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CONFIDENTIAL (FR)

June 14, 1978

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

By the Staff
Board of Governors
of the Federal Reserve System

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SELECTED DOMESTIC NONFINANCIAL DATA
AVAILABLE SINCE PRECEDING GREENBOOK
(Seasonally adjusted)

	Latest Data			Per Cent Change from		
	Period	Release Date	Data	Preceding Period	Three Periods Earlier	Year Earlier
						(At annual rate)
Civilian labor force	May	6-2-78	100.3	5.7	4.7	3.2
Unemployment rate (%) ^{1/}	May	6-2-78	6.1	6.0	6.1	7.1
Insured unemployment rate (%) ^{1/}	May	6-2-78	3.1	3.2	3.6	3.8
Nonfarm employment, payroll (mil.)	May	6-2-78	85.3	2.5	6.2	4.3
Manufacturing	May	6-2-78	20.2	1.5	3.2	3.4
Nonmanufacturing	May	6-2-78	65.1	2.8	7.1	4.6
Private nonfarm:						
Average weekly hours (hr.) ^{1/}	May	6-2-78	36.0	36.3	35.8	36.3
Hourly earnings (\$) ^{1/}	May	6-2-78	5.64	5.62	5.52	5.20
Manufacturing:						
Average weekly hours (hr.) ^{1/}	May	6-2-78	40.3	40.7	39.9	40.4
Unit labor cost (1967=100)	Apr.	6-1-78	165.9	-2.9	6.9	8.1
Industrial production (1967=100)	Apr.	5-15-78	142.5	12.8	10.7	4.7
Consumer goods	Apr.	5-15-78	147.3	9.9	15.5	3.1
Business equipment	Apr.	5-15-78	158.9	11.4	16.5	8.0
Defense & space equipment	Apr.	5-15-78	81.2	8.9	7.5	1.6
Materials	Apr.	5-15-78	142.4	19.7	9.2	4.3
Consumer prices (1967=100)	Apr.	5-31-78	191.9	10.7	9.6	6.7
Food	Apr.	5-31-78	208.1	22.3	17.9	8.7
Commodities except food	Apr.	5-31-78	171.8	6.3	5.4	4.7
Services	Apr.	5-31-78	206.6	11.1	10.1	7.9
Wholesale prices (1967=100)	May	6-2-78	207.6	7.5	10.9	6.5
Industrial commodities	May	6-2-78	207.0	8.2	7.7	6.7
Farm products & foods & feeds	May	6-2-78	207.3	6.4	22.2	5.4
Personal income (\$ bil.) ^{2/}	Apr.	5-17-78	1680.1	16.9	13.5	11.3
						(Not at annual rates)
Mfrs. new orders dur. goods (\$ bil.)	Apr.	5-31-78	70.1	1.5	10.6	19.2
Capital goods industries	Apr.	5-31-78	21.6	-1.9	11.3	20.1
Nondefense	Apr.	5-31-78	17.4	-.9	5.1	18.2
Defense	Apr.	5-31-78	4.2	-5.9	47.0	28.7
Inventories to sales ratio: ^{1/}						
Manufacturing and trade, total	Mar.	6-12-78	1.42	1.43	1.41	1.43
Manufacturing	Apr.	5-31-78	1.49	1.52	1.58	1.59
Trade	Mar.	6-12-78	1.33	1.32	1.30	1.31
Ratio: Mfrs.' durable goods inventories to unfilled orders ^{1/}	Apr.	5-31-78	.599	.605	.618	.647
Retail sales, total (\$ bil.)	May	6-12-78	63.8	-.2	3.4	10.0
GAF ^{3/}	May	6-12-78	14.3	1.4	6.0	13.0
Auto sales, total (mil. units) ^{2/}	May	6-8-78	12.3	1.2	17.4	5.3
Domestic models	May	6-8-78	10.1	-.1	18.0	10.4
Foreign models	May	6-8-78	2.2	7.4	14.5	-12.8
Plant & Equipment expen. (\$ bil.) ^{2/}						
All Industries	1978 ^{4/}	6-7-78	151.05	--	--	11.2
	QII '78 ^{4/}	6-7-78	148.88	3.2	--	10.9
	QIII '78 ^{4/}	6-7-78	153.83	3.3	--	9.6
	QIV '78 ^{4/}	6-7-78	156.84	2.0	--	13.6
Capital Appropriations, Mfg.	QI '78	5-30-78	17,825	3.6	--	21.9
Housing starts, private (thous.) ^{2/}	Apr.	5-16-78	2,189	6.3	41.4	15.3
Leading indicators (1967=100)	Apr.	6-1-78	134.9	.5	1.0	3.5

^{1/} Actual data used in lieu of per cent changes for earlier periods.

^{2/} At annual rate.

^{3/} Excludes mail order houses.

^{4/} Planned-Commerce June Survey.

DOMESTIC NONFINANCIAL DEVELOPMENTS

The expansion of economic activity in May appears to have returned to a rate about comparable to that of the last half of 1977, following a sharp rebound from the severe weather and coal strike. Employment and industrial production both increased more moderately in May and retail sales were about unchanged. Unit auto sales, however, continued at a very high level. The latest Commerce Department survey of business spending plans indicated further moderate increases in capital investment over the remainder of this year. Upward price pressures remained strong, especially in the food sector.

Employment and Production

Demand for labor slowed somewhat in May from the high levels of early spring, as nonagricultural establishments reduced their hiring pace and trimmed work schedules. Payroll employment (strike-adjusted) advanced by 170,000; the average increase in the four preceding months had been an exceptional 390,000 per month. The May increases were concentrated in trade, services, and finance whereas employment gains earlier this year were widespread; manufacturing jobs (strike-adjusted) rose only 17,000 in May. In addition to slower hiring, there were widespread cutbacks in the workweek. Average weekly factory hours, which lengthened during March and April as production rebounded from the effects of bad weather and the coal strike, dropped 0.4 hour to 40.3 hours in May, about the same level as in the second half of 1977.

AVERAGE MONTHLY CHANGES IN EMPLOYMENT
(Thousands of jobs; based on seasonally adjusted data)

	Dec. 76 to June 77	June 77 to Dec. 77	Dec. 77 to Mar. 78	Mar. 78 to Apr. 78	Apr. 78 to May 78
<u>Nonfarm payroll employment</u> 1/	298	212	375	615	175
(Strike adjusted)	305	239	363	468	172
Manufacturing	83	43	99	45	26
(Strike adjusted)	85	46	92	45	17
Durable	53	44	72	21	40
Nondurable	30	-1	26	24	-14
Construction	47	10	35	173	19
Trade	57	58	80	27	57
Services and finance	70	87	90	96	61
State and local government	25	31	53	62	8
<u>Total employment</u> 2/	367	327	219	535	311
Nonagricultural	352	328	223	570	351

1/ Survey of establishments.

2/ Survey of households.

SELECTED UNEMPLOYMENT RATES
(Per cent; based on seasonally adjusted data)

	1973	1977		1978		
	Annual Average	QIII	QIV	QI	Apr.	May
Total, 16 years and older	4.9	6.9	6.6	6.2	6.0	6.1
Teenagers	14.5	17.6	16.7	16.9	16.9	16.5
20-24 years old	7.7	10.9	10.3	10.3	10.0	9.0
Men, 25 years and older	2.5	4.1	3.9	3.5	3.3	3.5
Women, 25 years and older	4.0	6.1	5.8	4.9	4.8	5.3
White	4.3	6.1	5.8	5.4	5.2	5.2
Black and other	8.9	13.6	13.3	12.3	11.8	12.3
Fulltime workers	4.3	6.5	6.2	5.7	5.4	5.6
White collar	2.9	4.2	4.1	3.5	3.5	3.6
Blue collar	5.3	8.1	7.6	7.1	6.5	6.6
Craft and kindred	3.7	5.4	5.3	5.1	4.3	4.3
Operatives, ex. transport	6.1	9.9	9.2	8.0	7.6	8.4

The civilian labor force increased more rapidly than employment in May as the unemployment rate edged up to 6.1 per cent. The increase in unemployment occurred wholly among adults aged 25 and over with jobless rates up for such overlapping groups as semi-skilled blue-collar workers, married men and fulltime workers. The total unemployment rate has changed little in recent months after falling almost a full percentage point from August to February. During that period there was a significant reduction in the jobless rates of skilled and experienced workers; nevertheless, unemployment rates for such groups are still from 1/2 to more than 1 percentage point above their levels during the 1973 cyclical peak in activity.

Industrial production is estimated to have increased about 0.6 per cent in May, about half as much as the sharp advances in March and April. Business equipment production rose more than one-half per cent during the month, well below the pace of recent months. Auto assemblies dipped to a 9.4 million unit annual rate from April's 9.8 million unit rate; April production schedules had been extended to make up for losses during the weather-affected first quarter. Because of substantial strength in steel equipment components and energy materials production, total materials rose 1 per cent in May. Increases for nondurable materials were moderate.

RECENT CHANGES IN INDUSTRIAL PRODUCTION
(Per cent change at a compound annual rate; based
on seasonally adjusted data)

	1977				1978		
	QI	QII	QIII	QIV	QI	April ^{1/}	May ^{2/}
Total index	6.2	10.6	4.2	2.6	.9	18.4	6.9
Products, total	8.2	8.0	6.3	2.6	.9	11.6	2.6
Consumer goods	7.7	6.4	4.8	.8	-3.8	11.2	0
Durable Consumer Goods	10.4	14.8	7.9	-.4	-10.2	37.1	-10.6
Autos, total	10.5	31.7	7.3	-15.1	-29.2	107.7	-44.9
Nondurable Consumer Goods	6.6	2.9	3.5	1.4	-.8	1.7	6.1
Equipment	10.4	13.7	6.7	1.6	3.8	10.7	4.7
Business Equipment	12.3	15.3	7.7	5.1	3.5	12.9	7.0
Defense & Space Equipment	3.7	9.5	3.0	-7.2	4.6	0	0
Intermediate Products	7.4	4.6	8.0	7.3	7.6	5.7	7.3
Construction Supplies	2.1	7.5	10.2	13.6	6.0	3.3	5.8
Materials	3.7	14.6	1.2	2.3	1.1	30.1	13.3
Durable Goods Materials	2.5	19.6	2.7	4.8	.8	31.5	14.4
Nondurable Goods Materials	7.3	14.4	-.5	1.6	7.8	9.4	6.1
Energy Materials	0	2.0	2.6	-4.7	-8.3	67.8	20.2

^{1/} Preliminary.

^{2/} Estimated.

RETAIL SALES
(Per cent change from previous period;
based on seasonally adjusted data)

	1977	1978				
	QIV	QI	May/QI	Mar.	Apr.	May
Total sales	4.4	-.1	3.9	1.7	1.9	-.2
(Real) ^{1/}	3.4	-2.0	n.a.	.8	.9	n.a.
Total, less auto and nonconsumption items	4.1	.3	3.5	1.4	.8	.8
GAP	6.3	-3.7	6.8	1.5	3.0	1.4
Durable	5.6	-2.0	6.1	1.8	4.6	-1.0
Auto	6.4	-1.7	4.6	3.3	5.2	-3.5
Furniture and appliances	3.6	-4.2	9.3	-1.2	5.0	3.3
Nondurable	3.9	.9	2.7	1.6	.5	.3
Apparel	6.9	-4.5	4.9	4.7	3.8	-2.4
Food	2.5	3.1	3.1	0	2.0	.5
General merchandise	7.2	-3.2	6.6	1.3	2.0	2.1
Gasoline	2.3	1.9	.5	.6	-2.3	.4

^{1/} Deflated by all commodities SA consumer price index.

AUTO SALES
(Seasonally adjusted, annual rate, millions of units)

	1977	1978			
	QIV	QI	Mar.	Apr.	May
Total	10.8	10.8	12.0	12.1	12.2p
Imports	2.0	2.0	2.1	2.1	2.1p
Domestic	8.8	8.8	9.9	10.1	10.1

Reflecting the slower gain in production, the manufacturing capacity utilization rate apparently was little changed in May remaining near 83 per cent--its 1948-1977 average. With the exception of some weakness in January and February, the manufacturing utilization rate has remained around this level for the past year.

Consumer Sector Activity

Consumer goods demand continued at a high level in May, following large sales advances in the three previous months. Total retail sales are tentatively estimated to have declined fractionally in May but because of large increases in March and April, the May level was substantially above the first quarter average. Sales excluding autos and mainly nonconsumption items rose 0.8 per cent, with large gains in general merchandise and furniture and appliance stores more than offsetting declines at apparel outlets.

Although retail sales at automotive stores reportedly declined in May, new car sales were at a 12.2 million unit annual rate up slightly from April and a record selling pace for the current expansion. Dealer sales contests, particularly at Ford Motor Company, accounted for some of the sales strength. However, it also appears that some consumers are buying in advance of anticipated further price rises. Sales of new cars have now exceeded 12 million units for three consecutive months, with sales of domestic autos at about a 10 million unit rate and sales of imports at a 2.1 million unit rate.

PERSONAL INCOME
(Per cent change at a compound annual rate;
based on seasonally adjusted data)

	1977				1978	Feb. 78 to 1/ Mar. 78	Mar. 78 to 1/ Apr. 78
	QI	QII	QIII	QIV	QI		
<u>Current dollars</u>							
Total personal income	13.1	11.4	8.9	14.5	9.2	16.4	16.9
Nonagricultural income	12.0	11.9	10.2	12.6	10.0	17.0	16.8
Wage and salary disbursements	12.7	13.0	7.5	12.7	11.8	19.9	20.2
Private	14.9	15.1	7.7	12.5	13.4	24.3	24.2
Manufacturing	17.9	17.5	6.3	12.4	15.7	26.3	9.0
Government	4.9	5.0	7.1	13.2	5.9	2.3	4.0
Nonwage income	14.5	8.5	10.8	16.8	7.2	10.4	11.2
Transfer payments	11.6	-1.0	11.7	7.7	6.4	7.2	4.4
Dividends	1.0	20.1	21.4	12.9	1.8	5.5	10.9
<u>Constant dollars^{2 -/}</u>							
Total personal income	4.4	2.4	3.5	9.5	1.3	6.1	6.1
Nonagricultural income	3.4	2.9	4.7	7.7	2.0	6.8	6.0
Wage and salary disbursements	4.1	3.9	2.3	7.8	3.7	9.6	9.4

Memorandum:							
Real disposable per capita income	2.4	6.4	3.5	8.5	1.0		

1/ Per cent change at annual rate, not compounded.

2/ Deflated by CPI, seasonally adjusted. Beginning January 1978, deflated by CPI/U, seasonally adjusted.

Personal income, which has supported higher consumer spending this year, advanced sharply in April for the second month in a row; large increases in employment and earnings as well as the return of coal miners to their jobs contributed to the increase. However, given May's smaller employment gains, declines in the workweek, and modest wage growth, payroll growth probably slowed significantly.

Measures of consumer confidence are still relatively high by historical standards despite some recent declines. The University of Michigan Survey Research Center index of sentiment, which dipped earlier this spring, edged up slightly in May to a level about the same as over the last nine months. One third of the respondents to the Michigan survey indicate that its a good time to buy in advance of expected price increases. The Conference Board index of confidence declined sharply in May but was still in the general range reported during most of 1976-77.

Business Investment

After being held back by adverse weather, shipments of capital goods and nonresidential construction moved ahead sharply in March and April. Incoming survey and commitments data continue to suggest moderate growth in business investment spending this year. The latest Commerce Department plant and equipment spending survey for 1978--conducted in late April and May--indicates that business expects to increase capital outlays this year by about 11-1/4 per cent over that in 1977, marginally higher than was indicated in the

PLANT AND EQUIPMENT EXPENDITURES
(Per cent change from preceding year)

	1977	Anticipated for 1978		
		Commerce Survey Dates		
		Dec. 1977	Feb. 1978	May 1978
All Business	12.7	10.1 ^{1/}	10.9 ^{1/}	11.2 ^{1/}
Manufacturing	14.6	10.4	11.7	11.8
Durables	17.3	11.7	12.0	11.4
Nondurables	12.4	9.2	11.5	12.2
Nonmanufacturing	11.2	9.9	10.4	10.7

^{1/} Results are adjusted for systematic bias. Without this adjustment, the Commerce results would have been 10.9 per cent in December, 13.9 per cent in February, and 12.9 per cent in May.

RECENT PERFORMANCE OF THE MAY COMMERCE SURVEY
(Per cent change from preceding year)

Year	May survey	Actual	Error ^{1/}
1970	7.8	5.5	2.3
1971	2.7	1.9	.8
1972	10.3	8.9	1.4
1973	13.2	12.8	.4
1974	12.2	12.7	-.5
1975	1.6	.3	1.3
1976	7.3	6.8	.5
1977	12.3	12.7	-.4

^{1/} Anticipated minus actual percentage change.

February survey. If these latest survey results are realized, growth in capital spending will rise at an average annual rate of about 12 per cent over the last three quarters of 1978. Manufacturers' capital appropriations net of cancellations, which usually lead expenditures by about a year, have held at a relatively high level over the past two quarters; because of large gains last year, the level of appropriations in the first quarter was 25 per cent above a year earlier.

Near-term indicators of capital spending, after showing large increases early in the year, have moderated recently. Orders for nondefense capital goods, which tend to move irregularly, declined somewhat further in April, but still were 18 per cent above a year earlier and fractionally higher than the average for the first quarter. Backlogs of unfilled orders increased in April for the ninth consecutive month; however, shipments have been growing just as fast, and backlogs relative to shipments remain near their all-time low.

Total value of construction contracts awarded in April dropped sharply again but, reflecting earlier strength, the average level of contracts in the first four months of 1978 was 36 per cent above the comparable period of 1977. The declines in March and April resulted from the absence of awards for power plants as had occurred in January and February; however, contracts for commercial and industrial buildings continued strong.

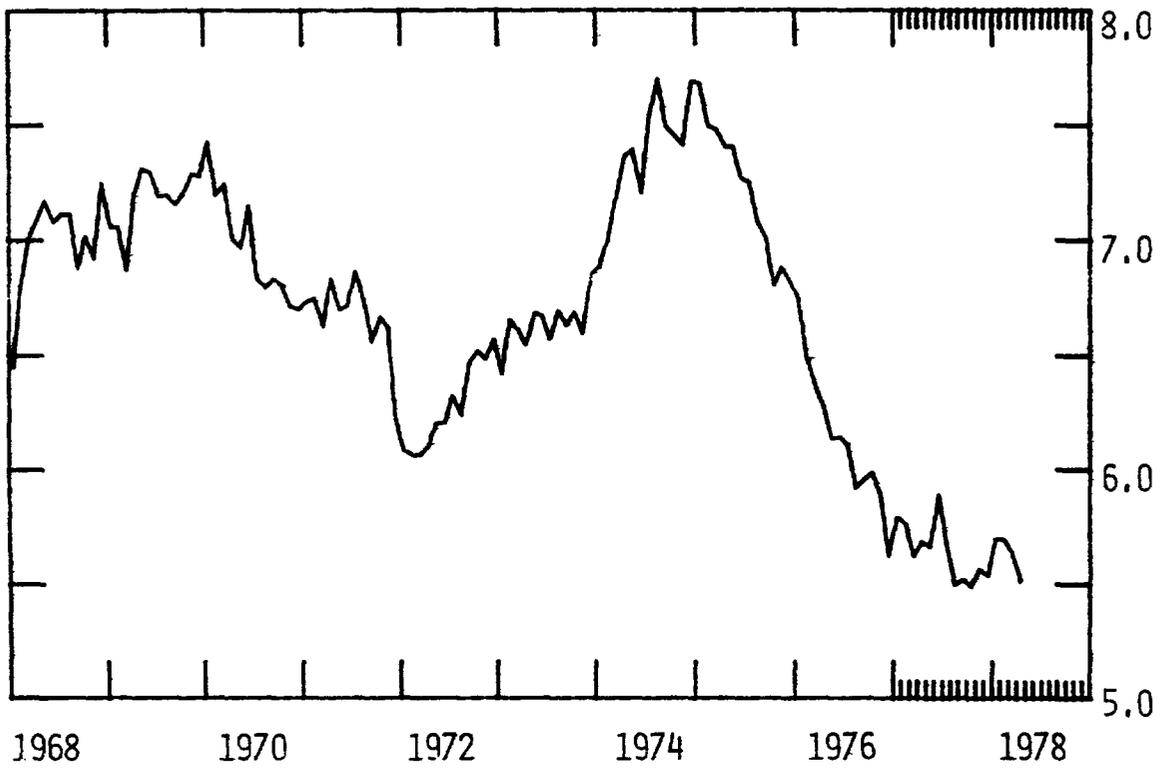
CONTRACTS AND ORDERS FOR PLANT AND EQUIPMENT^{1/}
 (Per cent change from preceding comparable period, seasonally adjusted)

	1977		1978		Apr. 77 to Apr. 78	
	QIII	QIV	QI	Mar.	Apr.	
<u>Current dollars</u>						
Total	-0.3	4.1	11.7	-8.3	-8.4	8.8
Nondefense capital goods orders	-1.1	10.3	5.6	-2.1	-0.9	18.1
Construction contracts ^{2/}	3.2	-22.0	48.4	-31.4	-47.5	-38.9
<u>1972 dollars</u>						
Total	-2.3	2.1	9.3	-7.9	-9.3	.6
Nondefense capital goods orders	-3.2	8.2	3.5	-1.7	-2.1	8.9
Construction contracts ^{2/}	1.8	-24.2	45.3	-31.2	-47.8	-43.5

^{1/} The Commerce Department creates this series by adding new orders for non-defense capital goods to the seasonally adjusted sum of new contracts awarded for commercial and industrial buildings and for private nonbuilding projects (e.g., electrical utilities, pipelines, etc.).

^{2/} FRB staff estimate. Derived by subtracting new orders for nondefense capital goods from the published total for contracts and orders.

RATIO OF UNFILLED ORDERS TO SHIPMENTS
FOR NONDEFENSE CAPITAL GOODS
(SEASONALLY ADJUSTED, MONTHLY RATE)



Nominal business investment in inventories has been at a rapid pace thus far in 1978. The book value of manufacturing and trade inventories rose at a \$44 billion annual rate in the first quarter, up from a \$18 billion rate during the fourth quarter of 1977. In April, the book value of total manufacturers' inventories increased at an \$18.7 billion annual rate, following a \$16.6 billion annual rate in the first quarter. Accumulation of manufacturers' durables continued at about the average rate of the first quarter, while the buildup of nondurables stocks was more rapid than in previous months. With shipments strong, the ratio of book value inventories to shipments for all manufacturing fell further in April to 1.49, an extremely low level on an historical basis. Wholesale trade inventories also registered a sizable increase in April, following an upward-revised \$30 billion rate of accumulation in March. Nearly half of these wholesale stock increases reflect larger holdings of farm and food products purchased at higher prices.

Residential Construction

Private housing starts, which had bounced back in March from the weather-depressed levels of the previous two months, increased 6 per cent further in April to an annual rate of 2.19 million units, the second highest monthly pace in the last four years. Single family starts edged up in April to a 1.5 million unit rate, and sales of new and existing homes also rose further from the sharply reduced February level. Multi-family starts increased 12

BUSINESS INVENTORIES
(Change at annual rate in seasonally
adjusted book value; billions of dollars)

	1976	1977				1978		
	QIV	QI	QII	QIII	QIV	QI	Mar. 1/	Apr. 2/
Manufacturing and trade	19.3	31.0	28.3	25.2	17.8	44.2	65.3	n.a.
Manufacturing	9.8	10.6	15.7	10.2	2.8	16.6	17.6	18.7
Durable	9.6	6.4	7.8	7.7	3.8	13.2	14.6	12.6
Nondurable	.3	4.2	7.9	2.4	-1.0	3.4	3.0	6.1
Trade, total	9.4	20.4	12.6	15.0	14.9	27.6	47.7	n.a.
Wholesale	3.5	12.0	2.6	4.7	7.5	19.5	30.3	17.1
Retail	6.0	8.4	10.0	10.3	7.4	8.1	17.5	n.a.
Auto	2.7	.8	2.2	1.5	2.9	.9	.2	n.a.

1/ Revised.

2/ Preliminary.

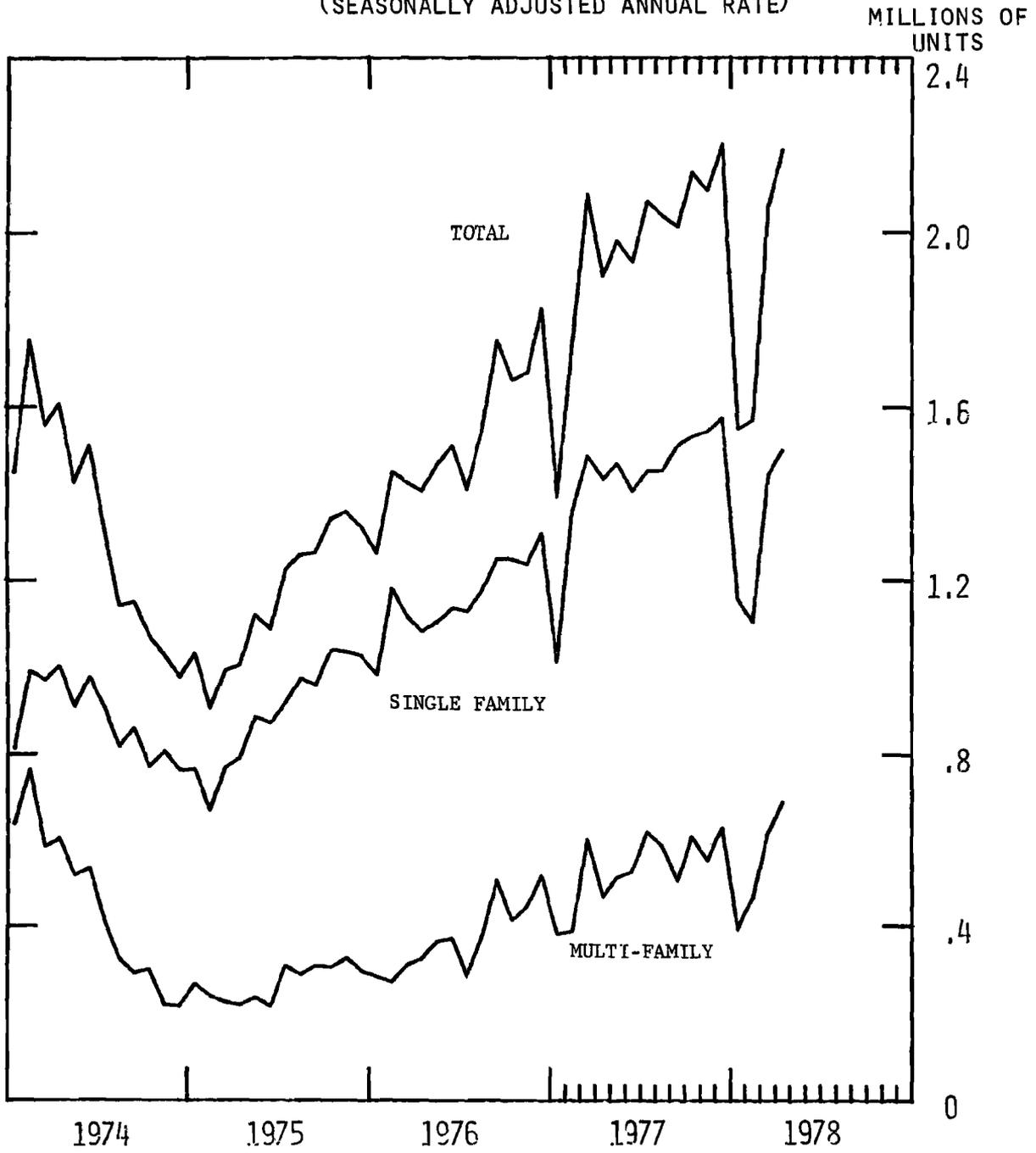
INVENTORY RATIOS

	1976	1977				1978		
	QIV	QI	QII	QIII	QIV	QI	Mar. 1/	Apr. 2/
<u>Inventory to sales:</u>								
Manufacturing and trade	1.50	1.46	1.46	1.48	1.44	1.46	1.43	n.a.
Manufacturing	1.67	1.60	1.60	1.61	1.56	1.55	1.52	1.49
Durable	2.07	1.97	1.96	1.96	1.90	1.90	1.84	1.80
Nondurable	1.23	1.20	1.22	1.22	1.18	1.17	1.15	1.13
Trade, total	1.33	1.33	1.32	1.35	1.33	1.36	1.34	n.a.
Wholesale	1.24	1.24	1.21	1.24	1.23	1.27	1.24	1.20
Retail	1.41	1.41	1.43	1.45	1.42	1.45	1.43	n.a.

1/ Revised.

2/ Preliminary.

PRIVATE HOUSING STARTS
(SEASONALLY ADJUSTED ANNUAL RATE)



per cent in April, reaching their highest figure since February 1974; the gain in multi-family starts occurred despite reduced activity under HUD's section 8 rental assistance program.

Government Sector

Federal spending on a unified budget basis appears to be falling short of the quarterly spending pattern projected by the Administration at the time of the "March Budget Update." Treasury data for April indicate that Federal spending fell about \$2 billion below agency expectations; spending in May, while higher than expected, appears to have only partially offset the April shortfall.

State and local government spending has picked up sharply in recent months. New construction activity rose at a \$3.3 billion annual rate in April and was 20 per cent above the depressed February level. These increases reflect both activity postponed from the severe winter and the start-up of projects funded late last year under Federal public works legislation. For March and April together State and local construction spending was up 6 per cent from a year earlier. State and local government employment rose by a modest 8,000 workers in May, and was 4 per cent higher than a year ago. A major share of the positions added in the past year are due to the expansion in the public employment program (CETA).

Prices and Wages

Price pressures have continued to be quite intense. The May increase in producer prices for finished goods--though much less than in April--was still at about a 9 per cent annual rate, and the April increase in consumer prices accelerated to nearly an 11 per cent rate. Large increases in food prices have been an important factor in the acceleration of inflation, but other prices have accelerated as well.

Retail food prices rose steeply in April for the fourth consecutive month, following small increases over the second half of 1977; the increases in April were widespread but were particularly large for beef. In producer markets, prices of foods and farm products rose much less in May than in previous months. However, these items were measured during the second week in May, and prices for a number of farm products increased after the survey week. Livestock increases were especially sharp in late May, with live cattle prices rising to record levels before turning somewhat lower in early June. In an effort to boost supplies and damp upward pressures, the Administration took action on June 8 to permit greater meat imports into the U.S. this year; however, the additional imports allowed would represent less than 1 per cent of total U.S. beef supplies and may not have a significant impact on prices.

Prices of services also have been major factors in this year's acceleration in retail prices. Gas and electricity rates--which are included in the services component of the CPI--climbed rapidly in April for the third successive month. In addition, costs of home ownership

rose sharply further; home maintenance and repair services were up at a 16 per cent annual rate in April and 14 per cent for the first four months. Home financing, property taxes and insurance as a group rose at over an 18 per cent annual rate over the first four months, compared to an 11 per cent rate during 1977.

In other price developments, producer prices for consumer nonfood goods rose less in May than in April but were still at a high 9 per cent annual rate; increases were concentrated in durables, particularly cars and tires. Prices of capital equipment accelerated in May as prices of trucks rose 2 per cent; however, the average increase in these producer prices so far this year is close to the average for all of 1977. Intermediate nonfood materials prices rose at a 6 per cent annual rate, about in line with the average over the past year.

The volatile index of average hourly earnings increased at a 3-1/4 per cent annual rate in May following a 10-2/3 per cent rate a month earlier. Over the past 12 months the index has risen 8-1/4 per cent. The index rose 7.7 per cent in 1977 and 6.8 per cent in 1976.

RECENT CHANGES IN PRODUCER PRICES
(Per cent change at compound annual rates; based
on seasonally adjusted data)^{1/}

	Relative Importance Dec. 1977	1977				1978		
		QI	QII	QIII	QIV	QI	Apr.	May
Finished goods	41.2	10.0	6.4	2.9	7.2	9.4	15.2	8.8
Consumer foods	10.3	17.9	4.3	-2.3	7.4	21.0	19.6	8.8
Consumer nonfoods	18.7	9.0	7.8	4.0	4.7	5.1	16.2	9.3
Capital equipment	12.2	5.0	6.8	6.0	10.9	6.9	6.8	10.4
Materials	61.5	12.7	1.2	.4	8.3	14.2	10.6	6.1
Intermediate ^{2/}	45.5	8.9	5.5	7.1	4.2	9.0	6.2	6.2
Crude nonfood	4.6	25.6	-8.1	-5.3	20.1	15.7	10.9	4.3
Crude food	6.3	24.0	-16.6	-19.0	27.6	43.6	44.7	.6
Memo: Energy	11.3	22.8	15.2	7.6	2.7	4.3	7.6	9.1

^{1/} Changes are from final month of preceding period to final month of period indicated. Monthly changes are not compounded.

^{2/} Excludes intermediate materials for food manufacturing and manufactured animal feeds.

RECENT CHANGES IN CONSUMER PRICES
(Per cent change at a compound annual rate; based
on seasonally adjusted data)^{1/}

	Relative Importance Dec. 77 ^{2/}	1977				1978 ^{2/}		
		QI	QII	QIII	QIV	QI	March	April
All items	100.0	10.0	7.8	4.5	4.9	9.3	10.2	10.7
Food	17.7	15.3	11.5	1.9	4.2	16.4	16.1	22.3
Commodities (nonfood)	41.6	7.4	4.2	2.7	5.4	6.1	7.1	6.3
Services	40.7	9.8	9.4	7.6	4.9	9.1	10.0	11.1
Memoranda:								
All items less food and energy ^{3/}	73.7	8.5	6.9	5.1	5.3	8.0	7.9	8.5
Gas and electricity	3.4	12.5	11.9	12.0	-.9	12.2	16.2	16.5
Gasoline and fuel oil ^{4/}	5.2	12.5	9.9	.8	2.0	.2	0	3.5

^{1/} Changes are from final month of preceding period to final month of period indicated. Monthly changes are not compounded.

^{2/} Based on new index for all urban consumers.

^{3/} Energy items excluded: gasoline and motor oil, fuel and coal, gas and electricity.

^{4/} Includes motor oil, coal, and bottled gas.

HOURLY EARNINGS INDEX^{1/}
 (Per cent change from preceding comparable period
 at a compound annual rate; based on seasonally
 adjusted data)

	1977				1978		
	QI	QII	QIII	QIV	QI	Apr. ^{2/}	May ^{2/}
Private nonfarm	8.1	6.7	7.7	8.3	9.7	10.6	5.2
Construction	5.7	4.5	4.0	5.6	7.8	2.4	9.2
Manufacturing	7.9	7.8	9.2	7.9	8.7	7.2	6.6
Trade	9.0	6.9	6.5	8.0	12.9	12.4	-0.8
Transportation and public utilities	6.0	7.3	8.0	10.8	8.7	14.2	-1.4
Services	10.3	5.7	8.4	8.9	11.4	10.2	3.1

^{1/} Excludes the effect of interindustry shifts in employment and fluctuations in overtime pay in manufacturing.

^{2/} Monthly change at an annual rate, not compounded.

III-T-1
SELECTED DOMESTIC FINANCIAL DATA

Indicator	Latest data		Net change from:		
	Period	Level	Month ago	Three months ago	Year ago
	\$ billions		Per cent at annual rates		
Monetary and credit aggregates 1/					
Total reserves	May	37294	11.0	3.9	7.2
Nonborrowed reserves	May	36082	-10.4	-4.9	4.3
Money supply					
M1	May	347.2	6.3	9.6	7.7
M2	May	832.5	6.8	7.8	8.3
M3	May	1417.2	7.0	7.7	9.8
Time and savings deposits (less CDs)	May	485.4	7.5	6.6	8.8
CDs 2/	May	87.1	3.7	7.7	24.2
Thrift deposits (S&Ls + MSBs + Credit Unions)	May	584.7	7.4	7.5	11.9
Bank credit (end of month)	May	922.4	15.7	14.0	11.5

Indicator	Latest data		Net change from:			
	Period	Per cent or index	Month ago	Three months ago	Year ago	
Market yields and stock prices						
Federal funds	wk. endg.	6/7/79	7.47	.20	.71	2.11
Treasury bill (90 day)	"	6/7/78	6.61	.22	.28	1.57
Commercial paper (90-119 day)	"	6/7/78	7.34	.38	.59	1.88
New utility issue Aaa	"	6/9/78	9.04	.17	.34	1.14
Municipal bonds (Bond Buyer)	1 day	6/8/78	6.18	.19	.60	.53
FNMA auction yield (FHA/VA)		6/12/78	9.86	.34	.50	1.09
Dividend price ratio (common stocks)	wk endg.	6/7/78	5.25	.02	.50	.56
NYSE index (12/31/65=50)	end of day	6/12/78	55.89	1.04	6.35	1.95

Indicator	Period	Net Change or Gross Offerings			
		Latest Data	Year ago	Year to Date	
				1978	1977
\$ billions					
Credit demands					
Business loans at commercial banks 1/	May	5.9	1.8	17.3	9.0
Consumer instalment credit outstanding 1/	Apr.	3.7	2.9	12.9	9.9
Mortgage debt outstanding (major holders) 1/	Mar.	8.9	7.3	23.4	18.9
Corporate bonds (public offerings)	May	1.7e	1.6	8.4e	10.1
Municipal long-term bonds (gross offerings)	May	5.1e	4.6	19.2e	18.9
Federally sponsored agcy. (net borrowing)	May	3.0	.7	9.3	3.0
U.S. Treasury (net cash borrowing)	June	3.3	.5	21.2	16.5

1/ Seasonally adjusted.

2/ \$ billions, not at annual rates.

e Estimated.

DOMESTIC FINANCIAL DEVELOPMENTS

Aggregate credit flows expanded somewhat in May, reflecting mainly a sharp rise in bank loans to businesses. While short- and intermediate-term business credit surged, funds raised by corporations in bond and equity markets remained essentially unchanged. In the government sector, Treasury borrowing picked up somewhat and agency borrowing increased significantly. Municipal bond offerings reached their second highest level on record, although the increase in such issues was more than offset by a substantial decline in short-term borrowing. Fragmentary information for May indicates that household borrowing in mortgage and consumer credit markets probably declined somewhat, though it remained high by historical standards.

M-1 growth moderated to a 6-1/4 per cent annual rate in May following a record advance in April. As a result of this deceleration, growth in M-2 and M-3 also slowed. The interest-bearing deposits included in the broader monetary aggregates generally expanded at a slightly faster pace than in April despite further increases in open-market rates. Part of the sustained growth in such deposits reflected intensive use of large time deposits by banks to finance heavy loan demand.

The Federal funds rate has moved into the 7-1/2 per cent range since the May FOMC meeting, an increase of about 15 basis points. Adjusting to this and prior movements in the funds rate,

III - 2
 SELECTED FINANCIAL MARKET QUOTATIONS
 (per cent)

	1977 <u>1/</u>		1978 <u>2/</u>				Change from:	
	High	Low	FOMC April 18	FOMC May 16	June 6	June 13	April FOMC	May FOMC
<u>Short-term rates</u>								
Federal funds <u>1/</u>	6.65	4.47	6.78	7.34	7.47	7.48 ^{3/}	+ .70	+ .14
Treasury bills								
3-month	6.27	4.41	6.15	6.34	6.61	6.63	+ .48	+ .29
6-month	6.51	4.55	6.58	7.03	7.10	7.13	+ .55	+ .10
1-year	6.62	4.67	6.83	7.30	7.33	7.43	+ .60	+ .13
Commercial paper								
1-month	6.58	4.53	6.63	6.92	7.25	7.49	+ .86	+ .57
3-month	6.66	4.63	6.79	7.10	7.35	7.60	+ .81	+ .50
Large negotiable CDs <u>4/</u>								
3-month	6.62	4.60	6.90	7.38	7.50	7.70	+ .80	+ .32
6-month	6.84	4.65	7.25	7.90	8.00	8.15	+ .90	+ .25
Bank prime rate	7.75	6.25	8.00	8.25	8.50	8.50	+ .50	+ .25
<u>Intermediate- and long-term rates</u>								
Corporate								
New AAA <u>5/</u>	8.36	7.90	8.88	8.87	--	9.04p	+ .16	+ .17
Recently offered <u>6/</u>	8.48	7.95	8.84	8.92	9.05	9.05p	+ .21	+ .13
Municipal								
(Bond Buyer) <u>7/</u>	5.93	5.45	5.74	5.99	6.19	6.18	+ .44	+ .19
U.S. Treasury (constant maturity)								
3-year	7.39	5.74	7.73	8.05	8.15	8.17	+ .44	+ .12
7-year	7.66	6.48	7.99	8.24	8.29	8.35	+ .36	+ .11
20-year	7.96	7.20	8.27	8.43	8.47	8.47	+ .20	+ .04
	Low <u>8/</u>	High <u>8/</u>	FOMC Apr.18	FOMC May 16	June 6	June 13	April FOMC	May FOMC
<u>Stock prices</u>								
Dow-Jones Industrial	807.74	985.74	803.27	854.30	866.51	856.98	+53.71	+2.68
N.Y.S.E. Composite	50.13	56.98	52.16	55.53	56.19	55.91	+3.75	+ .38
AMEX	110.37	126.86	134.66	143.83	147.15	150.45	+15.79	+6.62
Keefe Bank Stock <u>6/</u>	530	633	614	660	633	633	+19	- 27

1/ Daily average for statement week, except where noted.

2/ One-day quotes except as noted.

3/ Average for first 6 days of statement week ending June 14.

4/ Highest quoted new issues.

5/ 1978 figures are averages for preceding week.

6/ 1978 figures are one-day quotes for preceding Friday.

7/ 1978 figures are one-day quotes for preceding Thursday.

8/ Calendar week averages.

other money market rates generally have risen 10 to 50 basis points since mid-May, with commercial paper rates posting the largest increases. Yields on long-term securities meanwhile have risen an additional 5 to 20 basis points, apparently reflecting both the expectations of further rises in short-term rates and increasing concern over the prospects for inflation. In addition, rates on new conventional home loans have increased about 15 basis points during the intermeeting period.

Monetary Aggregates and Bank Credit

Growth in M-1 declined sharply in May from the rapid 18-3/4 per cent annual pace recorded for April. Although delays in the processing of personal income tax payments probably accounted for some of the bulge in demand deposits during April, the 12-1/2 per cent average rate of growth in M-1 for the past two months combined suggests a substantial rise in the demand for transactions balances associated with the rebound in economic activity.

Flows into savings deposits at commercial banks slowed somewhat in May, but this decline was more than offset by an acceleration in the time deposit component of M-2. The added strength in time deposit flows resulted principally from a sharp rise in those large-denomination time deposits that are included in M-2, as growth in small-denomination certificates remained essentially unchanged from the surprisingly rapid pace of the preceding two months. Inflows of

MONETARY AGGREGATES
(Seasonally adjusted)^{1/}

	1 9 7 7		1 9 7 8		12 mos ending May ^p	
	QIII	QIV	QI	April		
<u>Net changes at annual rates, per cent</u>						
<u>Major monetary aggregates</u>						
1. M ₁ (currency plus demand deposits)	8.1	7.2	5.0	18.7	6.3	7.7
2. M ₂ (M ₁ + time & savings deposits at CBs other than large CDs)	9.9	8.0	6.4	11.1	6.8	8.3
3. M ₃ (M ₂ + all deposits at thrift institutions)	11.9	10.6	7.4	9.6	7.0	9.8
<u>Bank time and savings deposits</u>						
4. Total	10.3	13.0	13.1	8.1	13.8	12.5
5. Other than large negotiable CDs at weekly reporting banks	11.2	8.5	7.5	5.7	7.5	8.8
6. Savings deposits	7.3	5.4	2.2	3.3	1.6	4.1
7. Individuals ^{2/}	9.6	7.0	3.1	4.1	1.7	5.5
8. Other ^{3/}	-17.1	-17.8	-8.0	-8.2	0.0	-12.7
9. Time deposits	14.6	11.4	12.0	7.9	12.4	13.2
10. Small time ^{4/}	8.3	1.0	2.7	10.1	8.6	5.1
11. Large time ^{4/}	28.1	32.4	29.9	5.1	17.9	30.7
<u>Deposits at nonbank thrift institutions^{5/}</u>						
12. Total	15.0	14.4	8.9	7.1	7.4	11.9
13. Savings and loans	16.2	15.4	9.0	7.6	8.2	12.6
14. Mutual savings banks	9.5	9.9	5.8	3.6	3.6	7.4
15. Credit unions	20.1	20.0	18.2	14.7	12.1	19.6
<u>MEMORANDA: Average monthly changes, \$ billions</u>						
16. Total U.S. Govt deposits	0.2	0.2	-1.2	0.4	-1.0	-0.3
17. Total large time deposits ^{6/}	1.7	6.2	4.5	1.8	5.1	3.9
18. Nondeposit sources of funds ^{7/}	1.4	1.3	1.9	-1.4	1.8	1.1

p--preliminary

^{1/} Quarterly growth rates are computed on a quarterly average basis.^{2/} Savings deposits held by individuals and nonprofit organizations.^{3/} Savings deposits of business, government and others, not seasonally adjusted.^{4/} Small time deposits are time deposits in denominations less than \$100,000.

Large time deposits are time deposits in denominations of \$100,000 and above excluding negotiable CDs at weekly reporting banks.

^{5/} Growth rates computed from monthly levels based on averages of current and preceding end-of-month data.^{6/} All large time certificates, negotiable and nonnegotiable, at all CBs.^{7/} Nondeposit borrowings of commercial banks from nonbank sources include Federal funds purchased and security RPs plus other liabilities for borrowed money, including borrowings from the Federal Reserve, Eurodollar borrowings and loans sold, less interbank loans.

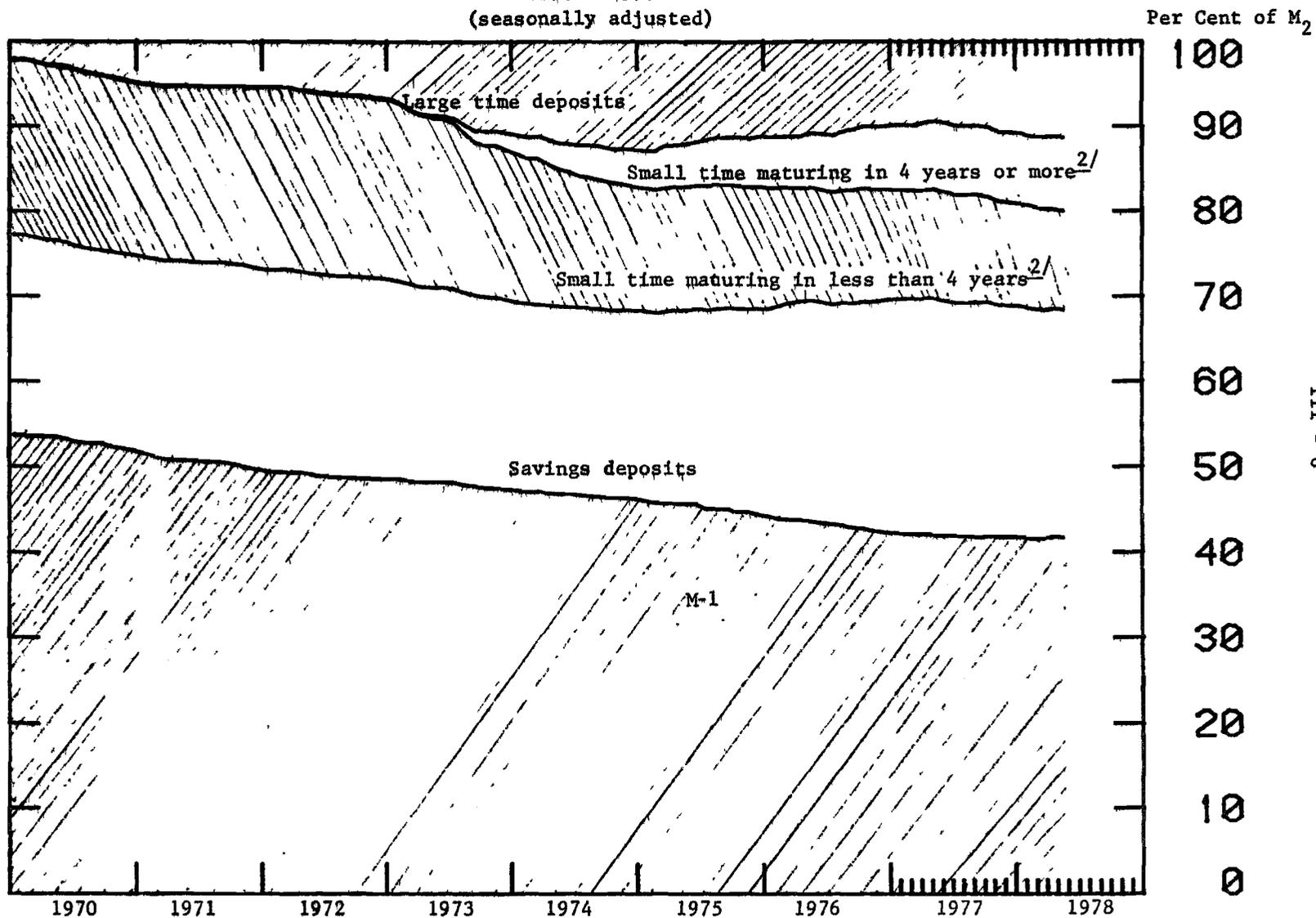
small-denomination time deposits at commercial banks probably continue to be concentrated among the longest maturity categories, where yields remain closer to market rates.^{1/}

In the past few years compositional changes in M-2 have enhanced the cyclical stability of this aggregate. Estimates of the components of M-2 indicate that large-denomination time deposits rose sharply during the period of high interest rates in 1973-74, peaking at about 13 per cent of M-2 in early 1975 (Chart 1). Subsequently, these deposits declined in importance through 1976, but they have been rising again during the past year as banks have substituted large time deposits, which are not subject to regulatory ceilings, for weakening inflows of savings and short-maturity small time deposits. Meanwhile, small-denomination time deposits maturing in four years or more have grown steadily since their introduction by most banks in mid-1973, and currently represent an estimated 10 per cent of M-2. As a result, the more traditional M-2 balances--M-1, savings accounts, and shorter-term small time deposits--now account for only about 80 per cent of M-2.

M-3 also expanded at a somewhat slower pace in May, as deposit growth at thrift institutions remained relatively weak. Like commercial banks, thrift institutions in recent months have received

^{1/} Data from the Surveys of Time and Savings Deposits through January 1978 (the latest date available) suggest that deposits with maturities of six years or more have accounted for all of the net inflows to small time deposits since mid-1977.

CHART 1
 COMPONENTS OF M-2
 1970 - 1978^{1/}
 (seasonally adjusted)



9 - III

^{1/} Last observation plotted is May 1978.

^{2/} Beyond January 1978 the maturity break is partially estimated.

the bulk of their inflows in the form of time deposits; however, because of increases in market yields over the past year, time deposits at thrift institutions currently are growing at their slowest rate since 1974. The latest available balance sheet data show that savings deposits did not grow at MSBs in March, and declined at S&Ls in April. These developments are consistent with recent increases in short-term yields and with relatively large volumes of noncompetitive tenders at Treasury auctions and brisk sales of money market mutual fund shares.

Since June 1, commercial banks and thrift institutions have been offering two new certificates: a 6-month certificate whose ceiling rate varies weekly with the 6-month Treasury bill auction yield, and an 8-year certificate with maximum rates of 7-3/4 per cent for banks and 8 per cent for thrifts. At both types of intermediaries, yields on the 6-month certificates issued during the week ending June 14 exceeded the ceilings on ordinary accounts of similar maturity by 1-1/2 percentage points and were also greater than the rate limits on 1- and 2-1/2-year accounts. Although data on flows into the new accounts are not yet available, Reserve Bank and FHLB staff indicate that banks and thrifts in most areas of the country are vigorously promoting the 6-month accounts, and that a large proportion of these institutions are offering the new certificates at the ceiling rates.^{1/}

^{1/} The fragmentary information on flows into the new accounts will be discussed in the Greenbook Supplement. By the end of June, Board staff expect to have estimates of outstanding levels and rates paid on these accounts for all commercial banks as of June 7, based on a survey of about 560 banks. In addition, similar surveys of mutual savings banks and large savings and loan associations are being conducted by other agencies in cooperation with the Federal Reserve. These surveys will continue monthly in 1978.

COMMERCIAL BANK CREDIT
(Per cent changes at annual rates, based on seasonally adjusted data)^{1/}

	1 9 7 7		1 9 7 8			12 mos ending May
	QIII	QIV	QI	April	May	
Total loans & investments ^{2/}	10.3	9.5	9.7	18.4	15.7	11.5
Investments	0.3	-5.1	3.3	18.8	1.4	1.4
Treasury securities	-10.4	-20.3	--	25.1	-6.1	-5.9
Other securities	7.5	4.6	5.3	15.0	5.9	6.3
Total loans ^{2/}	14.7	15.8	12.3	18.3	21.4	16.1
Business loans	11.2	11.7	16.3	17.5	32.8	16.0
Security loans	10.7	-10.4	-29.9	215.0	-94.1	--
Real estate loans	18.3	17.8	16.1	15.0	19.4	18.6
Consumer loans	16.1	15.5	14.6	18.7	n.a.	n.a.

MEMORANDA:

1. Commercial paper issued by nonfinancial firms ^{3/}	5.3	15.8	-2.5	38.2	-7.4	10.2
2. Business loans at banks net of bank holdings of bankers acceptances	7.2	15.6	17.8	21.3	31.6	16.8
3. Sum of memo items 1 & 2	7.1	15.8	16.1	23.0	28.8	16.3
4. Memo item 3 plus business loans from finance companies	8.2	18.7	15.5	21.3	n.a.	n.a.

n.a.--not available

- ^{1/} Last-Wednesday-of-month series except for June and December, which are adjusted to the last business day of the month.
- ^{2/} Loans include outstanding amounts of loans reported as sold outright by banks to their own foreign branches, nonconsolidated nonbank affiliates of the bank holding companies (if not a bank), and non-consolidated nonbank subsidiaries of holding companies.
- ^{3/} Measured from end of month.

NOTE: DATA ADJUSTED TO REFLECT REVISIONS IN SEASONAL FACTORS AND BENCHMARKING TO THE DECEMBER 31, 1977 CALL REPORT. A DESCRIPTION OF THE REVISION WILL BE AVAILABLE IN THE GREENBOOK SUPPLEMENT.

Growth in bank credit slackened to an annual rate of about 15 per cent in May, but remained above the average pace of recent months, according to data revised to incorporate recent benchmarks and new seasonal adjustments. Loan expansion picked up somewhat as increases in business and real estate loan growth more than offset a decline in security loans.^{1/} The larger-than-seasonal rise in consumer instalment loans at large banks in May suggests that consumer lending at all banks remained rather robust. Bank security portfolios were little changed, on balance, as holdings of Treasury securities declined while holdings of other securities increased moderately.

Given the continued strong advance in bank credit and the marked deceleration of demand deposit growth, commercial banks in May resumed their reliance on managed liabilities following a temporary interruption of this trend in April. Banks raised about \$5 billion through issuance of large time deposits during the month, with negotiable CDs at large banks--not included in M-2--accounting for \$3.7 billion of the increase. In addition, nondeposit sources of funds, including Federal funds and security RP borrowing from nonbank institutions, were tapped for \$1.8 billion.^{2/}

^{1/} The surge in security loans in the preceding month was associated with some unusually large government financings--including sale of New York State notes and Treasury cash management bills--and the expanded stock market volume.

^{2/} Bank-related commercial paper increased \$1.1 billion in May, bringing the total rise for the year to \$1.9 billion. Most of the funds raised by such borrowing in May were not channelled to commercial banks, but rather to nonbank affiliates, including finance companies.

Business Finance

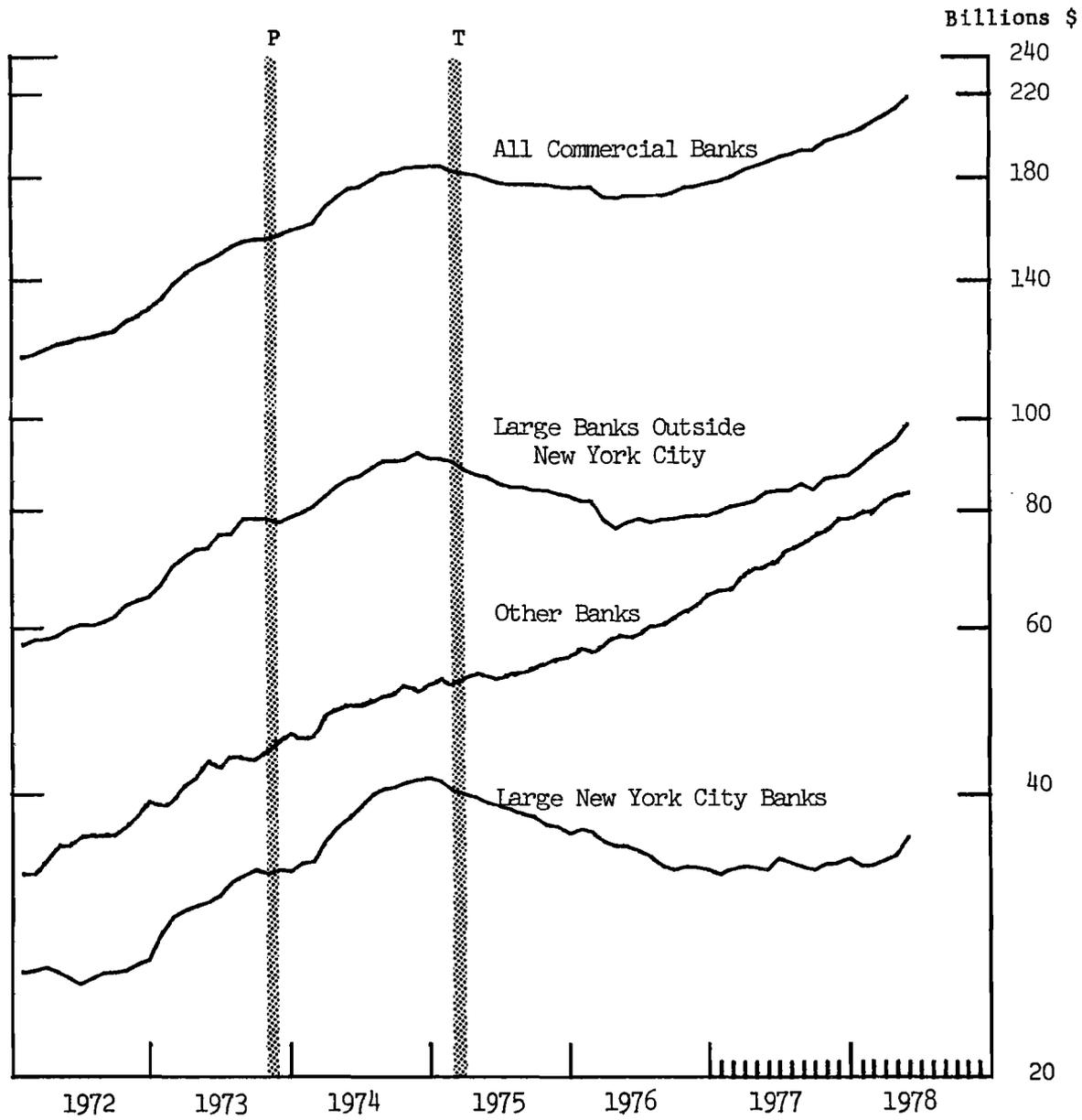
Business short- and intermediate-term borrowing apparently increased sharply in May. Commercial paper issued by nonfinancial concerns was about unchanged, but bank loans net of bankers acceptances (memorandum item 2 in the Bank Credit Table) grew at a 31-1/2 per cent annual rate--the highest rate of growth since April 1974. For the first two months of the current quarter, such loan growth averaged 26 per cent, well above the strong 17-3/4 per cent annual pace of the first quarter. The recent bulge in business loans was concentrated at large banks, with New York City banks participating fully after having lagged earlier in this recovery (Chart 2).

The surge in business loans may be in part a reflection of sharp growth in business inventories; however, term loans also have continued their recent brisk expansion, suggesting some tendency on the part of firms to substitute intermediate-term financing for bond issuance. Loan increases at large banks in May were widespread by industry, with particular strength at commodity dealers, wholesale and retail concerns, and manufacturers. Field reports suggest that the so-called "middle-market" companies are exhibiting the strongest loan demand.

The May Survey of Bank Lending Practices shows that, for the first time in the current upturn, a majority of respondents at both large and medium-sized banks perceive stronger loan demand. The Survey

Chart 2

BUSINESS LOANS AT COMMERCIAL BANKS ^{1/}
(End of Month, Seasonally Adjusted)



^{1/} Excludes holdings of bankers' acceptances at large banks and includes loans sold to affiliates.

also suggests an emerging tendency for medium-sized banks to establish firmer price and nonprice lending terms, a development consistent with recent increases in loan/deposit ratios at such banks.^{1/}

In longer-term credit markets, gross public offerings of corporate bonds by nonfinancial firms increased modestly in May, although total corporate offerings declined \$300 million to \$1.7 billion owing to a reduced slate of offerings by financial concerns. Higher long-term interest rates (coupled with 10 years of investor call protection) seem to have caused many highly regarded industrial corporations to rely, at least temporarily, on alternative sources of funds.^{2/} Life insurance industry executives note that borrowing demand also has slackened in the private bond market from last year's record volume.

Corporate bond yields have continued to rise since the May FOMC meeting, with the Board's index of newly issued, Aaa utility yields edging above 9 per cent for the first time since late 1975. The increase in bond yields in recent weeks has been accompanied by a widening in risk premia (lower panel of Chart 3). Newly issued A-rated utility bonds currently yield approximately 60 basis points more than Aaa-rated issues, an increase of 35 basis points since March and the widest margin since September 1976. This development may reflect

^{1/} Fuller discussion of the Survey results may be found in an appendix to the Greenbook.

^{2/} Only three industrial corporations whose bonds are rated Aa or better have publicly offered long-term issues of \$100 million or more thus far in 1978.

SECURITY OFFERINGS
(Monthly totals or monthly averages, in millions of dollars)

	1977		1978				
	Year	QIV	QI ^{e/}	Apr. ^{e/}	May ^{e/}	June ^{f/}	July ^{f/}
		<u>Gross offerings</u>					
Corporate securities--total	4,518	5,361	3,390	3,300	3,200	3,800	3,100
Publicly offered bonds	2,016	1,955	1,582	2,000	1,700	1,800	1,700
By quality <u>1/</u>							
Aaa and Aa	1,089	1,010	765	1,125	825	--	--
Less than Aa <u>2/</u>	927	945	817	875	875	--	--
By type of borrower							
Utility	692	660	475	425	500	--	--
Industrial <u>3/</u>	700	490	546	675	700	--	--
Financial	624	805	561	900	500	--	--
Privately placed bonds	1,501	2,000	1,155	800	800	1,200	800
Stocks	1,001	1,406	653	500	700	800	600
Foreign securities--total	621	482	537	554	860	--	--
Publicly offered <u>4/</u>	437	342	425	550	650	300	300
Privately placed	184	140	112	4	210	--	--
State and local govt. securities--total	5,771	4,812	5,096	8,489	7,100	5,300	4,000
Long-term	3,891	3,595	3,518	3,500	5,100	3,300	3,000
Short-term	1,880	1,217	1,578	4,989	2,000	2,000	1,500
		<u>Net offerings</u>					
U.S. Treasury	3,433	7,167	7,180	-11,445	659	1,200	1,100
Sponsored Federal agencies	604	703	1,804	811	3,754	1,678	1,392

1/ Bonds categorized according to Moody's bond ratings.

2/ Includes issues not rated by Moody's.

3/ Includes equipment trust certificates.

4/ Classified by original offering date.

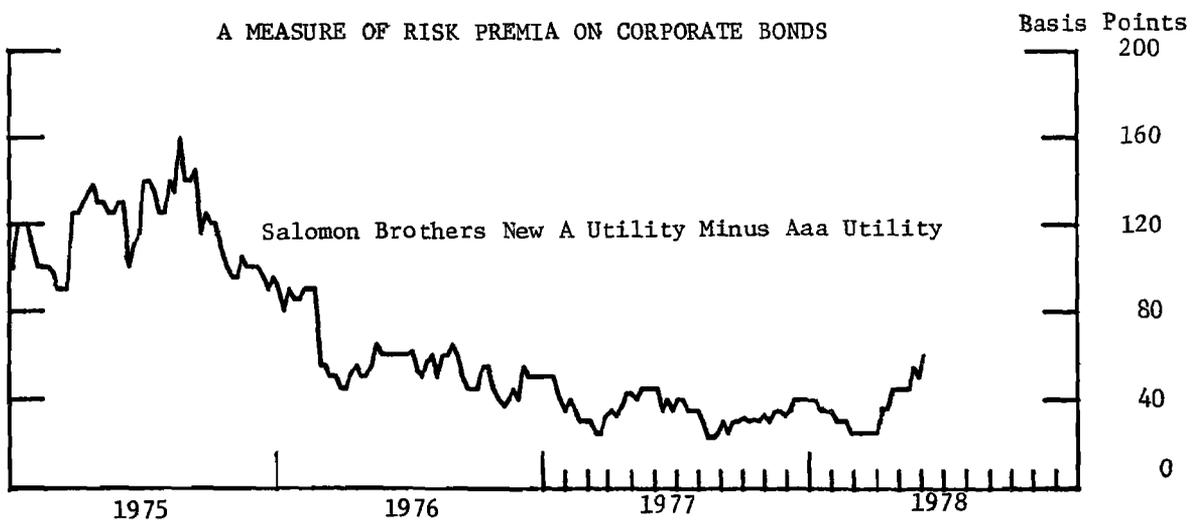
e/ Estimated.

f/ Forecast.

SELECTED LONG-TERM INTEREST RATES
(weekly)



A MEASURE OF RISK PREMIA ON CORPORATE BONDS



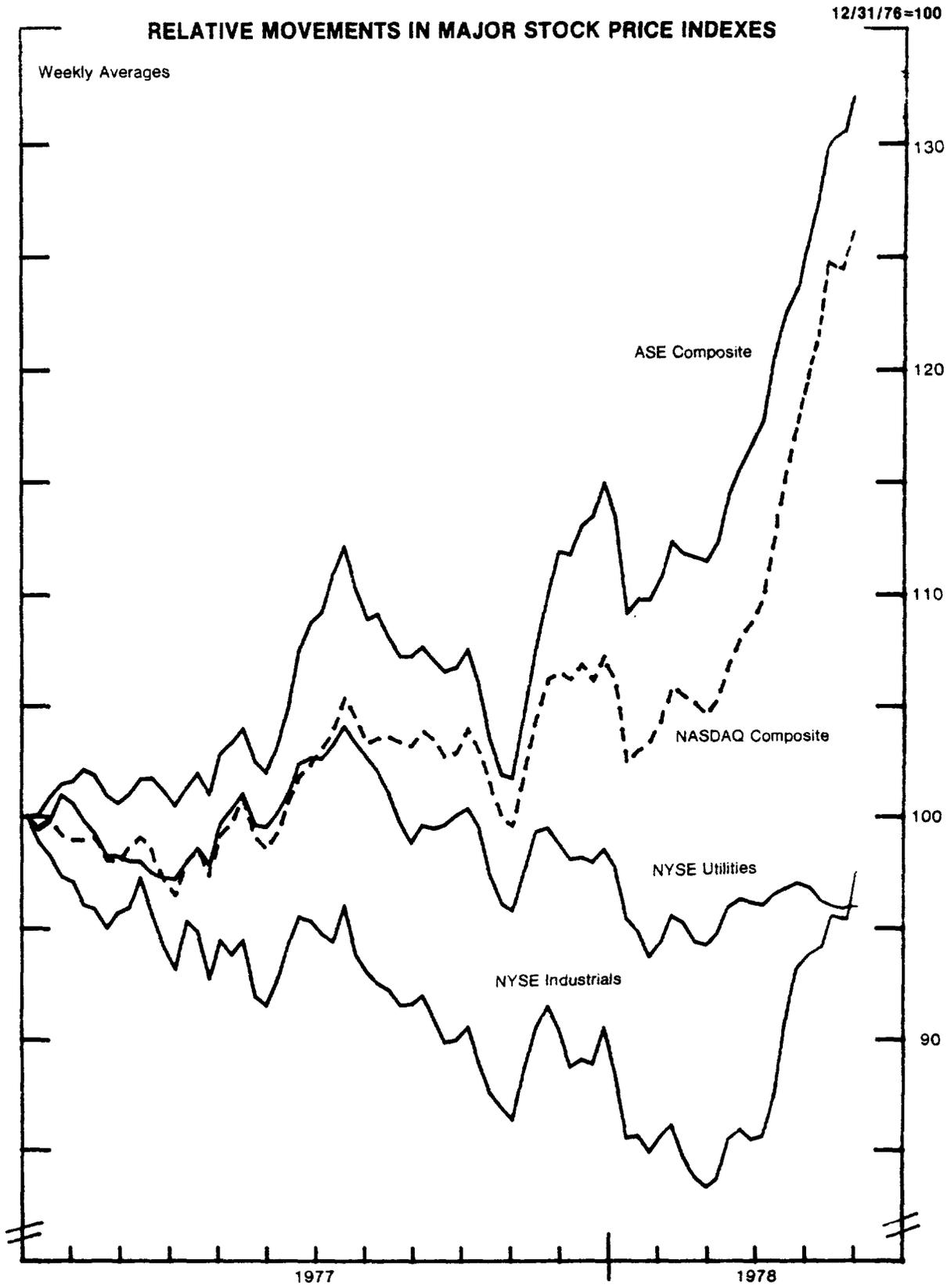
concern about the prospects for economic activity and profits, as well as a recognition of the recent erosion in corporate balance sheet strength.

Even so, stock prices have moved higher on balance over the past few weeks. However, where shares of large industrial companies initially led the rally in late April and early May, more recently non-N.Y.S.E. issues generally have posted the largest gains. This extends a trend that has characterized the equity markets since early 1977 (Chart 4). The American Stock Exchange Index posted a record high in early June, while the N.Y.S.E. Composite Index remains almost 15 per cent below its early 1973 peak.

Government Finance

Treasury borrowing has picked up slightly in recent weeks compared with the first part of the quarter, but has remained seasonally light. In a regular auction of 4-year notes at the end of May, the Treasury raised \$2.55 billion of new cash. A total of \$500 million in bills were run off in two regular weekly auctions in late May. For the second quarter as a whole, the Treasury is expected to raise only \$4.5 billion of new cash through marketable coupon securities and to pay down Treasury bills totalling about \$7.0 billion--bringing its cash balance to \$16 billion by the end of June.

Short-term Treasury bill rates, although having risen substantially recently, still remain well below rates on other short-term instruments. A sizable spread has existed for most of the last year



Latest data shown: Week ending June 9, 1978

and may be attributable at least partly to the relative supplies of money market instruments. Given the Treasury's debt-lengthening objective, the amount of Treasury bills outstanding has fluctuated narrowly since last spring, and supplies available to private investors have declined substantially owing to large acquisitions by foreign central banks.^{1/} Meanwhile, the outstanding quantity of CDs and commercial paper has grown markedly.

The further rise in Treasury yields relative to deposit ceilings has been accompanied by sharp increases in noncompetitive tenders in recent Treasury auctions of 2- and 4-year notes. Non-competitive tenders in weekly bill auctions, on the other hand, have remained within the \$550-\$600 million range for most of 1978. In all cases, however, noncompetitive tenders have been larger in 1978 than in 1977.

As deposit inflows at thrifts have remained relatively weak, the financing needs of the Government-sponsored housing agencies have continued to increase. The FHLB System, FNMA, and the farm credit agencies--the principal borrowers in the Federal agency market--raised a total of \$5.2 billion of new money in April and May, compared with \$4.5 billion in the entire first quarter and \$2.0 billion in the fourth quarter of 1977.

^{1/} Foreign official accounts have purchased about \$14 billion of Treasury bills over the past three quarters, though more recently their holdings have declined somewhat.

In May the volume of State and local government bond offerings reached \$5.1 billion, the second highest monthly volume on record. The increase of \$1.6 billion over April's total is due in part to a surge in advance refundings involving invested sinking fund issues. These bonds, which include provisions for sinking fund payments that may be invested in taxable securities, were restricted by a Treasury ruling effective May 16. Total refundings in May were a record \$2.2 billion.

Partly as a result of the heavy volume, yields on tax-exempt securities have increased about 20 basis points since the last FOMC meeting and currently stand at their highest levels since November 1976. This rise is about equal to interest rate increases in other markets and has thereby resulted in a higher ratio of tax-exempt to taxable security yields. Concern about the possible effects of Proposition 13, a constitutional amendment approved by California voters on June 6, also may have contributed to the upward rate pressure in the tax-exempt market.^{1/} This measure will limit local property taxes in California to one per cent of 1975-76 "full cash value" and is expected to lend impetus to a variety of similar proposals under consideration in other States.

^{1/} Following approval of Proposition 13, Standard & Poor's suspended ratings on those types of local obligations in California that would be most affected by the constitutional amendment. Moody's Investors Service had taken similar action on April 13.

Mortgage Markets

Mortgage market conditions tightened further in May as continued strong demands for funds pressed against the generally reduced supply at private institutions. Although net mortgage acquisitions by commercial banks picked up somewhat, mortgage lending activity at other major private sources apparently continued well below the record pace of late 1977. At S&Ls, net mortgage lending in April (latest data available) was somewhat below the reduced first-quarter rate, and new commitment activity, which had rebounded somewhat in March as weather conditions improved, resumed its downward trend. By the end of April, mortgage commitments outstanding (including loans in process) at S&Ls had declined to \$32.1 billion--7 per cent below the peak at the end of 1977. New commitments for FHA/VA-underwritten loans were constrained during most of May by a widening spread between market yields and ceiling rates on these loans. However, deliveries of FHA/VA mortgages to FNMA under prior commitments picked up somewhat in May, and issues of GNMA-guaranteed securities backed by previously originated pools of FHA/VA loans increased from the relatively low April level (NSA).

By the end of May the major Federal and related agencies operating in the secondary mortgage markets--FNMA, FHLMC, and GNMA-- had accumulated more than \$16 billion in purchase commitments, mostly involving optional delivery. This is an increase of \$6 billion since the beginning of the year. Most all of the increase was accounted for by FNMA, mainly through its regular bi-weekly auctions of 4-month standby commitments.

INTEREST RATES AND SUPPLY OF FUNDS FOR
CONVENTIONAL HOME MORTGAGES
AT SELECTED S&Ls

	Average rate on new commitments for 80% loans (Per cent)	Basis point change from month or week earlier	Spread ^{1/} (basis points)	Per cent of S&Ls ^{2/} with funds in short supply
1977--High	9.00	--	+92	22
Low	8.65	--	+37	2
1977--Oct	8.90	0	+62	11
Nov	8.93	+3	+70	18
Dec	9.00	+7	--	22
1978--Jan	9.05	+2	--	27
Feb	9.15	+10	+44	38
Mar	9.25	+10	+42	45
Apr	9.43	+18	+51	54
May 5	9.48	+5	--	57
12	9.55	+7	+68	69
19	9.58	+3	+63	65
26	9.68	+10	+66	67
Jun 2	9.68	0	--	66
9	9.70	+2	+66	n.a.

^{1/} Average mortgage rate minus average yield on new issues of Aaa utility bonds.

^{2/} Per cent reporting supply of funds slightly or substantially below normal seasonal patterns.

SECONDARY HOME MORTGAGE MARKET ACTIVITY

	FNMA auctions of forward purchase commitments						Yields on GNMA guaranteed mortgage backed securities for immediate delivery ^{2/}
	Conventional			Govt.-underwritten			
	Amount (\$ millions)		Yield to FNMA ^{1/}	Amount (\$ millions)		Yield to FNMA ^{1/}	
Offered	Accepted	Offered		Accepted			
1977--High	416	278	9.21	855	570	8.98	8.43
Low	123	83	8.81	50	35	8.45	7.56
1978--May 1	646	305	9.80	655	350	9.52	8.80
8							8.86
15	717	363	9.89	611	297	9.63	8.85
22							8.96
29	573	300	10.01	851	447	9.83	9.04
Jun 5							8.99
12	350	207	10.07	522	285	9.86	9.01

^{1/} Average gross yield before deducting fee of 38 basis points for mortgage servicing. Data, based on 4-month FNMA purchase commitments, reflect the average accepted bid yield for home mortgages, assuming a prepayment period of 12 years for 30-year loan without special adjustment for FNMA commitment fees and related stock requirements. Mortgage amounts offered by bidders relate to total eligible bids received.

^{2/} Average net yields to investors assuming prepayment in 12 years on pools of 30-year FHA-VA mortgages carrying the prevailing ceiling rate on such loans.

With two-thirds of a sample of S&Ls surveyed by FHLMC reporting mortgage funds to be in short supply, interest rates on new commitments for 80 per cent home mortgages at sampled S&Ls averaged 9.70 per cent on June 9, up about 15 basis points since the last FOMC meeting. Field reports indicate that nonrate terms also have been tightening in most regions. In almost half of the States, usury ceilings of 10 per cent or less have been constraining originations of conventional first mortgages to some degree, prompting tighter nonrate terms and credit standards and/or provoking larger discounts where not prohibited by the usury laws. Yields in the secondary mortgage markets have also risen. With 8-3/4 per cent Government-underwritten mortgages selling in secondary markets at discounts of about 6 points, the ceiling rate on FHA/VA home mortgages was raised to 9 per cent, effective May 23; however, by early June average discounts had again risen to nearly 6 points.

Consumer Credit

Growth in consumer instalment credit slowed somewhat in April, but still was at a 20 per cent annual rate. New extensions of instalment credit advanced strongly, with most of the increase attributable to auto credit. Total credit liquidations rose even more sharply, resulting in the slower net growth and raising the estimated ratio of repayments to disposable personal income to a high for the current economic expansion. Meanwhile, latest delinquency

rate reports, primarily for the first quarter, show fairly large increases for the first time since early 1975, although delinquency rates remain significantly below recession highs.^{1/}

^{1/} Noticeable increases in delinquency rates were recorded in the four States principally affected by the coal strike; however, they explain only a small fraction of the increase in national delinquency rates.

CONSUMER INSTALMENT CREDIT^{1/}

	1975	1976	1977	1977	1978		
				QIV	QI	Mar	Apr
<u>Total</u>							
Change in outstandings							
Billions of dollars	7.3	19.9	30.8	32.8	36.6	48.8	44.6
Per Cent	4.7	12.3	16.9	16.0	17.2	22.3	20.0
Bank share (per cent)	39.6	54.0	50.7	52.5	48.3	49.7	53.8
Extensions							
Billions of dollars	163.9	192.4	226.0	238.3	245.4	259.1	265.4
Bank share (per cent)	47.2	48.9	49.1	49.9	49.1	49.1	50.3
Liquidations							
Billions of dollars	156.6	172.4	195.2	205.5	212.4	210.3	220.8
Ratio to disposable income	14.4	14.6	14.9	15.1	14.9	14.9	15.4
<u>Automobile Credit</u>							
Change in outstandings							
Billions of dollars	3.2	10.2	13.3	13.8	15.2	18.3	20.4
Per cent	6.1	18.3	20.2	18.2	19.2	22.4	24.9
Extensions							
Billions of dollars	51.5	62.8	73.1	76.6	77.9	81.9	87.0
<u>Delinquency Rates (per cent, SA)</u>							
Commercial banks	2.60	2.39	2.37	2.34	2.47	2.51	n.a.
Auto finance companies	2.39	2.00	2.07	2.12	2.19	2.28	2.20

^{1/} Quarterly and monthly dollar figures and related per cent changes are seasonally adjusted annual rates.

n.a.—not available.

RESTRICTED

June 14, 1978

U.S. International Transactions
(In millions of dollars, seasonally adjusted 1/)

IV - T - 1

	1976		1977				
	Year	Year	Q3	Q4	Q1	March	April
1. Merchandise exports	114,694	120,509	30,973	29,425	30,674	10,730	11,353
2. Merchandise imports	124,014	151,943	38,408	39,802	41,808	14,115	14,771
3. <u>Trade Balance</u>	-9,320	-31,434	-7,435	-10,377	-11,134	-3,385	-3,418
4. <u>Bank-reported private capital flows</u>	-10,377	-4,708	860	-5,606	-6,584	-3,341	5,631
5. Claims on foreigners (increase -)	-21,368	-11,427	-1,779	-8,750	-8,270	-5,475	634
6. Long-term	-2,362	-751	-447	-16	-311	-120	-71
7. Short-term	-19,006	-10,676	-1,332	-8,734	-5,959	-5,355	705
8. (of which on commercial banks in offshore centers 2/)	(-12,961)	(-7,518)	(-892)	(-6,087)	(-4,066)	(-3,355)	(357)
9. Liabilities to foreigners (increase +)	10,991	6,719	2,639	3,144	-314	2,134	4,997
10. Long-term	231	374	193	35	249	215	239
11. Short-term	10,760	6,345	2,446	3,109	-563	1,919	4,758
12. to commercial banks abroad	8,030	5,183	3,788	2,126	-205	1,633	4,706
13. (of which to commercial banks in offshore centers 2/)	(4,115)	(4,618)	(3,216)	(1555)	(-819)	(1,151)	(3,512)
14. to other private foreigners	2,719	1,718	186	470	-37	-5	-71
15. to int'l and regional organizations	11	-556	-1,528	513	-321	291	123
16. <u>Foreign private net purchases (+) of U.S. Treasury securities</u>	2,783	569	1,252	-297	881	101	-265
<u>Other private securities transactions (net)</u>	-7,480	-2,428	-1,640	72	-511	-86	288
Foreign net purchases (+) of U.S. corp. securities	1,250	2,934	516	803	424	319	640
(of which stocks)	(853)	(1,385)	(139)	(580)	(341)	(323)	(617)
19. U.S. net purchases (-) of foreign securities	-8,730	-5,362	-2,156	-731	-935	-405	-352
20. (new foreign issues of bonds and notes)	(-9,954)	(-6,848)	(-2,276)	(-1,319)	(-1,107)	(-414)	(-973)
22. <u>Change in foreign official res. assets in the U.S.</u>	13,091	35,406	7,893	15,152	14,906	8,016	-3,027
23. OPEC countries (increase +)	6,802	5,989	1,415	757	1,399	211	-129
24. (of which U.S. corporate stocks)	(1,810)	(1,365)	(362)	(318)	(324)	(169)	(96)
25. Other countries (increase +)	6,289	29,417	6,478	14,395	13,507	7,805	-2,898
26. <u>Change in U.S. reserve assets (increase -)</u>	-2,532	-237	195	-2	246	238	287
27. <u>Other transactions and statistical discrepancy (net payments (-))</u>	13,835	2,832	-1,125	1,058	2,196	1,543	504
28. Other current account items	7,893	11,032	3,236	1,849			
29. Military transactions, net	366	1,432	559	50			
30. Receipt of income on U.S. assets abroad	21,369	24,940	6,391	5,876			
31. Payment of income on foreign assets in U.S.	-11,561	-13,005	-3,225	-3,733			
32. Other services, net	2,743	2,460	845	740			
33. Remittances and pensions	-1,878	-2,008	-510	-480			
34. U.S. Gov't grants	-3,146	-2,787	-824	-604			
35. Other capital account items	-4,297	-5,368	860	-1,735			
36. U.S. Gov't capital, net claims (increase -)	725	-1,792	-848	-378			
37. U.S. direct investment abroad (increase -)	-4,596	-5,009	-1,058	-1,549			
38. Foreign direct investment in U.S. (increase +)	2,176	1,327	619	-197			
39. Nonbank-reported capital, net claims (increase -)	-2,602	-94	2,147	389			
40. Statistical discrepancy	10,239	-2,832	-5,221	944			
<u>MEMO:</u>							
41. Current account balance	-1,427	-20,402	-4,199	-8,528			
42. Official settlements balance	-10,559	-35,169	-8,088	-15,150			
43. O/S bal. excluding OPEC	-3,757	-29,180	-6,673	-14,393			

NOTES:

1/ Only trade and services, U.S. Govt, grants and U.S. Govt. capital are seasonally adjusted.

2/ Offshore centers are United Kingdom, Bahamas, Panama, British West Indies and Bermuda.

*/ Less than \$500,000.

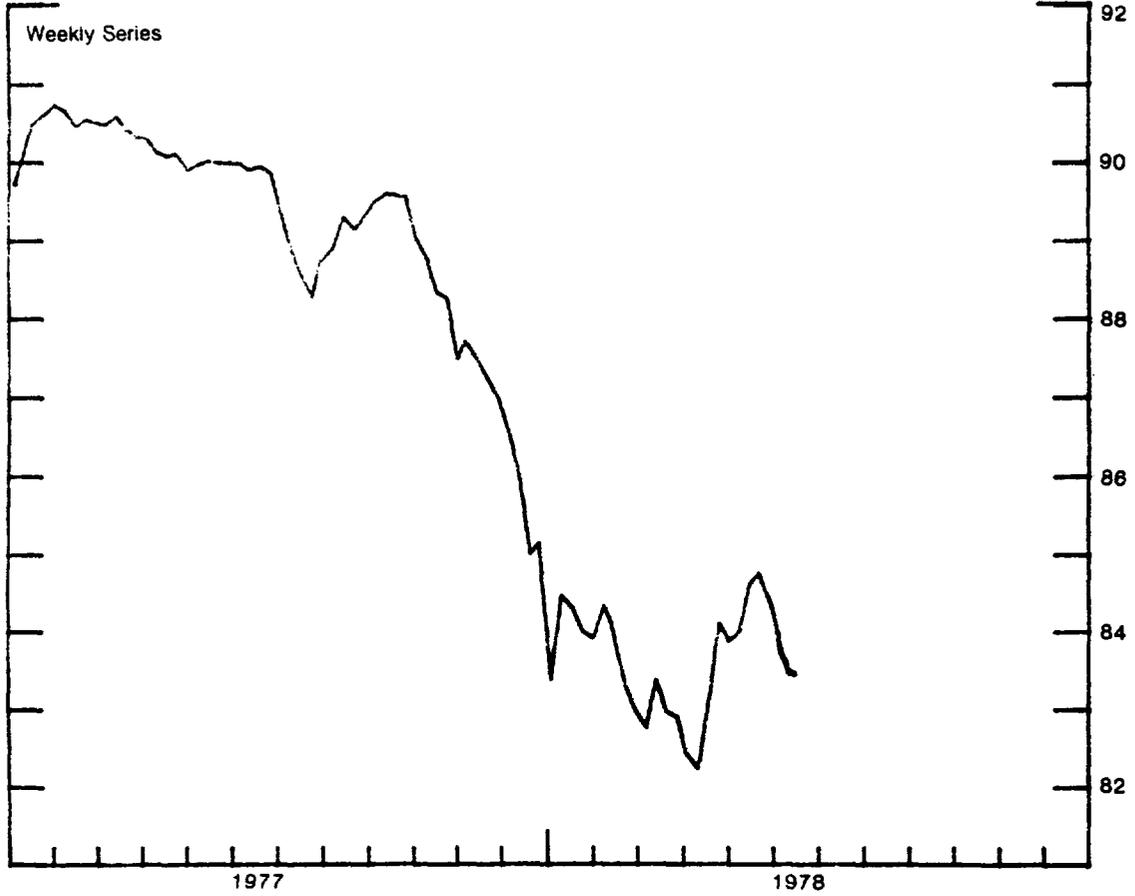
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INTERNATIONAL DEVELOPMENTS

Foreign exchange markets. The weighted-average value of the dollar in mid-June was about 1 per cent below its level a month earlier, and about 1-1/2 per cent below its peak near the end of May. The dollar continued the steady upward movement that began in mid-April until late May, when renewed concerns over the continuing imbalances in the current accounts of major OECD countries and the high U.S. inflation rate brought a substantial downward adjustment in the value of the dollar. During June, the dollar has traded at a fairly steady level in generally quiet markets although in the past few days, the Japanese yen has risen sharply against all currencies as the surplus in the Japanese current account appears particularly out of line. Changes in money market conditions have had little net effect on the overall value of the dollar since U.S. rates have been essentially unchanged over the period against most foreign interest rates and only about 20 basis points higher against German rates.

6/14/78

WEIGHTED AVERAGE EXCHANGE VALUE OF U.S. DOLLAR



; on June 8, British officials announced several monetary and fiscal measures designed to help bolster the exchange rate as well as reduce the rate of monetary expansion. (See p. 17 below for further details.) In the days immediately following, the pound was strengthened by foreign demand for long-term U.K. government bonds.

During the past five weeks, the Desk continued its practice of acquiring German marks for use in repaying swap drawings by both the System and the Treasury's ESF account. The Desk has purchased about \$750 million equivalent

. These marks were split between the System and the ESF account on a 60-40 per cent basis; the System repaid \$457 million equivalent, reducing its outstanding commitment to \$1,128 million. The ESF repaid \$311 million equivalent reducing its outstanding commitment to \$528 million. On May 16, the System repaid the final \$27 million equivalent of Swiss francs on the swap drawings made in January and February of this year. As of mid-June, the remaining commitment on the pre-August 1971 Swiss franc swap drawing equalled \$330 million.

On May 23, in the first of a series of at least 6 monthly auctions, the U.S. Treasury sold 300,000 ounces of gold at an average price of \$180.38 per ounce. Bids were received for almost 1.4 million ounces. The market price of gold in following weeks has generally fluctuated between \$180 and \$185.

U.S. bank lending abroad. U.S. banks and their foreign branches increased their credits outstanding to foreign borrowers in countries other than international financial centers by \$2.7 billion in the first quarter of 1978. This was not much different from the increase in claims on these countries in the first quarter of 1977; comparisons with other quarters of last year could be misleading because of seasonal factors. At the end of March 1978 these claims showed a rise of 20 per cent over the year-earlier level, well below the 29 per cent year-over-year increase as of March 1977.

The first-quarter increase in claims on countries other than international financial centers was little different from that of a year earlier even though the amount of new medium-term Euro-credits completed for these countries accelerated sharply in the first quarter. Some of the new funds raised were used to retire old debt, as in the case of Indonesia; however, it also appears that drawdowns of credits arranged in the first quarter have lagged (e.g., for Venezuela and Nigeria) so that outstanding claims are likely to pick up later. In the first quarter, outstanding claims on the smaller developed countries and oil-exporting countries rose more than in the year-earlier period mainly because of increased credits to Greece, Ireland, and Middle East oil exporters. But claims on the non-oil LDCs contracted slightly, mostly because of a further \$700 million decline in claims on Mexico. This followed a similar decrease in claims on Mexico in the fourth quarter of 1977, when Mexican borrowers shifted some loans to non-U.S. banks.

U.S. bank claims on international financial centers (larger developed countries and offshore banking centers) rose \$4 billion in the first quarter of 1978 in contrast to a decline of similar size a year earlier; most of this shift involved the offshore centers.

U.S. Bank Claims on Foreigners
(in billions of dollars)

<u>Claims on:</u>	<u>Outstanding</u>				<u>Increase</u>	
	<u>Dec.</u> <u>'76</u>	<u>Mar.</u> <u>'77</u>	<u>Dec.</u> <u>'77</u>	<u>Mar.</u> <u>'78</u>	<u>Q-1</u> <u>'77</u>	<u>Q-1</u> <u>'78</u>
I. <u>Countries Other Than Inter-</u> <u>national Financial Centers</u>	<u>81.1</u>	<u>83.5</u>	<u>97.8</u>	<u>100.5</u>	<u>2.4</u>	<u>2.7</u>
<u>Smaller developed countries</u>	<u>15.0</u>	<u>15.9</u>	<u>19.0</u>	<u>20.5</u>	<u>.9</u>	<u>1.5</u>
Greece	1.7	1.7	2.2	2.7	--	.5
Spain	2.8	3.0	3.5	3.6	.2	.1
Scandinavian countries ^{1/}	3.6	4.0	4.7	4.7	.4	--
South Africa	2.2	2.3	2.4	2.5	.1	.1
Turkey	1.3	.8	1.5	1.5	--.5	--
Other	3.4	4.1	4.7	5.5	.7	.8
<u>Oil-exporting countries</u>	<u>12.6</u>	<u>13.3</u>	<u>17.6</u>	<u>19.2</u>	<u>.7</u>	<u>1.6</u>
Indonesia	2.2	2.3	2.2	2.1	.1	-.1
Middle East	4.2	5.0	6.9	8.3	.8	1.4
Venezuela	4.1	3.9	5.5	5.5	-.2	--
Other	2.1	2.1	3.0	3.3	--	.3
<u>Non-oil developing countries</u>	<u>43.3</u>	<u>44.0</u>	<u>49.4</u>	<u>49.1</u>	<u>.7</u>	<u>-.3</u>
Argentina	1.9	2.0	2.9	3.0	.1	.1
Brazil	11.1	11.5	12.7	13.0	.4	.3
Mexico	11.7	11.8	11.9	11.2	.1	-.7
Peru	1.8	1.9	1.9	1.7	.1	-.2
Korea	3.1	3.2	3.9	3.7	.1	-.2
Philippines	2.2	2.3	2.5	2.6	.1	.1
Taiwan	2.3	2.4	3.1	3.1	.1	--
Other	9.2	8.9	10.5	10.8	-.3	.3
<u>Eastern Europe</u>	<u>5.2</u>	<u>4.7</u>	<u>6.5</u>	<u>6.0</u>	<u>-.5</u>	<u>-.5</u>
U. S. S. R.	1.5	1.5	1.9	1.4	--	-.5
Other	3.7	3.2	4.6	4.6	-.5	--
II. <u>International Financial</u> <u>Centers</u>^{2/}	<u>126.7</u>	<u>122.4</u>	<u>141.0</u>	<u>145.0</u>	<u>-4.3</u>	<u>4.0</u>
III. <u>Miscellaneous & Unallocated</u>	<u>5.4</u>	<u>5.6</u>	<u>5.3</u>	<u>5.7</u>	<u>.2</u>	<u>.4</u>
IV. <u>Grand Total</u>	<u>207.8</u>	<u>205.9</u>	<u>238.8</u>	<u>245.5</u>	<u>-1.9</u>	<u>6.7</u>

^{1/} Denmark, Finland, and Norway.

^{2/} G-10 countries, Switzerland, and offshore banking centers.

In April, the U.S. merchandise trade deficit was \$41 billion at an annual rate. This was about the same size as the deficit in March and somewhat smaller than the first-quarter deficit. (See chart following.) Private net capital flows for which we have data showed a \$4.7 billion net inflow (adjusted) as flows into U.S. banking offices were particularly strong. Official foreign assets in the United States (excluding OPEC) declined by about \$3 billion.

U.S. International Transactions Summary
(in billions of dollars, (-) = outflow)

	1977		1973		
	Year	Q-4	Q-1	March	April
1. Trade balance <u>1/</u>	-31.4	-10.4	-11.1	-3.4	-3.4
2. (annual rate)	--	-41.5	-44.5	-40.6	-41.0
3. Private capital trans. adj. <u>2/</u>	-6.6	-3.3	-8.0	-5.1	4.7
4. Private capital as rept. net	-6.6	-5.8	-6.2	-3.3	5.7
5. Reporting bias <u>3/</u>	--	2.5	-1.8	-1.8	-1.0
6. OPEC net investments in U.S.	6.0	.8	1.4	.2	-.1
7. Other foreign official assets	29.4	14.4	13.5	7.8	-2.9
8. U.S. reserve assets	-.2	*	.2	.2	.3
All other <u>4/</u>	2.8	-1.5	4.0	.3	1.4
9. Not seasonally adjusted	2.8	-2.6	3.9	--	1.0
10. Seasonal component <u>5/</u>	--	-1.1	.1	.3	.4
<hr/>					
Memorandum:					
11. GNP net exports of goods and services	-10.9	-4.7	-6.2	n.a.	n.a.
12. Current account balance	-20.4	-8.5	n.a.	n.a.	n.a.

1/ Seasonally adjusted.

2/ Includes bank-reported capital, foreign purchases of U.S. Treasury securities, and other private securities transactions.

3/ Adjustment for reporting bias in bank-reported data associated with week-end transactions. See page IV 10-11 in the June 1976 greenbook.

4/ Includes service transactions, unilateral transfers, U.S. government capital, direct investment, nonbank capital transactions, and statistical discrepancy.

5/ Equal but opposite in sign to the seasonal component of the trade balance.

6/ Less than \$50 million.

e/ Estimated.

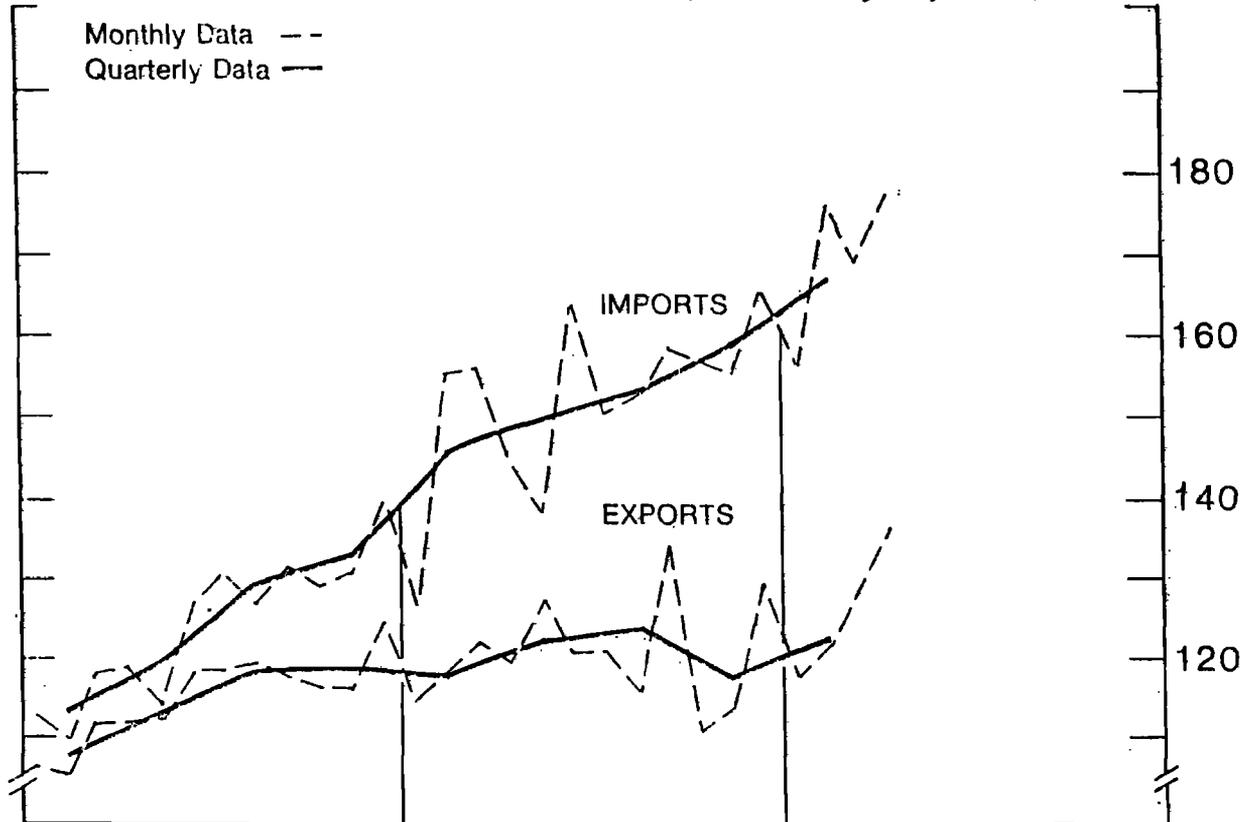
U.S. Merchandise Trade

International Accounts Basis

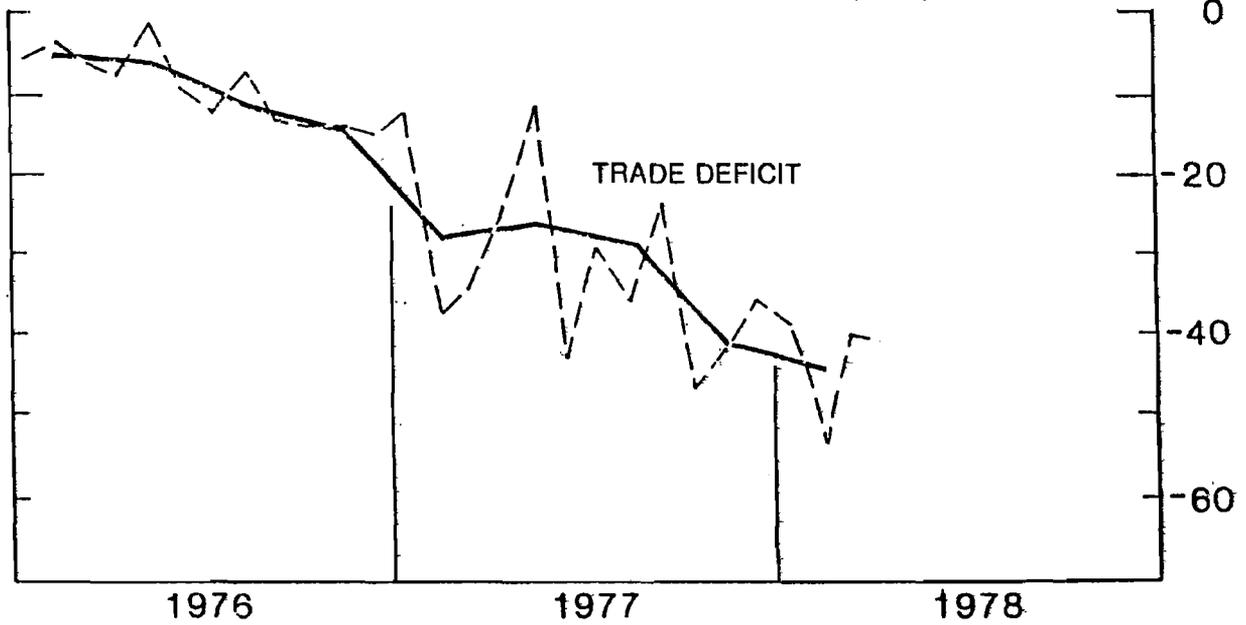
IV - 8

6/14/78

Billions of dollars, seasonally adjusted, annual rate



Billions of dollars, seasonally adjusted, annual rate



Exports rose strongly in April with most of the increase in nonagricultural commodities, particularly industrial supplies, machinery, and civilian aircraft. Among industrial supplies, coal exports picked up sharply in April following several strike-depressed months, and exports of precious metals, especially gold, rose substantially. The rise in machinery exports was the third consecutive monthly increase. The value of machinery exports, which was essentially unchanged throughout 1977, was 12 per cent above the average for last year.

Agricultural exports rose by 9 per cent in April from the already high March level. Increases occurred in both volume and price. Soybean exports -- particularly to the Soviet Union and Western Europe -- were very strong, rising 20 per cent in value, one third of which was from higher prices.

U.S. Merchandise Trade, International Accounts Basis
(billions of dollars seasonally adjusted annual rates)

	1977 ^F	1977 ^F		1 9 7 8		
	Year	3-Q	4-Q	1-Q ^K	March ^F	April
<u>EXPORTS</u>	<u>120.5</u>	<u>123.9</u>	<u>117.7</u>	<u>122.7</u>	<u>128.8</u>	<u>136.2</u>
Agric.	24.4	23.8	22.6	26.0	28.6	31.2
Nonagric.	96.1	100.1	95.1	96.7	100.2	105.0
<u>IMPORTS</u>	<u>151.9</u>	<u>153.6</u>	<u>159.2</u>	<u>167.2</u>	<u>169.4</u>	<u>177.3</u>
Petroleum	45.0	45.2	42.2	39.8	36.9	45.6
Nonpetrol.	107.0	108.4	117.0	127.4	132.5	131.6
<u>BALANCE</u>	<u>-31.4</u>	<u>-29.7</u>	<u>-41.5</u>	<u>-44.5</u>	<u>-40.6</u>	<u>-41.0</u>

NOTE: Details may not add to totals because of rounding.

The increase in imports during the first four months of this year occurred for both petroleum and other commodities. Oil imports rose to an estimated 9.4 million barrels per day (mbd) in April, a rate about equal to the 1977 average, from a first-quarter average of 8.2 mbd. The price of imported oil rose marginally in April to about \$13.25 per barrel after declining for several months; however the April price was still below the average for the first quarter.

Non-oil imports continued at about the same high level as in March, which was 3 per cent higher than the first quarter average and 12 per cent higher than during the fourth quarter. Most of the recent rise in non-oil imports was in industrial supplies, automotive vehicles and parts from non-Canadian sources, and consumer goods. Non-oil import prices, which had advanced sharply in the first quarter were little changed in April.

The surge in steel imports during the last few months was probably largely related to the imposition of the Treasury's "trigger price" mechanism which was not enforced for steel imports under fixed price contracts made before February 21 and arriving in the United States through the end of April. Imports of foreign cars and trucks continued to increase through April, even though U.S. sales have eased a bit recently as dealers continue to build

inventories. Inventories of Japanese cars were at record levels at the end of April as stocks have doubled since the third quarter of 1977. Importers reportedly expect shipments to decline after mid-year as unit-sales for 1978 are expected to about equal their 1977 level.

In April, foreign official assets in the United States (excluding OPEC holdings) declined by more than \$3 billion, reflecting declines in official holdings by the United Kingdom, Germany and Japan. The fall in U.K. holdings reflected the use of dollars both in repayment of a credit-tranche drawing from the IMF and in official intervention to support the pound. The decline in Germany's holdings reflected conversions of non-resident mark borrowings in Germany as required by the Bundesbank. Official Japanese dollar holdings in the United States fell as official deposits were placed in Japanese commercial banks under the Japanese government's import financing facility. The Japanese government also acquired time deposits at the Tokyo branches of major U.S. banks. An \$800 million increase in Canadian holdings reflected the receipts of \$1.35 billion in proceeds from external borrowings by the Government of Canada.

In May, foreign official holdings at the Federal Reserve Bank of New York declined by about \$1 billion. The decline largely reflected the retirement of U.S. Treasury debt in conjunction with U.S. repayment of swap debt to the Bundesbank.

Bank-reported private capital transactions, adjusted for reporting bias, resulted in a net inflow of \$4.6 billion in April. The strong reflow of funds to U.S. banking offices reflected the unwinding of end-of-fiscal year positions by Japanese trading firms and banks as well as the increase in the differential between U.S. and foreign money market rates.

Foreign private net purchases of U.S. corporate stocks increased to more than \$600 million in April, more than five times the average monthly volume of 1977. European brokers and investors accounted for the upsurge in net foreign purchases of U.S. corporate stock.

U.S. Bank-reported, Private Capital Flows ^{1/}
(billions of dollars; increase in assets,-)

	1976	1977	1977 Q1-Q3	1977 Q4	1978 Q1	1978 April
Change in net foreign positions of U.S. banking offices	-10.5	-4.7	-1.0	-3.1	-8.5	4.6
Net change through interbank transactions (including own foreign affiliates)	-8.3	-3.0	.2	-2.6	-7.9	4.7
Loans to non-bank foreigners	-3.2	-.5	*	-.6	-.2	-.3
Acceptances and collections ^{2/}	-1.8	-2.7	-1.7	-1.0	-.3	*
Liabilities to private nonbank foreigners	2.8	1.5	.5	1.1	-.1	.2

^{1/} Adjusted for reporting bias.

^{2/} Includes minor foreign currency claims.

U.S. net purchases of foreign securities of \$350 million in April were only slightly above the monthly average for the first quarter of 1978 despite an increase in the rate of new foreign bond flotations in the U.S. Foreign purchases of Yankee-bonds (foreign bonds issued in the U.S.) were associated with a significant narrowing of the spread in the yield advantage of intermediate-term Yankee-bonds over U.S. Treasury issues.

OPEC banking and security holdings in the United States fell by \$100 million in April. In May, OPEC holdings of Treasury securities at the Federal Reserve Bank of New York were reduced by \$500 million. However, offsetting the reduction in the holdings of Treasury securities were Saudi Arabia's purchases of \$350 million in notes of AT&T and one of its affiliates.

The \$300 million reduction in U.S. reserve assets corresponds to a decline in the U.S. reserve position in the IMF associated with the U.K.'s repayment of a credit-tranche drawing.

Foreign Economic Developments. The signs concerning the pace of economic activity abroad appear to be somewhat stronger this month, although there is not yet evidence of sustained growth. German industrial production rose by over 1-1/2 per cent in April though it is still below its level of last December; new orders from domestic sources rose in both March and April, while orders from foreign sources fell slightly. Japanese real GNP rose by about 2-1/2 per cent during the first quarter of 1978, bringing the growth rate of real GNP in FY1977 to 5.4 per cent -- compared with the downward-revised official target of 5.3 per cent.

The economies of the United Kingdom and France recently have demonstrated signs of expansion. In the United Kingdom, industrial production is up about 1-1/2 per cent during the first quarter, with consumer spending a major source of strength. Industrial production in France was up about 2-1/2 per cent during the first quarter -- and rose a further 1-1/2 per cent in April -- spurred by inventory growth, foreign orders and some rise in consumer spending. The most recent surveys suggest that this rapid rate of expansion is not likely to be sustained in coming months. In general, evidence appears to be accumulating that consumer expenditures may be a major source of demand across the major foreign countries.

Japanese and German trade-account surpluses diminished only slightly in April. Japan registered a record \$28 billion (s.a.a.r.) trade surplus during the first four months of the year. The equivalent

figure for Germany was \$18 billion. The United Kingdom recorded a trade surplus of about \$.1 billion during April and May, following a trade deficit of about \$1 billion during the first quarter. In France the trade balance in April was in small surplus for the second month in a row.

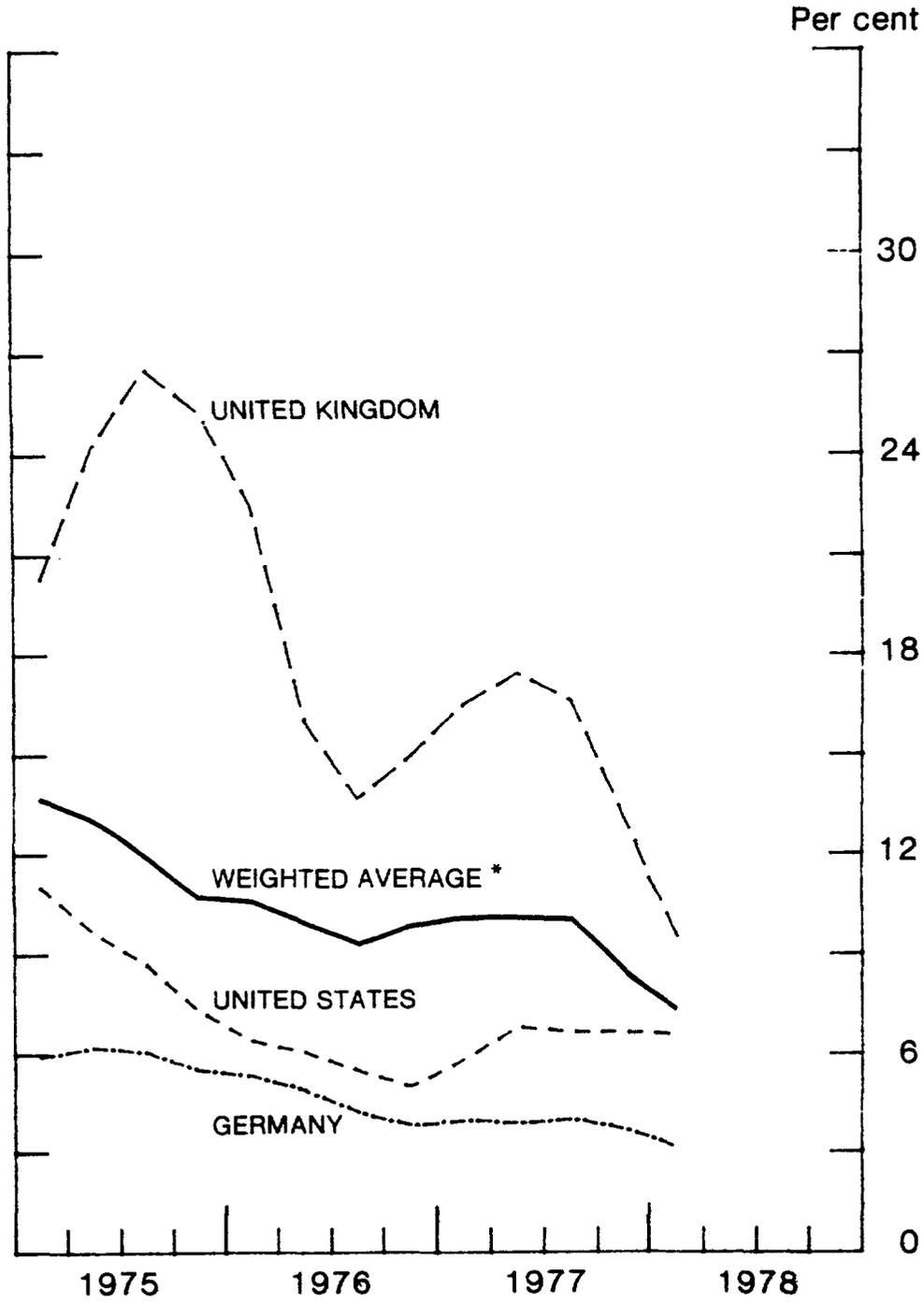
Foreign Price and Wage Developments. Rates of consumer price increase in the six major foreign industrial countries, taken as a group, have been decelerating steadily since the beginning of 1975, as shown in the chart below. From an average year-over-year rate of increase of about 13 per cent in the first quarter of 1975, the rate of increase in consumer prices had moderated to about 7 per cent in the first quarter of 1978. Further deceleration for most of the countries is indicated by the most recent monthly data. In contrast, the rate of inflation in the United States has recently been increasing and is now approaching the average rate of the major foreign countries.

The moderation in the rate of price increases in the major foreign countries has closely paralleled that of wages. Thus the rate of increase in German prices has decreased from an annual rate of about 6 per cent during early 1975 to about 3 per cent in early 1978, while the rate of increase in German wages has decreased from about 12 per cent to about 6 per cent. Similarly, even for a country that continues to experience a relatively high rate of inflation such as the United Kingdom, price increases have halved over this period from a rate of about 20 per cent while the rate of earnings increase has decreased from about 30 per cent

Rates of Consumer Price Increases in Major Countries

6/14/78

Change From Same Quarter Previous Year



* Average of Canada, France, Germany, Italy, Japan, and United Kingdom, weighted by 1976 real GNP weights

to about 10 per cent. On average, the rate of increase of both wages and prices in the major foreign countries has been halved since early 1975.

Notes on Individual Countries. Economic activity in the United Kingdom has picked up in recent months, led by consumer spending. During the first quarter of 1978, industrial production rose by about 1-1/2 per cent while real consumer expenditure rose by about 2 per cent. The unemployment rate has been declining slowly for the past 5 months and the rate of increase in wholesale prices continued to decelerate in May. The British current account has shifted sharply this year, declining to a surplus of about \$.3 billion (s.a.a.r.) in the first five months of 1978, from a surplus of about \$3 billion (s.a.a.r.) in the second half of 1977.

Monetary growth has been relatively rapid recently. The government's target for sterling-denominated M3 growth for the year ending in mid-April 1978 -- 9 - 13 per cent -- was exceeded by some 3 percentage points. At the end of May, the Bank of England announced that the Minimum Lending Rate would no longer be determined by a formula, and on June 8, the Bank to limit monetary growth raised the rate by 1 percentage point -- to 10 per cent -- and reintroduced the supplementary special deposit scheme, which imposes a limit on the growth of banks' liabilities. The British government announced also an increase of 2.5 percentage points in employers' contributions to national social insurance to offset the cuts in personal taxation voted recently by opposition parties in Parliament.

Real GNP and Industrial Production in Major Industrial Countries
(percentage change from previous period, seasonally adjusted)

		1975	1976	1977	1977		1978	1978			
					Q2	Q3	Q4	Q1	Feb.	Mar.	Apr.
Canada:	GNP	1.1	4.9	2.6	0.0	1.3	0.8	n.a.	*	*	*
	IP	-4.8	5.0	3.3	0.3	0.0	0.8	0.2	1.2	0.3	-0.2
France:	GDP	0.1	5.2	2.2	-0.7	0.3	1.4	n.a.	*	*	*
	IP	-9.2	10.1	1.7	-2.1	-1.3	-0.3	2.4	0.0	2.4	1.6
Germany:	GNP	-2.5	5.6	2.4	0.0	-0.1	1.4	n.a.	*	*	*
	IP	-5.5	7.8	3.0	-1.1	0.3	1.1	0.0	-3.3	0.0	1.7
Italy:	GDP	-3.5	5.7	1.7	-2.5	-0.5	-0.1	2.0	*	*	*
	IP	-9.1	12.9	0.8	-7.2	-3.7	-0.4	5.2	3.2	-1.0	-2.8
Japan:	GNP	2.5	6.2	5.2	1.7	0.4	1.1	2.4	*	*	*
	IP	-11.1	11.1	4.1	-0.2	-0.2	1.2	3.1	0.3	2.1	0.1
United Kingdom:	GNP	-2.1	2.3	0.8	0.6	0.2	-0.1	n.a.	*	*	*
	IP	-4.7	0.5	0.2	-1.2	0.7	-0.7	1.6	0.7	-0.2	n.a.
United States:	GNP	-1.3	6.0	4.9	1.5	1.3	0.9	-0.1	*	*	*
	IP	-8.9	10.1	5.6	2.5	1.1	0.6	0.3	0.3	1.3	1.1

*GNP data are not published on monthly basis.

Trade and Current-Account Balances of Major Industrial Countries^{a/}
 (billions of U.S. dollars; seasonally adjusted)

	1975	1976	1977	1977				1978	Feb. '73	Mar. '78	Apr. '78
				Q1	Q2	Q3	Q4	Q1			
Canada: Trade	-0.6	1.2	2.7	0.8	0.3	0.6	1.0	1.2	0.2	0.7	0.2
Current Account	-4.7	-4.2	-4.0	-0.8	-1.2	-1.2	-0.7	-0.6	*	*	*
France: Trade	1.5	-4.2	-2.4	-1.1	-0.6	-0.5	-0.2	-0.2	0.0	0.3	0.2
Current Account	0.0	-6.0	-3.1	-1.3	-0.6	-0.8	-0.3	0.2	*	*	*
Germany: Trade	15.3	13.5	16.5	3.7	4.2	3.7	4.8	4.3	1.4	1.8	1.7
Current Account	4.1	3.6	3.3	0.8	1.1	-0.5	2.4	1.4	*	*	*
Italy: Trade	-3.4	-6.7	-2.5	-1.4	-0.0	0.1	-0.4	-0.2	-0.1	-0.1	0.3
Current Account ^{b/}	-0.6	-2.9	n.a.	-0.9	0.2	2.4	n.a.	n.a.	*	*	*
Japan: Trade	5.0	9.9	17.5	4.2	4.4	4.2	4.6	7.3	2.5	2.8	1.8
Current Account	-0.7	3.7	11.0	2.3	2.8	2.7	3.1	5.5	1.9	2.1	1.3
United Kingdom: Trade	-7.1	-6.3	-2.9	-1.7	-1.2	-0.1	0.1	-1.0	0.2	-0.5	0.4
Current Account	-3.7	-2.0	0.0	-0.9	-0.6	0.8	0.6	-0.4	0.4	-0.3	0.6
United States: Trade	9.0	-9.3	-31.5	-7.0	-6.6	-7.4	-10.4	-11.1	-4.5	-3.4	-3.4
Current Account	11.5	-1.4	-20.5	-4.6	-3.8	-4.0	-8.0	n.a.	*	*	*

^{a/} The current account includes goods, services, and private and official transfers.

^{b/} Not seasonally adjusted.

* Comparable monthly current-account data are not published.

On May 25, the U.K. government announced the continuation of its IMF standby arrangement, but it is unlikely that the British will draw on it. In fact, the British have begun to repay earlier drawings on the IMF ahead of schedule.

The Japanese authorities have reiterated their public commitment to achieving 7 per cent real GNP growth in FY1978. This target has become more credible in light of the recent announcement of the 2.4 per cent growth of real GNP during the first quarter of 1978 (the final quarter of FY1977). Private consumption, government expenditures and net exports contributed to the first-quarter gain. Japanese industrial production rose slightly in April -- the sixth consecutive monthly rise. The wholesale price index rose by .3 per cent in May, leaving the index about 2 per cent below that of a year earlier.

The Japanese current-account surplus declined to about \$1.3 billion in April from a monthly average during the first quarter of about \$1.8 billion. Export volume (s.a.) declined from March by almost 9 per cent, while import volume (s.a.) increased by more than 6 per cent. Preliminary information indicates that the May current-account surplus was about the same as that in April.

The pattern of industrial production and new orders to industry in Germany indicates that there may be some recovery of economic activity in the second quarter of 1978 from the weak first quarter. Industrial production rose by over 1-1/2 per cent in April -- bringing it close to its level of last December. New orders from domestic sources rose in

both March and April -- reaching a level about 4 per cent above that in April 1977 -- while orders from foreign sources fell slightly.

On June 1, the Bundesbank cut the minimum reserves of banks by DM 4-1/2 billion -- 10 per cent of total required reserves -- reinforcing Bundesbank President Emminger's announcement that the Bundesbank will tolerate an overshooting of its 8 per cent central bank money growth target in 1978.

Industrial production in Canada decreased slightly in April, leaving it at about its level of last December. Retail sales (s.a.) were up by less than 3 per cent in the first quarter, down from an advance of over 4 per cent in the previous quarter, while real domestic product increased by about 1/2 per cent in the first quarter. Reflecting the relatively weak growth of activity, the unemployment rate remained at a record high of 8.6 per cent in May. However, first quarter growth of real GNP is thought to have been moderate -- though below potential.

In France, the pace of economic activity may be accelerating a bit after a slow 1977 pace. Output appears likely to grow somewhat further in coming months as inventory building continues. Investment intentions also appear to have strengthened following the March elections, but substantial margins of excess capacity in many sectors and weak financial positions will inhibit rapid investment growth in the near term. Final consumer demand has been erratic, and weakened in April after showing strength in the first quarter.

Despite an increase in the size of the Central Government's net borrowing requirement from 1.3 per cent of GNP in 1977 to an officially estimated 2 per cent this year, the overall stance of policy remains relatively restrictive; monetary policy, in particular, remains geared to achieving no more than a 12 per cent rate of growth for M_2 -- slightly less than projected nominal GNP. Recent increases in public service charges (gas, electricity, telephone, railway fares, etc.) ranging from 10 to 20 per cent, renewed pressures on food prices, and the phasing out of industrial price controls are all likely to contribute to substantial rates of price increase in coming months.

Industrial production fell in March and April -- this series tends to be erratic -- but a recovery of economic activity appears to be underway in Italy -- in February-April, the average level of industrial production was about 3-3/4 per cent above the previous three months, and real GDP increased by about 2 per cent during the first quarter of 1978. The recovery still appears to be largely spurred by stockbuilding -- though private consumption appears to have contributed to the upswing. At the end of May the government announced a series of increases in taxes and public utility charges more than offset by increased expenditures. Since the authorities have said that they intend to reduce the public sector deficit, new measures still are needed.

Denmark and Norway are continuing restrictive monetary and fiscal policies in an effort to curb inflation and reduce current-account deficits. Danish officials have suggested that even higher taxation might

be appropriate in the coming year. The tripartite wage settlement in Norway has just been concluded. It provides for an average increase in nominal contractual wages that is expected to keep real wages constant during 1978. Sweden continues to experience an improving trade balance, following the August devaluation. During the first quarter of 1978, the trade account was in surplus for the second quarter in a row. Finland is also experiencing a substantial trade surplus, and, as a result, is receiving criticism within the GATT for long-standing import restrictions. In Switzerland, 1978 GNP growth is now expected to be in the 1.5 - 2 per cent range, down from about 4 per cent in 1977 and from earlier forecasts of about 4 per cent for 1978. Swiss monetary authorities are permitting M1 growth well in excess of the 5 per cent target to arrest Swiss franc appreciation.

APPENDIX A*
SENIOR LOAN OFFICER OPINION SURVEY
ON BANK LENDING PRACTICES

More than three-quarters of the 121 respondents to the Senior Loan Officer Opinion survey taken in mid-May perceived that business loan demand had strengthened over the three previous months. In the February survey, only one-third of the respondents had reported a strengthening relative to conditions in November of last year. About 70 per cent of the respondents anticipated a further strengthening of business loan demand in the next three months, considerably more than the 55 per cent who were anticipating stronger loan demand at the time of the February survey. Apparently in response to the more pervasive strength of loan demand, several officers reported a firming of price and nonprice terms of lending.

Perceptions of business loan demand by respondents at large banks (over \$5 billion) showed a dramatic change from three months earlier, as the proportion of loan officers reporting stronger demand jumped from under 15 per cent in the February survey to over 70 per cent in the May tally. More than 80 per cent of the respondents at both large and small banks reported stronger loan demand in at least one of the two surveys conducted in 1978. In the May survey, over 80 per cent of those officers who reported stronger business loan demand also anticipated further strengthening in the subsequent three months.

Between the February and May surveys the prime rate charged by major banks was increased from 8 per cent to 8-1/4 per cent. There was a further rate increase to 8-1/2 per cent in late May--soon after the spring survey date. In this climate of rising rates, 10 per cent of the panel in May reported firmer standards of credit worthiness to qualify for loans made at prime and about 20 per cent reported firmer standards for lower-quality loans; both proportions were about twice as high as in the February survey while a noticeably smaller number of respondents than in February reported easier terms of credit worthiness. Virtually all of the respondents reporting firming were at banks with assets of under \$5 billion.

* Prepared by Patricia Davis, Economist, Banking Section, Division of Research and Statistics.

About one-eighth of the panel indicated less willingness to make fixed-rate short-term business loans, and more than one-third expressed a decreased willingness to make fixed-rate term loans. The responses were similar at both large and small banks. Over one-fifth of the panel reported firming of compensating balance requirements. Respondents reporting such firming were predominantly those at banks with assets of under \$5 billion. Less than 10 per cent of the loan officers reported an easing of compensating balance standards, compared to more than 20 per cent in February.

About 20 per cent of survey respondents indicated that they had tightened approval standards for extending credit to new and non-local service area customers compared to 10 per cent in each category in the last survey. For established customers in the banks' market area, almost all respondents indicated unchanged policies toward commitments and loan applications.

In general, there was far less willingness by respondent banks to make secured construction and land development loans or secured real estate loans. The smaller banks were less willing to make commercial and industrial loans of any maturity, loans to finance companies, or loans to securities brokers and dealers. As in February, a noticeable number of respondents expressed more willingness to make participation loans with their correspondents.

On balance, the May survey suggests strong signs of a tightening of overall lending terms for most loan categories. These policies were especially evident at banks with assets of less than \$5 billion.

TABLE 1

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED LARGE BANKS IN THE U.S.
(STATUS OF POLICY ON MAY 15, 1978 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	8	6.6	85	70.2	27	22.3	1	0.8	0	0.0	121
2. ANTICIPATED DEMAND IN NEXT 3 MONTHS	5	4.1	82	67.8	33	27.3	1	0.8	0	0.0	121
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	3	2.5	9	7.5	107	89.2	0	0.0	1	0.8	120
4. TO QUALIFY FOR SPREAD ABOVE PRIME	4	3.3	18	14.9	93	76.9	6	5.0	0	0.0	121
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	8	6.7	97	80.8	15	12.5	0	0.0	120
6. LONG-TERM (ONE YEAR OR LONGER)	0	0.0	11	9.2	67	55.8	35	29.2	7	5.8	120
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											
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	3	2.5	117	96.7	1	0.8	0	0.0	121
8. NEW CUSTOMERS	3	2.5	21	17.4	95	78.5	2	1.7	0	0.0	121
9. LOCAL SERVICE AREA CUSTOMERS	0	0.0	4	3.3	114	95.0	2	1.7	0	0.0	120
10. NONLOCAL SERVICE AREA CUSTOMERS	4	3.3	20	16.7	96	80.0	0	0.0	0	0.0	120
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	2	1.7	23	19.0	87	71.9	9	7.4	0	0.0	121
12. LOANS TO FINANCE COMPANIES	2	1.7	17	14.0	99	81.8	3	2.5	0	0.0	121
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 DVLPMT SECURED REAL ESTATE LOANS:	0	0.0	10	8.3	97	80.2	14	11.6	0	0.0	121
14. 1-4 FAMILY RESIDENTIAL PROPERTIES	0	0.0	10	8.3	95	79.2	12	10.0	3	2.5	120
15. MULTI-FAMILY RESIDENTIAL PROPERTY	0	0.0	0	0.0	107	90.7	10	8.5	1	0.8	118
16. COMMERCIAL & INDUSTRIAL PROPERTY	0	0.0	5	4.2	99	82.5	13	10.8	3	2.5	120
17. INSTALLMENT LOANS TO INDIVIDUALS	3	2.5	7	5.8	107	89.2	3	2.5	0	0.0	120
COMMERCIAL AND INDUSTRIAL LOANS OF:	CONSIDERABLY GREATER		MODERATELY GREATER		ESSENTIALLY UNCHANGED		MODERATELY LESS		MUCH LESS		
	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	
18. 1-5 YEARS MATURITY	0	0.0	6	5.0	108	89.3	7	5.8	0	0.0	121
19. OVER 5 YEARS MATURITY	0	0.0	6	5.0	90	74.4	20	16.5	5	4.1	121
20. LOANS TO FINANCE COMPANIES	0	0.0	0	0.0	107	88.4	13	10.7	1	0.8	121
21. LOANS TO SECURITIES BROKERS & DEALERS	0	0.0	5	4.2	89	74.2	23	19.2	3	2.5	120
22. PARTICIPATION LOANS WITH CORRESPONDENT BANKS	0	0.0	11	9.1	106	87.6	4	3.3	0	0.0	121