

## **Prefatory Note**

The attached document represents the most complete and accurate version available based on original copies culled from the files of the FOMC Secretariat at the Board of Governors of the Federal Reserve System. This electronic document was created through a comprehensive digitization process which included identifying the best-preserved paper copies, scanning those copies,<sup>1</sup> and then making the scanned versions text-searchable.<sup>2</sup> Though a stringent quality assurance process was employed, some imperfections may remain.

Please note that some material may have been redacted from this document if that material was received on a confidential basis. Redacted material is indicated by occasional gaps in the text or by gray boxes around non-text content. All redacted passages are exempt from disclosure under applicable provisions of the Freedom of Information Act.

---

<sup>1</sup> In some cases, original copies needed to be photocopied before being scanned into electronic format. All scanned images were deskewed (to remove the effects of printer- and scanner-introduced tilting) and lightly cleaned (to remove dark spots caused by staple holes, hole punches, and other blemishes caused after initial printing).

<sup>2</sup> A two-step process was used. An advanced optical character recognition computer program (OCR) first created electronic text from the document image. Where the OCR results were inconclusive, staff checked and corrected the text as necessary. Please note that the numbers and text in charts and tables were not reliably recognized by the OCR process and were not checked or corrected by staff.

CONFIDENTIAL (FR)  
CLASS II - FOMC

December 17, 1976

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

## TABLE OF CONTENTS

	<u>Page</u>
<b>THE DOMESTIC NONFINANCIAL ECONOMY</b>	
Industrial production.....	1
Private housing starts.....	2
Personal income.....	4
Price of crude oil.....	5
TABLES:	
Industrial production.....	2
Private housing starts and residential building permits.....	3
Personal income.....	4
<b>THE DOMESTIC FINANCIAL ECONOMY</b>	
Mortgage market.....	5
TABLES:	
Average rates and yields on new-home mortgages.....	6
Interest rates.....	7
<b>INTERNATIONAL DEVELOPMENTS</b>	
Deutsche Bundesbank announces 1977 central bank money growth target.....	8
<b>ERRATUM</b>	
Part I.....	9
<b>APPENDICES</b>	
Changes in bank lending practices.....	A-1
Changes in offering terms of small time and savings deposits in response to declining market rates of interest.....	B-1
Business loan expansion by industry.....	C-1
U.K. economic package.....	D-1

## SUPPLEMENTAL NOTES

---

### The Domestic Nonfinancial Economy

Industrial production increased by an estimated 1.2 per cent in November to 132.0 per cent of the 1967 average, fractionally above the record high of 131.9 per cent reached in June 1974. The increase followed declines in the index for both September and October. More than half of the November increase resulted from resumption of production following the settlement of strikes, but additional moderate increases were widespread among consumer goods, business equipment, and nondurable materials.

PRODUCTS. Output of consumer goods advanced sharply in November primarily because of a post-strike rebound in motor vehicle production, but moderate increases occurred in other industries also. Auto assemblies, up 14 per cent, were at an 8.8 million unit annual rate and at their pre-strike level. Current production schedules indicate a further rise in December. Production of home goods last month increased moderately, as did output of consumer nondurables, including clothing and consumer staples. Business equipment production increased more than 2 per cent, the result mainly of the resolution of strikes affecting farm equipment and truck production. At 139.3 per cent of the 1967 average, business equipment remains 5 per cent below its 1974 high. Output of construction and business supplies increased somewhat.

**MATERIALS.** The production of durable materials rose sharply in November, but this was mainly in the auto supplying industries. Output of other durable materials rose slightly. Production of non-durable materials advanced moderately.

**INDUSTRIAL PRODUCTION**  
(Seasonally adjusted)

	1976				Per cent changes		
	Aug.	Sept.	Oct. (p)	Nov. (e)	Month ago	Year ago	QII to QIII
Total	131.3	130.9	130.4	132.0	1.2	6.9	1.2
Products, total	130.3	130.0	129.6	131.5	1.5	6.2	.9
Final products	128.3	127.5	127.3	129.5	1.7	5.9	.6
Consumer goods	137.5	136.2	136.5	138.9	1.8	5.9	-.2
Durable goods	143.7	138.5	138.1	144.6	4.7	9.1	-1.1
Nondurable goods	134.9	135.3	135.8	136.6	.6	4.6	.2
Business equipment	137.7	137.6	136.4	139.3	2.1	7.5	2.1
Intermediate products	137.8	139.0	138.3	139.2	.7	7.7	2.1
Construction supplies	134.1	134.3	133.9	134.9	.7	9.6	2.8
Materials	133.0	132.4	131.7	133.0	1.0	8.0	1.7

p--preliminary      e--estimated

Private housing starts declined 6 per cent further in November to a seasonally adjusted annual rate of 1.71 million units. Despite this decline, indications are that starts in the fourth quarter, as a whole, will average a tenth above the third quarter figure. Most of the November decline was in the single-family sector. Even so, at a

rate of 1.24 million units, such starts continued near the cyclical peak recorded in early 1973. Multifamily starts, which have been bolstered in recent months by federal subsidy programs, edged down 1 per cent in November.

The decline in total starts was shared by three of the four Census regions. However, in the Northeast, where starts had been quite low for nearly 2 years, the rate jumped more than 50 per cent above the October figure.

In contrast to housing starts, residential building permits rose 6 per cent in November to a seasonally adjusted annual rate of 1.59 million units--the highest rate in more than 3 years. Permits for all types of units increased.

PRIVATE HOUSING STARTS AND  
RESIDENTIAL BUILDING PERMITS

	Sept.	Oct.	Nov.	Per cent change from	
	(r)	(r)	(p)	October 1976	November 1975
	(Thousands of units, SAAR)				
<u>STARTS</u>	1,840	1,813	1,705	-6	+24
1 - family	1,280	1,340	1,237	-8	+18
2 - or more - family	560	473	468	-1	+41
Northeast	164	175	264	+51	+51
North Central	503	478	365	-24	+ 8
South	708	612	571	-7	+ 7
West	465	548	505	-8	+51
<u>PERMITS</u>	1,504	1,492	1,585	+6	+41
1 - family	926	998	1,085	+9	+33
2-- or more - family	578	494	500	+1	+60
Northeast	164	185	163	-12	+14
North Central	395	381	361	-5	+25
South	478	429	452	+5	+30
West	467	497	609	+23	+75
MEMO: Mobile home shipments	255	269	244	-9	+ 6

NOTE: r = revised, p = preliminary, -- means change is less than 1 per cent.

Total personal income rose \$14.9 billion at a seasonally adjusted annual rate in November compared to an upward revised increase of \$11.2 billion in October.

Wage and salary disbursements increased \$10.2 billion in November, considerably more than in October. This reflected a \$4.5 billion increase in manufacturing payrolls in November, compared to only \$0.3 billion in October, as employment, average weekly hours, and average hourly earnings all increased. The largest increase was in the transportation equipment industry reflecting the first full month of operation since the Ford strike.

Farm proprietors' income leveled out after having declined since mid-year.

PERSONAL INCOME  
(Average monthly change, billions of dollars seasonally  
adjusted at an annual rate)

	July 75-* July 76	July 76- Nov. 76p	Sept. 76- Oct. 76r	Oct. 76- Nov. 76p
Total Personal Income	10.7	9.3	11.2	14.9
Labor and Nonfarm				
Proprietors' Income	8.8	8.5	9.0	11.8
Wage and Salary Disbursements	7.5	7.2	7.8	10.2
Other Labor Income	.7	.7	.7	.8
Nonfarm Proprietors' Income	.7	.6	.5	.8
Farm Proprietors' Income	-.2	-2.2	-.9	-.1
Transfer Payments	1.2	1.4	1.5	2.3
Rents, Dividends, and Personal Interest	1.4	2.0	1.8	1.6

\* July 1975 was the specific low for deflated wage and salary disbursements.

p -- preliminary

r -- revised

An increase of 5 per cent in the price of crude oil was announced today (December 17) by Saudi Arabia and the United Emirates, who account for about one-third of OPEC production. The other 11 countries raised prices by 10 per cent and intend to add another 5 per cent in six months. This is the first open break in ranks in the oil cartel. Saudi Arabia's oil minister has announced that his country will lift its self-imposed limit on oil production in an effort to meet demands at the lower price level.

The staff estimated a 15 per cent increase would have had an impact of 0.6 per cent on the fix-weighted price index for Gross Domestic Final Purchases. A 5 per cent increase thus would tend to raise these prices by 0.2 per cent in 1977.

#### The Domestic Financial Economy

Mortgage market. The average interest rate on new commitments for conventional new-home loans in the primary market was reported by HUD to be 8.85 per cent in November--down 5 basis points from the October rate. The rate spread between these mortgages and new issues of Aaa utility bonds is the largest since October 1973, reflecting the declining bond rates of recent weeks. The rate on new commitments for existing home ~~loans~~ remained at 9.00 per cent for the second consecutive week.

In the private secondary market for FHA-insured new home mortgages, the yield declined to 8.45 per cent--its lowest level since July 1973.



AVERAGE RATES AND YIELDS ON NEW-HOME MORTGAGES  
(HUD-FHA Field Office Opinion Survey)

End of Month	Primary market Conventional loans		Secondary market <u>1/</u> FHA-insured loans		
	Level <u>2/</u> (per cent)	Spread <u>4/</u> (basis points)	Level <u>3/</u> (per cent)	Spread <u>4/</u> (basis points)	Discounts (points)
1975-Low	8.90 (Mar.)	-70 (Mar.)	8.69 (Mar.)	-91 (Mar.)	2.4 (Dec.)
High	9.25 (Sept., Oct.)	+15 (Jan.)	9.74 (Sept.)	+31 (Oct.)	6.2 (Aug.)
1976-Jan.	9.05	+39	9.06	+40	2.4
Feb.	9.00	+42	9.04	+46	2.2
Mar.	8.95	+42	n.a.	n.a.	n.a.
Apr.	8.90	+32	8.82	+24	2.5
May	9.00	+ 5	9.03	+ 8	4.1
June	9.05	+35	9.05	+35	4.2
July	9.05	+33	8.99	+27	3.8
Aug.	9.05	+58	8.93	+46	3.3
Sept.	9.00	+77	8.82	+59	2.5
Oct.	9.00	+71	8.55	+26	4.3
Nov.	8.95	+90	8.45	+40	3.6

- 1/ Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates on FHA-insured loans.
- 2/ Average contract rates (excluding fees or points) on commitments for conventional first mortgage loans, rounded to the nearest 5 basis points.
- 3/ Average gross yield (before deducting servicing costs) to investors on 30-year minimum-downpayment FHA-insured first mortgages for immediate delivery in the private secondary market (excluding FNMA), assuming prepayment in 15 years.
- 4/ Average mortgage rate minus average yield on new issues of Aaa utility bonds in the last week of the month.

INTEREST RATES  
(One day quotes - in per cent)

	1976			
	Highs	Lows	Nov. 15	Dec. 16
<u>Short-Term Rates</u>				
Federal funds (wkly. avg.)	5.58(6/30)	4.67(12/8)	5.02(11/17)	4.68(12/14)
3-month				
Treasury bills (bid)	5.57(6/2)	4.33(12/16)	4.90	4.33
Comm. paper (90-119 day)	6.00(6/15)	4.63(12/14)	5.13	4.75
Bankers' acceptances	5.95(6/2)	4.58(12/3)	5.00	4.63
Euro-dollars	6.81(6/1)	4.81(12/8)	5.38	5.06
CD's (NYC) 90 days				
Most often quoted new	5.75(6/16)	4.50(12/15)	5.06(11/10)	4.50(12/15)
6-month				
Treasury bills (bid)	5.96(5/27)	4.49(12/10)	5.02	4.56
Comm. paper (4-6 mo.)	6.00(6/22)	4.63(12/7)	5.13	4.75
Federal agencies	6.42(5/27)	4.82(12/10)	5.32	4.82(12/10)
CD's (NYC) 180 day				
Most often quoted new	6.50(6/2)	4.60(12/15)	5.30(11/10)	4.60(12/15)
1-year				
Treasury bills (bid)	6.39(5/27)	4.61(12/3)	5.16	4.67
Federal agencies	6.86(5/28)	5.12(12/10)	5.70	5.12(12/10)
CD's (NYC)				
Most often quoted new	6.75(6/16)	4.80(12/15)	5.50(11/10)	4.80(12/15)
Prime municipals	3.70(5/28)	2.50(12/10)	2.95(11/12)	2.50(12/10)
<u>Intermediate and Long-Term</u>				
Treasury coupon issues				
5-years	7.82(5/27)	5.99(11/26)	6.70	6.14(12/15)
20-years	8.20(5/21)	7.30(12/10)	7.73	7.34(12/15)
Corporate				
Seasoned Aaa	8.66(1/2)	7.99(12/7)	8.31	8.01(12/15)
Baa	10.34(1/2)	9.01(12/15)	9.14	9.01(12/15)
New Issue Aaa Utility	8.95(5/28)	7.93(12/10)	8.31(11/12)	7.95p(12/17)
Municipal				
Bond Buyer Index	7.13(1/8)	5.95(12/16)	6.39(11/11)	5.95
Mortgage--average yield				
in FNMA auction	9.20(6/1)	8.51(12/13)	8.68	8.51(12/13)

## International Developments

Deutsche Bundesbank announces 1977 central bank money growth target. On December 16 the Deutsche Bundesbank set a target of 8 per cent for the growth of central bank money (CBM), in annual average terms, during 1977.<sup>1/</sup>

This is the third year the Bundesbank has put forth a central bank money growth target, which on each occasion has been 8 per cent, and on the last two occasions has been stated in terms of annual average growth. The 8 per cent selected for 1977 is higher than the figure recently recommended by the major German economic institutes (6-1/2 per cent). Most observers also had expected the 1977 target to be somewhat lower because in 1976 central bank money will increase by about 9.2 per cent, overshooting this year's target. The Bundesbank's choice of 8 per cent for 1977 thus appears to validate the excess CBM growth in 1976, and may be interpreted as a sign of continued monetary accommodation in the coming year.

In its announcement on next year's growth target, the Bundesbank set out an additional guideline relating to CBM growth: that between the fourth quarter of 1976 and the fourth quarter of 1977 CBM should not grow by more than 6-7 per cent. This additional objective suggests that during 1977 the Bundesbank will endeavor to keep monthly and quarterly CBM growth on a smoother path than has been the case during the past two years.

<sup>1/</sup> Central bank money in Germany is defined as currency in circulation plus minimum reserves (at January 1974 reserve ratios) on banks' domestic liabilities.

Erratum

Part I; Table: U.S. Net Exports and Related Items

page I-22, line 2.

	1976p	1977p
Net Exports of Goods and Services (GNP basis of net exports) <u>1/</u>	(6.5)	(4.4)

SUPPLEMENTAL APPENDIX A\*  
CHANGES IN BANK LENDING PRACTICES

The Survey of Changes in Bank Lending Practices for November 15, 1970, indicates that commercial and industrial loan demand at the responding banks was essentially unchanged as compared to three months earlier. Further, since the last survey, the respondents as a group have become considerably less optimistic about an upturn in loan demand over the near future. A large number of respondents report moderately easier policies on interest rates and compensating balance requirements while a somewhat smaller number relaxed other terms of lending. Finally, the number of respondents reporting an increased willingness to make various specified types of loans has increased further.

Two-thirds of the 121 respondents reported that demand for commercial and industrial loans in mid-November was about unchanged as compared to three months earlier, while one-fifth reported a strengthening and the remainder a weakening in demand over the period. Looking ahead, optimism about an impending upturn in business loan demand apparently has waned somewhat since the previous survey. Only about 35 per cent of the banks now anticipate moderately stronger demand in the next three months, with most of the rest predicting unchanged demand. In contrast, about half of the banks in the August survey expected moderately stronger demand between then and mid-November.<sup>1/</sup> The tendency for the respondents to overpredict the strength of loan demand is not uncommon as is illustrated in Chart 1, which shows that in every one of the past six surveys this has occurred.

The respondents' evaluation of the strength of commercial and industrial demand in mid-November is similar to their mid-August evaluation. In both surveys about 30 per cent of the banks in the sample reported no upturn in demand, while approximately 20 per cent reported modest strengthening. For the most part the strength was at different banks in the two surveys. Further, slightly fewer banks reported weaker demands in the November survey. Taken together, the mid-August and mid-November surveys suggest that about 30 per cent of the sample experienced an unambiguous strengthening in demand over the 6-month period, while about 23 per cent

<sup>1/</sup> Of these previously optimistic banks, a majority (37 of 64) are no longer predicting an upturn in commercial and industrial loan demand in the near future. This perhaps reflects the fact that only 25 per cent of these previously optimistic banks actually reported any strength in loan demand in the November survey.

\* Prepared by John Scott, Economist, Banking Section, Division of Research and Statistics.

found unambiguous weakening.<sup>2/</sup>

Respondents to the November survey report further modest concessions on the terms of lending to nonfinancial businesses. A majority of the banks report moderately easier policy with regard to interest rates.<sup>3/</sup> There has also been an increase in the number of banks making moderate concessions on compensating balance requirements. In the August survey, about 10 per cent (12 banks) reported moderately easier policy. The November survey shows that 9 of these same banks report further modest concessions on balances and that 20 per cent of those reporting no change in policy in August had initiated a moderately easier policy on such balances. Considering the August and November surveys together, slightly over one-fourth of the respondents have eased their compensating balance requirements. Chart 2 provides a longer run perspective of the gradual move toward easier policy on compensating balances since August 1975. Over 80 per cent of the respondents reported no change in policy on all other price and nonprice terms of lending to nonfinancial businesses.

The prolonged weakness of business loan demand may explain much of the increased willingness of banks to make other types of loans included in the survey. The respondents were particularly interested in making consumer instalment loans, and participation loans with correspondent banks. With regard to commercial and industrial loans, they expressed increased willingness to make term loans. For the two most recent surveys together, 45 per cent of the respondents reported an increased willingness to make term loans to business, 35 per cent were more willing to make consumer instalment loans, and 29 per cent were more willing to make participation loans.

The essentially unchanged loan demand indicated by the November survey is somewhat surprising in view of observed increases in commercial and industrial loan volume since August. Comparison of the survey responses

---

<sup>2/</sup> Unambiguous strength (weakness) means that strengthening (weakening) demands were reported in either or both periods and that no weakening (strengthening) was reported.

<sup>3/</sup> Comments from the survey forms indicate that many respondents equate the recent cuts in the prime rate with easier policy while others do not, apparently believing that lowering the prime rate along with market rates implies no change in policy.

of respondents with their weekly outstandings for commercial and industrial loans shows that for some respondents outstandings increased while their survey responses indicated weaker or unchanged demands. Since the increase in outstandings resulted largely from increases in holdings of bankers' acceptances, some respondents probably are <sup>4/</sup>not considering such acceptances when assessing the strength of loan demand.

---

<sup>4/</sup> Of course, it is possible that demand weakened somewhat or remained unchanged while banks' willingness to supply funds increased. If this occurred, we would observe an increase in outstanding loans and lower rates.

TABLE 1

QUARTERLY SURVEY OF CHANGES IN BANK LENDING PRACTICES  
 AT SELECTED LARGE BANKS IN THE U.S. 1/  
 (STATUS OF POLICY ON NOVEMBER 15, 1976 COMPARED TO THREE MONTHS EARLIER)  
 (NUMBER OF BANKS & PERCENT OF TOTAL BANKS REPORTING)

	TOTAL		MUCH STRONGER		MODERATELY STRONGER		ESSENTIALLY UNCHANGED		MODERATELY WEAKER		MUCH WEAKER	
	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT
STRENGTH OF DEMAND FOR COMMERCIAL AND INDUSTRIAL LOANS (AFTER ALLOWANCE FOR BANK'S USUAL SEASONAL VARIATION)												
COMPARED TO THREE MONTHS AGO	121	100.0	1	0.8	23	19.0	81	67.0	15	12.4	1	0.8
ANTICIPATED DEMAND IN NEXT 3 MONTHS	121	100.0	0	0.0	43	35.5	69	57.1	9	7.4	0	0.0
	ANSWERING QUESTION		MUCH FIRMER POLICY		MODERATELY FIRMER POLICY		ESSENTIALLY UNCHANGED POLICY		MODERATELY EASIER POLICY		MUCH EASIER POLICY	
	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT
LENDING TO NONFINANCIAL BUSINESSES												
TERMS AND CONDITIONS:												
INTEREST RATES CHARGED	121	100.0	0	0.0	2	1.7	57	47.1	62	51.2	0	0.0
COMPENSATING OR SUPPORTING BALANCES	121	100.0	0	0.0	1	0.8	90	74.4	27	22.3	3	2.5
STANDARDS OF CREDIT WORTHINESS	121	100.0	1	0.8	1	0.8	117	96.7	2	1.7	0	0.0
MATURITY OF TERM LOANS	121	100.0	0	0.0	2	1.7	100	82.6	19	15.7	0	0.0
REVIEWING CREDIT LINES OR LOAN APPLICATIONS												
ESTABLISHED CUSTOMERS	121	100.0	0	0.0	2	1.7	105	86.7	14	11.6	0	0.0
NEW CUSTOMERS	121	100.0	1	0.8	3	2.5	103	85.1	14	11.6	0	0.0
LOCAL SERVICE AREA CUSTOMERS	121	100.0	0	0.0	2	1.7	112	92.5	7	5.8	0	0.0
NONLOCAL SERVICE AREA CUSTOMERS	121	100.0	2	1.7	5	4.1	103	85.1	11	9.1	0	0.0

1/ SURVEY OF LENDING PRACTICES AT 121 LARGE BANKS REPORTING IN THE FEDERAL RESERVE QUARTERLY INTEREST RATE SURVEY AS OF NOVEMBER 15, 1976.



	ANSWERING QUESTION		MUCH FIRMER POLICY		MODERATELY FIRMER POLICY		ESSENTIALLY UNCHANGED POLICY		MODERATELY EASIER POLICY		MUCH EASIER POLICY	
	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT
<b>FACTORS RELATING TO APPLICANT 2/</b>												
VALUE AS DEPOSITOR OR SOURCE OF COLLATERAL BUSINESS	121	100.0	0	0.0	10	8.3	98	81.0	13	10.7	0	0.0
INTENDED USE OF THE LOAN	121	100.0	0	0.0	1	0.8	108	89.3	12	9.9	0	0.0
<b>LENDING TO "NONCAPTIVE" FINANCE COMPANIES</b>												
<b>TERMS AND CONDITIONS:</b>												
INTEREST RATES CHARGED	121	100.0	0	0.0	3	2.5	95	78.5	23	19.0	0	0.0
COMPENSATING OR SUPPORTING BALANCES	121	100.0	0	0.0	2	1.7	115	95.0	4	3.3	0	0.0
ENFORCEMENT OF BALANCE REQUIREMENTS	121	100.0	0	0.0	3	2.5	114	94.2	4	3.3	0	0.0
ESTABLISHING NEW OR LARGER CREDIT LINES	121	100.0	2	1.7	5	4.1	98	81.0	16	13.2	0	0.0
	ANSWERING QUESTION		CONSIDERABLY LESS WILLING		MODERATELY LESS WILLING		ESSENTIALLY UNCHANGED		MODERATELY MORE WILLING		CONSIDERABLY MORE WILLING	
	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT
<b>WILLINGNESS TO MAKE OTHER TYPES OF LOANS</b>												
TERM LOANS TO BUSINESSES	121	100.0	0	0.0	3	2.5	73	60.3	44	36.4	1	0.8
CONSUMER INSTALMENT LOANS	120	100.0	0	0.0	1	0.8	90	75.0	26	21.7	3	2.5
SINGLE FAMILY MORTGAGE LOANS	120	100.0	0	0.0	4	3.3	98	81.7	16	13.3	2	1.7
MULTI-FAMILY MORTGAGE LOANS	120	100.0	0	0.0	2	1.7	117	97.5	1	0.8	0	0.0
ALL OTHER MORTGAGE LOANS	119	100.0	0	0.0	2	1.7	108	90.7	9	7.6	0	0.0
PARTICIPATION LOANS WITH CORRESPONDENT BANKS	120	100.0	1	0.8	0	0.0	91	75.8	26	21.7	2	1.7
LOANS TO BROKERS	121	100.0	1	0.8	1	0.8	100	82.7	16	13.2	3	2.5

A-5

2/ FOR THESE FACTORS, FIRMER MEANS THE FACTORS WERE CONSIDERED MORE IMPORTANT IN MAKING DECISIONS FOR APPROVING CREDIT REQUESTS, AND EASIER MEANS THEY WERE LESS IMPORTANT.

TABLE 2

COMPARISON OF QUARTERLY CHANGES IN BANK LENDING PRACTICES AT BANKS GROUPED BY SIZE OF TOTAL DEPOSITS 1/  
 (STATUS OF POLICY ON NOVEMBER 15, 1976, COMPARED TO THREE MONTHS EARLIER)  
 (NUMBER OF BANKS IN EACH COLUMN AS PER CENT OF TOTAL BANKS ANSWERING QUESTION)

	SIZE OF BANK -- TOTAL DEPOSITS IN BILLIONS											
	TOTAL		MUCH STRONGER		MODERATELY STRONGER		ESSENTIALLY UNCHANGED		MODERATELY WEAKER		MUCH WEAKER	
	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1
STRENGTH OF DEMAND FOR COMMERCIAL AND INDUSTRIAL LOANS (AFTER ALLOWANCE FOR BANK'S USUAL SEASONAL VARIATION)												
COMPARED TO THREE MONTHS AGO	100	100	0	1	19	19	73	63	8	16	0	1
ANTICIPATED DEMAND IN NEXT 3 MONTHS	100	100	0	0	37	35	61	53	2	12	0	0
LENDING TO NONFINANCIAL BUSINESSES												
TERMS AND CONDITIONS:												
INTEREST RATES CHARGED	100	100	0	0	2	1	48	47	50	52	0	0
COMPENSATING OR SUPPORTING BALANCES	100	100	0	0	0	1	67	81	33	14	0	4
STANDARDS OF CREDIT WORTHINESS	100	100	0	1	0	1	98	97	2	1	0	0
MATURITY OF TERM LOANS	100	100	0	0	2	1	86	80	12	19	0	0
REVIEWING CREDIT LINES OR LOAN APPLICATIONS												
ESTABLISHED CUSTOMERS	100	100	0	0	0	3	88	85	12	12	0	0
NEW CUSTOMERS	100	100	0	1	0	4	92	81	8	14	0	0
LOCAL SERVICE AREA CUSTOMERS	100	100	0	0	0	3	94	91	6	6	0	0
NONLOCAL SERVICE AREA CUSTOMERS	100	100	0	3	0	7	90	81	10	9	0	0

1/ SURVEY OF LENDING PRACTICES AT 52 LARGE BANKS (DEPOSITS OF \$1 BILLION OR MORE) AND 69 SMALL BANKS (DEPOSITS OF LESS THAN \$1 BILLION) REPORTING IN THE FEDERAL RESERVE QUARTERLY INTEREST RATE SURVEY AS OF NOVEMBER 15, 1976.

FACTORS RELATING TO APPLICANT 2/	NUMBER ANSWERING QUESTION		SIZE OF BANK MUCH FIRMER POLICY		TOTAL DEPOSITS IN BILLIONS				MODERATELY EASIER POLICY		MUCH EASIER POLICY	
	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	MODERATELY FIRMER POLICY		ESSENTIALLY UNCHANGED POLICY		MODERATELY EASIER POLICY		MUCH EASIER POLICY	
					\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1
VALUE AS DEPOSITOR OR SOURCE OF COLLATERAL BUSINESS	100	100	0	0	4	12	83	79	13	9	0	0
INTENDED USE OF THE LOAN	100	100	0	0	0	1	85	93	15	6	0	0
LENDING TO "NONCAPTIVE" FINANCE COMPANIES												
TERMS AND CONDITIONS:												
INTEREST RATES CHARGED	100	100	0	0	2	3	81	77	17	20	0	0
COMPENSATING OR SUPPORTING BALANCES	100	100	0	0	0	3	98	93	2	4	0	0
ENFORCEMENT OF BALANCE REQUIREMENTS	100	100	0	0	0	4	98	92	2	4	0	0
ESTABLISHING NEW OR LARGER CREDIT LINES	100	100	0	3	2	6	86	77	12	14	0	0
WILLINGNESS TO MAKE OTHER TYPES OF LOANS												
TERM LOANS TO BUSINESSES	100	100	0	0	2	3	61	60	37	36	0	1
CONSUMER INSTALMENT LOANS	100	100	0	0	2	0	74	75	22	22	2	3
SINGLE FAMILY MORTGAGE LOANS	100	100	0	0	0	6	86	78	10	16	4	0
MULTI-FAMILY MORTGAGE LOANS	100	100	0	0	0	3	98	97	2	0	0	0
ALL OTHER MORTGAGE LOANS	100	100	0	0	0	3	92	90	6	7	0	0
PARTICIPATION LOANS WITH CORRESPONDENT BANKS	100	100	0	1	0	0	85	70	15	26	0	3
LOANS TO BROKERS	100	100	0	1	0	1	87	81	13	13	0	4

2/ FOR THESE FACTORS, FIRMER MEANS THE FACTORS WERE CONSIDERED MORE IMPORTANT IN MAKING DECISIONS FOR APPROVING CREDIT REQUESTS, AND EASIER MEANS THEY WERE LESS IMPORTANT.

QUARTERLY SURVEY OF CHANGES IN BANK LENDING PRACTICES AT SELECTED LARGE BANKS IN THE U.S. 1/  
 STATUS OF POLICY ON NOVEMBER 15, 1976 COMPARED TO THREE MONTHS EARLIER  
 (NUMBER OF BANKS)

	ALL DSTS	BOS- TON	NEW YORK TOTAL	CITY	OUTSIDE	PHIL- ADEL.	CLEVE- LAND	RICH- MOND	ATLAN- TA	CHIC- AGO	ST. LOUIS	MINNE- APOLIS	KANS. CITY	DAL- LAS	SAN FRAN	
<b>STRENGTH OF DEMAND FOR COMMERCIAL AND INDUSTRIAL LOANS (AFTER ALLOWANCE FOR BANK'S USUAL SEASONAL VARIATION)</b>																
COMPARED TO 3 MONTHS AGO	121															
MUCH STRONGER	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0	
MODERATELY STRONGER	23	1	2	1	1	2	1	3	1	2	2	0	3	2	4	
ESSENTIALLY UNCHANGED	81	7	12	6	6	3	9	7	6	11	6	3	3	5	9	
MODERATELY WEAKER	15	0	2	1	1	1	1	1	3	2	1	0	2	2	0	
MUCH WEAKER	1	0	0	0	0	0	0	1	0	0	0	0	0	0	0	
<b>ANTICIPATED DEMAND NEXT THREE MONTHS</b>																
ANTICIPATED DEMAND NEXT THREE MONTHS	121															
MUCH STRONGER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
MODERATELY STRONGER	43	3	5	2	3	4	2	5	4	5	2	1	4	2	6	
ESSENTIALLY UNCHANGED	69	5	11	6	5	2	9	5	5	9	7	2	2	5	7	
MODERATELY WEAKER	9	0	0	0	0	0	0	2	1	1	0	0	3	2	0	
MUCH WEAKER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>LENDING TO NONFINANCIAL BUSINESSES</b>																
<b>TERMS AND CONDITIONS</b>																
INTEREST RATES CHARGED	121															
MUCH FIRMER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
MODERATELY FIRMER POLICY	2	0	0	0	0	0	0	0	0	0	0	0	1	1	0	
ESSENTIALLY UNCHANGED POLICY	57	4	9	4	5	4	6	3	6	8	3	2	2	6	4	
MODERATELY EASIER POLICY	62	4	7	4	3	2	5	9	4	7	6	1	6	2	9	
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>COMPENSATING BALANCES</b>																
COMPENSATING BALANCES	121															
MUCH FIRMER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
MODERATELY FIRMER POLICY	1	0	0	0	0	0	0	0	0	0	1	0	0	0	0	
ESSENTIALLY UNCHANGED POLICY	90	7	9	3	6	3	9	9	9	12	4	2	8	8	10	
MODERATELY EASIER POLICY	27	1	7	5	2	3	1	2	1	3	3	1	1	1	3	
MUCH EASIER POLICY	3	0	0	0	0	0	1	1	0	0	1	0	0	0	0	

A-8

1/ SURVEY OF LENDING PRACTICES AT 121 LARGE BANKS REPORTING IN THE FEDERAL RESERVE QUARTERLY INTEREST RATE SURVEY AS OF NOVEMBER 15, 1976.

NOT F STATION OR PUBLICATION

TABLE 3 (C MED)

	ALL DSTS	BOS- TON	NEW YORK		PHIL- ADEL.	CLEVE- LAND	RICH- MOND	ATLAN- TA	CHIC- AGO	ST. LOUIS	MINNE- APOLIS	KANS. CITY	DAL- LAS	SAN FRAN
LENDING TO NONFINANCIAL BUSINESSES														
TERMS AND CONDITIONS														
STANDARDS OF CREDIT WORTHINESS	121													
MUCH FIRMER POLICY	1	0	0	0	0	0	0	1	0	0	0	0	0	0
MODERATELY FIRMER POLICY	1	1	0	0	0	0	0	0	0	0	0	0	0	0
ESSENTIALLY UNCHANGED POLICY	117	7	16	8	8	6	11	8	15	9	3	9	9	13
MODERATELY EASIER POLICY	2	0	0	0	0	0	1	1	0	0	0	0	0	0
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MATURITY OF TERM LOANS	121													
MUCH FIRMER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MODERATELY FIRMER POLICY	2	0	0	0	0	0	0	0	0	0	0	1	1	0
ESSENTIALLY UNCHANGED POLICY	100	7	15	7	8	6	10	9	14	5	3	6	5	11
MODERATELY EASIER POLICY	19	1	1	1	0	0	1	3	1	4	0	2	3	2
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REVIEWING CREDIT LINES OR LOANS														
ESTABLISHED CUSTOMERS	121													
MUCH FIRMER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MODERATELY FIRMER POLICY	2	0	0	0	0	0	0	0	0	1	0	1	0	0
ESSENTIALLY UNCHANGED POLICY	105	8	12	5	7	4	10	9	14	7	3	7	7	13
MODERATELY EASIER POLICY	14	0	4	3	1	2	1	1	1	1	0	1	2	0
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NEW CUSTOMERS	121													
MUCH FIRMER POLICY	1	0	0	0	0	0	0	1	0	0	0	0	0	0
MODERATELY FIRMER POLICY	3	0	0	0	0	0	0	1	0	1	0	1	0	0
ESSENTIALLY UNCHANGED POLICY	103	7	12	5	7	6	9	8	13	6	2	8	8	13
MODERATELY EASIER POLICY	14	1	4	3	1	0	2	1	2	2	1	0	1	0
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LOCAL SERVICE AREA CUSTOMERS	121													
MUCH FIRMER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MODERATELY FIRMER POLICY	2	0	0	0	0	0	0	0	0	1	0	1	0	0
ESSENTIALLY UNCHANGED POLICY	112	8	15	7	8	5	10	11	10	6	3	7	8	13
MODERATELY EASIER POLICY	7	0	1	1	0	1	1	0	1	0	0	1	1	0
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0

	ALL DISTS	BOS- TON	NEW YORK TOTAL CITY OUTSIDE	PHIL- ADEL.	CLEVE- LAND	RICH- MOND	ATLAN- TA	CHIC- AGO	ST. LOUIS	MINNE- APOLIS	KANS. CITY	DAL- LAS	SAN FRAN
LENDING TO NONFINANCIAL BUSINESSES													
REVIEWING CREDIT LINES OR LOANS													
NONLOCAL SERVICE AREA CUST	121												
MUCH FIRMER POLICY	2	0	0	0	0	0	1	0	0	0	1	0	0
MODERATELY FIRMER POLICY	5	0	0	0	0	1	1	0	1	0	1	0	1
ESSENTIALLY UNCHANGED POLICY	103	7	15	7	8	5	8	13	7	3	7	7	11
MODERATELY EASIER POLICY	11	1	1	1	0	1	0	2	1	0	0	2	1
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0
FACTORS RELATING TO APPLICANT 2/													
VALUE AS DEPOSITOR OR SOURCE OF COLLATERAL BUSINESS	121												
MUCH FIRMER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0
MODERATELY FIRMER POLICY	10	0	2	0	2	1	0	2	2	0	0	3	0
ESSENTIALLY UNCHANGED POLICY	98	8	11	6	5	5	9	11	8	12	6	3	6
MODERATELY EASIER POLICY	13	0	3	2	1	0	2	1	0	1	3	0	0
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0
INTENDED USE OF LOAN	121												
MUCH FIRMER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0
MODERATELY FIRMER POLICY	1	0	0	0	0	0	0	0	0	0	0	1	0
ESSENTIALLY UNCHANGED POLICY	108	7	13	6	7	6	11	12	10	14	8	3	7
MODERATELY EASIER POLICY	12	1	3	2	1	0	0	0	0	1	1	0	1
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0
LENDING TO "NONCAPTIVE" FINANCE COMPANIES													
TERMS AND CONDITIONS													
INTEREST RATES CHARGED	121												
MUCH FIRMER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0
MODERATELY FIRMER POLICY	3	0	0	0	0	0	0	0	2	0	0	0	1
ESSENTIALLY UNCHANGED POLICY	95	7	14	7	7	6	10	8	5	13	8	3	6
MODERATELY EASIER POLICY	23	1	2	1	1	0	1	4	3	2	1	0	3
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0

A - 10

2/ FOR THESE FACTORS, FIRMER MEANS THE FACTORS WERE CONSIDERED MORE IMPORTANT IN MAKING DECISIONS FOR APPROVING CREDIT REQUESTS, AND EASIER MEANS THEY WERE LESS IMPORTANT.

	ALL DSTS	BOS- TON	NEW YORK		PHIL- ADEL.	CLEVE- LAND	RICH- MOND	ATLAN- TA	CHIC- AGO	ST. LOUIS	MINNE- APOLIS	KANS. CITY	DAL- LAS	SAN FRAN
			TOTAL	CITY	OUTSIDE									
LENDING TO "NONCAPTIVE" FINANCE COMPANIES														
TERMS AND CONDITIONS:														
SIZE OF COMPENSATING BALANCES	121													
MUCH FIRMER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MODERATELY FIRMER POLICY	2	0	0	0	0	0	0	2	0	0	0	0	0	0
ESSENTIALLY UNCHANGED POLICY	115	8	15	8	7	6	11	12	8	14	8	3	8	13
MODERATELY EASIER POLICY	4	0	1	0	1	0	0	0	1	1	0	1	0	0
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ENFORCEMENT OF BALANCE REQUIREMENT	121													
MUCH FIRMER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MODERATELY FIRMER POLICY	3	0	0	0	0	0	0	2	0	0	0	1	0	0
ESSENTIALLY UNCHANGED POLICY	114	8	14	8	6	6	11	11	8	15	9	3	7	13
MODERATELY EASIER POLICY	4	0	2	0	2	0	0	1	0	0	0	1	0	0
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ESTABLISHING NEW OR LARGER CREDIT LINES	121													
MUCH FIRMER POLICY	2	0	0	0	0	0	0	1	0	0	1	0	0	0
MODERATELY FIRMER POLICY	5	0	1	0	1	0	0	1	0	0	0	2	0	1
ESSENTIALLY UNCHANGED POLICY	98	8	9	6	3	6	10	10	8	12	8	1	6	11
MODERATELY EASIER POLICY	16	0	6	2	4	0	1	2	0	3	1	1	1	1
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WILLINGNESS TO MAKE OTHER TYPES OF LOANS														
TERM LOANS TO BUSINESSES	121													
CONSIDERABLY LESS WILLING	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MODERATELY LESS WILLING	3	0	0	0	0	0	0	0	0	0	0	2	1	0
ESSENTIALLY UNCHANGED	73	5	8	5	3	5	10	7	10	8	4	1	4	7
MODERATELY MORE WILLING	44	3	8	3	5	1	1	4	0	7	5	2	3	6
CONSIDERABLY MORE WILLING	1	0	0	0	0	0	0	1	0	0	0	0	0	0
CONSUMER INSTALMENT LOANS	120													
CONSIDERABLY LESS WILLING	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MODERATELY LESS WILLING	1	0	0	0	0	0	0	0	0	0	0	0	0	1
ESSENTIALLY UNCHANGED	90	8	13	6	7	5	9	8	7	10	5	3	6	9
MODERATELY MORE WILLING	26	0	2	1	1	1	2	3	2	5	4	0	3	2
CONSIDERABLY MORE WILLING	3	0	0	0	0	0	0	1	1	0	0	0	0	1

TABLE 3 (CONTINUED)

	ALL DS15	BOS- TON	NEW YORK		PHIL- ADEL.	CLEVE- LAND	RICH- MOND	ATLAN- TA	CHIC- AGO	ST. LOUIS	MINNE- APOLIS	KANS. CITY	DAL- LAS	SAN FRAN
WILLINGNESS TO MAKE OTHER TYPES OF LOANS			TOTAL	CITY	OUTSIDE									
<b>SINGLE FAMILY MORTGAGE LOANS</b>	<b>120</b>													
CONSIDERABLY LESS WILLING	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MODERATELY LESS WILLING	4	0	1	0	1	0	0	1	0	0	0	1	0	1
ESSENTIALLY UNCHANGED	98	6	11	6	5	4	10	10	13	9	3	6	8	8
MODERATELY MORE WILLING	16	2	3	1	2	1	1	1	2	0	0	2	1	3
CONSIDERABLY MORE WILLING	2	0	0	0	0	1	0	0	0	0	0	0	0	1
<b>MULTIFAMILY MORTGAGE LOANS</b>	<b>120</b>													
CONSIDERABLY LESS WILLING	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MODERATELY LESS WILLING	2	0	0	0	0	0	0	0	0	0	0	1	0	1
ESSENTIALLY UNCHANGED	117	8	15	7	8	6	11	12	15	9	3	8	9	11
MODERATELY MORE WILLING	1	0	0	0	0	0	0	0	0	0	0	0	0	1
CONSIDERABLY MORE WILLING	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>ALL OTHER MORTGAGE LOANS</b>	<b>119</b>													
CONSIDERABLY LESS WILLING	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MODERATELY LESS WILLING	2	0	0	0	0	0	0	0	0	0	0	1	0	1
ESSENTIALLY UNCHANGED	108	8	13	7	6	6	11	11	13	8	3	8	9	9
MODERATELY MORE WILLING	9	0	2	0	2	0	0	1	2	1	0	0	0	3
CONSIDERABLY MORE WILLING	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>PARTICIPATION LOANS WITH CORRESPONDENT BANKS</b>	<b>120</b>													
CONSIDERABLY LESS WILLING	1	0	0	0	0	0	0	0	1	0	0	0	0	0
MODERATELY LESS WILLING	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ESSENTIALLY UNCHANGED	91	5	11	7	4	6	10	9	6	14	4	3	8	11
MODERATELY MORE WILLING	26	3	5	1	4	0	1	1	2	1	5	0	1	5
CONSIDERABLY MORE WILLING	2	0	0	0	0	0	0	2	0	0	0	0	0	0
<b>LOANS TO BROKERS</b>	<b>121</b>													
CONSIDERABLY LESS WILLING	1	0	0	0	0	0	0	0	1	0	0	0	0	0
MODERATELY LESS WILLING	1	0	0	0	0	0	0	0	0	0	0	0	0	1
ESSENTIALLY UNCHANGED	100	7	13	7	6	6	10	10	8	14	7	2	6	7
MODERATELY MORE WILLING	16	0	3	1	2	0	1	0	1	1	2	1	3	2
CONSIDERABLY MORE WILLING	3	1	0	0	0	0	0	2	0	0	0	0	0	0
<b>NUMBER OF BANKS</b>	<b>121</b>													



TABLE 4

## COMPARISON OF SELECTED RESPONSES IN THE AUGUST AND NOVEMBER SURVEYS

	AUG. 15, 1976	NOVEMBER 15, 1976		
	NUMBER OF BANKS	STRONGER	UNCHANGED	WEAKER
<b>STRENGTH OF DEMAND FOR COMMERCIAL AND INDUSTRIAL LOANS</b>				
COMPARED TO THREE MONTHS AGO				
STRONGER	24	6	15	3
UNCHANGED	73	15	51	7
WEAKER	24	3	15	6
ANTICIPATED DEMAND THREE MONTHS HENCE				
STRONGER	64	27	36	1
UNCHANGED	54	15	32	7
WEAKER	3	1	1	1
ANTICIPATED DEMAND THREE MONTHS HENCE				
STRONGER	64	16	42	6
UNCHANGED	54	7	38	9
WEAKER	3	1	1	1
LENDING TO NONFINANCIAL BUSINESSES				
INTEREST RATES CHARGED				
FIRMER	3	0	0	3
UNCHANGED	93	2	48	43
EASIER	25	0	9	16
COMPENSATING OR SUPPORTING BALANCES				
FIRMER	2	0	2	0
UNCHANGED	107	1	85	21
EASIER	12	0	3	9
STANDARDS OF CREDIT WORTHINESS				
FIRMER	4	0	4	0
UNCHANGED	117	2	113	2
EASIER	0	0	0	0
MATURITY OF TERM LOANS				
FIRMER	5	2	3	0
UNCHANGED	104	0	90	14
EASIER	12	0	7	5

TABLE 4 (CONTINUED)

REVIEWING CREDIT LINES OR LOAN APPLICATION	AUG. 15, 1976	NOVEMBER 15, 1976		
	NUMBER OF BANKS	FIRMER	UNCHANGED	EASIER
<b>ESTABLISHED CUSTOMERS</b>				
FIRMER	2	0	2	0
UNCHANGED	112	2	98	12
EASIER	7	0	5	2
<b>NEW CUSTOMERS</b>				
FIRMER	6	1	5	0
UNCHANGED	111	3	96	12
EASIER	4	0	2	2
<b>LOCAL SERVICE AREA CUSTOMERS</b>				
FIRMER	3	0	3	0
UNCHANGED	112	2	105	5
EASIER	6	0	4	2
<b>NONLOCAL SERVICE AREA CUSTOMERS</b>				
FIRMER	5	1	4	0
UNCHANGED	109	6	95	8
EASIER	7	0	4	3
<b>FACTORS RELATING TO APPLICANT</b>				
<b>VALUE AS DEPOSITOR OR SOURCE OF COLLATERAL BUSINESS</b>				
FIRMER	10	5	5	0
UNCHANGED	105	5	91	9
EASIER	6	0	2	4
<b>INTENDED USE OF THE LOAN</b>				
FIRMER	4	1	2	1
UNCHANGED	109	0	102	7
EASIER	8	0	4	4
<b>LENDING TO "NONCAPTIVE" FINANCE COMPANIES</b>				
<b>TERMS AND CONDITIONS:</b>				
<b>INTEREST RATES CHARGED</b>				
FIRMER	8	1	4	3
UNCHANGED	108	2	91	15
EASIER	5	0	0	5
<b>COMPENSATING OR SUPPORTING BALANCES</b>				
FIRMER	4	1	3	0
UNCHANGED	116	1	111	4
EASIER	1	0	1	0

	AUG. 15, 1976		NOVEMBER 15, 1976		
	NUMBER OF BANKS		FIRMER	UNCHANGED	EASIER
LENDING TO "NONCAPTIVE" FINANCE COMPANIES					
TERMS AND CONDITIONS:					
ENFORCEMENT OF BALANCE REQUIREMENTS					
	FIRMER	7	2	5	0
	UNCHANGED	113	1	108	4
	EASIER	1	0	1	0
ESTABLISHING NEW OR LARGER CREDIT LINES					
	FIRMER	8	3	4	1
	UNCHANGED	105	3	90	12
	EASIER	8	1	4	3
WILLINGNESS TO MAKE OTHER TYPES OF LOANS					
			LESS	UNCHANGED	MORE
TERM LOANS TO BUSINESSES					
	LESS	5	2	2	1
	UNCHANGED	87	1	61	25
	MORE	29	0	10	19
CONSUMER INSTALMENT LOANS					
	LESS	1	0	0	1
	UNCHANGED	85	1	76	8
	MORE	34	0	14	20
SINGLE FAMILY MORTGAGE LOANS					
	LESS	3	1	2	0
	UNCHANGED	102	2	90	10
	MORE	15	1	6	8
MULTI-FAMILY MORTGAGE LOANS					
	LESS	1	0	1	0
	UNCHANGED	114	1	112	1
	MORE	4	1	3	0
ALL OTHER MORTGAGE LOANS					
	LESS	2	0	2	0
	UNCHANGED	108	1	100	6
	MORE	10	1	6	3
PARTICIPATION LOANS WITH CORRESPONDENT BANKS					
	LESS	3	0	3	0
	UNCHANGED	96	1	81	13
	MORE	22	0	7	15
LOANS TO BROKERS					
	LESS	2	0	2	0
	UNCHANGED	107	2	92	13
	MORE	12	0	6	6

TABLE 5

## A CROSS-CLASSIFICATION OF SELECTED RESPONSES IN THE NOVEMBER SURVEY

	NOV. 15, 1976	NOVEMBER 15, 1976		
	NUMBER OF BANKS	FIRMER	ESSENTIALLY UNCHANGED	EASIER
<b>LENDING TO NONFINANCIAL BUSINESSES</b>				
<b>INTEREST RATES CHARGED</b>				
FIRMER	2	0	2	0
ESSENTIALLY UNCHANGED	57	1	50	6
EASIER	62	0	38	24
<b>NEW CUSTOMERS</b>				
FIRMER	4	1	3	0
ESSENTIALLY UNCHANGED	103	1	96	6
EASIER	14	0	6	8
<b>VALUE AS DEPOSITOR OR SOURCE OF COLLATERAL BUSINESS</b>				
FIRMER	10	1	9	0
ESSENTIALLY UNCHANGED	98	0	91	7
EASIER	13	0	8	5
<b>LENDING TO "NONCAPTIVE" FINANCE COMPANIES</b>				
<b>INTEREST RATES CHARGED</b>				
FIRMER	3	2	1	0
ESSENTIALLY UNCHANGED	95	0	93	2
EASIER	23	0	21	2
<b>COMPENSATING OR SUPPORTING BALANCES</b>				
FIRMER	2	2	0	0
ESSENTIALLY UNCHANGED	115	1	112	2
EASIER	4	0	2	2
<b>COMPENSATING OR SUPPORTING BALANCES</b>				
FIRMER	2	2	0	0
ESSENTIALLY UNCHANGED	115	5	98	12
EASIER	4	0	0	4
<b>COMPENSATING OR SUPPORTING BALANCES</b>				
FIRMER	2	2	0	0
ESSENTIALLY UNCHANGED	115	5	98	12
EASIER	4	0	0	4
<b>COMPENSATING OR SUPPORTING BALANCES</b>				
FIRMER	2	2	0	0
ESSENTIALLY UNCHANGED	115	5	98	12
EASIER	4	0	0	4

## A CROSS-CLASSIFICATION OF SELECTED RESPONSES IN THE NOVEMBER SURVEY

	NOV. 15, 1976	NOVEMBER 15, 1976		
	NUMBER OF BANKS	LESS	ESSENTIALLY UNCHANGED	MORE
<b>WILLINGNESS TO MAKE OTHER TYPES OF LOANS</b>				
<b>TERM LOANS TO BUSINESSES</b>		<b>MATURITY OF TERM LOANS</b>		
LESS	3	2	1	0
ESSENTIALLY UNCHANGED	73	0	68	5
MORE	45	0	31	14
<b>SINGLE FAMILY MORTGAGE LOANS</b>		<b>MULTI-FAMILY MORTGAGE LOANS</b>		
LESS	4	2	2	0
ESSENTIALLY UNCHANGED	98	0	98	0
MORE	18	0	17	1
<b>SINGLE FAMILY MORTGAGE LOANS</b>		<b>ALL OTHER MORTGAGE LOANS</b>		
LESS	4	2	2	0
ESSENTIALLY UNCHANGED	98	0	92	5
MORE	18	0	14	4
<b>TERM LOANS TO BUSINESSES</b>		<b>CONSUMER INSTALMENT LOANS</b>		
LESS	3	0	2	1
ESSENTIALLY UNCHANGED	73	0	61	11
MORE	45	1	27	17
<b>TERM LOANS TO BUSINESSES</b>		<b>PARTICIPATION LOANS WITH CORRESPONDENT BANKS</b>		
LESS	3	0	2	1
ESSENTIALLY UNCHANGED	73	1	66	5
MORE	45	0	23	22
<b>TERM LOANS TO BUSINESSES</b>		<b>LOANS TO BROKERS</b>		
LESS	3	0	2	1
ESSENTIALLY UNCHANGED	73	2	68	3
MORE	45	0	30	15

## A CROSS-CLASSIFICATION OF SELECTED RESPONSES IN THE NOVEMBER SURVEY

	NOV. 15, 1976	NOVEMBER 15, 1976		
	NUMBER OF BANKS	NUMBER OF BANKS ESSENTIALLY		
STRENGTH OF DEMAND FOR COMMERCIAL AND INDUSTRIAL LOANS		FIRMER	UNCHANGED	EASIER
COMPARED TO THREE MONTHS AGO		INTEREST RATES CHARGED TO NONFINANCIAL BUSINESSES		
STRONGER	24	2	13	9
ESSENTIALLY UNCHANGED	81	0	38	43
WEAKER	16	0	6	10
COMPARED TO THREE MONTHS AGO		COMPENSATING OR SUPPORTING BALANCES		
STRONGER	24	0	18	6
ESSENTIALLY UNCHANGED	81	1	60	20
WEAKER	16	0	12	4
COMPARED TO THREE MONTHS AGO		STANDARDS OF CREDIT WORTHINESS		
STRONGER	24	0	23	1
ESSENTIALLY UNCHANGED	81	1	80	0
WEAKER	16	1	14	1
COMPARED TO THREE MONTHS AGO		MATURITY OF TERM LOANS		
STRONGER	24	2	17	5
ESSENTIALLY UNCHANGED	81	0	70	11
WEAKER	16	0	13	3
COMPARED TO THREE MONTHS AGO		NEW CUSTOMERS		
STRONGER	24	1	22	1
ESSENTIALLY UNCHANGED	81	2	68	11
WEAKER	16	1	13	2
COMPARED TO THREE MONTHS AGO		(*NONCAPTIVE FINANCE COMPANIES*) ENFORCEMENT OF BALANCE REQUIREMENTS		
STRONGER	24	1	23	0
ESSENTIALLY UNCHANGED	81	1	78	2
WEAKER	16	1	13	2
COMPARED TO THREE MONTHS AGO		(*NONCAPTIVE FINANCE COMPANIES*) ESTABLISHING NEW OR LARGER CREDIT LINES		
STRONGER	24	2	20	2
ESSENTIALLY UNCHANGED	81	4	66	11
WEAKER	16	1	12	3

## A CROSS-CLASSIFICATION OF SELECTED RESPONSES IN THE NOVEMBER SURVEY

STRENGTH OF DEMAND FOR COMMERCIAL AND INDUSTRIAL LOANS	NOV. 15, 1976	NOVEMBER 15, 1976		
	NUMBER OF BANKS	LESS	NUMBER OF BANKS ESSENTIALLY UNCHANGED	MORE
COMPARED TO THREE MONTHS AGO		WILLINGNESS TO MAKE TERM LOANS TO BUSINESSES		
STRONGER	24	3	14	7
ESSENTIALLY UNCHANGED	81	0	51	30
WEAKER	16	0	8	8
COMPARED TO THREE MONTHS AGO		WILLINGNESS TO MAKE CONSUMER INSTALMENT LOANS		
STRONGER	24	0	19	5
ESSENTIALLY UNCHANGED	81	1	60	19
WEAKER	16	0	11	5
COMPARED TO THREE MONTHS AGO		WILLINGNESS TO MAKE SINGLE FAMILY MORTGAGE LOANS		
STRONGER	24	2	19	3
ESSENTIALLY UNCHANGED	81	2	66	12
WEAKER	16	0	13	3
COMPARED TO THREE MONTHS AGO		WILLINGNESS TO MAKE MULTI-FAMILY MORTGAGE LOANS		
STRONGER	24	2	21	1
ESSENTIALLY UNCHANGED	81	0	80	0
WEAKER	16	0	16	0
COMPARED TO THREE MONTHS AGO		WILLINGNESS TO MAKE ALL OTHER MORTGAGE LOANS		
STRONGER	24	2	20	2
ESSENTIALLY UNCHANGED	81	0	74	5
WEAKER	16	0	14	2
COMPARED TO THREE MONTHS AGO		WILLINGNESS TO MAKE PARTICIPATION LOANS WITH CORRESPONDENT BANKS		
STRONGER	24	0	17	7
ESSENTIALLY UNCHANGED	81	0	65	15
WEAKER	16	1	9	6
COMPARED TO THREE MONTHS AGO		WILLINGNESS TO MAKE LOANS TO BROKERS		
STRONGER	24	1	17	6
ESSENTIALLY UNCHANGED	81	0	72	9
WEAKER	16	1	11	4

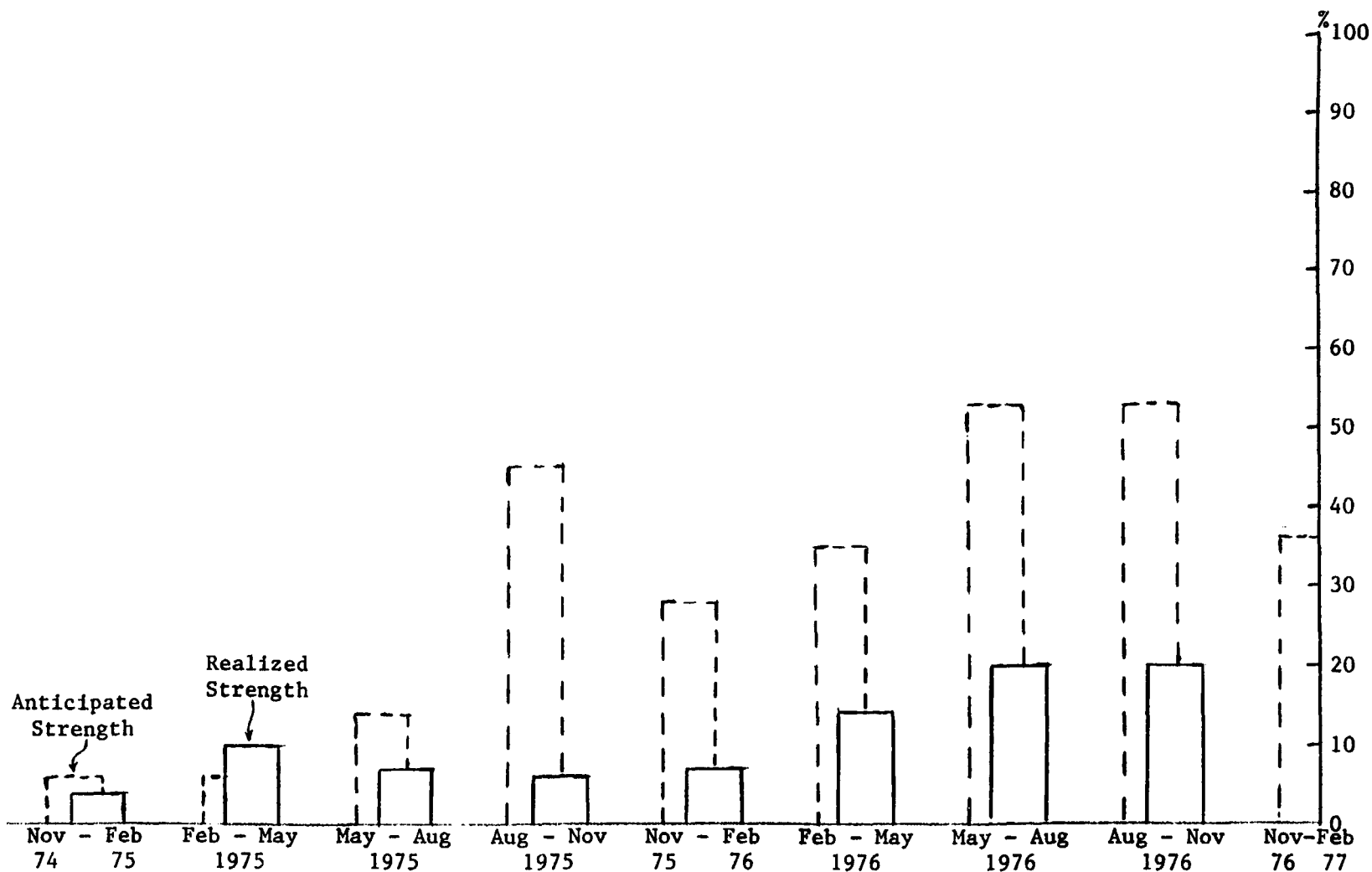
TABLE 5 (CONTINUED)

A CROSS-CLASSIFICATION OF SELECTED RESPONSES IN THE NOVEMBER SURVEY

	NOV. 15, 1976	NOVEMBER 15, 1976		
	NUMBER OF BANKS	FIRMER	ESSENTIALLY UNCHANGED	EASIER
<b>STRENGTH OF DEMAND FOR COMMERCIAL AND INDUSTRIAL LOANS</b>				
<b>ANTICIPATED DEMAND IN NEXT 3 MONTHS</b>				
STRONGER	43	0	34	9
ESSENTIALLY UNCHANGED	69	1	48	20
WEAKER	9	0	8	1
<b>COMPENSATING OR SUPPORTING BALANCES</b>				
<b>ANTICIPATED DEMAND IN NEXT 3 MONTHS</b>				
STRONGER	43	1	41	1
ESSENTIALLY UNCHANGED	69	0	68	1
WEAKER	9	1	8	0
<b>STANDARDS OF CREDIT WORTHINESS</b>				
<b>ANTICIPATED DEMAND IN NEXT 3 MONTHS</b>				
STRONGER	43	2	35	6
ESSENTIALLY UNCHANGED	69	0	59	10
WEAKER	9	0	6	3
<b>MATURITY OF TERM LOANS</b>				
<b>ANTICIPATED DEMAND IN NEXT 3 MONTHS</b>				
STRONGER	43	2	37	4
ESSENTIALLY UNCHANGED	69	1	59	9
WEAKER	9	1	7	1
<b>NEW CUSTOMERS</b>				
<b>ANTICIPATED DEMAND IN NEXT 3 MONTHS</b>				
STRONGER	43	4	34	5
ESSENTIALLY UNCHANGED	69	2	58	9
WEAKER	9	1	6	2
<b>(NONCAPTIVE FINANCE COMPANIES)</b>				
<b>ESTABLISHING NEW OR LARGER CREDIT LINES</b>				
<b>ANTICIPATED DEMAND IN NEXT 3 MONTHS</b>				
STRONGER	43	3	20	20
ESSENTIALLY UNCHANGED	69	0	48	21
WEAKER	9	0	5	4
<b>WILLINGNESS TO MAKE TERM LOANS TO BUSINESSES</b>				
<b>ANTICIPATED DEMAND IN NEXT 3 MONTHS</b>				
STRONGER	43	3	20	20
ESSENTIALLY UNCHANGED	69	0	48	21
WEAKER	9	0	5	4

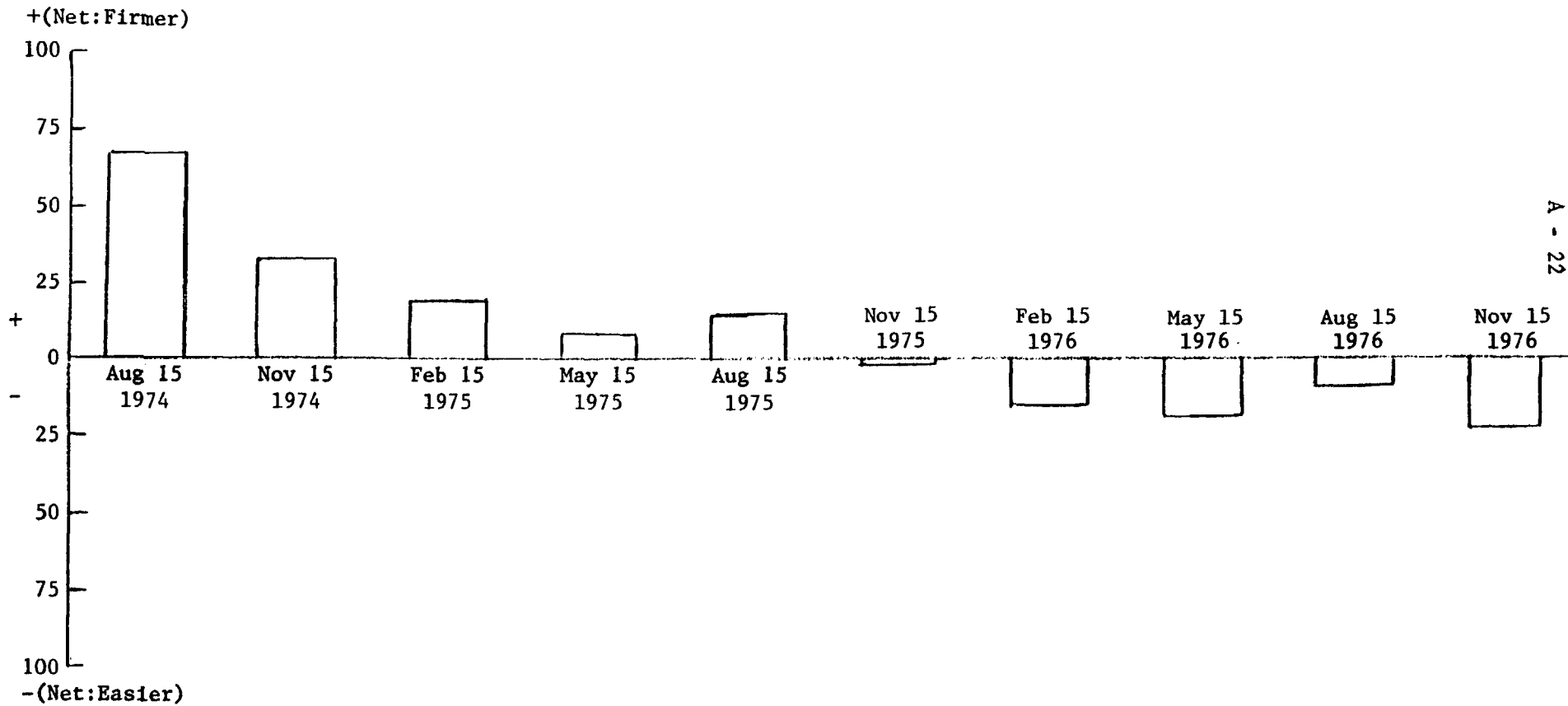


CHART 1: Anticipated versus Realized Strength of Commercial and Industrial Loan Demand\*



\* On each survey, respondents provide their expectations about the strength of commercial and industrial loan demand over the next three months. "Anticipated strength" is defined here as the percentage of respondents expecting stronger demand. The succeeding survey provides "realized strength" which is defined here as the percentage of the sample reporting stronger demand.

CHART 2: An Index of the Net Change in Policy Regarding Compensating Balances  
 (% of Respondents Reporting Firmer Policy Minus % Reporting Easier Policy)



## APPENDIX B\*

### Changes in Offering Terms of Small Time and Savings Deposits in Response to Declining Market Rates of Interest

With the approval of the FDIC and the FHLBB, staffs of all Reserve Banks were asked in mid-November to contact a number of commercial banks (CB's), savings and loan associations (S&L's), and mutual savings banks (MSB's) in their Districts to determine whether depository institutions had begun to lower offering rates on deposits subject to Federal ceilings in response to declining market rates of interest. Institutions were asked if they had cut rates on any such deposits or planned to cut rates in the next 60 days and if they had eliminated any type of deposits from their schedule of offerings. Officials at the institutions also were asked whether they had reduced promotional activity to attract deposits. The results of the survey were received at the Board by December 3, and the table summarizes the principal findings.<sup>1/</sup>

Both rate cutting and dropping of certain maturities of time deposits are indeed evident at banks and thrift institutions, but, as shown by item 2 in the table, such activity was found to be more common at thrift institutions than at banks. About 20 per cent of the banks contacted reported that they had either cut rates or ceased offering selected maturities of time deposits, compared to half of the S&L's and three-fourths of the MSB's. The pattern of heavier rate cutting and withdrawing of maturities of time deposits by thrift institutions was found throughout the country, although somewhat more of this activity was noted in the Southeast, and less in the Northeast than prevailed elsewhere.

---

<sup>1/</sup> It should be cautioned that though an attempt was made to contact a cross-section of institutions by size, the survey was informal and was not a scientific sample of banks and thrift institutions. Consequently, inferences about the comparative rate cutting and other activities of the various classes of institutions or by institutions in various regions can only be made in the broadest terms.

Preliminary tabulations have just become available this week from the universe survey of offering rates at S&L's taken in early October by the Federal Home Loan Bank Board and they indicate that relatively little rate cutting or dropping of maturities of deposits had occurred by that time. This is not inconsistent with the results of our informal survey which shows that more than half of the rate cutting and dropping of maturities at S&L's occurred after the FHLBB survey date. The practice of rate cutting thus appeared to be accelerating in November and probably by now has spread to many more institutions than is suggested by our survey. Indeed, many officers of S&L's, as well as of MSB's and CB's who did not have firm plans for lowering rates, nonetheless reported that they were watching the course of market rates closely and would take action if rates declined further.

Items 3 and 4 of the table show that rate cutting has been more prevalent in the longer-term certificate accounts (with maturities 4 years and over) at thrift institutions than in shorter-term time deposits. Although some institutions reported paying below the ceiling rate on savings deposits, rate cutting on savings accounts is not shown separately because no institution of any type contacted reported that it had cut its savings deposit rate in the preceding six months. Unlike the thrift institutions, banks reported more rate cutting on short as opposed to longer-term time deposits, but relatively few banks reported any rate cutting of time deposits.

Rate cutting was not the method preferred by thrift institutions for slowing inflows of longer-term time deposits, as shown in item 5. In the last six months, almost one-half of the mutual savings banks contacted and almost one-third of the S&L's have ceased offering longer term time accounts with an original maturity of four years or more. In contrast, only 1 in 10 banks stopped offering such maturities during the same period.

Relatively few institutions reported that they had reduced advertising and other promotional activity in the preceding six months, as shown by item 6. Indeed, some have increased year-end advertising in an effort to attract IRA and Keogh accounts. On the other hand, some of the bank and thrift institution executives reported that advertising had been cut back more than six months ago, as market rates edged down to and fell below offering rates on their deposits.

The more widespread rate cutting by thrift institutions may reflect the fact that the initial offering rates at such institutions generally exceeded rates offered by commercial banks by one-fourth of one per cent--the Congressionally mandated differential--and the effects of declining rates of interest may have been felt more promptly by thrift institutions than by banks. The rate cutting by thrift institutions reduces or eliminates the advantage of the differential as long as competing banks elect to pay ceiling rates.

These developments clearly have a long-run importance in any discussion of the rate differential accorded thrift institutions. In recent years, banks have increased their market share of savings deposits and shorter-term time deposits, while their market share of long-term deposits has declined. On balance, the banks' share of total small deposits has been stable. The differing patterns of rate cutting at CB's and thrifts found in the survey may reflect their reluctance to lower offering rates on deposits where there has not been much growth. Banks and thrifts generally have cut rates in those maturities where they have enjoyed the most success and already have the strongest market position: ~~short-term~~ time deposits for banks and long-term time deposits for thrifts.

RESULTS OF INFORMAL SURVEY OF OFFERING RATES AND PROMOTIONAL ACTIVITY ON SMALL (under \$100,000) TIME AND SAVINGS DEPOSITS  
November 1976

	All Districts		Northeast (Districts 1,2,3)		Southeast (Districts 5,6)		Upper Midwest (Districts 4,7,9)		Lower Midwest (Districts 8,10,11)		West (District 12)	
	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
1. Institutions contacted												
CBs	121		30		20		30		30		11	
MSBs	34		24		3		5		--		2	
S&Ls	103		15		21		30		25		12	
2. Dropped maturities or cut offering rates in last 6 months												
CBs	25	20.7	2	6.7	8	40.0	4	13.3	7	23.3	4	36.4
MSBs	25	73.5	15	63.0	3	100.0	5	100.0	--	--	2	100.0
S&Ls	50	48.5	3	20.0	16	76.2	12	40.0	15	60.0	4	33.3
3. Reduced offering rates on short-term time deposits in last 6 months												
CBs	11	9.1	0	0.0	2	10.0	2	6.7	4	13.3	3	27.3
MSBs	4	11.8	2	8.3	0	0.0	0	0.0	--	--	2	100.0
S&Ls	7	6.8	0	0.0	3	14.3	1	3.3	2	8.0	1	8.3
4. Reduced offering rates on long-term (4 years and over) time deposits in last 6 months												
CBs	3	2.5	1	3.3	1	5.0	0	0.0	1	3.3	0	0.0
MSBs	9	26.5	5	20.8	0	0.0	3	60.0	--	--	1	50.0
S&Ls	17	16.5	1	6.7	8	38.1	4	13.3	3	12.0	1	8.3
5. Stopped offering some maturity <sup>1/</sup> of deposit in last 6 months												
CBs	12	9.9	1	3.3	6	30.0	2	6.7	2	6.7	1	9.1
MSBs	15	44.1	8	33.3	3	100.0	3	60.0	--	--	1	50.0
S&Ls	31	30.0	2	13.3	9	42.9	7	23.3	10	40.0	3	25.0
6. Reduced promotional activity to attract deposits in last 6 months												
CBs	12	9.9	1	3.3	0	0.0	2	6.7	7	23.3	2	18.2
MSBs	3	8.8	1	4.2	0	0.0	2	40.0	--	--	0	0.0
S&Ls	14	13.6	1	6.7	2	9.5	1	3.3	8	32.0	2	16.6
7. Began directing depositors away from long-term deposits in last 6 months												
CBs	8	6.6	1	3.3	0	0.0	6	20.0	1	3.3	0	0.0
MSBs	2	5.9	0	0.0	0	0.0	2	40.0	--	--	0	0.0
S&Ls	18	17.5	1	6.7	1	4.8	10	33.3	6	24.0	0	0.0

B - 4

<sup>1/</sup> In nearly all cases, the maturities of deposits withdrawn were the 4 year and over time deposit accounts.

## APPENDIX C\*

### BUSINESS LOAN EXPANSION BY INDUSTRY

As noted in the Greenbook, business loans have increased over the last three months, even after exclusion of large acquisitions of bankers' acceptances by a few of the leading banks.<sup>1/</sup> This recent loan expansion is in marked contrast to reductions in business loans in the first eight months of the year. Examination of the distribution of business loans reveals that the increase in loans was concentrated at large banks and widespread among industries. In this appendix, some preliminary results of a staff study of loans by industry are presented. Industry breakdowns of business loans are reported currently by about 160 of the largest weekly reporting banks. The seasonal adjustments employed in this analysis are preliminary.

Table I provides an indication that the recent loan expansion reflects not only temporary increases in holdings of bankers' acceptances, but also major shifts in the trend of loans in most industry categories. As shown by the figures in parenthesis in the upper portion of the table, there was a substantial increase in business loans other than acceptances in the latest three months, in contrast to a net contraction earlier in the year. The smaller banks have experienced relatively steady loan growth throughout the year. Thus, the shift from a 3.5 per cent annual rate of decline to an 2.6 per cent rate of expansion (excluding bankers' acceptances) reflects mainly a reversal of trend at the large weekly reporting banks. These banks usually dominate trends in business loans, as they account for about two-thirds of total business loans at commercial banks.

Nearly all industry categories--8 of the 10 major groupings shown in Table 1--contributed to the recent turnaround in business loans at large banks. Some major groupings, such as durable goods manufacturing services, and loans not elsewhere classified turned from contraction in outstandings to expansion. Nondurable goods manufacturing, mining, and foreign business loans all extended earlier growth at accelerated rates;

---

<sup>1/</sup> A few banks have increased their acceptance holdings sharply since August in order to expand their loan portfolios and provide for greater loan loss allowances for tax purposes at year end. It is expected that this increase in acceptance holdings will be reversed early in 1977, following a similar pattern in 1975-76.

\*Prepared by Edward R. Fry, Senior Economist, Banking Section, Division of Research and Statistics

while the sharp contraction in loans to the construction industry abated. Two categories--trade and the transportation, communications, and other public utilities group--continued about on the paths observed earlier in the year, with trade firms still borrowing relatively heavily and the latter group further reducing bank borrowings sharply.

As was noted in the Greenbook, this general improvement in bank lending to businesses may reflect some inventory financing, perhaps involuntary, and some abatement of balance sheet restructuring, as well as increasing interest by banks in expanding loan portfolios. The latest information on inventories indicates substantial inventory expansion in October, suggesting a possible explanation for renewed loan growth. Also, long-term financing by leading firms that have access to the public market has been relatively small in recent months, as corporate liquidity has improved considerably, especially in manufacturing industries.

Table 2 focuses on business loans in the manufacturing industries. Most manufacturing industries for which current business loan data are available have contributed heavily to the recent turnaround. Only the transportation equipment and food, liquor, and tobacco groups have reduced their borrowings at banks in recent months. The metals group shows a dramatic shift from reduction to expansion in bank borrowings. These industries also experienced substantial inventory accumulation in September and October.

Among nondurable goods manufacturing industries, the most rapid loan expansion also was in industries that experienced relatively large inventory investment. The petroleum refining industry stands out as the leading borrower in this period, probably reflecting heavy imports and stockpiling of petroleum products in anticipation of expected price increases. Manufacturers of chemicals and rubber also increased their bank borrowing while experiencing inventory accumulation.

Increases in loans to the trade group (total shown in Table 1) also may reflect inventory investment to some extent. Wholesale firms have borrowed more heavily than retail firms from banks throughout this year, and wholesale inventories also have increased more than retail. Most recently, retail sales have strengthened and retail inventories have declined. The acceleration in loan extensions to mining firms (also shown in Table 1) probably reflects stepped-up exploration and mining of energy-related resources, especially crude petroleum.



Table 1

Distribution of Business Loans by Major Industry Groups--1976  
Seasonally Adjusted

	<u>Changes (% annual rate)</u>		Outstanding (\$ millions) 11/24/76
	<u>Latest 3 mos. 1976</u>	<u>First 8 mos. 1976</u>	
C&I loans, all commercial banks	13.3(8.6)*	-4.3(-3.5)*	176,700
Large Banks	17.1(9.8)*	-10.6(-9.8)*	115,976
Other banks	6.4	9.3	60,724
C&I loans by industry (selected large banks)	18.7	-10.7	95,830
Durable goods manufacturing	5.8	-22.2	14,414
Nondurable goods manufacturing	12.4	0.9	13,764
Mining	37.5	22.2	7,343
Trade	11.2	13.7	14,357
Transportation, communication, and other public utilities	-17.4	-19.6	12,151
Construction	-2.7	-30.1	4,096
Services	3.3	-2.9	10,511
Bankers acceptances	279.8	-34.1	5,428
Foreign C&I loans	25.7	7.0	5,939
Not elsewhere classified	43.2	-45.4	7,959
C&I loans of large banks not classifying loans	7.3	-5.6	19,973

\* Figures in parentheses reflect growth rates in business loans other than bankers acceptances.

Table 2

Distribution of Business Loans to Manufacturing Industries -- 1976  
Seasonally Adjusted

	<u>Changes (% annual rate)</u>		<u>Outstanding</u>
	<u>Latest 3</u> <u>mos. 1976</u>	<u>First 8</u> <u>mos. 1976</u>	<u>(\$ millions)</u> <u>11/24/76</u>
Durable goods manufacturing	5.8	-22.2	14,414
Primary metals	29.6	-8.1	2,132
Machinery	11.9	-31.2	4,818
Transportation equipment	-36.0	-29.2	2,224
Other fabricated metal products	22.2	-28.6	1,768
Other durable goods	5.5	-8.1	3,444
Nondurable goods manufacturing	12.4	0.9	13,764
Food, liquor, and tobacco	-44.5	11.7	3,246
Textiles, apparel, and leather	8.8	15.3	3,355
Petroleum refining	94.6	-13.1	2,603
Chemicals and rubber	21.0	-12.9	2,663
Other nondurable goods	20.6	3.6	1,960

APPENDIX D\*  
U.K. ECONOMIC PACKAGE

On December 15, the U.K. government announced policy measures in connection with its application to the IMF for a \$3.9 billion loan. Chancellor of the Exchequer Denis Healey announced reductions in public spending plans (in 1976 prices) of £1 billion in fiscal 1977/78 (U.K. fiscal years begin April 1) and £1.5 billion in fiscal 1978/79. These cuts, supplemented by a 10 per cent increase in duties on tobacco and alcoholic drinks and some sales of government-held shares of British Petroleum, are expected to help reduce the public sector borrowing requirement from its present (1976/77) estimated level of £11.2 billion -- 9 per cent of GDP -- to £8.7 billion in 1977/78 and about £8.6 billion in 1978/79 -- 6 per cent and 5.25 per cent of GDP, respectively. The Chancellor indicated that income taxes may be cut next year if a satisfactory agreement is worked out on the next phase of the pay policy. The Chancellor also indicated that if forecasts available at the time when fiscal policy for 1978/79 is being formulated show that real GDP for 1978 and 1979 is likely to grow at an average rate of more than 3.5 per cent per year, the budget deficit will be cut further by up to £1 billion.

The Chancellor also announced targets for domestic credit expansion (DCE) and made it clear that hitting such targets, rather than money supply targets, will be the main goal of monetary policy in the foreseeable future. Roughly, DCE in the United Kingdom equals the change in  $M_3$  plus the external deficit. The DCE targets are: £9 billion for 1976/77, £7.7 billion for 1977/78; and £6 billion for 1978/79. Using reasonable estimates of what the external deficits are likely to be suggests that the DCE targets announced are roughly equivalent to an annual growth rate of  $M_3$  of around 12 per cent during the next two fiscal years. (For the current fiscal year the target for  $M_3$  growth is 12 per cent). DCE targets are a standard feature in IMF credit agreements. The Chancellor's Letter of Intent to the IMF sets out a schedule of quarterly limits to the sizes of both DCE and the public sector borrowing requirement in order to help ensure that the fiscal year targets for those two variables will be achieved.

Chancellor Healey stated that Johannes Witteveen, IMF Managing Director, supports the U.K. measures and is prepared to recommend IMF approval of the U.K.'s request for the \$3.9 billion standby arrangement. The IMF is expected to approve Britain's loan application in early January. Britain will then be able to draw \$1.15 billion immediately and another \$1 billion before the end of 1977. The availability of a \$500 million swap with the United States (\$250 million each

---

\* Prepared by David H. Howard, Economist, World Payments and Economic Activity Section, Division of International Finance.

with the Federal Reserve System and the U.S. Treasury) and a \$350 million standby with the Bundesbank were also announced. Any drawings on the U.S. and German facilities are to be repaid during the course of 1977. The Chancellor also said that he believes that there will be an agreement on the sterling balance problem "before long."

The specific measures announced include:

Public expenditure. Public sector spending reductions of £1 billion for fiscal 1977/78 and £1.5 billion for 1978/79 (both in 1976 prices) were announced. The areas affected by the cuts include central and local government capital expenditure, acquisitions under the Community Land Act, food subsidies, defense, foreign aid, civil service staff, public service pensions, the regional employment premium, and the refinancing by government of fixed-rate export credit. Although full details are not yet available, preliminary reports indicate that cuts in construction programs will be £270 million in 1977/78 and £300 million in 1978/79, cuts in housing programs will save £300 million in 1978/79, acceleration of the phasing-out of food subsidies will save £60 million in 1977/78, and defense will be cut £100 million in 1977/78 and £200 million in 1978/79 (about 2 per cent and 4 per cent of the 1976/77 defense budget, respectively).

Taxation. A 10 per cent increase in the revenue duty on imported leaf tobacco was imposed as of midnight, December 15, and a similar increase in the duty on other tobacco products and alcoholic liquor is to go into effect on January 1. These taxes should increase revenue in the current 1976/77 fiscal year by £50 million and in a full year by £280 million. These tax increases are intended to finance measures to aid employment and investment involving some £200 million in each of the next two fiscal years.

Sale of British Petroleum shares. The U.K. government will sell part of its holding of British Petroleum shares, which should yield some £500 million. The government intends to retain a majority of the outstanding shares, however.