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March 14, 1980

SUPPLEMENT  
CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

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## SUPPLEMENTAL NOTES

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### Industrial production and capacity utilization

Industrial production edged up 0.2 percent in February. This advance mainly reflected a large increase in output of automobiles, trucks, and related parts from very low January levels; if production of motor vehicles and parts and related items had been unchanged in February, industrial production would have edged down 0.2 percent. The index for February is 0.7 percent above a year earlier and equal to its recent high in March 1979.

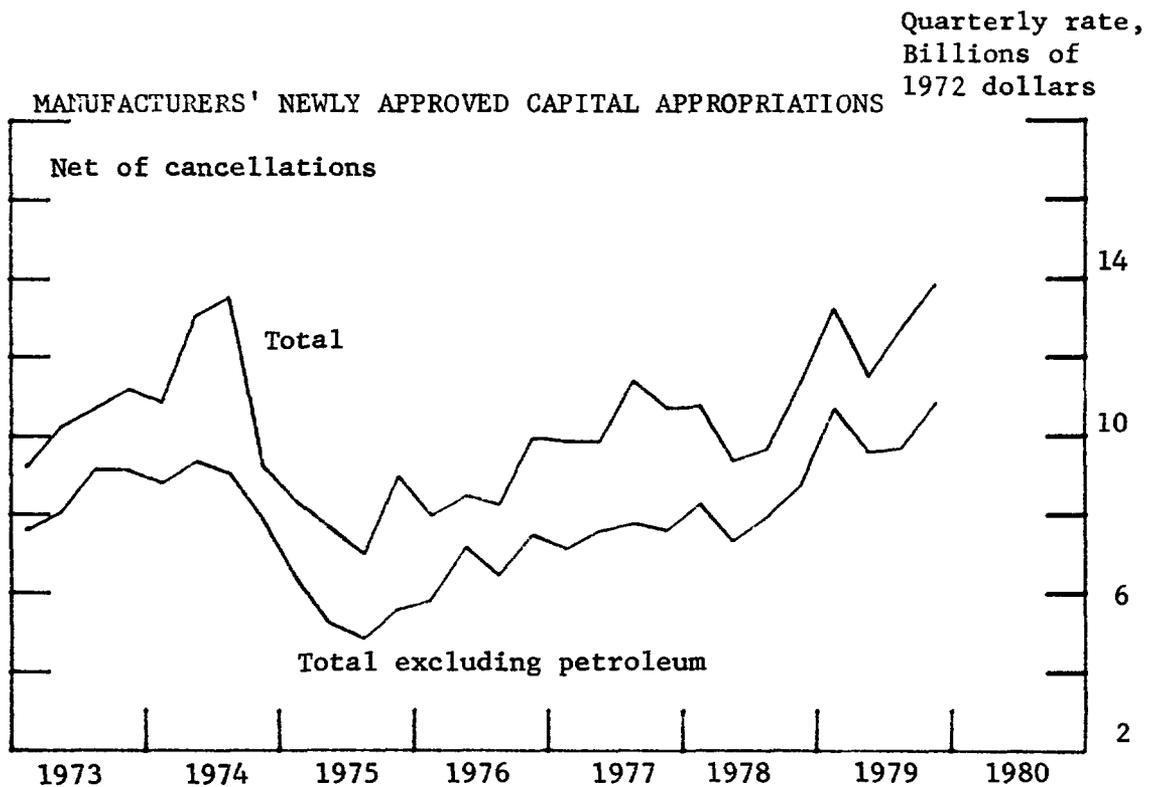
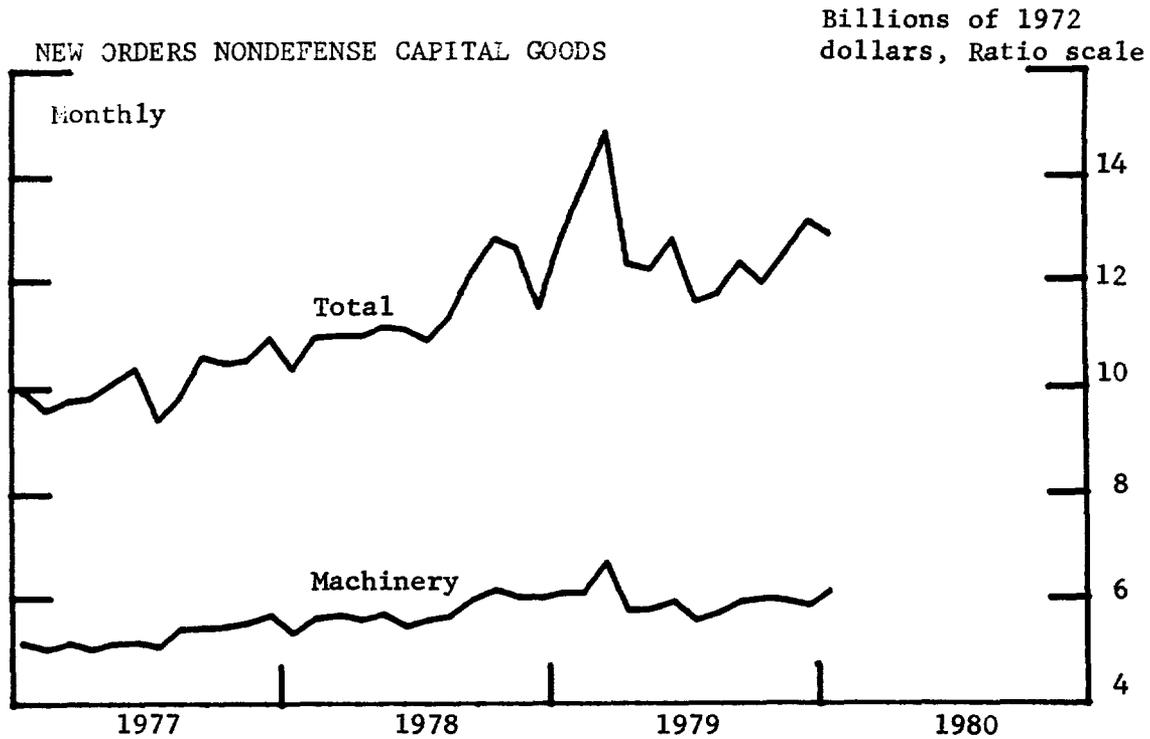
Production of consumer goods increased 0.9 percent in February mainly because of the rise in output of autos and utility vehicles. Autos were assembled at an annual rate of 7.2 million units--about 19 percent higher than the January rate, but still about 19 percent below the rate in February 1979. Other consumer durable goods production declined 0.6 percent, while production of nondurable consumer goods increased slightly further in February. Business equipment output rose 0.3 percent; this rise was primarily due to increases in transit equipment and building and mining equipment and followed increases of 0.6 percent in January and 1.0 percent in December. Output of construction supplies decreased 0.8 percent last month.

Output of materials edged down in February, reflecting declines in the production of basic steel, nondurable goods materials, and energy materials. Among durable goods materials, output of parts for consumer durables increased more than 3 percent due to the large rise in automobile assemblies, while production of equipment parts declined 0.5 percent following a 2 percent rise in January.

Manufacturers operated at 84.2 percent of capacity in February, the same as in the preceding two months. Capacity utilization by producers of industrial materials edged down 0.2 percentage point to 86.1 percent. The utilization rate for primary processing industries declined last month and was the lowest since mid-1978; the utilization rate for advanced processing industries edged up slightly in February and was at the level of late last fall. For producers of industrial materials, a rise in the utilization rate for producers of consumer durable goods parts about offset widespread declines in operating rates of other materials producers.

ERRATA:

CAPITAL SPENDING COMMITMENTS  
Seasonally adjusted



COMMERCIAL BANK CREDIT AND SHORT- AND INTERMEDIATE-TERM BUSINESS CREDIT  
(Percentage changes at annual rates, based on seasonally adjusted data)<sup>1</sup>

|  | 1979 |      |       | 1980  |                   | Feb. '79                    |
|--|------|------|-------|-------|-------------------|-----------------------------|
|  | Q2   | Q3   | Q4    | Jan.  | Feb. <sup>e</sup> | to<br>Feb. '80 <sup>e</sup> |
| ----- Commercial Bank Credit -----   |      |      |       |       |                   |                             |
| 1. Total loans and investments at banks <sup>2</sup>                               | 11.9 | 15.8 | 3.4   | 12.8  | 17.9              | 11.5                        |
| 2. Investments   | 5.4  | 8.5  | 3.5   | 4.2   | 14.7              | 6.5                         |
| 3. Treasury securities   | 3.8  | 1.7  | -5.9  | -7.7  | 18.0              | 1.5                         |
| 4. Other securities  | 6.2  | 12.1 | 8.3   | 10.0  | 13.1              | 9.2                         |
| 5. Total loans <sup>2</sup>  | 14.2 | 18.2 | 3.3   | 15.8  | 19.0              | 12.9                        |
| 6. Business loans  | 16.6 | 22.7 | 5.8   | 20.9  | 23.8              | 17.2                        |
| 7. Security loans  | 38.1 | 8.7  | -88.5 | -19.7 | -19.8             | -16.6                       |
| 8. Real estate loans   | 13.0 | 14.7 | 14.2  | 12.9  | 13.2              | 14.5                        |
| 9. Consumer loans  | 12.4 | 7.5  | 5.5   | 6.6   | n.a.              | n.a.                        |
| -- Short- and Intermediate-Term Business Credit --                                 |      |      |       |       |                   |                             |
| 10. Total short- and intermediate-term business credit (sum of lines 13,14 and 15) | 20.1 | 27.4 | 6.3   | 24.4  | n.a.              | n.a.                        |
| 11. Business loans net of bankers acceptances <sup>1</sup>                         | 16.6 | 21.7 | 6.2   | 22.4  | 21.2              | 17.1                        |
| 12. Commercial paper issued by nonfinancial firms <sup>3</sup>                     | 65.7 | 69.7 | 15.5  | 81.6  | 49.7              | 65.2                        |
| 13. Sum of lines 11 & 12   | 20.3 | 25.7 | 7.0   | 28.0  | 24.0              | 20.6                        |
| 14. Finance company loans to business <sup>4</sup>                                 | 17.7 | 9.4  | 4.0   | -8.5  | n.a.              | n.a.                        |
| 15. Total bankers acceptances outstanding <sup>4</sup>                             | 23.3 | 74.9 | 4.6   | 52.3  | n.a.              | n.a.                        |

1. Average of Wednesdays for domestic chartered banks and average of current and preceding ends of months for foreign-related institutions.

2. Loans include outstanding amounts of loans reported as sold outright to a bank's own foreign branches, unconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and unconsolidated nonbank subsidiaries of the holding company.

3. Average of Wednesdays.

4. Based on average of current and preceding ends of months.

e--estimated. n.a.--not available.

MONETARY AGGREGATES  
(Based on seasonally adjusted data unless otherwise noted)<sup>1</sup>

|   | 1979  |       |       | 1980              |                   | Feb. '79<br>to<br>Feb. '80 <sup>e</sup> |
|---|-------|-------|-------|-------------------|-------------------|---|
|   | Q2    | Q3    | Q4    | Jan. <sup>p</sup> | Feb. <sup>e</sup> |   |
| ---- Percentage Change at Annual Rates ----                   |       |       |       |                   |                   |   |
| <u>Money stock measures</u>                                   |       |       |       |                   |                   |   |
| 1. M-1A   | 7.8   | 8.8   | 4.7   | 3.6               | 11.9              | 7.5                                     |
| 2. M-1B   | 10.7  | 10.1  | 5.3   | 4.3               | 11.4              | 8.9                                     |
| 3. M-2  | 10.2  | 10.3  | 7.2   | 6.8               | 10.8              | 9.5                                     |
| 4. M-3  | 8.8   | 10.3  | 9.9   | 7.8               | 11.7              | 9.9                                     |
| <u>Selected components</u>                                    |       |       |       |                   |                   |   |
| 5. Currency   | 8.1   | 11.1  | 8.1   | 13.6              | 10.1              | 9.4                                     |
| 6. Demand deposits  | 7.6   | 8.0   | 3.4   | -0.5              | 12.7              | 6.8                                     |
| 7. Other checkable deposits, NSA <sup>2</sup>                 | 102.8 | 46.7  | 15.7  | 22.2              | 0.0               | 52.8                                    |
| 8. M-2 minus M-1B (9+10+11+14)                                | 10.0  | 10.4  | 7.8   | 7.7               | 10.6              | 10.3                                    |
| 9. Overnight RPs and Eurodollars, NSA <sup>3</sup>            | 35.4  | -4.7  | -17.3 | 39.8              | 4.8               | 5.9                                     |
| 10. Money market mutual fund shares, NSA                      | 204.1 | 166.2 | 120.0 | 151.4             | 188.2             | 291.7                                   |
| 11. Savings deposits  | -9.7  | -1.5  | -21.0 | -13.2             | -22.1             | -12.0                                   |
| 12. at commercial banks                                       | -7.4  | -0.4  | -15.1 | -11.7             | -16.7             | -9.1                                    |
| 13. at thrift institutions                                    | 11.8  | -2.5  | -26.0 | -14.6             | -26.8             | -14.4                                   |
| 14. Small time deposits                                       | 20.4  | 14.4  | 24.5  | 10.5              | 17.8              | 20.4                                    |
| 15. at commercial banks                                       | 22.5  | 21.5  | 28.6  | 24.6              | 28.1              | 27.5                                    |
| 16. at thrift institutions                                    | 19.3  | 10.4  | 22.3  | 2.0               | 11.8              | 16.5                                    |
| 17. Large time deposits                                       | -4.8  | 9.5   | 30.3  | 15.9              | 24.9              | 12.8                                    |
| 18. at commercial banks, net <sup>4</sup>                     | -9.0  | 2.5   | 22.6  | 8.3               | 20.2              | 5.5                                     |
| 19. at thrift institutions                                    | 40.9  | 72.2  | 90.8  | 63.4              | 52.7              | 87.1                                    |
| 20. Term RPs, NSA   | 34.6  | 13.8  | 5.4   | 0.0               | -39.6             | 10.6                                    |
| --Average Monthly Change in Billions of Dollars--             |       |       |       |                   |                   |   |
| <u>MEMORANDA:</u>   |       |       |       |                   |                   |   |
| 21. Managed liabilities at commercial banks (22+23)           | 1.8   | 9.5   | -1.5  | 4.2               | 13.1              | 4.3                                     |
| 22. Large time deposits, gross                                | -3.0  | 4.3   | 2.2   | 1.1               | 6.0               | 1.4                                     |
| 23. Nondeposit funds  | 4.8   | 5.2   | -3.7  | 3.1               | 7.1               | 2.9                                     |
| 24. Net due to related foreign institutions, NSA              | 3.6   | 2.9   | -2.2  | 0.8               | 1.3               | 1.5                                     |
| 25. Other <sup>5</sup>  | 1.3   | 2.2   | -1.4  | 3.9               | 5.9               | 1.4                                     |
| 26. U.S. government deposits at commercial banks <sup>6</sup> | 1.0   | 0.6   | -1.1  | 4.6               | -1.5              | 0.2                                     |

1. Quarterly growth rates are computed on a quarterly average basis.  
2. Consists of ATS and NOW balances at all institutions, credit union share draft balances, and demand deposits at mutual savings banks.  
3. Overnight and continuing contract RPs issued to the nonbank public by commercial banks, net of amounts held by money market mutual funds, plus overnight Eurodollar deposits issued by Caribbean branches of U.S. member banks to U.S. nonbank customers.  
4. Net of large denomination time deposits held by money market mutual funds and thrift institutions.  
5. Consists of nondeposit borrowings of commercial banks from nonbank sources, calculated as the sum of federal funds purchased, security RPs, other liabilities for borrowed money (including borrowings from the Federal Reserve), and loans sold less interbank borrowings.  
6. Consists of Treasury demand deposits at commercial banks and Treasury note balances.  
e--estimated. n.a.--not available. p--preliminary.

SELECTED FINANCIAL MARKET QUOTATIONS  
(Percent)

|  | 1974 <sup>1</sup><br>High | 1979-1980 <sup>2</sup> |                |                |         | Change from:   |                |                |
|--|---------------------------|------------------------|----------------|----------------|---------|----------------|----------------|----------------|
|  |                           | FOMC<br>Oct. 5         | FOMC<br>Jan. 9 | FOMC<br>Feb. 5 | Mar. 13 | FOMC<br>Oct. 5 | FOMC<br>Jan. 9 | FOMC<br>Feb. 5 |
| <u>Short-term rates</u>                        |                           |                        |                |                |         |                |                |                |
| Federal funds <sup>3</sup>                     | 13.55                     | 11.91                  | 13.94          | 12.80          | 16.45   | 4.54           | 2.51           | 3.65           |
| Treasury bills                                 |                           |                        |                |                |         |                |                |                |
| 3-month  | 9.63                      | 10.70                  | 11.76          | 12.22          | 15.12   | 4.42           | 3.36           | 2.90           |
| 6-month  | 9.75                      | 10.63                  | 11.75          | 12.11          | 14.98   | 4.34           | 3.23           | 2.87           |
| 1-year   | 9.54                      | 10.28                  | 10.76          | 11.60          | 13.86   | 3.58           | 3.10           | 2.26           |
| Commercial paper                               |                           |                        |                |                |         |                |                |                |
| 1-month  | 12.25                     | 11.73                  | 13.07          | 13.02          | 16.54   | 4.81           | 3.47           | 3.52           |
| 3-month  | 12.25                     | 11.86                  | 13.04          | 13.09          | 16.77   | 4.91           | 3.73           | 3.68           |
| 6-month  | 12.00                     | 11.84                  | 12.50          | 12.85          | 16.36   | 4.52           | 3.86           | 3.51           |
| Large negotiable CDs <sup>4</sup>              |                           |                        |                |                |         |                |                |                |
| 1-month  | 12.58                     | 12.09                  | 13.33          | 13.23          | 17.24   | 5.15           | 3.91           | 4.01           |
| 3-month  | 12.64                     | 12.50                  | 13.36          | 13.46          | 17.86   | 5.36           | 4.50           | 4.40           |
| 6-month  | 12.30                     | 12.80                  | 13.33          | 13.70          | 17.86   | 5.06           | 4.53           | 4.16           |
| Eurodollar deposit <sup>3</sup>                |                           |                        |                |                |         |                |                |                |
| 1-month  | 13.78                     | 12.45                  | 14.59          | 13.94          | 17.86   | 5.41           | 3.27           | 3.92           |
| 3-month  | 14.01                     | 12.79                  | 14.56          | 14.29          | 18.58   | 5.79           | 4.02           | 4.29           |
| Bank prime rate                                | 12.00                     | 13.50                  | 15.25          | 15.25          | 17.75   | 4.25           | 2.50           | 2.50           |
| <u>Intermediate- and long-term rates</u>       |                           |                        |                |                |         |                |                |                |
| U.S. Treasury<br>(constant maturity)           |                           |                        |                |                |         |                |                |                |
| 3-year   | 8.84                      | 10.01                  | 10.68          | 12.10          | 13.85   | 3.84           | 3.17           | 1.75           |
| 10-year  | 8.14                      | 9.60                   | 10.58          | 11.73          | 12.50   | 2.90           | 1.92           | .77            |
| 30-year  | n.a.                      | 9.36                   | 10.29          | 11.64          | 12.19   | 2.83           | 1.90           | .55            |
| Municipal<br>(Bond Buyer) <sup>5</sup>         | 7.15                      | 6.64                   | 7.32           | 7.52           | 9.08    | 2.44           | 1.76           | 1.56           |
| Corporate <u>Aaa</u>                           |                           |                        |                |                |         |                |                |                |
| New issue <sup>6</sup>                         | 10.61                     | 10.22                  | --             | --             | 13.95p  | 3.73           | --             | --             |
| Recently offered <sup>7</sup>                  | 10.52                     | 10.25                  | 11.42          | 12.35          | 13.75p  | 3.50           | 2.33           | 1.40           |
| Primary conventional<br>mortgages <sup>7</sup> | 10.03                     | 11.35                  | 12.85          | 12.85          | 14.00   | 2.65           | 1.15           | 1.15           |
|  | 1974 <sup>8</sup><br>Low  | FOMC<br>Oct. 5         | FOMC<br>Jan. 9 | FOMC<br>Feb. 5 | Mar. 13 | FOMC<br>Oct. 5 | FOMC<br>Jan. 9 | FOMC<br>Feb. 5 |
| <u>Stock prices</u>                            |                           |                        |                |                |         |                |                |                |
| Dow-Jones Industrial                           | 577.60                    | 897.61                 | 850.09         | 876.62         | 809.56  | -88.05         | -40.53         | -67.06         |
| NYSE Composite                                 | 32.89                     | 63.39                  | 62.72          | 65.83          | 60.20   | -3.19          | -2.52          | -5.63          |
| AMEX Composite                                 | 58.26                     | 235.15                 | 251.75         | 278.25         | 266.11  | 30.96          | 14.36          | -12.14         |
| NASDAQ (OTC)                                   | 54.87                     | 152.29                 | 151.60         | 162.20         | 144.98  | -7.31          | -6.62          | -17.22         |

1. Statement week averages except where noted.
2. One-day quotes except as noted.
3. Averages for statement week closest to date shown.
4. Secondary market.
5. One-day quotes for preceding Thursday.
6. Averages for preceding week.
7. One-day quotes for preceding Friday.
8. Calendar week averages.

## APPENDIX A\*

### SENIOR LOAN OFFICER OPINION SURVEY OF BANK LENDING PRACTICES

Responses to the February Senior Loan Officer Opinion Survey on Bank Lending Practices indicated a further decline in willingness to lend and a further tightening of non-price terms attached to business loans. The survey date, the 15th, came just as market interest rates had begun their most recent rise and it coincided with a one percentage point increase in the discount rate. The prime rate was somewhat below its mid-November level, and had been unchanged since early December.

The shift in lending policies was not as marked as that indicated in the November survey, however, particularly among the largest banks (those with assets of \$5 billion or more). Although seasonally adjusted business loan growth at large commercial banks has strengthened considerably since the fall, about one-quarter of the 119 respondents to the Survey reported an easing of business loan demand in mid-February compared to three months earlier, while only half this proportion reported a strengthening.<sup>1</sup> In assessing prospects for business loan demand over the next three months, large banks anticipated some strengthening on balance while medium size banks (those having assets between \$1/2 and \$5 billion) expected some weakening.

A small minority of banks (all of them medium size) reported that they had raised their standards of credit worthiness to qualify for the prime rate or for a given spread above prime relative to their standards three months earlier. At the time of the mid-November survey, well over one-third of respondents (including a high proportion of large banks) had reported tightening credit standards for the prime or spread over prime.

Nonprice terms for established and local customers--which were reported to have been tightened on balance at the time of the previous survey--were little changed in the ensuing three months. For new and non-local customers, however, these conditions were tightened further on balance, although the proportion of banks reporting more stringency

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\* Prepared by Thomas F. Brady, Economist, Banking Section.

1. Although respondents are asked to allow for seasonal variation when reporting their perceptions of changes in loan demand, some may fail to make an adequate adjustment. Business loan demand at large banks is seasonally weak in February, while in November there is some seasonal increase.

was well below that of the previous survey. Compensating balance requirements were about unchanged on balance in the three months ending in mid-February.

A large number of banks reported a lesser willingness to make fixed rate loans, particularly for terms exceeding a year. In their supplementary comments, several banks reported that they had moved to eliminate virtually all extensions of fixed rate term loans in the current interest rate environment.

Forty percent of respondents reported a lesser willingness to make consumer installment loans, the same proportion as in the last survey. On balance, banks also continued to report reduced willingness to make most other types of loans, although the proportions so reporting were generally below those of November, particularly among large banks. Roughly one-third of respondents reported less willingness to make business loans with maturities in excess of 5 years and real estate loans. Smaller minorities reported lesser willingness to make shorter business loans, loans to finance companies, and loans to brokers and dealers. As in the previous survey, only a very small proportion of banks reported an increased willingness to extend most types of credit. However, a noticeable minority of respondents (most of them medium size) reported a greater willingness to participate in loans originated by correspondent banks.

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES  
AT SELECTED LARGE BANKS IN THE U.S.  
(STATUS OF POLICY ON FEBRUARY 15, 1980 COMPARED TO THREE MONTHS EARLIER)  
(NUMBER OF BANKS & PERCENT OF TOTAL BANKS ANSWERING QUESTION)

| L O A N D E M A N D  |                      |     |                     |      |                       |      |                   |      |             |      |                       |
|--|----------------------|-----|---------------------|------|-----------------------|------|-------------------|------|-------------|------|-----------------------|
| STRENGTH OF DEMAND FOR COMMERCIAL AND INDUSTRIAL LOANS (AFTER ALLOWANCE FOR BANKS USUAL SEASONAL VARIATION): | MUCH STRONGER        |     | MODERATELY STRONGER |      | ESSENTIALLY UNCHANGED |      | MODERATELY EASIER |      | MUCH EASIER |      | TOTAL BANKS ANSWERING |
|  | BANKS                | PCT | BANKS               | PCT  | BANKS                 | PCT  | BANKS             | PCT  | BANKS       | PCT  |                       |
| 1. COMPARED TO THREE MONTHS EARLIER  | 0                    | 0.0 | 16                  | 13.5 | 72                    | 60.6 | 31                | 26.1 | 0           | 0.0  | 119                   |
| 2. ANTICIPATED DEMAND IN NEXT 3 MONTHS   | 0                    | 0.0 | 23                  | 19.4 | 68                    | 57.2 | 28                | 23.6 | 0           | 0.0  | 119                   |
| I N T E R E S T R A T E P O L I C Y  |                      |     |                     |      |                       |      |                   |      |             |      |                       |
| STANDARDS OF CREDIT WORTHINESS:  | MUCH FIRMER          |     | MODERATELY FIRMER   |      | ESSENTIALLY UNCHANGED |      | MODERATELY EASIER |      | MUCH EASIER |      |                       |
|  | BANKS                | PCT | BANKS               | PCT  | BANKS                 | PCT  | BANKS             | PCT  | BANKS       | PCT  |                       |
| 3. TO QUALIFY FOR PRIME RATE   | 0                    | 0.0 | 14                  | 11.8 | 102                   | 85.8 | 3                 | 2.6  | 0           | 0.0  | 119                   |
| 4. TO QUALIFY FOR SPREAD ABOVE PRIME   | 0                    | 0.0 | 19                  | 16.0 | 96                    | 80.7 | 4                 | 3.4  | 0           | 0.0  | 119                   |
| WILLINGNESS TO MAKE FIXED RATE LOANS:  | CONSIDERABLY GREATER |     | MODERATELY GREATER  |      | ESSENTIALLY UNCHANGED |      | MODERATELY LESS   |      | MUCH LESS   |      |                       |
|  | BANKS                | PCT | BANKS               | PCT  | BANKS                 | PCT  | BANKS             | PCT  | BANKS       | PCT  |                       |
| 5. SHORT-TERM (UNDER ONE YEAR)   | 0                    | 0.0 | 1                   | 0.9  | 81                    | 68.1 | 27                | 22.7 | 10          | 8.5  | 119                   |
| 6. LONG-TERM (ONE YEAR OR LONGER)  | 0                    | 0.0 | 3                   | 2.6  | 49                    | 41.2 | 39                | 32.8 | 28          | 23.6 | 119                   |
| C R E D I T A V A I L A B I L I T Y<br>A N D N O N P R I C E T E R M S                                       |                      |     |                     |      |                       |      |                   |      |             |      |                       |
| REVIEWING CREDIT LINES OR LOAN APPLICATIONS FOR:   | MUCH FIRMER          |     | MODERATELY FIRMER   |      | ESSENTIALLY UNCHANGED |      | MODERATELY EASIER |      | MUCH EASIER |      |                       |
|  | BANKS                | PCT | BANKS               | PCT  | BANKS                 | PCT  | BANKS             | PCT  | BANKS       | PCT  |                       |
| 7. ESTABLISHED CUSTOMERS   | 0                    | 0.0 | 6                   | 5.1  | 110                   | 92.5 | 3                 | 2.6  | 0           | 0.0  | 119                   |
| 8. NEW CUSTOMERS   | 2                    | 1.7 | 23                  | 19.4 | 90                    | 75.7 | 4                 | 3.4  | 0           | 0.0  | 119                   |
| 9. LOCAL SERVICE AREA CUSTOMERS  | 0                    | 0.0 | 10                  | 8.5  | 105                   | 89.0 | 3                 | 2.6  | 0           | 0.0  | 118                   |
| 10. NONLOCAL SERVICE AREA CUSTOMERS  | 5                    | 4.3 | 24                  | 20.4 | 88                    | 74.6 | 1                 | 0.9  | 0           | 0.0  | 118                   |
| COMPENSATING BALANCE REQUIREMENTS FOR:   | CONSIDERABLY GREATER |     | MODERATELY GREATER  |      | ESSENTIALLY UNCHANGED |      | MODERATELY LESS   |      | MUCH LESS   |      |                       |
|  | BANKS                | PCT | BANKS               | PCT  | BANKS                 | PCT  | BANKS             | PCT  | BANKS       | PCT  |                       |
| 11. COMMERCIAL & INDUSTRIAL LOANS  | 0                    | 0.0 | 18                  | 15.2 | 87                    | 73.2 | 14                | 11.8 | 0           | 0.0  | 119                   |
| 12. LOANS TO FINANCE COMPANIES   | 0                    | 0.0 | 13                  | 11.0 | 101                   | 84.9 | 5                 | 4.3  | 0           | 0.0  | 119                   |
| WILLINGNESS TO MAKE OTHER TYPES OF LOANS:  | CONSIDERABLY GREATER |     | MODERATELY GREATER  |      | ESSENTIALLY UNCHANGED |      | MODERATELY LESS   |      | MUCH LESS   |      |                       |
|  | BANKS                | PCT | BANKS               | PCT  | BANKS                 | PCT  | BANKS             | PCT  | BANKS       | PCT  |                       |
| 13. SECURED CONSTRUCTION & LAND DEVELOPMENT  | 0                    | 0.0 | 3                   | 2.6  | 72                    | 60.6 | 40                | 33.7 | 4           | 3.4  | 119                   |
| SECURED REAL ESTATE LOANS:   |                      |     |                     |      |                       |      |                   |      |             |      |                       |
| 14. 1-4 FAMILY RESIDENTIAL PROPERTIES  | 1                    | 0.9 | 4                   | 3.4  | 73                    | 61.9 | 30                | 25.5 | 10          | 8.5  | 118                   |
| 15. MULTI-FAMILY RESIDENTIAL PROPERTY  | 0                    | 0.0 | 1                   | 0.9  | 69                    | 60.0 | 34                | 29.6 | 11          | 9.6  | 115                   |
| 16. COMMERCIAL & INDUSTRIAL PROPERTY   | 0                    | 0.0 | 0                   | 0.0  | 82                    | 69.0 | 31                | 26.1 | 6           | 5.1  | 119                   |
| 17. INSTALLMENT LOANS TO INDIVIDUALS   | 0                    | 0.0 | 1                   | 0.9  | 69                    | 58.0 | 43                | 36.2 | 6           | 5.1  | 119                   |
| COMMERCIAL AND INDUSTRIAL LOANS OF:  |                      |     |                     |      |                       |      |                   |      |             |      |                       |
| 18. 1-5 YEARS MATURITY   | 0                    | 0.0 | 4                   | 3.4  | 100                   | 84.1 | 14                | 11.8 | 1           | 0.9  | 119                   |
| 19. OVER 5 YEARS MATURITY  | 0                    | 0.0 | 1                   | 0.9  | 83                    | 69.8 | 26                | 21.9 | 9           | 7.6  | 119                   |
| 20. LOANS TO FINANCE COMPANIES   | 0                    | 0.0 | 0                   | 0.0  | 105                   | 88.3 | 9                 | 7.6  | 5           | 4.3  | 119                   |
| 21. LOANS TO SECURITIES BROKERS & DEALERS  | 0                    | 0.0 | 1                   | 0.9  | 102                   | 86.5 | 12                | 10.2 | 3           | 2.6  | 118                   |
| 22. PARTICIPATION LOANS WITH CORRESPONDENT BANKS   | 1                    | 0.9 | 11                  | 9.3  | 95                    | 79.9 | 10                | 8.5  | 2           | 1.7  | 119                   |

TABLE 2

PAGE 1

COMPARISON OF QUARTERLY CHANGES IN BANK LENDING PRACTICES AT BANKS GROUPED BY SIZE OF TOTAL DOMESTIC ASSETS  
(STATUS OF POLICY ON FEBRUARY 15, 1980 COMPARED TO THREE MONTHS EARLIER)  
(NUMBER OF BANKS ANSWERING EACH QUESTION AS PERCENT OF TOTAL NUMBER OF BANKS ANSWERING QUESTION)

| L O A N D E M A N D  | SIZE OF BANK -- TOTAL DOMESTIC ASSETS IN BILLIONS 1/ |           |                     |           |                       |           |                   |           |                   |           |            |           |
|--|--|-----------|---------------------|-----------|-----------------------|-----------|-------------------|-----------|-------------------|-----------|------------|-----------|
|  | MUCH STRONGER  |           | MODERATELY STRONGER |           | ESSENTIALLY UNCHANGED |           | MODERATELY WEAKER |           | MUCH WEAKER       |           | TOTAL      |           |
|  | \$5 & OVER   | UNDER \$5 | \$5 & OVER          | UNDER \$5 | \$5 & OVER            | UNDER \$5 | \$5 & OVER        | UNDER \$5 | \$5 & OVER        | UNDER \$5 | \$5 & OVER | UNDER \$5 |
| STRENGTH OF DEMAND FOR COMMERCIAL AND INDUSTRIAL LOANS (AFTER ALLOWANCE FOR BANKS USUAL SEASONAL VARIATION): |  |           |                     |           |                       |           |                   |           |                   |           |            |           |
| 1. COMPARED TO THREE MONTHS EARLIER  | 0  | 0         | 12                  | 14        | 62                    | 60        | 25                | 26        | 0                 | 0         | 100        | 100       |
| 2. ANTICIPATED DEMAND IN NEXT 3 MONTHS   | 0  | 0         | 25                  | 18        | 62                    | 56        | 12                | 26        | 0                 | 0         | 100        | 100       |
| I N T E R E S T R A T E P O L I C Y  | MUCH FIRMER  |           | MODERATELY FIRMER   |           | ESSENTIALLY UNCHANGED |           | MODERATELY EASIER |           | MUCH EASIER       |           | TOTAL      |           |
|  | \$5 & OVER   | UNDER \$5 | \$5 & OVER          | UNDER \$5 | \$5 & OVER            | UNDER \$5 | \$5 & OVER        | UNDER \$5 | \$5 & OVER        | UNDER \$5 | \$5 & OVER | UNDER \$5 |
|  | STANDARDS OF CREDIT WORTHINESS:                      |           |                     |           |                       |           |                   |           |                   |           |            |           |
| 3. TO QUALIFY FOR PRIME RATE   | 0  | 0         | 0                   | 15        | 96                    | 83        | 4                 | 2         | 0                 | 0         | 100        | 100       |
| 4. TO QUALIFY FOR SPREAD ABOVE PRIME   | 0  | 0         | 0                   | 20        | 96                    | 77        | 4                 | 3         | 0                 | 0         | 100        | 100       |
| W I L L I N G N E S S T O M A K E F I X E D R A T E L O A N S :  | CONSIDERABLY GREATER                                 |           | MODERATELY GREATER  |           | ESSENTIALLY UNCHANGED |           | MODERATELY LESS   |           | CONSIDERABLY LESS |           | TOTAL      |           |
|  | \$5 & OVER   | UNDER \$5 | \$5 & OVER          | UNDER \$5 | \$5 & OVER            | UNDER \$5 | \$5 & OVER        | UNDER \$5 | \$5 & OVER        | UNDER \$5 | \$5 & OVER | UNDER \$5 |
|  | 5. SHORT-TERM (UNDER ONE YEAR)                       | 0         | 0                   | 0         | 1                     | 83        | 64                | 8         | 24                | 8         | 8          | 100       |
| 6. LONG-TERM (ONE YEAR OR LONGER)  | 0  | 0         | 0                   | 3         | 50                    | 39        | 33                | 33        | 17                | 25        | 100        | 100       |
| C R E D I T A V A I L A B I L I T Y A N D N O N P R I C E T E R M S  | MUCH FIRMER  |           | MODERATELY FIRMER   |           | ESSENTIALLY UNCHANGED |           | MODERATELY EASIER |           | MUCH EASIER       |           | TOTAL      |           |
|  | \$5 & OVER   | UNDER \$5 | \$5 & OVER          | UNDER \$5 | \$5 & OVER            | UNDER \$5 | \$5 & OVER        | UNDER \$5 | \$5 & OVER        | UNDER \$5 | \$5 & OVER | UNDER \$5 |
|  | REVIEWING CREDIT LINES OR LOAN APPLICATIONS FOR:     |           |                     |           |                       |           |                   |           |                   |           |            |           |
| 7. ESTABLISHED CUSTOMERS   | 0  | 0         | 0                   | 6         | 92                    | 93        | 8                 | 1         | 0                 | 0         | 100        | 100       |
| 8. NEW CUSTOMERS   | 0  | 2         | 12                  | 21        | 83                    | 74        | 4                 | 3         | 0                 | 0         | 100        | 100       |
| 9. LOCAL SERVICE AREA CUSTOMERS  | 0  | 0         | 4                   | 9         | 91                    | 88        | 4                 | 2         | 0                 | 0         | 100        | 100       |
| 10. NONLOCAL SERVICE AREA CUSTOMERS  | 0  | 5         | 13                  | 22        | 83                    | 73        | 4                 | 0         | 0                 | 0         | 100        | 100       |
| C O M P E N S A T I N G B A L A N C E R E Q U I R E M E N T S F O R :  | CONSIDERABLY GREATER                                 |           | MODERATELY GREATER  |           | ESSENTIALLY UNCHANGED |           | MODERATELY LESS   |           | CONSIDERABLY LESS |           | TOTAL      |           |
|  | \$5 & OVER   | UNDER \$5 | \$5 & OVER          | UNDER \$5 | \$5 & OVER            | UNDER \$5 | \$5 & OVER        | UNDER \$5 | \$5 & OVER        | UNDER \$5 | \$5 & OVER | UNDER \$5 |
|  | 11. COMMERCIAL & INDUSTRIAL LOANS                    | 0         | 0                   | 12        | 16                    | 79        | 72                | 8         | 13                | 0         | 0          | 100       |
| 12. LOANS TO FINANCE COMPANIES   | 0  | 0         | 12                  | 11        | 83                    | 85        | 4                 | 4         | 0                 | 0         | 100        | 100       |
| W I L L I N G N E S S T O M A K E O T H E R T Y P E S O F L O A N S :  | CONSIDERABLY GREATER                                 |           | MODERATELY GREATER  |           | ESSENTIALLY UNCHANGED |           | MODERATELY LESS   |           | CONSIDERABLY LESS |           | TOTAL      |           |
|  | \$5 & OVER   | UNDER \$5 | \$5 & OVER          | UNDER \$5 | \$5 & OVER            | UNDER \$5 | \$5 & OVER        | UNDER \$5 | \$5 & OVER        | UNDER \$5 | \$5 & OVER | UNDER \$5 |
|  | 13. SECURED CONSTRUCTION & LAND DEVELOPMENT          | 0         | 0                   | 0         | 3                     | 79        | 56                | 17        | 38                | 4         | 3          | 100       |
| SECURED REAL ESTATE LOANS:   |  |           |                     |           |                       |           |                   |           |                   |           |            |           |
| 14. 1-4 FAMILY RESIDENTIAL PROPERTIES  | 0  | 1         | 4                   | 3         | 65                    | 61        | 17                | 27        | 13                | 7         | 100        | 100       |
| 15. MULTI-FAMILY RESIDENTIAL PROPERTY  | 0  | 0         | 0                   | 1         | 62                    | 60        | 24                | 31        | 14                | 9         | 100        | 100       |
| 16. COMMERCIAL & INDUSTRIAL PROPERTY   | 0  | 0         | 0                   | 0         | 71                    | 68        | 17                | 28        | 12                | 3         | 100        | 100       |
| 17. INSTALLMENT LOANS TO INDIVIDUALS   | 0  | 0         | 0                   | 1         | 62                    | 57        | 29                | 38        | 8                 | 4         | 100        | 100       |
| C O M M E R C I A L A N D I N D U S T R I A L L O A N S O F :  | CONSIDERABLY GREATER                                 |           | MODERATELY GREATER  |           | ESSENTIALLY UNCHANGED |           | MODERATELY LESS   |           | CONSIDERABLY LESS |           | TOTAL      |           |
|  | \$5 & OVER   | UNDER \$5 | \$5 & OVER          | UNDER \$5 | \$5 & OVER            | UNDER \$5 | \$5 & OVER        | UNDER \$5 | \$5 & OVER        | UNDER \$5 | \$5 & OVER | UNDER \$5 |
|  | 18. 1-5 YEARS MATURITY                               | 0         | 0                   | 0         | 4                     | 96        | 81                | 4         | 14                | 0         | 1          | 100       |
| 19. OVER 5 YEARS MATURITY  | 0  | 0         | 0                   | 1         | 83                    | 66        | 12                | 24        | 4                 | 8         | 100        | 100       |
| 20. LOANS TO FINANCE COMPANIES   | 0  | 0         | 0                   | 0         | 96                    | 86        | 0                 | 9         | 4                 | 4         | 100        | 100       |
| 21. LOANS TO SECURITIES BROKERS & DEALERS  | 0  | 0         | 0                   | 1         | 87                    | 86        | 8                 | 11        | 4                 | 2         | 100        | 100       |
| 22. PARTICIPATION LOANS WITH CORRESPONDENT BANKS   | 0  | 1         | 4                   | 11        | 79                    | 80        | 17                | 6         | 0                 | 2         | 100        | 100       |

1/ AS OF SEPT. 30, 1978, THERE WERE 21 BANKS HAVING DOMESTIC ASSETS OF \$5 BILLION OR MORE. THEIR DOMESTIC ASSETS, IN BILLIONS, TOTALLED \$325, COMPARED TO \$511 FOR THE ENTIRE PANEL OF REPORTING BANKS AND \$1198 FOR ALL INSURED COMMERCIAL BANKS.