nonbank-reported claims	-3,853	-3,026	-2,653	343	-2,005	-3,192	2,470	n.a.
20 U.S. purchase of foreign securities, net	-3,582	-4,552	-3,310	-818	-356	488	1,479	-517
21 U.S. direct investments abroad, net[3]	-16,056	-23,948	-18,546	-3,851	-7,122	-1,552	-4,945	-1,433
22 Change in foreign official assets in the United States (increase, +)	33,561	-13,757	15,492	7,686	7,712	5,503	-2,779	-5,847
23 U.S. Treasury securities	23,555	22,435	9,683	3,769	6,911	7,242	2,069	-4,632
24 Other U.S. government obligations	666	463	2,187	549	587	454	536	545
25 Other U.S. government liabilities[4]	2,359	-133	636	80	205	-112	177	-162
26 Other U.S. liabilities reported by U.S. banks	5,551	7,213	-159	1,823	-460	-2,910	-2,070	-2,572
27 Other foreign official assets[5]	1,4530	1,135	3,145	1,465	469	829	647	974
28 Change in foreign private assets in the United States (increase, +)[3]	30,187	52,703	34,769	3,965	16,157	1,637	15,667	20,903
29 U.S. bank-reported liabilities	16,141	32,607	10,743	916	7,737	3,889	7,916	16,720
30 U.S. nonbank-reported liabilities	1,717	2,065	5,109	373	3,228	-820	-293	n.a.
31 Foreign private purchases of U.S. Treasury securities, net	2,178	4,820	2,679	-254	893	1,405	733	-523
32 Foreign purchases of other U.S. securities, net	2,254	1,334	5,384	241	2,240	2,454	3,472	758
33 Foreign direct investments in the United States, net[3]	7,896	11,877	10,853	2,689	2,059	2,487	3,839	3,948
34 Allocation of SDRs	0	1,139	1,152	0	0	1,093	0	0
35 Discrepancy	11,398	21,140	29,640	2,676	2,736	10,901	7,941	848
36 Owing to seasonal adjustments	....	....	....	-3,291	2,139	-340	1,222	-2,592
37 Statistical discrepancy in recorded data before seasonal adjustment	11,398	21,140	29,640	5,967	597	11,241	6,719	3,440
MEMO: Changes in official assets								
38 U.S. official reserve assets (increase, −)	732	-1,132	-8,155	1,109	-4,279	-4,529	-905	-4
39 Foreign official assets in the United States (increase, +)	31,202	-13,624	14,856	7,606	7,507	5,615	-2,956	-5,685
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	-1,137	5,543	12,744	4,115	1,024	5,446	2,676	3,028
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	236	305	635	125	211	192	214	120

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 excluded 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	1979	1980	1981[r]	1981[r]						1982
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	181,860	220,626	233,677	19,289	19,031	19,551	19,163	19,153	18,885	18,737
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	209,458	244,871	260,982	20,114	23,242	21,274	23,077	22,508	19,746	22,829
3 **Trade balance**	**−27,598**	**−24,245**	**−27,305**	**−825**	**−4,212**	**−1,723**	**−3,914**	**−3,355**	**−861**	**−4,092**

NOTE. The data through 1981 in this table are reported by the Bureau of Census data on 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 (a) the addition of exports to Canada not covered in Census statistics, and (b) 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	1978	1979	1980	1981					1982	
				Aug.	Sept	Oct	Nov	Dec.	Jan	Feb
1 **Total**[1]	**18,650**	**18,956**	**26,756**	**29,265**	**29,716**	**30,248**	**31,002**	**30,075**	**30,098**	**30,060**
2 Gold stock, including Exchange Stabilization Fund[1]	11,671	11,172	11,160	11,154	11,152	11,152	11,152	11,151	11,151	11,150
3 Special drawing rights[2,3]	1,558	2,724	2,610	3,739	3,896	3,949	4,109	4,095	4,176	4,359
4 Reserve position in International Monetary Fund[2]	1,047	1,253	2,852	4,341	4,618	4,736	5,009	5,055	5,237	5,275
5 Foreign currencies[4,5]	4,374	3,807	10,134	10,031	10,050	10,411	10,732	9,774	9,534	9,276

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.22.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a 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 net 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	1978	1979	1980	1981					1982	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[p]
1 Deposits	367	429	411	255	419	547	534	505	333	416
Assets held in custody										
2 U.S. Treasury securities[1]	117,126	95,075	102,417	102,197	101,068	101,068	103,894	104,680	104,631	103,557
3 Earmarked gold[2]	15,463	15,169	14,965	14,833	14,813	14,811	14,802	14,804	14,802	14,791

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
2. The value of earmarked gold increased because of the changes in par value of the U.S. dollar in May 1972 and in October 1973.

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

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data

Millions of dollars, end of period

Asset account	1978[1]	1979	1980	1981 June	July	Aug.	Sept.	Oct.	Nov.	Dec.p
	All foreign countries									
1 **Total, all currencies**	**306,795**	**364,409**	**401,135**	**422,946**	**433,238**	**433,242**	**450,234**	**444,654**	**462,811**	**462,633**
2 Claims on United States	17,340	32,302	28,460	35,217	43,074	41,533	46,369	41,554	44,561	62,135
3 Parent bank	12,811	25,929	20,202	24,311	30,994	29,782	32,249	26,833	26,540	41,647
4 Other	4,529	6,373	8,258	10,906	12,080	11,751	14,120	14,721	18,021	20,488
5 Claims on foreigners	278,135	317,330	354,960	368,644	370,938	372,378	384,407	383,463	397,728	380,481
6 Other branches of parent bank	70,338	79,662	77,019	79,814	82,128	83,171	84,627	83,597	89,280	88,591
7 Banks	103,111	123,420	146,448	154,682	154,760	152,286	159,637	156,833	161,412	151,457
8 Public borrowers[2]	23,737	26,097	28,033	27,872	28,728	29,270	29,927	30,211	30,170	28,192
9 Nonbank foreigners	80,949	88,151	103,460	106,276	105,322	107,651	110,216	112,822	116,866	112,241
10 Other assets	11,320	14,777	17,715	19,085	19,226	19,331	19,458	19,637	20,522	20,017
11 **Total payable in U.S. dollars**	**224,940**	**267,713**	**291,798**	**320,308**	**330,758**	**328,784**	**343,067**	**336,817**	**348,946**	**350,564**
12 Claims on United States	16,382	31,171	27,191	37,403	41,873	40,250	45,116	40,370	43,271	60,538
13 Parent bank	12,625	25,632	19,896	24,041	30,742	29,490	31,991	26,639	26,347	41,104
14 Other	3,757	5,539	7,295	9,922	11,131	10,760	13,125	13,731	16,924	19,434
15 Claims on foreigners	203,498	229,120	255,391	275,185	277,354	276,935	286,367	284,590	293,592	278,367
16 Other branches of parent bank	55,408	61,525	58,541	62,696	64,725	65,477	66,279	65,859	69,949	70,286
17 Banks	78,686	96,261	117,342	128,048	127,469	124,504	131,524	127,944	131,478	122,695
18 Public borrowers[2]	19,567	21,629	23,491	23,554	24,333	24,410	24,709	25,199	25,110	22,848
19 Nonbank foreigners	49,837	49,705	56,017	60,887	60,827	62,544	63,855	65,588	67,055	62,538
20 Other assets	5,060	7,422	9,216	11,160	11,531	11,599	11,584	11,857	12,083	11,659
	United Kingdom									
21 **Total, all currencies**	**106,593**	**130,873**	**144,717**	**149,704**	**148,774**	**150,161**	**154,096**	**153,615**	**161,531**	**157,229**
22 Claims on United States	5,370	11,117	7,509	9,650	9,130	9,995	11,167	9,668	9,315	10,534
23 Parent bank	4,448	9,338	5,275	7,098	6,167	7,189	7,842	6,351	5,162	6,596
24 Other	922	1,779	2,234	2,552	2,963	2,806	3,325	3,317	4,153	3,938
25 Claims on foreigners	98,137	115,123	131,142	134,092	133,626	134,034	137,056	137,879	145,899	140,166
26 Other branches of parent bank	27,830	34,291	34,760	35,914	37,035	38,035	39,117	38,799	41,467	42,123
27 Banks	45,013	51,343	58,741	60,261	59,639	58,362	58,986	59,307	63,044	56,848
28 Public borrowers[2]	4,522	4,919	6,688	6,811	6,822	6,665	7,112	7,305	7,463	7,490
29 Nonbank foreigners	20,772	24,570	30,953	31,106	30,130	30,972	31,841	32,468	33,906	33,705
30 Other assets	3,086	4,633	6,066	5,962	6,018	6,132	5,873	6,068	6,327	6,529
31 **Total payable in U.S. dollars**	**75,860**	**94,287**	**99,699**	**104,959**	**107,961**	**109,008**	**113,014**	**112,064**	**117,454**	**115,188**
32 Claims on United States	5,113	10,746	7,116	9,160	8,628	9,552	10,703	9,201	8,811	9,960
33 Parent bank	4,386	9,297	5,229	7,059	6,110	7,128	7,779	6,299	5,110	6,435
34 Other	727	1,449	1,887	2,101	2,518	2,424	2,924	2,902	3,701	3,525
35 Claims on foreigners	69,416	81,294	89,723	96,230	95,832	95,887	98,611	98,934	104,741	101,136
36 Other branches of parent bank	22,838	28,928	28,268	29,725	30,789	31,710	32,845	32,698	34,905	36,322
37 Banks	31,482	36,760	42,073	45,631	44,488	42,957	43,605	43,345	46,463	41,106
38 Public borrowers[2]	3,317	3,319	4,911	5,123	5,176	5,006	5,281	5,485	5,500	5,595
39 Nonbank foreigners	11,779	12,287	14,471	15,751	15,379	16,214	16,880	17,406	17,873	18,113
40 Other assets	1,331	2,247	2,860	3,464	3,501	3,569	3,700	3,929	3,902	4,092
	Bahamas and Caymans									
41 **Total, all currencies**	**91,735**	**108,977**	**123,837**	**135,081**	**145,290**	**142,087**	**147,904**	**142,687**	**148,557**	**149,050**
42 Claims on United States	9,635	19,124	17,751	21,812	29,808	27,131	29,896	26,741	29,908	46,246
43 Parent bank	6,429	15,196	12,631	14,477	21,654	19,303	20,372	16,717	17,665	31,330
44 Other	3,206	3,928	5,120	7,335	8,154	7,828	9,524	10,024	12,243	14,916
45 Claims on foreigners	79,774	86,718	101,926	108,477	110,584	109,888	113,048	110,781	113,487	98,313
46 Other branches of parent bank	12,904	9,689	13,342	13,569	13,788	13,909	13,174	13,066	13,983	12,962
47 Banks	33,677	43,189	54,861	59,705	60,748	59,316	62,946	60,220	61,337	55,338
48 Public borrowers[2]	11,514	12,905	12,577	12,038	12,471	12,610	12,431	12,637	12,730	9,995
49 Nonbank foreigners	21,679	20,935	21,146	23,165	23,577	24,053	24,497	24,858	25,437	20,018
50 Other assets	2,326	3,135	4,160	4,792	4,898	5,068	4,960	5,165	5,162	4,491
51 **Total payable in U.S. dollars**	**85,417**	**102,368**	**117,654**	**129,438**	**139,514**	**136,054**	**142,053**	**136,854**	**142,632**	**143,686**

1. In May 1978 the exemption level for branches required to report was increased, which reduced the number of reporting branches.
2. In May 1978 a broader category of claims on foreign public borrowers, including corporations that are majority owned by foreign governments, replaced the previous, more narrowly defined claims on foreign official institutions.

3.14 Continued

Liability account	1978[1]	1979	1980	1981						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.[p]
	All foreign countries									
52 **Total, all currencies**	**306,795**	**364,409**	**401,135**	**422,946**	**433,238**	**433,242**	**450,234**	**444,654**	**462,811**	**462,633**
53 To United States	58,012	66,689	91,079	109,322	118,093	116,190	124,096	120,039	128,081	137,618
54 Parent bank	28,654	24,533	39,286	44,327	43,069	44,010	48,592	45,909	49,385	56,160
55 Other banks in United States	12,169	13,968	14,473	16,136	17,578	15,686	17,657	16,464[r]	17,110	19,315
56 Nonbanks	17,189	28,188	37,275	48,859	57,446	56,494	57,847	57,666[r]	61,586	62,143
57 To foreigners	238,912	283,510	295,411	298,169	299,240	300,081	306,785	305,040	315,969	305,426
58 Other branches of parent bank	67,496	77,640	75,773	79,033	81,387	80,991	83,336	82,038	87,821	86,368
59 Banks	97,711	122,922	132,116	131,854	129,290	125,563	127,794	128,536	132,013	124,900
60 Official institutions	31,936	35,668	32,473	26,316	25,682	28,209	28,715	27,685	24,541	25,840
61 Nonbank foreigners	41,769	47,280	55,049	60,966	62,881	65,318	66,940	66,781	71,594	68,318
62 Other liabilities	9,871	14,210	14,690	15,455	15,905	16,971	19,353	19,575	18,761	19,589
63 **Total payable in U.S. dollars**	**230,810**	**273,857**	**303,281**	**332,284**	**343,947**	**341,596**	**355,030**	**349,602**	**360,972**	**364,093**
64 To United States	55,811	64,530	88,157	106,740	115,481	113,526	121,130	117,362	125,118	134,601
65 Parent bank	27,519	23,403	37,528	42,822	41,620	42,481	46,766	44,170	47,456	54,275
66 Other banks in United States	11,915	13,771	14,203	15,945	17,391	15,529	17,479	16,313[r]	17,011	19,001
67 Nonbanks	16,377	27,356	36,426	47,973	56,470	55,516	56,885	56,879[r]	60,651	61,325
68 To foreigners	169,927	201,514	206,883	215,931	218,178	217,239	221,090	219,818	224,505	217,463
69 Other branches of parent bank	53,396	60,551	58,172	62,292	64,884	64,338	66,256	65,160	69,554	69,164
70 Banks	63,000	80,691	87,497	89,909	88,554	83,842	84,670	84,552	84,691	79,596
71 Official institutions	26,404	29,048	24,697	20,853	20,108	22,056	22,836	21,948	18,911	20,288
72 Nonbank foreigners	27,127	31,224	36,517	42,877	44,632	47,003	47,328	48,158	51,349	48,415
73 Other liabilities	5,072	7,813	8,241	9,613	10,288	10,831	12,810	12,422	11,349	12,029
	United Kingdom									
74 **Total, all currencies**	**106,593**	**130,873**	**144,717**	**149,704**	**148,774**	**150,161**	**154,096**	**153,615**	**161,531**	**157,229**
75 To United States	9,730	20,986	21,785	29,598	30,383	31,408	34,143	32,960	36,316	38,033
76 Parent bank	1,887	3,104	4,225	4,371	4,138	4,189	5,370	3,542	4,045	5,455
77 Other banks in United States	4,189	7,693	5,716	6,172	5,864	5,646	6,396	6,054	7,102	7,502
78 Nonbanks	3,654	10,189	11,844	19,055	20,381	21,573	22,377	23,364	25,169	25,076
79 To foreigners	93,202	104,032	117,438	115,099	113,560	113,191	113,862	114,415	118,401	112,244
80 Other branches of parent bank	12,786	12,567	15,384	14,996	15,103	15,255	15,121	15,544	16,090	16,534
81 Banks	39,917	47,620	56,262	55,923	54,351	51,532	51,830	53,634	56,239	51,336
82 Official institutions	20,963	24,202	21,412	17,197	16,352	17,866	18,687	17,442	15,089	16,517
83 Nonbank foreigners	19,536	19,643	24,380	26,983	27,754	28,538	28,224	27,795	30,983	27,857
84 Other liabilities	3,661	5,855	5,494	5,007	4,831	5,562	6,091	6,240	6,814	6,952
85 **Total payable in U.S. dollars**	**77,030**	**95,449**	**103,440**	**113,427**	**113,247**	**114,191**	**117,920**	**117,346**	**122,362**	**120,277**
86 To United States	9,328	20,552	21,080	28,858	29,606	30,661	33,464	32,408	35,706	37,343
87 Parent bank	1,836	3,054	4,078	4,277	4,054	4,132	5,309	3,484	3,956	5,361
88 Other banks in United States	4,101	7,651	5,626	6,094	5,768	5,594	6,317	5,976	7,061	7,249
89 Nonbanks	3,391	9,847	11,376	18,487	19,784	20,935	21,838	22,948	24,689	24,733
90 To foreigners	66,216	72,397	79,636	81,544	80,400	79,988	80,638	81,260	82,766	79,023
91 Other branches of parent bank	9,635	8,446	10,474	10,289	10,566	10,943	10,747	11,121	11,457	12,037
92 Banks	25,287	29,424	35,388	36,701	35,789	32,914	33,010	34,312	35,141	32,298
93 Official institutions	17,091	20,192	17,024	14,000	13,133	14,244	15,514	14,415	12,133	13,612
94 Nonbank foreigners	14,203	14,335	16,750	20,554	20,912	21,887	21,367	21,412	24,035	21,076
95 Other liabilities	1,486	2,500	2,724	3,025	3,241	3,542	3,818	3,678	3,890	3,911
	Bahamas and Caymans									
96 **Total, all currencies**	**91,735**	**108,977**	**123,837**	**135,081**	**145,290**	**142,087**	**147,904**	**142,687**	**148,557**	**149,050**
97 To United States	39,431	37,719	59,666	69,407	77,197	73,924	77,533	75,991	80,161	85,703
98 Parent bank	20,482	15,267	28,181	32,160	31,034	31,265	33,282	33,387	36,066	39,260
99 Other banks in United States	6,073	5,204	7,379	8,822	10,517	8,938	9,964	9,349[r]	8,971	10,609
100 Nonbanks	12,876	17,248	24,106	28,425	35,646	33,721	34,287	33,255[r]	35,124	35,834
101 To foreigners	50,447	68,598	61,218	62,470	64,491	64,565	66,627	672,795	64,462	60,023
102 Other branches of parent bank	16,094	20,875	17,040	19,484	20,989	20,315	22,393	20,521	23,307	20,641
103 Banks	23,104	33,631	29,895	28,326	28,056	27,538	27,983	25,396	24,712	23,218
104 Official institutions	4,208	4,866	4,361	3,685	3,934	4,605	4,028	4,078	3,381	3,498
105 Nonbank foreigners	7,041	9,226	9,922	10,975	11,512	12,107	12,223	12,800	13,062	12,666
106 Other liabilities	1,857	2,660	2,953	3,204	3,602	3,598	3,744	3,901	3,934	3,324
107 **Total payable in U.S. dollars**	**87,014**	**103,460**	**119,657**	**131,120**	**141,241**	**137,754**	**143,507**	**138,094**	**144,034**	**145,226**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1979	1980	1981							1982
			June^r	July^r	Aug.^r	Sept.^r	Oct.^r	Nov^p	Dec.^p	Jan^p
1 **Total**[1]	**149,697**	**164,578^r**	**167,088**	**167,007**	**162,396**	**161,587**	**159,798**	**164,672**	**169,585**	**167,860**
By type										
2 Liabilities reported by banks in the United States[2]	30,540	30,381	25,251	25,956	22,940	22,865	20,928	23,424	26,316	23,861
3 U.S. Treasury bills and certificates[3]	47,666	56,243	57,719	55,659	52,921	50,179	48,867	49,644	52,389	52,306
U.S. Treasury bonds and notes										
4 Marketable	37,590	41,455	46,605	47,402	48,934	50,311	51,943	54,076	53,289	54,130
5 Nonmarketable[4]	17,387	14,654	13,202	12,802	12,402	12,402	12,191	11,791	11,791	11,791
6 U.S. securities other than U.S. Treasury securities[5]	16,514	21,845^r	24,311	25,188	25,199	25,830	25,869	25,737	25,800	25,772
By area										
7 Western Europe[1]	85,633	81,592	71,130	70,576	65,960	64,409	61,086	63,097	65,241	62,757
8 Canada	1,898	1,562	1,248	664	1,603	1,366	1,073	2,247	2,403	2,377
9 Latin America and Caribbean	6,291	5,688	6,103	5,584	5,968	5,429	5,088	5,049	6,927	5,977
10 Asia	52,978	70,784^r	83,142	85,847	84,643	87,332	89,190	91,300	91,924	94,268
11 Africa	2,412	4,123	3,190	2,645	2,839	2,090	2,149	1,792	1,849	1,649
12 Other countries[6]	485	829	2,275	1,691	1,383	961	1,212	1,187	1,241	832

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	1978	1979	1980	1981			
				Mar.	June	Sept.^r	Dec.^p
1 Banks' own liabilities	2,406	1,918	3,748	3,298	3,031	2,878	3,667
2 Banks' own claims[1]	3,671	2,419	4,206	4,257	3,699^r	4,078	5,331
3 Deposits	1,795	994	2,507	1,779	2,050^r	2,409	3,592
4 Other claims	1,876	1,425	1,699	2,478	1,649^r	1,669	1,738
5 Claims of banks' domestic customers[2]	358	580	962	444	347	248	972

1. Includes claims of banks' domestic customers through March 1978.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of their domestic 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	1978	1979	1980	1981 June	1981 July	1981 Aug.	1981 Sept.	1981 Oct.	1981 Nov	1981 Dec.	1982 Jan.p
1 **All foreigners**	**166,842**	**187,521**	**205,297r**	**208,928r**	**213,796r**	**208,046r**	**216,113**	**198,717r**	**208,263r**	**242,228**	**247,363**
2 Banks' own liabilities	78,661	117,196	124,791r	128,003r	132,022r	130,981r	142,213	124,261r	132,556r	162,133	167,962
3 Demand deposits	19,218	23,303	23,462	23,177r	21,413r	22,073r	23,592	19,061	21,127r	19,698	18,030
4 Time deposits[1]	12,427	13,623	15,076	16,641	16,457	17,250	17,313	17,465	18,068r	29,311	30,371
5 Other[2]	9,705	16,453	17,583r	14,088r	13,435r	11,242	13,608	11,225	14,129r	17,406	15,264
6 Own foreign offices[3]	37,311	63,817	68,670	74,097r	80,717	80,416	87,699	76,511r	79,232r	95,718	104,297
7 Banks' custody liabilities[4]	88,181	70,325	80,506	80,925r	81,774	77,065	73,900	74,456	75,707r	80,095	79,402
8 U.S. Treasury bills and certificates[5]	68,202	48,573	57,595	59,745	57,550	54,846	52,368	51,281	52,005r	55,312	55,131
9 Other negotiable and readily transferable instruments[6]	17,472	19,396	20,079	17,096r	17,865	17,999	17,295	18,257	18,259r	18,814	18,787
10 Other	2,507	2,356	2,832	4,084	6,359	4,220	4,238	4,919	5,442	5,970	5,484
11 **Nonmonetary international and regional organizations[7]**	**2,607**	**2,356**	**2,344r**	**1,777**	**1,798**	**1,650**	**1,826**	**1,981**	**2,317**	**2,721**	**2,141**
12 Banks' own liabilities	906	714	444r	357	363	436	398	303	555	638	365
13 Demand deposits	330	260	146	224	222	233	249	185	388	262	130
14 Time deposits[1]	84	151	85	75	75	59	60	58	74	58	86
15 Other[2]	492	303	212r	58	65	145	89	60	93	318	148
16 Banks' custody liabilities[4]	1,701	1,643	1,900	1,420	1,435	1,214	1,428	1,678	1,762	2,083	1,775
17 U.S. Treasury bills and certificates	201	102	254	289	247	84	96	184	142	541	217
18 Other negotiable and readily transferable Instruments[6]	1,499	1,538	1,646	1,132	1,188	1,130	1,332	1,494	1,621	1,542	1,558
19 Other	1	2	0	0	0	0	0	0	0	0	0
20 **Official institutions[8]**	**90,742**	**78,206**	**86,624**	**82,970r**	**81,616r**	**75,860r**	**73,044**	**69,796**	**73,068r**	**78,706**	**76,167**
21 Banks' own liabilities	12,165	18,292	17,826	15,815	14,479r	13,482	13,951	11,869	14,212r	16,687	14,474
22 Demand deposits	3,390	4,671	3,771	3,975	3,134	3,714	2,697	2,668	2,459	2,612	2,400
23 Time deposits[1]	2,560	3,050	3,612	2,563	2,090	2,021	1,981	1,692	1,908r	4,180	3,668
24 Other[2]	6,215	10,571	10,443	9,277	9,255r	7,747	9,273	7,509	9,846r	9,895	8,405
25 Banks' custody liabilities[4]	78,577	59,914	68,798	67,155r	67,136	62,378r	59,093	57,927	58,856	62,019	61,693
26 U.S. Treasury bills and certificates[5]	67,415	47,666	56,243	57,719	55,659	52,921	50,179	48,867	49,644	52,389	52,306
27 Other negotiable and readily transferable instruments[6]	10,992	12,196	12,501	9,356r	9,396	9,402r	8,659	9,013	9,161	9,582	9,360
28 Other	170	52	54	80r	2,081	55	255	46	51	47	27
29 **Banks[9]**	**57,423**	**88,316**	**96,415**	**101,512r**	**107,895r**	**107,446r**	**117,630**	**102,986r**	**108,486r**	**134,860**	**144,730**
30 Banks' own liabilities	52,626	83,299	90,456	93,305r	98,974r	98,350	108,618	92,786r	97,651r	123,145	132,817
31 Unaffiliated foreign banks	15,315	19,482	21,786	19,208	18,257r	17,933	20,919	16,275	18,418r	27,427	28,521
32 Demand deposits	11,257	13,285	14,188	13,630r	12,929	13,255	15,199	11,346	12,908r	11,613	10,766
33 Time deposits[1]	1,429	1,667	1,703	1,728	1,573	1,686	1,880	1,631	1,837r	9,156	11,402
34 Other[2]	2,629	4,530	5,895	3,850r	3,755r	2,993	3,840	3,298	3,673r	6,658	6,353
35 Own foreign offices[3]	37,311	63,817	68,670	74,097r	80,717	80,416	87,699	76,511r	79,232r	95,718	104,297
36 Banks' custody liabilities[4]	4,797	5,017	5,959	8,207r	8,921	9,097r	9,012	10,200	10,835r	11,715	11,913
37 U.S. Treasury bills and certificates	300	422	623	1,170	1,069	1,217	1,439	1,574	1,584	1,683	1,853
38 Other negotiable and readily transferable instruments[6]	2,425	2,415	2,748	3,178	3,732	4,017r	3,889	4,091	4,169	4,421	4,888
39 Other	2,072	2,179	2,588	3,859r	4,119	3,862	3,684	4,535	5,082r	5,611	5,172
40 **Other foreigners**	**16,070**	**18,642**	**19,914**	**22,669r**	**22,489r**	**23,089r**	**23,613**	**23,955**	**24,392r**	**25,941**	**24,326**
41 Banks' own liabilities	12,964	14,891	16,065	18,526r	18,206r	18,714r	19,246	19,303	20,139r	21,663	20,305
42 Demand deposits	4,242	5,087	5,356	5,347r	5,127r	4,872r	5,447	4,862	5,373r	5,212	4,734
43 Time deposits	8,353	8,755	9,676	12,275	12,719	13,483	13,393	14,084	14,249r	15,916	15,214
44 Other[2]	368	1,048	1,033	903	360	358	406	358	517r	535	358
45 Banks' custody liabilities[4]	3,106	3,751	3,849	4,143r	4,283	4,376	4,367	4,652	4,253	4,278	4,020
46 U.S. Treasury bills and certificates	285	382	474	568	575	624	654	656	635r	698	755
47 Other negotiable and readily transferable instruments[6]	2,557	3,247	3,185	3,430r	3,548	3,450	3,414	3,659	3,309r	3,268	2,981
48 Other	264	123	190	144	159	302	300	337	309r	312	284
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	11,007	10,984	10,745	10,250r	10,091	9,939r	9,459	9,424	9,975	10,542	10,435

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments." Data for time deposits before April 1978 represent short-term only.
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. *Principally the International Bank for Reconstruction and Development*, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

3.17 Continued

Area and country	1978	1979	1980	1981 June	1981 July	1981 Aug.	1981 Sept.	1981 Oct.	1981 Nov.	1981 Dec.	1982 Jan.p
1 **Total**	**166,842**	**187,521**	**205,297r**	**208,928r**	**213,796r**	**208,046r**	**216,113**	**198,717r**	**208,263r**	**242,228**	**247,363**
2 **Foreign countries**	**164,235**	**185,164**	**202,953**	**207,151r**	**211,999r**	**206,396r**	**214,287**	**196,736r**	**205,946r**	**239,507**	**245,223**
3 Europe	85,172	90,952	90,897	86,788r	85,447r	81,547	85,087	77,662r	82,292r	90,667	89,695
4 Austria	513	413	523	540	610	612	590	583	595r	587	718
5 Belgium-Luxembourg	2,550	2,375	4,019	5,056	4,759	4,240	4,852	3,644	3,989	4,122	3,969
6 Denmark	1,946	1,092	497	415	431r	239	163	232	306	333	512
7 Finland	346	398	455	305	296r	220	198	187	196	296	157
8 France	9,214	10,433	12,125	11,515	11,058	9,235	7,637	7,125	7,385	8,487	8,075
9 Germany	17,283	12,935	9,973	9,631	9,072	7,301	8,410	6,555	7,211	7,665	6,908
10 Greece	826	635	670	507	533	492	578	496	428	463	467
11 Italy	7,739	7,782	7,572	4,620	6,140r	6,374	6,264	5,687	5,656	7,290	7,101
12 Netherlands	2,402	2,337	2,441	2,133	1,792	1,751	2,240	2,173	2,351	2,779	2,773
13 Norway	1,271	1,267	1,344	1,743	1,289	1,228	1,008	1,449	1,642	1,457	1,244
14 Portugal	330	557	374	454	448	460	486	424	358	354	300
15 Spain	870	1,259	1,500	1,199	1,340r	1,409	1,189	975	954	916	1,008
16 Sweden	3,121	2,005	1,737	2,180	1,864	1,667	2,102	1,609	1,508	1,545	1,272
17 Switzerland	18,225	17,954	16,689	15,842r	16,325r	16,426	16,983	17,114r	18,937r	18,878	18,939
18 Turkey	157	120	242	194	356	208	234	252	197	518	336
19 United Kingdom	14,272	24,700	22,680	24,428	23,236r	24,194	26,335	23,985	24,258	28,280	30,900
20 Yugoslavia	254	266	681	312	408	343	366	265	380	375	215
21 Other Western Europe[1]	3,440	4,070	6,939	5,323	5,177	4,804	5,010	4,472	5,384	5,781	4,427
22 U.S.S.R.	82	52	68	41	33r	34	28	42	72	49	106
23 Other Eastern Europe[2]	330	302	370	351	280	310	414	396	486	493	268
24 Canada	6,969	7,379	10,031	10,267r	9,260r	9,873r	10,119	8,934	10,091	10,261	11,621
25 Latin America and Caribbean	31,638	49,686	53,170	56,155r	64,014r	63,791	66,363	59,338r	61,266r	84,176	89,068
26 Argentina	1,484	1,582	2,132	1,991	1,980	2,043	1,979	1,929	2,012	2,445	2,754
27 Bahamas	6,752	15,255	16,381	17,760	24,484r	24,209	25,168	20,962r	22,900r	34,380	42,479
28 Bermuda	428	430	670	698	646	700	806	721	624	770	668
29 Brazil	1,125	1,005	1,216	1,412	1,172r	1,282	1,301	1,265	1,283r	1,541	1,594
30 British West Indies	5,974	11,138	12,766	12,836r	14,024	13,239	14,456	10,472	9,516r	17,460	17,814
31 Chile	398	468	460	508	566	538	491	538	505r	664	765
32 Colombia	1,756	2,617	3,077	2,827	2,784	2,708	2,527	2,759	2,776r	2,993	2,838
33 Cuba	13	13	6	7	7	7	8	6	7	9	7
34 Ecuador	322	425	371	463	392	355	394	403	516	434	357
35 Guatemala[3]	416	414	367	399	412	399	476	419	444	479	487
36 Jamaica[3]	52	76	97	80	122	290	92	147	96	87	120
37 Mexico	3,467	4,185	4,547	5,351	5,532	6,352	6,021	5,717	6,029r	7,065	4,755
38 Netherlands Antilles	308	499	413	497	487	692	697	2,771	2,896r	3,073	3,042
39 Panama	2,967	4,483	4,718	4,615	5,004	4,619	4,964	4,599	4,904	4,852	3,482
40 Peru	363	383	403	450	363	398	380	369	473	691	589
41 Uruguay	231	202	254	322	243	266	259	249	266	367	480
42 Venezuela	3,821	4,192	3,170	3,548	3,671	3,621	3,982	4,044	3,971r	4,246	4,515
43 Other Latin America and Caribbean	1,760	2,318	2,123	2,393r	2,125	2,073	2,362	1,969	2,049	2,620	2,324
44 Asia	36,492	33,005	42,420	47,352r	48,113r	46,192	48,722	46,844	48,625	49,789	50,677
China											
45 Mainland	67	49	49	102	84	74	76	85	200	153	183
46 Taiwan	502	1,393	1,662	1,936	2,006r	2,177	2,188	2,182	2,140	2,082	2,221
47 Hong Kong	1,256	1,672	2,548	3,151	3,451r	3,956	4,062	4,158	4,090	3,951	3,957
48 India	790	527	416	408	398r	455	491	433	514	385	511
49 Indonesia	449	504	730	582	1,309	732	809	1,269	985	640	1,230
50 Israel	688	707	883	478	387	482	412	418	475	587	543
51 Japan	21,927	8,907	16,281	19,563	19,475	19,757	20,747	20,204	19,988r	20,557	20,076
52 Korea	795	993	1,528	1,329r	1,252	1,319	1,434	1,291	1,322	2,013	2,156
53 Philippines	644	795	919	1,049	992	868	832	691	736	876	757
54 Thailand	427	277	464	422	436	371	392	274	409	534	371
55 Middle-East oil-exporting countries[4]	7,534	15,300	14,453	15,203r	14,921r	12,396	13,293	12,196	13,603	13,160	13,610
56 Other Asia	1,414	1,879	2,487	3,129	3,402r	3,607	3,985	3,643	4,163r	4,852	5,063
57 Africa	2,886	3,239	5,187	3,907	3,177r	3,201	2,561	2,535	2,381	3,195	3,060
58 Egypt	404	475	485	289	293	355	433	343	328	354	569
59 Morocco	32	33	33	41	77	59	43	28	37	32	36
60 South Africa	168	184	288	253	257	296	244	282	202	420	251
61 Zaire	43	110	57	181	84	41	76	44	56	134	33
62 Oil-exporting countries[5]	1,525	1,635	3,540	2,388	1,715	1,703	1,040	1,165	830	1,395	1,206
63 Other Africa	715	804	783	755	752r	746	725	672	929	860	965
64 Other countries	1,076	904	1,247	2,683	1,987	1,792	1,434	1,423	1,291	1,419	1,102
65 Australia	838	684	950	2,398	1,770	1,568	1,174	1,212	1,065	1,223	852
66 All other	239	220	297	285	217	224	260	211	226	196	250
67 Nonmonetary international and regional organizations	2,607	2,356	2,344r	1,777	1,798	1,650	1,826	1,981	2,317	2,721	2,141
68 International	1,485	1,238	1,157r	747	699	524	631	945	1,128	1,661	1,065
69 Latin American regional	808	806	890	722	765	747	750	724	797	710	17
70 Other regional[6]	314	313	296	307	333	379	445	312	391	350	1,059

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

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

Millions of dollars, end of period

Area and country	1978	1979	1980	1981							1982
				June	July	Aug	Sept	Oct.	Nov.	Dec.▲	Jan p
1 **Total**	**115,545**	**133,943**	**172,592**	**196,947r**	**196,885r**	**198,903r**	**210,104r**	**196,637r**	**208,059**	**248,850**	**253,315**
2 **Foreign countries**	**115,488**	**133,906**	**172,514**	**196,900r**	**196,825r**	**198,852r**	**210,049r**	**196,593r**	**208,019**	**248,794**	**253,263**
3 Europe	24,201	28,388	32,108	36,978r	35,198	35,065	40,876	34,373r	39,304	48,470	51,312
4 Austria	140	284	236	166	157	185	436	138	179	151	214
5 Belgium-Luxembourg	1,200	1,339	1,621	2,395r	2,087	2,373	2,625	1,758r	2,023	2,780	2,822
6 Denmark	254	147	127	125	132	166	158	186	207	186	226
7 Finland	305	202	460	365	343	352	346	397	527	549	555
8 France	3,735	3,322	2,958	3,209	2,861	3,074	3,351	2,563	3,252	4,089	4,661
9 Germany	845	1,179	948	1,099	1,259	1,144	1,267	841	979	937	1,080
10 Greece	164	154	256	249	292	214	287	235	255	333	373
11 Italy	1,523	1,631	3,364	3,879	3,923	3,997	4,016	4,322	4,559	5,208	5,451
12 Netherlands	677	514	575	667	497	581	569	564	567	685	729
13 Norway	299	276	227	172	167	249	300	230	281	384	384
14 Portugal	171	330	331	353	389	350	328	353	390	530	584
15 Spain	1,120	1,051	993	1,769	1,726	1,801	1,711	1,627	1,693	2,091	2,166
16 Sweden	537	542	783	794	730	672	930	871	1,333	1,202	1,291
17 Switzerland	1,283	1,165	1,446	1,690	1,871	1,708	1,948	1,471	1,961	2,209	1,842
18 Turkey	300	149	145	147	137	159	144	153	144	421	462
19 United Kingdom	10,147	13,795	14,917	16,675	15,454	14,832	19,380	15,755r	17,895	23,184	24,761
20 Yugoslavia	363	611	853	988	992	948	932	954	1,016	1,224	1,206
21 Other Western Europe[1]	122	175	179	182	160	200	185	148	197	209	231
22 U.S.S.R.	360	268	281	302	245	252	232	203	248	367	455
23 Other Eastern Europe[2]	657	1,254	1,410	1,752	1,776	1,809	1,733	1,605r	1,596	1,730	1,816
24 Canada	5,152	4,143	4,810	7,022r	7,661	6,353	7,962	7,343r	6,922	8,595	9,505
25 Latin America and Caribbean	57,565	67,993	92,992	103,374r	105,327r	108,731r	111,607r	107,833r	112,913	137,013	141,439
26 Argentina	2,281	4,389	5,689	5,822	5,742	5,702	5,771	5,887r	6,044	7,541	8,613
27 Bahamas	21,555	18,918	29,419	34,755	35,577r	36,709r	38,057r	36,631r	39,432	42,802	43,782
28 Bermuda	184	496	218	404	411	340	490	335	255	326	375
29 Brazil	6,251	7,713	10,496	10,014	9,781	10,214	9,861	10,374	10,823	16,882	17,314
30 British West Indies	9,694	9,818	15,663	18,317r	18,001	17,846	19,016r	17,108r	17,745	21,350	21,064
31 Chile	970	1,441	1,951	2,070r	2,203	2,321	2,514	2,567	2,649	3,673	4,150
32 Colombia	1,012	1,614	1,752	1,533	1,480	1,429	1,487	1,529	1,598	2,027	2,113
33 Cuba	0	4	3	3	7	14	3	4	3	3	7
34 Ecuador	705	1,025	1,190	1,285	1,307	1,318	1,298	1,282	1,328	1,531	1,696
35 Guatemala[3]	94	134	137	105r	95	115	119	127r	123	124	118
36 Jamaica[3]	40	47	36	38	39	40	68	40r	45	62	177
37 Mexico	5,479	9,099	12,595	14,066	15,560	17,391	17,245	17,148	18,500	22,367	22,952
38 Netherlands Antilles	273	248	821	874	933	894	869	928	951	1,056	941
39 Panama	3,098	6,041	4,974	6,210	6,029	6,167	6,669r	5,791	5,645	6,743	6,741
40 Peru	918	652	890	818	803	796	788	796r	705	1,213	1,435
41 Uruguay	52	105	137	94	102	107	142	166	148	157	256
42 Venezuela	3,474	4,657	5,438	5,295	5,436	5,529	5,325	5,273r	5,129	7,082	7,223
43 Other Latin America and Caribbean	1,485	1,593	1,583	1,671r	1,821	1,800	1,885	1,848r	1,790	2,075	2,481
44 Asia	25,362	30,730	39,078	46,027	44,999	44,934	45,537r	43,190r	44,963	49,793	45,728
China											
45 Mainland	4	35	195	205	188	186	153	148	199	107	85
46 Taiwan	1,499	1,821	2,469	2,471	2,380	2,543	2,476	2,349r	2,262	2,461	2,630
47 Hong Kong	1,479	1,804	2,247	3,328	3,208	3,347	3,716	3,784r	3,921	4,113	4,096
48 India	54	92	142	132	106	135	144	176	179	132	148
49 Indonesia	143	131	245	257	271	254	363	267	329	346	315
50 Israel	888	990	1,172	1,309	1,178	1,108	1,086	1,200	1,325	1,586	1,318
51 Japan	12,646	16,911	21,361	25,995	25,954	25,352	25,273r	22,790r	23,785	26,771	24,051
52 Korea	2,282	3,793	5,697	6,678	6,426	6,479	6,486	6,567r	6,733	7,291	6,520
53 Philippines	680	737	989	1,192	1,194	1,402	1,530	1,448	1,621	1,818	1,764
54 Thailand	758	933	876	663r	546	527	549	559	546	564	526
55 Middle East oil-exporting countries[4]	3,125	1,548	1,432	1,615r	1,288	1,473	1,394	1,381	1,569	1,597	1,611
56 Other Asia	1,804	1,934	2,252	2,181	2,261	2,129	2,367	2,520	2,495	3,008	2,663
57 Africa	2,221	1,797	2,377	2,420r	2,518	2,715	2,957	2,796r	2,803	3,546	3,817
58 Egypt	107	114	151	155	128	148	145	147	137	238	259
59 Morocco	82	103	223	71	88	204	273	269	243	284	273
60 South Africa	860	445	370	658	688	787	917	848r	904	1,011	948
61 Zaire	164	144	94	98	100	87	102	102r	100	112	98
62 Oil-exporting countries[5]	452	391	805	672	726	713	689	534	531	657	773
63 Other	556	600	734	767r	789	777	831	896	888	1,244	1,467
64 Other countries	988	855	1,150	1,078	1,121	1,054	1,110	1,059	1,114	1,379	1,462
65 Australia	877	673	859	939	988	952	959	962	989	1,197	1,279
66 All other	111	182	290	139	133	102	152	97	125	182	183
67 Nonmonetary international and regional organizations[6]	56	36	78	48	60	51	55	43	40	56	52

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.

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	1978	1979	1980	1981							1982
				June	July	Aug.	Sept.	Oct.	Nov	Dec.▬	Jan.^{p}
1 **Total**	**126,787**	**154,030**	**198,698**	**230,776^{r}**	...	...	**245,705^{r}**	...	...	**286,114**	
2 Banks' own claims on foreigners	115,545	133,943	172,592	196,947^{r}	196,885^{r}	198,903^{r}	210,104^{r}	196,637^{r}	208,059	248,850	253,315
3 Foreign public borrowers	10,346	15,937	20,882	22,909^{r}	24,026^{r}	24,414	25,021	25,436^{r}	26,391	30,912	32,346
4 Own foreign offices[1]	41,605	47,428	65,084	79,827^{r}	80,698^{r}	80,398^{r}	88,214	78,855	84,881	96,415	95,096
5 Unaffiliated foreign banks	40,483	40,927	50,168	55,165^{r}	54,200^{r}	55,364	58,487^{r}	54,957^{r}	57,648	72,576	75,505
6 Deposits	5,428	6,274	8,254	11,163^{r}	11,278	11,678	12,685	12,407^{r}	12,828	21,041	23,002
7 Other	35,054	34,654	41,914	44,002^{r}	42,922^{r}	43,686	45,803^{r}	42,550^{r}	44,820	51,535	52,503
8 All other foreigners	23,111	29,650	36,459	39,046^{r}	37,961^{r}	38,727	38,382	37,389^{r}	39,139	48,948	50,368
9 Claims of banks' domestic customers[2]	11,243	20,088	26,106	33,829^{r}	...	...	35,600^{r}	...	...	37,264	...
10 Deposits	480	955	885	763^{r}	...	...	992	...	...	1,355	...
11 Negotiable and readily transferable instruments[3]	5,396	13,100	15,574	23,559^{r}	...	...	25,193^{r}	...	...	25,786	...
12 Outstanding collections and other claims[4]	5,366	6,032	9,648	9,507	...	...	9,415^{r}	...	...	10,123	...
13 MEMO: *Customer liability on acceptances*	15,030	18,021	22,714	27,457	...	...	27,640^{r}	...	...	29,636	...
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	13,648^{r}	22,241^{r}	24,141	33,102	37,410^{r}	34,240^{r}	36,093^{r}	39,758^{r}	41,367	38,699	n.a.

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
3. Principally negotiable time certificates of deposit and bankers acceptances.
4. Data for March 1978 and for period before that are outstanding collections only.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

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

3.20 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	1978	1979	1980	1981			
	Dec.	Dec.	Dec.	Mar.	June	Sept	Dec.^{p} ▲
1 **Total**	**73,635**	**86,181**	**106,748^{r}**	**107,276**	**116,886^{r}**	**121,561^{r}**	**151,955**
By borrower							
2 Maturity of 1 year or less[1]	58,345	65,152	82,555^{r}	83,471	91,447^{r}	94,053^{r}	114,059
3 Foreign public borrowers	4,633	7,233	9,974^{r}	10,734	11,713^{r}	12,950^{r}	15,071
4 All other foreigners	53,712	57,919	72,581^{r}	72,737	79,734^{r}	81,104^{r}	98,988
5 Maturity of over 1 year[1]	15,289	21,030	24,193	23,805	25,439^{r}	27,508^{r}	37,897
6 Foreign public borrowers	5,395	8,371	10,152	10,250	11,022^{r}	12,367^{r}	15,607
7 All other foreigners	9,894	12,659	14,041	13,555	14,416^{r}	15,141^{r}	22,290
By area							
Maturity of 1 year or less[1]							
8 Europe	15,169	15,235	18,715^{r}	18,681	20,815^{r}	22,727^{r}	27,145
9 Canada	2,670	1,777	2,723	2,743	3,291^{r}	3,799	4,273
10 Latin America and Caribbean	20,895	24,928	32,034	31,329	33,292^{r}	35,207^{r}	47,576
11 Asia	17,545	21,641	26,686^{r}	28,363	31,485^{r}	29,222^{r}	31,653
12 Africa	1,496	1,077	1,757	1,624	1,768^{r}	2,324	2,474
13 All other[2]	569	493	640	730	797^{r}	774	938
Maturity of over 1 year[1]							
14 Europe	3,142	4,160	5,118	5,585	6,283^{r}	6,405^{r}	8,080
15 Canada	1,426	1,317	1,448	1,180	1,317^{r}	1,347	1,729
16 Latin America and Caribbean	8,464	12,814	15,075	14,841	15,448	17,471^{r}	25,187
17 Asia	1,407	1,911	1,865	1,530	1,680	1,565^{r}	1,749
18 Africa	637	655	507	531	551	548	893
19 All other[2]	214	173	179	138	159	172	260

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

Area or country	1977	1978[2]	1979		1980				1981		
			Sept.	Dec	Mar.	June	Sept	Dec	Mar.	June	Sept.[p]
1 **Total**	**240.0**	**266.2**	**294.0**	**303.8**	**308.5**	**328.7**	**339.1**	**351.9**	**370.9**	**382.2**	**398.2**
2 G-10 countries and Switzerland	116.4	124.7	135.7	138.4	141.2	154.2	158.8	162.1	168.4	168.3	171.8
3 Belgium-Luxembourg	8.4	9.0	10.7	11.1	10.8	13.1	13.6	13.0	13.5	14.2	14.0
4 France	11.0	12.2	12.0	11.7	12.0	14.1	13.9	14.1	14.5	14.7	16.0
5 Germany	9.6	11.3	12.8	12.2	11.4	12.7	12.9	12.1	13.2	12.1	12.7
6 Italy	6.5	6.7	6.1	6.4	6.2	6.9	7.2	8.2	7.7	8.4	8.6
7 Netherlands	3.5	4.4	4.7	4.8	4.3	4.5	4.4	4.4	4.6	4.1	3.7
8 Sweden	1.9	2.1	2.3	2.4	2.4	2.7	2.8	2.9	3.2	3.1	3.4
9 Switzerland	3.6	5.3	5.0	4.7	4.3	3.3	3.4	5.0	5.1	5.2	5.1
10 United Kingdom	46.5	47.3	53.7	56.4	57.6	64.4	66.7	67.4	68.2	66.7	68.6
11 Canada	6.4	6.0	6.0	6.3	6.9	7.2	7.7	8.4	8.8	10.8	11.5
12 Japan	18.8	20.6	22.3	22.4	25.4	25.5	26.1	26.5	29.6	28.9	28.2
13 *Other developed countries*	18.6	19.4	19.7	19.9	18.8	20.3	20.6	21.7	23.5	24.8	26.3
14 Austria	1.3	1.7	2.0	2.0	1.7	1.8	1.8	1.9	1.8	2.1	2.1
15 Denmark	1.6	2.0	2.0	2.2	2.1	2.2	2.2	2.3	2.4	2.3	2.5
16 Finland	1.2	1.2	1.2	1.2	1.1	1.3	1.2	1.4	1.4	1.3	1.4
17 Greece	2.2	2.3	2.3	2.4	2.4	2.5	2.6	2.8	2.7	3.0	2.9
18 Norway	1.9	2.1	2.3	2.3	2.4	2.4	2.4	2.6	2.8	2.8	3.0
19 Portugal	.6	.6	.7	.7	.6	.6	.7	.6	.6	.8	1.0
20 Spain	3.6	3.5	3.3	3.5	3.5	3.9	4.2	4.4	5.6	5.7	5.8
21 Turkey	1.5	1.5	1.4	1.4	1.4	1.4	1.3	1.5	1.5	1.4	1.5
22 Other Western Europe	.9	1.3	1.5	1.4	1.4	1.6	1.7	1.7	1.8	1.8	1.9
23 South Africa	2.4	2.0	1.7	1.3	1.1	1.5	1.2	1.1	1.5	1.9	2.5
24 Australia	1.4	1.4	1.3	1.3	1.2	1.2	1.2	1.3	1.4	1.7	1.9
25 OPEC countries[3]	17.6	22.7	23.4	22.9	21.8	20.9	21.4	22.7	21.7	22.2	23.4
26 Ecuador	1.1	1.6	1.6	1.7	1.8	1.8	1.9	2.1	2.0	2.0	2.1
27 Venezuela	5.5	7.2	7.9	8.7	7.9	7.9	8.5	9.1	8.3	8.7	9.2
28 Indonesia	2.2	2.0	1.9	1.9	1.9	1.9	1.9	1.8	2.1	2.1	2.5
29 Middle East countries	6.9	9.5	9.2	8.0	7.8	6.9	6.7	6.9	6.7	6.8	7.1
30 African countries	1.9	2.5	2.8	2.6	2.5	2.5	2.4	2.8	2.6	2.6	2.6
31 Non-OPEC developing countries	48.7	52.6	58.9	62.9	63.7	67.6	72.8	77.2	81.8	84.6	89.8
Latin America											
32 Argentina	2.9	3.0	4.1	5.0	5.5	5.6	7.6	7.9	9.4	8.5	9.2
33 Brazil	12.7	14.9	15.1	15.2	15.0	15.3	15.8	16.2	16.8	17.3	17.6
34 Chile	.9	1.6	2.2	2.5	2.5	2.7	3.2	3.7	4.0	4.7	5.5
35 Colombia	1.3	1.4	1.7	2.2	2.1	2.2	2.4	2.6	2.4	2.5	2.5
36 Mexico	11.9	10.8	11.4	12.0	12.1	13.6	14.4	15.9	17.0	18.2	20.0
37 Peru	1.9	1.7	1.4	1.5	1.3	1.4	1.5	1.8	1.8	1.7	1.8
38 Other Latin America	2.6	3.6	3.6	3.7	3.6	3.6	3.9	3.9	4.7	3.8	4.2
Asia											
China											
39 Mainland	.0	.0	.1	.1	.1	.1	.1	.2	.2	.2	.2
40 Taiwan	3.1	2.9	3.5	3.4	3.6	3.8	4.1	4.2	4.4	4.6	5.1
41 India	.3	.2	.2	.2	.2	.2	.2	.3	.3	.3	.3
42 Israel	.9	1.0	1.0	1.3	.9	1.2	1.1	1.5	1.3	1.8	1.5
43 Korea (South)	3.9	3.9	5.3	5.4	6.4	7.1	7.3	7.1	7.7	8.7	8.5
44 Malaysia	.7	.6	.7	.9	.8	.9	.9	1.0	1.0	1.4	1.4
45 Philippines	2.5	2.8	3.7	4.2	4.4	4.6	4.8	5.1	4.8	5.1	5.6
46 Thailand	1.1	1.2	1.6	1.5	1.4	1.5	1.5	1.6	1.6	1.5	1.4
47 Other Asia	.4	.2	.4	.5	.5	.5	.5	.6	.5	.7	.8
Africa											
48 Egypt	.3	.4	.6	.6	.7	.8	.6	.8	.8	.7	1.0
49 Morocco	.5	.6	.5	.6	.5	.5	.6	.7	.6	.5	.7
50 Zaire	.3	.2	.2	.2	.2	.2	.2	.2	.2	.2	.2
51 Other Africa[4]	.7	1.4	1.6	1.7	1.7	1.9	2.1	2.1	2.2	2.1	2.2
52 Eastern Europe	6.3	6.9	7.2	7.3	7.3	7.2	7.3	7.4	7.7	7.7	7.7
53 U.S.S.R.	1.6	1.3	.9	.7	.6	.5	.5	.4	.4	.5	.4
54 Yugoslavia	1.1	1.5	1.8	1.8	1.9	2.1	2.1	2.3	2.4	2.5	2.5
55 Other	3.7	4.1	4.6	4.8	4.9	4.5	4.7	4.6	4.8	4.8	4.8
56 Offshore banking centers	26.1	31.0	38.6	40.4	42.6	44.3	44.6	47.0	53.1	59.0	60.9
57 Bahamas	9.9	10.4	13.0	13.7	13.9	13.7	13.2	13.7	15.2	17.7	20.8
58 Bermuda	.6	.7	.7	.8	.6	.6	.6	.6	.7	.7	.9
59 *Cayman Islands and other British West Indies*	3.7	7.4	9.5	9.4	11.3	9.8	10.1	10.6	11.7	12.4	11.7
60 Netherlands Antilles	.7	.8	1.1	1.2	.9	1.2	1.3	2.1	2.3	2.4	2.2
61 Panama[5]	3.1	3.0	3.4	4.3	4.9	5.6	5.6	5.4	6.5	6.9	6.7
62 Lebanon	.2	.1	.2	.2	.2	.2	.2	.2	.2	.2	.2
63 Hong Kong	3.7	4.2	5.5	6.0	5.7	6.9	7.5	8.1	8.4	10.3	10.3
64 Singapore	3.7	3.9	4.9	4.5	4.7	5.9	5.6	5.9	7.3	8.1	8.0
65 Others[6]	.5	.5	.4	.4	.4	.4	.4	.3	.9	.3	.1
66 Miscellaneous and unallocated[7]	5.3	9.1	10.6	11.7	13.1	14.3	13.7	14.0	14.9	15.7	18.2

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.13 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.17 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches). However, see also footnote 2.

2. 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 States[1]

Millions of dollars, end of period

Type, and area or country	1978	1979	1980	1980 Sept.	1980 Dec.	1981 Mar.	1981 June	1981 Sept.^{p}
1 **Total**	**14,956**	**17,170**	**21,644**	**18,778**	**21,644**	**21,681**	**21,163^r**	**21,178**
2 Payable in dollars	11,527	14,095	17,935	15,441	17,935	18,156	17,915^r	18,186
3 Payable in foreign currencies[2]	3,429	3,075	3,709	3,337	3,709	3,525	3,247^r	2,992
By type								
4 Financial liabilities	6,368	7,477	11,122	8,441	11,122	11,492	11,386	10,921
5 Payable in dollars	3,853	5,207	8,350	5,954	8,350	8,860	9,053	8,739
6 Payable in foreign currencies	2,515	2,270	2,772	2,487	2,772	2,633	2,333	2,182
7 Commercial liabilities	8,588	9,693	10,521	10,337	10,521	10,188	9,777^r	10,257
8 Trade payables	4,001	4,421	4,708	4,377	4,708	4,781	4,377^r	4,268
9 Advance receipts and other liabilities	4,587	5,272	5,814	5,960	5,814	5,407	5,401^r	5,989
10 Payable in dollars	7,674	8,888	9,585	9,487	9,585	9,296	8,862^r	9,447
11 Payable in foreign currencies	914	805	936	850	936	892	915^r	810
By area or country								
Financial liabilities								
12 Europe	3,971	4,655	6,314	5,321	6,314	6,011	5,926	6,073
13 Belgium-Luxembourg	293	345	484	432	484	553	527	440
14 France	173	175	327	360	327	324	362	607
15 Germany	366	497	582	557	582	498	477	430
16 Netherlands	391	829	663	781	663	544	700	583
17 Switzerland	248	170	354	224	354	315	321	335
18 United Kingdom	2,167	2,460	3,769	2,836	3,769	3,665	3,419	3,526
19 Canada	247	532	958	642	958	1,090	978	977
20 Latin America and Caribbean	1,357	1,483	3,103	1,734	3,103	3,483	3,592	3,032
21 Bahamas	478	375	964	407	964	1,217	1,272	1,019
22 Bermuda	4	81	1	1	1	1	1	0
23 Brazil	10	18	23	20	23	19	20	20
24 British West Indies	194	514	1,452	708	1,452	1,458	1,534	1,296
25 Mexico	102	121	99	108	99	97	98	107
26 Venezuela	49	72	81	74	81	85	91	90
27 Asia	784	799	723	712	723	880	861	805
28 Japan	717	726	644	618	644	766	741	687
29 Middle East oil-exporting countries[3]	32	31	38	37	38	51	29	30
30 Africa	5	4	11	11	11	6	5	3
31 Oil-exporting countries[4]	2	1	1	1	1	1	0	1
32 All other[5]	5	4	15	21	15	23	24	29
Commercial liabilities								
33 Europe	3,047	3,636	4,197	4,074	4,197	3,814	3,892^r	3,912
34 Belgium-Luxembourg	97	137	90	109	90	83	72	78
35 France	321	467	582	501	582	563	558^r	575
36 Germany	523	545	679	686	679	639	617^r	579
37 Netherlands	246	227	219	276	219	246	225	235
38 Switzerland	302	310	493	452	493	385	375	563
39 United Kingdom	824	1,077	1,017	1,047	1,017	880	950^r	888
40 Canada	667	868	806	591	806	749	652^r	742
41 Latin America	997	1,323	1,244	1,361	1,244	1,287	1,149^r	1,064
42 Bahamas	25	69	8	8	8	1	4	3
43 Bermuda	97	32	73	114	73	111	72	113
44 Brazil	74	203	111	156	111	84	54	61
45 British West Indies	53	21	35	12	35	16	34	11
46 Mexico	106	257	326	324	326	421	319^r	345
47 Venezuela	303	301	307	293	307	253	290	249
48 Asia	2,931	2,905	3,005	2,909	3,005	3,071	2,787^r	3,197
49 Japan	448	494	802	502	802	810	867	777
50 Middle East oil-exporting countries[3]	1,523	1,017	894	944	894	955	837^r	880
51 Africa	743	728	814	1,006	814	828	676^r	751
52 Oil-exporting countries[4]	312	384	514	633	514	519	392	351
53 All other[5]	203	233	456	396	456	440	622	593

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Before December 1978, foreign currency data include only liabilities denominated in foreign currencies with an original maturity of less than one year.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1978	1979	1980	1980		1981		
				Sept.	Dec.	Mar	June	Sept.[p]
1 **Total**	**28,004**	**31,286**	**34,489**	**32,048**	**34,489**	**37,661**	**35,258**[r]	**33,809**
2 Payable in dollars	25,001	28,094	31,563	28,712	31,563	34,663	32,334[r]	30,828
3 Payable in foreign currencies[2]	3,003	3,193	2,926	3,336	2,926	2,999	2,924[r]	2,981
By type								
4 Financial claims	16,644	18,431	19,812	18,633	19,812	22,203	20,133	18,949
5 Deposits	11,201	12,797	13,978	12,574	13,978	16,474	14,487	13,239
6 Payable in dollars	10,133	11,881	13,203	11,361	13,203	15,679	13,761	12,508
7 Payable in foreign currencies	1,068	916	775	1,213	775	795	725	732
8 Other financial claims	5,443	5,634	5,834	6,059	5,834	5,729	5,646	5,710
9 Payable in dollars	3,874	3,808	4,152	4,404	4,152	4,082	3,992	4,009
10 Payable in foreign currencies	1,569	1,826	1,683	1,655	1,683	1,646	1,655	1,701
11 Commercial claims	11,360	12,855	14,677	13,415	14,677	15,458	15,125[r]	14,860
12 Trade receivables	10,802	12,161	13,957	12,714	13,957	14,657	14,295[r]	14,001
13 Advance payments and other claims	559	694	720	702	720	801	830	859
14 Payable in dollars	10,994	12,405	14,208	12,947	14,208	14,901	14,581[r]	14,311
15 Payable in foreign currencies	366	450	468	469	468	557	544[r]	549
By area or country								
Financial claims								
16 Europe	5,225	6,163	6,094	5,692	6,094	6,098	5,212	4,628
17 Belgium-Luxembourg	48	32	195	17	195	170	174	26
18 France	178	177	334	409	334	411	377	348
19 Germany	510	409	230	168	230	213	139	320
20 Netherlands	103	53	32	30	32	42	34	48
21 Switzerland	98	73	59	41	59	90	96	67
22 United Kingdom	4,031	5,107	4,967	4,646	4,967	4,900	4,046	3,476
23 Canada	4,549	4,984	5,057	4,948	5,057	6,611	6,168	6,018
24 Latin America and Caribbean	5,714	6,282	7,682	6,812	7,682	8,552	7,882	7,313
25 Bahamas	3,001	2,757	3,424	2,845	3,424	3,947	3,231	3,128
26 Bermuda	80	30	135	65	135	13	33	15
27 Brazil	151	163	96	116	96	22	20	66
28 British West Indies	1,291	2,007	2,681	2,342	2,681	3,398	3,396	3,010
29 Mexico	162	157	208	192	208	168	162	273
30 Venezuela	157	143	137	128	137	131	143	143
31 Asia	920	706	710	853	710	691	618	653
32 Japan	305	199	177	331	177	191	107	120
33 Middle East oil-exporting countries[3]	18	16	20	20	20	17	19	29
34 Africa	181	253	238	260	238	214	216	222
35 Oil-exporting countries[4]	10	49	26	29	26	27	39	41
36 All other[5]	55	44	32	68	32	36	37	116
Commercial claims								
37 Europe	3,983	4,909	5,511	4,709	5,511	5,822	5,467[r]	5,403
38 Belgium-Luxembourg	144	202	233	230	233	277	235	219
39 France	609	727	1,129	710	1,129	918	783[r]	762
40 Germany	399	589	591	571	591	597	572[r]	579
41 Netherlands	267	298	318	289	318	347	308	307
42 Switzerland	198	272	351	339	351	461	474	402
43 United Kingdom	824	901	932	994	932	1,187	1,067	1,025
44 Canada	1,094	849	899	934	899	1,037	991[r]	993
45 Latin America and Caribbean	2,546	2,853	3,791	3,389	3,791	3,832	3,793[r]	3,684
46 Bahamas	109	21	21	53	21	15	29	18
47 Bermuda	215	197	148	81	148	170	192	241
48 Brazil	628	645	861	712	861	799	823	708
49 British West Indies	9	16	34	17	34	15	34	13
50 Mexico	505	698	1,090	992	1,090	1,051	1,113[r]	969
51 Venezuela	291	343	407	388	407	436	420[r]	438
52 Asia	3,112	3,450	3,507	3,443	3,507	3,763	3,767[r]	3,628
53 Japan	1,006	1,175	1.045	1,135	1,045	1,294	1,218[r]	1,097
54 Middle East oil-exporting countries[3]	716	766	821	837	821	925	934[r]	823
55 Africa	447	554	651	669	651	678	703[r]	703
56 Oil-exporting countries[4]	136	133	151	135	151	143	137	149
57 All other[5]	178	240	318	272	318	327	404[r]	449

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Prior to December 1978, foreign currency data include only liabilities denominated in foreign currencies with an original maturity of less than one year.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises *Algeria, Gabon, Libya, and Nigeria.*
5. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1979	1980	1981	1982 Jan.–Jan.p	1981 June	1981 July	1981 Aug.	1981 Sept.	1981 Oct.	1981 Nov.	1981 Dec.	1982 Jan.p
	U.S. corporate securities											
STOCKS												
1 Foreign purchases	22,783	40,290r	40,558	2,016	4,419r	3,458r	3,152	2,847	2,839	2,689	2,940	2,016
2 Foreign sales	21,104	34,870r	34,842	1,748	3,424r	3,258r	3,206	2,322	2,792	2,494	2,740	1,748
3 **Net purchases, or sales (−)**	**1,679**	**5,419r**	**5,717**	**268**	**995r**	**200r**	**−54**	**525**	**47**	**195**	**200**	**268**
4 **Foreign countries**	**1,662**	**5,401r**	**5,692**	**263**	**990r**	**192r**	**−49**	**531**	**53**	**207**	**199**	**263**
5 Europe	237	3,108r	3,592	231	537r	121r	74	38	46	109	176	231
6 France	137	490	889	−2	48r	49r	29	10	21	−7	5	−2
7 Germany	−215	169r	−28	11	13	−28	−28	−48	6	−4	−6	11
8 Netherlands	−71	−328	37	3	54r	−41	−28	3	13	28	−73	3
9 Switzerland	−519	308	269	40	0	−19	1	−68	−97	0	75	40
10 United Kingdom	964	2,523	2,210	168	372r	148r	85	132	86	96	171	168
11 Canada	552	887	750	−45	104	77	−39	44	−47	7	8	−45
12 Latin America and Caribbean	−19	148	−30	−13	126	−126	−51	−81	7	54	−36	−13
13 Middle East[1]	688	1,206	1,140	51	33	105	−36	497	164	46	−24	51
14 Other Asia	211	16	279	40	187	37	20	29	−117	−7	74	40
15 Africa	−14	−1	7	0	4	−1	0	0	0	1	0	0
16 Other countries	7	38	−46	−1	−1	−21	−17	4	−2	−3	1	−1
17 **Nonmonetary international and regional organizations**	**17**	**18**	**24**	**5**	**5**	**8**	**−5**	**−5**	**−6**	**−12**	**0**	**5**
BONDS[2]												
18 Foreign purchases	8,888r	15,425	17,208	946	1,939r	1,894	1,171	1,306	1,166	1,099	1,192	946
19 Foreign sales	7,648r	9,964	12,180	778	1,450r	820	894	1,051	1,203	1,303	1,038	778
20 **Net purchases, or sales (−)**	**1,240r**	**5,461**	**5,028**	**168**	**489r**	**1,074**	**277**	**255**	**−36**	**−204**	**153**	**168**
21 **Foreign countries**	**1,376**	**5,526**	**4,961**	**154**	**473**	**1,067**	**278**	**243**	**−27**	**−212**	**157**	**154**
22 Europe	671	1,576	1,335	144	179	122	176	5	−106	−112	139	144
23 France	56	129	11	15	10	−5	−9	4	5	4	7	15
24 Germany	59	212r	850	83	151	68	105	64	43	67	52	83
25 Netherlands	−202	−65	60	2	0	0	−2	−2	3	9	3	2
26 Switzerland	−118	54	98	19	20	22	22	−23	7	10	−3	19
27 United Kingdom	814	1,257	178	3	4	11	45	−53	−164	−174	55	3
28 Canada	80	135	6	29	−6	23	2	−12	−35	−29	−2	29
29 Latin America and Caribbean	109	185	132	17	12	21	−5	7	−12	4	22	17
30 Middle East[1]	424	3,499	3,465	−89	359	853	81	252	84	−72	−62	−89
31 Other Asia	88	117	44	53	−71	49	24	−9	43	−1	60	53
32 Africa	1	5	−1	0	0	0	0	0	0	−1	0	0
33 Other countries	1	10	−7	0	1	0	0	−1	0	−2	2	0
34 **Nonmonetary international and regional organizations**	**−136r**	**−65**	**66**	**14**	**16r**	**7**	**−1**	**12**	**−10**	**9**	**−4**	**14**
	Foreign securities											
35 Stocks, net purchases, or sales (−)	−817	−2,142r	2	159	−128r	106r	51	191	−30	−70	82	159
36 Foreign purchases	4,617	7,888r	9,198	521	891	891	835	794	588	625	699	521
37 Foreign sales	5,434	10,029r	9,196	362	1,019r	785r	784	603	617	695	617	362
38 Bonds, net purchases, or sales (−)	−3,999r	−1,013	−5,218	−21	−483r	−418r	−32	−260r	−154	−1,946	−772	−21
39 Foreign purchases	12,662	17,073	17,823	1,222	1,510r	1,768	1,078	1,023	1,553	2,296	1,980	1,222
40 Foreign sales	16,660r	18,086	23,041	1,243	1,993r	2,186r	1,110	1,282r	1,706	4,242	2,751	1,243
41 ***Net purchases, or sales (−), of stocks and bonds***	**−4,816r**	**−3,155r**	**−5,215**	**138**	**−611r**	**−311r**	**19**	**−68r**	**−183**	**−2,015**	**−689**	**138**
42 **Foreign countries**	**−4,066r**	**−4,031r**	**−4,459**	**110**	**−611r**	**−622r**	**62**	**−82r**	**−356**	**−1,427**	**31**	**110**
43 Europe	−1,785r	−1,108r	637	143	−50r	145r	−55	74r	−45	−453	136	143
44 Canada	−2,601	−1,959	−3,745	−80	−507	−858	−74	−326	−250	−879	−166	−80
45 Latin America and Caribbean	343	80	170	67	−13r	−24	62	1	50	−6	−2	67
46 Asia	15	−1,147	287	−2	−109r	140r	131	177	−113	−148	49	−2
47 Africa	−63	24	53	−15	−6	−2	−3	−6	1	1	6	−15
48 Other countries	25	78	92	−4	74r	−23	1	−3	0	57	8	−4
49 **Nonmonetary international and regional organizations**	**−750**	**876**	**756**	**28**	**0**	**311**	**−43**	**14**	**173**	**−588**	**−720**	**28**

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	1979	1980	1981	1982 Jan. Jan.	1981 June	1981 July	1981 Aug.	1981 Sept.	1981 Oct	1981 Nov.	1981 Dec.	1982 Jan.p
	Holdings (end of period)[1]											
1 **Estimated total[2]**	**51,484**	**57,549**	**70,343**	....	**64,232r**	**64,638r**	**66,437r**	**67,008r**	**68,489r**	**70,512r**	**70,343**	**71,629**
2 Foreign countries[2]	46,055	52,961	64,672	....	59,289	59,658	61,579	62,369	64,067	66,035	64,672	65,992
3 Europe[2]	24,964	24,468	23,976	....	25,000	24,573	25,090	24,334	24,531	24,952	23,976	24,373
4 Belgium-Luxembourg	60	77	543	....	173	163	370	372	384	329	543	614
5 Germany[2]	14,056	12,327	11,861	....	12,585	13,226	13,524	12,830	13,029	13,226	11,861	11,901
6 Netherlands	1,466	1,884	1,955	....	1,781	1,756	1,760	1,756	1,784	1,889	1,955	1,998
7 Sweden	647	595	643	....	582	606	623	646	661	645	643	644
8 Switzerland[2]	1,868	1,485	846	....	1,600	763	848	876	861	833	846	904
9 United Kingdom	6,376	7,323	6,709	....	6,976	6,709	6,630	6,469	6,446	6,693	6,709	6,800
10 Other Western Europe	491	777	1,419	....	1,304	1,350	1,334	1,385	1,367	1,337	1,419	1,514
11 Eastern Europe	0	0	0	....	0	0	0	0	0	0	0	-2
12 Canada	232	449	520	....	484	501	514	528	547	508	520	540
13 Latin America and Caribbean	466	999	736	....	666	724	818	854	788	761	736	721
14 Venezuela	103	292	286	....	287	287	313	294	289	306	286	286
15 Other Latin America and Caribbean	200	285	319	....	217	260	321	313	317	289	319	321
16 Netherlands Antilles	163	421	131	....	162	177	184	246	182	165	131	113
17 Asia	19,805	26,112	38,806	....	31,997	32,716	34,008	35,506	37,052	38,774	38,806	39,836
18 Japan	11,175	9,479	10,780	....	9,778	9,786	9,890	10,102	10,094	10,732	10,780	10,844
19 Africa	591	919	631	....	1,139	1,139	1,140	1,140	1,141	1,037	631	519
20 All other	3	14	2	....	3	6	8	8	8	3	2	3
21 Nonmonetary international and regional organizations	5,429	4,588	5,671	....	4,943	4,980r	4,858r	4,639r	4,422r	4,477	5,671	5,637
22 International	5,388	4,548	5,637	....	4,942	4,977r	4,856r	4,636r	4,419r	4,476	5,670	5,636
23 Latin American regional	37	36	1	....	1	1	1	1	1	1	1	1
	Transactions (net purchases, or sales ( ) during period)											
24 **Total[2]**	**6,537**	**6,066**	**12,794**	**1,286**	**1,266**	**405**	**1,799**	**571**	**1,480**	**2,024**	**-169**	**1,286**
25 Foreign countries[2]	6,238	6,906	11,710	1,320	1,121	369	1,920	791	1,698	1,968	-1,363	1,320
26 Official institutions	1,697	3,865	11,833	841	980	798	1,532	1,376	1,633	2,123	-787	841
27 Other foreign[2]	4,543	3,040	124	478	141	429	388	-585	65	-165	-576	478
28 Nonmonetary international and regional organizations	300	-843	1,085	-33	145	36	120	-220	-217	56	1,194	33
MEMO: Oil-exporting countries												
29 Middle East[3]	1,014	7,672	11,156	1,019	565	659	1,204	1,354	1,442	1,250	17	1,019
30 Africa[4]	-100	327	-289	-112	0	0	0	0	0	-102	-407	112

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, 1982 Percent	Rate on Feb. 28, 1982 Month effective	Country	Rate on Feb. 28, 1982 Percent	Rate on Feb. 28, 1982 Month effective	Country	Rate on Feb. 28, 1982 Percent	Rate on Feb. 28, 1982 Month effective
Argentina	187.55	Jan. 1982	France[1]	17.5	Oct. 1981	Sweden	11.0	Oct. 1981
Austria	6.75	Mar. 1980	Germany, Fed. Rep. of	7.5	May 1980	Switzerland	6.0	Sept. 1981
Belgium	14.0	Jan. 1982	Italy	19.0	Mar 1981	United Kingdom[2]	....	....
Brazil	49.0	Mar. 1981	Japan	5.5	Dec. 1981	Venezuela	14.0	Aug. 1981
Canada	14.83	Feb. 1982	Netherlands	8.5	Jan. 1982			
Denmark	11.00	Oct. 1980	Norway	9.0	Nov. 1979			

1. As from February 1981, the rate 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	1979	1980	1981	1981 Aug.	Sept.	Oct.	Nov.	Dec.	1982 Jan.	Feb.
1 Eurodollars	11.96	14.00	16.79	18.79	17.80	16.34	13.33	13.24	14.29	15.75
2 United Kingdom	13.60	16.59	13.86	14.02	14.60	16.27	15.03	15.31	15.14	14.47
3 Canada	11.91	13.12	18.34	21.84	20.42	18.84	16.53	15.97	15.01	15.25
4 Germany	6.64	9.45	12.05	12.87	12.48	11.72	11.05	10.72	10.43	10.22
5 Switzerland	2.04	5.79	9.15	9.05	10.56	10.85	9.88	9.76	8.53	8.29
6 Netherlands	9.33	10.60	11.52	13.54	12.96	12.57	11.70	11.03	10.49	10.06
7 France	9.44	12.18	15.28	17.40	17.65	16.47	15.35	15.30	15.07	14.58
8 Italy	11.85	17.50	19.98	20.94	21.07	21.00	21.12	21.24	21.38	21.34
9 Belgium	10.48	14.06	15.28	16.00	16.00	15.83	15.28	15.48	15.09	14.89
10 Japan	6.10	11.45	7.58	7.22	7.26	7.13	7.15	6.75	6.41	6.38

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	1979	1980	1981	1981 Sept.	Oct.	Nov.	Dec.	1982 Jan.	Feb.
1 Argentina/peso	n.a.	n.a.	n.a.	5457.50	5967.00	6425.20	7417.10	9910.00	10256.00
2 Australia/dollar[1]	111.77	111.57	114.57	114.86	114.32	114.55	113.39	111.41	108.50
3 Austria/schilling	13.387	12.945	15.948	16.527	15.788	15.621	15.852	16.066	16.587
4 Belgium/franc	29.342	29.237	37.194	38.526	37.660	37.420	38.296	39.027	41.144
5 Brazil/cruzeiro	n.a.	n.a.	92.374	105.07	110.96	117.71	121.98	130.14	137.97
6 Canada/dollar	1.1603	1.1693	1.1990	1.2008	1.2029	1.1872	1.1851	1.1926	1.2140
7 Chile/peso	n.a.	n.a.	n.a.	39.100	39.100	39.100	39.100	39.100	39.100
8 China, P.R./yuan	n.a.	n.a	1.7031	1.7542	1.7576	1.7409	1.7405	1.7713	1.8200
9 Colombia/peso	n.a.	n.a.	n.a.	55.877	56.444	57.175	57.129	59.409	60.129
10 Denmark/krone	5.2622	5.6345	7.1350	7.3835	7.2348	7.1720	7.3210	7.4977	7.7950
11 Finland/markka	3.8886	3.7206	4.3128	4.5000	4.4250	4.3442	4.3666	4.4033	4.5058
12 France/franc	4.2566	4.2250	5.4396	5.6326	5.6314	5.6240	5.7141	5.8298	6.0176
13 Germany/deutsche mark	1.8342	1.8175	2.2631	2.3522	2.2543	2.2292	2.2579	2.2938	2.3660
14 Greece/drachma	n.a.	n.a.	n.a.	57.721	56.706	56.297	57.231	58.811	60.973
15 Hong Kong/dollar	n.a.	n.a.	5.5678	6.0259	5.9869	5.6681	5.6329	5.7959	5.8857
16 India/rupee	8.1555	7.8866	8.6807	9.1152	9.1348	9.1350	9.1304	9.1525	9.2144
17 Indonesia/rupiah	n.a.	n.a.	n.a.	632.00	632.00	632.00	632.36	645.7	645.89
18 Iran/rial	n.a.	n.a.	79.324	80.955	80.95	80.606	79.000	n.a.	n.a.
19 Ireland/pound[1]	204.65	213.53	161.32	155.04	157.5	158.95	157.30	153.97	148.86
20 Israel/shekel	n.a.	n.a.	n.a.	13.174	13.738	14.537	15.363	16.163	17.488
21 Italy/lira	831.10	856.20	1138.60	1187.60	1194.30	1191.60	1206.40	1228.20	1263.20
22 Japan/yen	219.02	226.63	220.63	229.48	231.52	223.13	218.95	224.80	235.31
23 Malaysia/ringgit	2.1721	2.1767	2.3048	2.3516	2.2989	2.2562	2.2477	2.2575	2.3662
24 Mexico/peso	22.816	22.968	24.547	25.089	25.400	25.722	26.071	26.469	31.736
25 Netherlands/guilder	2.0072	1.9875	2.4998	2.6109	2.4913	2.4442	2.4734	2.5145	2.5947
26 New Zealand/dollar[1]	102.23	98.65	86.848	82.644	82.355	83.104	82.784	81.399	79.325
27 Norway/krone	5.0650	4.9381	5.7430	5.9610	5.9195	5.8164	5.7801	5.8623	5.9697
28 Peru/sol	n.a.	n.a.	n.a.	441.43	455.10	469.83	487.73	515.21	534.47
29 Philippines/peso	n.a.	n.a.	7.8113	7.9699	8.0298	8.0868	8.1446	8.2132	8.2530
30 Portugal/escudo	48.953	50.082	61.739	65.502	64.700	64.375	65.348	66.492	69.067
31 Singapore/dollar	n.a.	n.a.	2.1053	2.1442	2.0977	2.0610	2.0530	2.0607	2.1095
32 South Africa/rand/[1]	118.72	122.72	114.77	105.56	104.61	103.82	103.10	103.46	101.95
33 South Korea/won	n.a.	n.a.	n.a.	686.70	683.81	688.56	694.68	705.17	710.05
34 Spain/peseta	67.158	71.758	92.396	96.129	96.023	95.398	96.97	98.357	100.70
35 Sri Lanka/rupee	15.570	16.167	18.967	19.986	20.674	20.826	20.259	20.228	20.611
36 Sweden/krona	4.2892	4.2309	5.0659	5.4303	5.5492	5.4894	5.5411	5.6206	5.7579
37 Switzerland/franc	1.6643	1.6772	1.9674	2.0223	1.8844	1.7859	1.8152	1.8442	1.8909
38 Thailand/baht	n.a.	n.a.	21.731	23.050	23.050	23.050	23.050	23.050	23.050
39 United Kingdom/pound[1]	212.24	227.74	202.43	181.46	184.07	190.25	190.33	188.60	184.70
40 Venzuela/bolivar	n.a.	n.a.	4.2781	4.2990	4.2944	4.2961	4.2958	4.2960	4.2960
MEMO:									
United States/dollar[2]	88.09	87.39	102.94	107.98	106.34	104.53	105.21	106.96	110.36

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 more than half of figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)	REITs	Real estate investment trusts
		RPs	Repurchase agreements
		SMSAs	Standard metropolitan statistical areas
		......	Cell not applicable

General Information

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

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

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

STATISTICAL RELEASES

List Published Semiannually, with Latest Bulletin Reference

SPECIAL TABLES

Published Irregularly, with Latest Bulletin Reference

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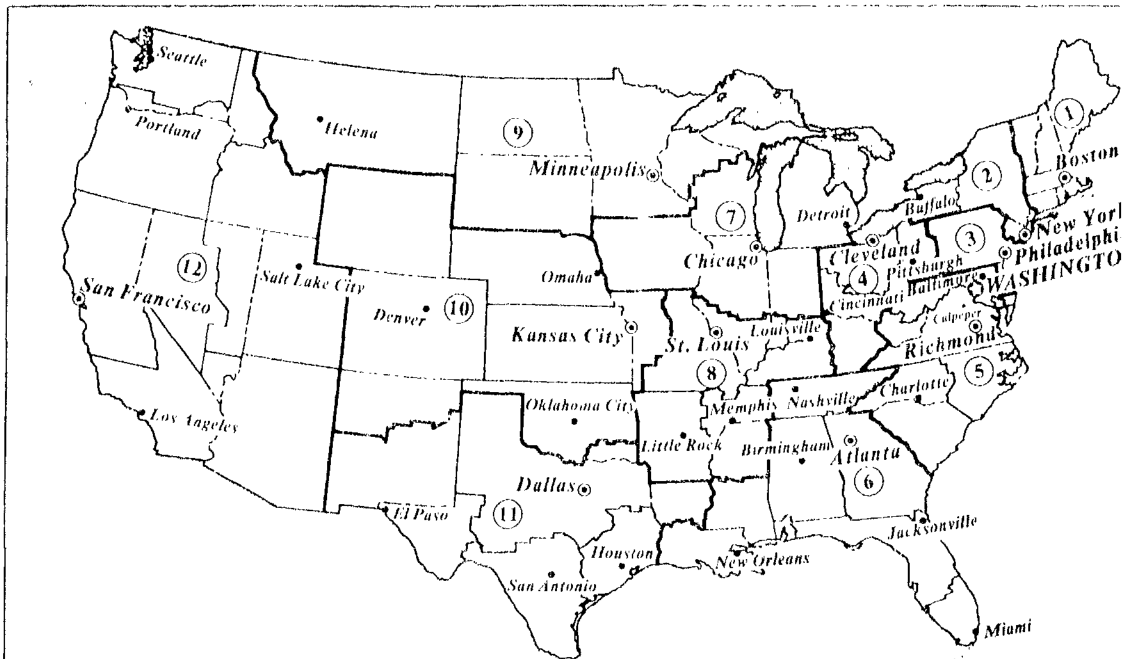

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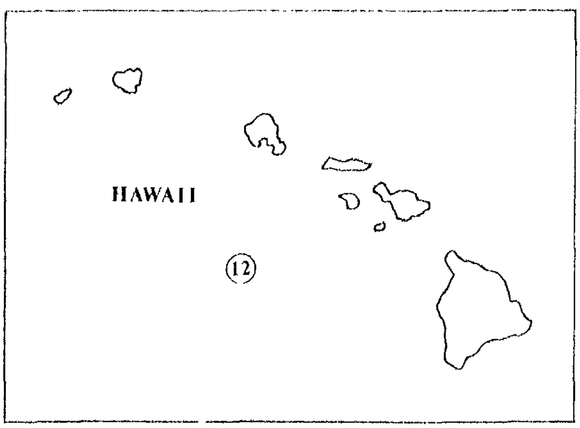

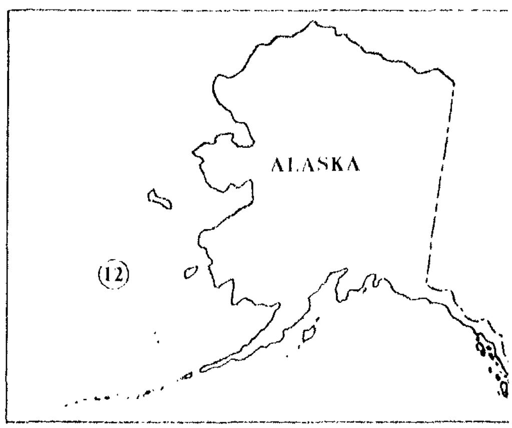

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