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CONFIDENTIAL (FR)
CLASS III - FOMC

August 15, 1986

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

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THE DOMESTIC NONFINANCIAL ECONOMY

Industrial production

Industrial production edged down 0.1 percent in July after declining 0.3 percent in June and 0.5 percent in May. Despite strike related rebounds, mainly in communication equipment, activity remained generally sluggish. Output of consumer goods and durable materials was off in July and weakness in most business equipment industries continued.

Output of consumer goods decreased 0.3 percent in July after a similar decline in June. Auto assemblies fell to a 7.6 million unit rate, from an 8.0 million unit rate in June, although the decline was largely offset by gains in production of light trucks. Production of home goods edged down in July and nondurable goods output fell 0.3 percent. Most business equipment groups posted declines except commercial equipment, which rebounded 1.4 percent in July owing largely to a resumption of production of telephone equipment after the strike-related curtailment in June. Elsewhere in the equipment sector, the defense and space component continued to edge up, while oil and gas well drilling was reduced again, although much less than in the recent months and with a negligible effect on overall industrial output. Production of construction supplies rose 0.4 percent in July after a 1.6 percent drop in June. Materials production was little changed in July as durable good materials decreased while nondurable goods, such as chemicals and paper, as well as energy materials both rose.

Producer Prices

Producer prices of finished goods fell 0.4 percent in July—the fifth decline of this year—as energy prices dropped 12 percent. Food prices, however, posted a substantial increase, and prices of other finished goods advanced 0.3 percent.

In the finished energy component, refinery prices of gasoline and fuel oil plunged 19 and 17 percent, respectively; both were little more than half of their July 1985 levels. At the wellhead level, crude oil prices dropped 9 percent to less than half their year-earlier level. More recently, spot prices of crude oil have picked up in domestic and world markets, in response to the recent OPEC agreement on a temporary production cutback, suggesting an upturn in domestic producer prices of petroleum and products in coming months.

Producer prices of finished foods rose about 2 percent in July, reflecting reduced meat supplies as well as weather-related influences on prices of poultry, eggs, and apparently, fresh fruits and vegetables. At the farm level, prices were up sharply for livestock and broilers; but corn prices plummeted, and wheat and soybeans also fell. Price trends in agricultural commodity markets since the mid-July PPI pricing date indicate further increases for livestock and poultry and declines for grains and soybeans.

Excluding food and energy items, producer prices of finished consumer goods rose 0.3 percent in July,—more than in recent months—with notable increases for tobacco products, pharmaceuticals, and passenger cars. The index for capital equipment advanced 0.2 percent—similar to the average

pace over the past year; substantial increases were posted for trucks, cars, and commercial furniture.

At earlier stages of processing, prices of intermediate materials less food and energy rose 0.2 percent while prices of crude nonfood materials less energy edged up 0.1 percent. Both are little different from their year-earlier levels.

Retail inventories

The book value of retail inventories rose at an annual rate of \$11.7 billion in June, after a \$15.5 billion decline in the preceding month. About three-fourths of the June accumulation was at automotive outlets. Most types of stores selling nondurable goods reported inventory declines. In particular, the book value of general merchandise stocks fell at a \$3.3 billion rate in June, after a similar drop one month earlier. These consecutive reductions have notably improved the general merchandisers' overall inventory position: the inventory-sales ratio for stores in this category dropped to 2.26 in June—down from the recent high of 2.37 observed in January this year. Similar improvement was also seen for stores in the broader G.A.F. (general merchandise, apparel, and furniture and appliances) grouping, where the ratio dropped to 2.27 in June, compared with the January high of 2.38.

For all manufacturing and trade, inventories rose in June at a \$27.4 billion annual rate, more than reversing the \$22.5 billion drop in the preceding month. Total sales by manufacturers and retail and wholesale establishments rose 0.5 in June, leaving the overall inventory-sales ratio unchanged at 1.39. For the second quarter as a whole, inventories in all manufacturing and trade rose at a \$3.3 billion rate in book-value terms, somewhat more than the accumulation BEA had assumed when the preliminary second-quarter GNP estimates were prepared.

INDUSTRIAL PRODUCTION
 (Percentage change from preceding period;
 based on seasonally adjusted data)

	1986		1986		
	Q1	Q2	May	June	July
	--Annual rate--		--Monthly rate--		
Total Index	.7	-2.8	-.5	-.3	-.1
Products	.2	-1.4	-.4	-.6	-.1
Final products	-1.3	-2.9	-.6	-.7	-.1
Consumer goods	1.9	4.3	-.1	-.3	-.3
Durable	2.7	-3.3	-2.5	.4	-.1
Nondurable	1.6	7.0	.7	-.5	-.3
Equipment	-4.8	-10.5	-1.3	-1.1	.0
Business	.3	-6.8	-1.3	-1.2	.0
Defense and space	-4.0	1.9	.2	.1	.1
Oil and gas drilling	-59.7	-86.9	-12.8	-10.1	-4.0
Intermediate products	5.7	3.9	.4	-.3	.0
Construction supplies	10.8	.9	.2	-1.6	.4
Materials	1.4	-5.0	-.7	.1	.0
Durable goods	.7	-8.1	-1.2	-.4	-.2
Nondurable goods	7.1	2.3	-.1	.6	.2
Energy materials	-2.3	-5.3	-.1	.5	.4

RECENT CHANGES IN PRODUCER PRICES
(Percentage change; based on seasonally adjusted data)¹

	Relative Importance Dec. 1985	1985	1985	1986		1986	
			Q4	Q1	Q2	June	July
				--Annual rate--		--Monthly rate--	
Finished goods	100.0	1.8	9.2	-12.5	0.0	0.0	-0.4
Consumer foods	24.5	0.5	16.0	-8.1	6.0	0.0	1.9
Consumer energy	12.5	-0.3	20.7	-66.9	-25.1	-0.6	-11.9
Other consumer goods	40.3	2.7	4.4	2.5	1.7	0.0	0.3
Capital equipment	22.7	2.7	5.6	0.7	1.9	0.1	0.2
Intermediate materials ²	95.3	0.0	2.9	-11.8	-4.8	0.0	-0.7
Exc. energy	79.6	-0.1	0.0	-1.0	-1.3	0.0	0.2
Crude food materials	52.5	-6.4	47.0	-24.7	-0.2	-0.8	3.4
Crude energy	31.6	-4.9	-4.0	-51.3	-33.8	-3.0	-2.8
Other crude materials	15.9	-4.3	1.5	-0.2	6.6	1.1	0.1

1. Changes are from final month of preceding period to final month of period indicated.

2. Excludes materials for food manufacturing and animal feeds.

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

	1985 Q3	1985 Q4	1986 Q1	1986 Q2	1986 Mar	1986 Apr	1986 May	1986 June
Manufacturing and trade (Previous)	-6.4	17.6	20.1	3.3	36.0	5.1	-22.5 -23.8	27.4
Manufacturing	-6.6	-8.6	-9.3	-5.2	4.0	-2.6	-12.1	-1.1
Trade, total	.2	26.2	29.4	8.6	32.0	7.6	-10.4	28.6
Wholesale	-2.1	6.1	4.5	7.4	5.9	.3	5.1	16.8
Retail	2.3	20.1	24.9	1.2	26.1	7.3	-15.5	11.7
Durable	-3.0	17.8	21.0	1.3	27.2	1.6	-12.8	15.0
Auto	-6.8	19.9	15.1	-2.1	20.5	-6.0	-9.2	8.8
Nondurable	5.3	2.3	3.9	-1	-1.2	5.7	-2.7	-3.2

Totals may not add because of rounding.

INVENTORY/SALES RATIOS

	1985 Q3	1985 Q4	1986 Q1	1986 Q2	1986 Mar	1986 Apr	1986 May r	1986 June p
Manufacturing and trade	1.36	1.36	1.38	1.39	1.40	1.37	1.39	1.39
Manufacturing	1.46	1.42	1.43	1.43	1.46	1.42	1.44	1.44
Trade, total	1.28	1.30	1.34	1.35	1.35	1.33	1.35	1.35
Wholesale	1.18	1.18	1.20	1.24	1.22	1.20	1.25	1.24
Retail	1.37	1.43	1.47	1.45	1.47	1.46	1.44	1.45

r = Revised.

p = Preliminary.

August 15, 1986

MONETARY AGGREGATES
(Based on seasonally adjusted data unless otherwise noted)¹

	1984:Q4 to 1985:Q4		1986				Growth from Q4 1985 to July 1986P
			Q1	Q2	May	June	
----- Percentage change at annual rates -----							
1. M1	11.9	7.7	15.8	23.4	14.6	16.9	13.5
2. M2	8.6	4.3	10.4	12.4	9.5	12.6	8.5
3. M3	7.6	7.4	8.0	5.7	6.6	12.9	8.3
							Levels in billions of dollars July 1986P
<u>Selected components</u>							
4. Currency	7.5	7.5	6.2	9.6	5.5	6.1	177.5
5. Demand deposits	8.6	3.0	15.2	25.7	14.1	14.3	288.3
6. Other checkable deposits	22.3	15.0	25.8	32.9	24.0	30.2	204.0
7. M2 minus M1 ²	7.6	3.2	8.7	8.8	7.8	11.3	2021.0
8. Overnight RPs and Eurodollars, NSA	18.9	3.0	-7.1	3.6	-55.4	99.4	69.3
9. General purpose and broker/dealer money market mutual fund shares, NSA	9.3	10.9	27.8	12.5	26.7	14.6	200.1
10. Commercial banks	9.1	7.2	5.8	4.3	7.5	6.5	872.6
11. Savings deposits, SA, plus MMDAs, NSA ³	19.0	8.7	13.2	15.8	21.4	15.8	492.5
12. Small time deposits	-0.6	5.3	-3.1	-9.6	-9.7	-5.3	380.1
13. Thrift institutions	5.1	4.3	7.4	6.3	7.5	6.5	888.3
14. Savings deposits, SA, plus MMDAs, NSA ³	13.7	1.3	13.8	21.4	24.9	18.0	385.1
Small time deposits	-0.4	6.6	2.8	-4.5	-5.2	-1.9	503.3
6. M3 minus M2 ⁴	3.7	20.3	-1.5	-20.8	-5.1	13.9	661.4
17. Large time deposits	5.7	15.6	-1.7	-15.4	-1.9	2.4	446.5
18. At commercial banks, net ⁵	5.1	18.5	-8.6	-23.0	-2.1	-0.9	280.8
19. At thrift institutions	6.8	10.0	11.0	-0.7	-2.2	8.0	165.7
20. Institution-only money market mutual fund shares, NSA	11.1	26.8	39.2	32.4	-17.3	40.0	77.5
21. Term RPs, NSA	-4.6	44.1	-13.2	-17.5	-44.3	-1.8	65.1
22. Term Eurodollars, NSA	-4.9	7.7	-1.5	-40.0	-10.7	-23.2	76.1

-- Average monthly change in billions of dollars --

MEMORANDA:

23. Managed liabilities at commercial banks (24+25)	2.3	7.5	-5.8	-5.3	-3.7	0.3	469.5
24. Large time deposits, gross	1.0	3.4	-2.6	-6.5	-0.6	-1.3	338.5
25. Nondeposit funds	1.3	4.1	-3.2	1.2	-3.1	1.6	131.0
26. Net due to related foreign institutions, NSA	0.4	2.1	-1.6	4.1	-2.0	-6.0	-30.3
27. Other ⁶	1.0	2.0	-1.7	-2.9	-1.1	7.5	161.2
28. U.S. government deposits at commercial banks ⁷	0.2	-0.6	0.9	3.9	-2.8	-3.9	14.6

1. Quarterly growth rates are computed on a quarterly average basis. Dollar amounts shown under memoranda for quarterly changes are calculated on an end-month-of-quarter basis.

2. Nontransactions M2 is seasonally adjusted as a whole.

3. Growth rates are for savings deposits, seasonally adjusted, plus money market deposit accounts (MMDAs), not seasonally adjusted. Commercial bank savings deposits excluding MMDAs increased during June and July 1986 at rates of 17.7 percent and 23.8 percent, respectively. At thrift institutions, savings deposits excluding MMDAs increased during June and July 1986 at rates of 29.1 percent and 22.9 percent, respectively.

. The non-M2 component of M3 is seasonally adjusted as a whole.

Net of large-denomination time deposits held by money market mutual funds and thrift institutions.

Consists of borrowings from other than commercial banks in the form of federal funds purchased, securities sold under agreements to repurchase, and other liabilities for borrowed money (including borrowings from the Federal Reserve and unaffiliated foreign banks, loan RPs and other minor items). Data are partially estimated.

7. Consists of Treasury demand deposits and note balances at commercial banks.

p--preliminary

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

August 15, 1986

	1985	1986					Levels in bil. of dollars July ^{pe}
	04	Q1	Q2	May	June	July ^p	
----- Commercial Bank Credit -----							
1. Total loans and securities at banks	11.5	9.3	3.9	5.9	3.8	12.5	1984.2
2. Securities	19.9	2.0	4.9	10.4	6.3	33.5	471.2
3. U.S. government securities	-3.5	-5.3	7.9	18.2	3.1	45.9	285.3
4. Other securities	62.5	12.8	0.7	-1.3	11.2	15.0	185.9
5. Total loans	8.9	11.6	3.6	4.6	3.0	6.1	1513.0
6. Business loans	6.0	5.3	2.1	-2.6	4.7	0.0	508.7
7. Security loans	4.0	101.7	-62.0	-40.1	-98.5	64.9	44.8
8. Real estate loans	12.6	13.0	13.4	15.5	11.6	13.0	455.6
9. Consumer loans	8.5	11.0	6.7	7.6	5.9	4.3	305.6
10. Other loans	10.2	7.3	-1.6	4.8	-0.6	-3.6	198.3
----- Short- and Intermediate-Term Business Credit -----							
11. Business loans net of bankers acceptances	6.0	5.2	1.0	-3.8	3.6	0.7	503.8
12. Loans at foreign branches ²	-16.5	0.0	-21.5	-26.1	-26.7	34.1	18.1
13. Sum of lines 11 & 12	5.2	5.1	0.2	-4.4	2.5	1.8	522.0
14. Commercial paper issued by nonfinancial firms ³	55.5	-14.4	-10.3	-2.9	13.1	-21.6	81.8
15. Sums of lines 13 & 14	11.8	2.1	-1.2	-4.2	4.0	-1.4	603.8
16. Bankers acceptances: U.S. trade related ^{4,5}	-30.8	-6.2	16.3	18.8	25.8	n.a.	33.2 (Jun)
17. Line 15 plus bankers acceptances: U.S. trade related	9.5	1.7	-0.4	-3.0	5.1	n.a.	637.7 (Jun)
18. Finance company loans to business ⁴	19.2	16.4	3.8	-2.3	-2.3	n.a.	158.5 (Jun)
19. Total short- and intermediate- term business credit (sum of lines 17 & 18)	11.3	4.5	0.5	-2.0	3.8	n.a.	796.3 (Jun)

n.a.—not available.

p—preliminary

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

2. Loans at foreign branches are loans made to U.S. firms by foreign branches of domestically chartered banks.

3. Average of Wednesdays.

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

5. Consists of acceptances that finance U.S. imports, U.S. exports and domestic shipment and storage of goods.

9
SELECTED FINANCIAL MARKET QUOTATIONS¹
(Percent)

	1984	1985	1986			Change from:	
	Highs	March highs	April Lows	FOMC July 9	Aug. 14	April Lows	FOMC July 9
Short-term rates							
Federal funds ²	11.63	8.58	6.95	6.69	6.33	-0.62	-0.36
Treasury bills ³							
3-month	10.67	8.80	5.77	5.88	5.59	-0.18	-0.29
6-month	10.77	9.13	5.81	5.90	5.56	-0.25	-0.34
1-year	11.13	9.25	5.79	5.94	5.66	-0.13	-0.28
Commercial paper							
1-month	11.42	8.94	6.42	6.65	6.14	-0.28	-0.51
3-month	11.35	9.12	6.30	6.51	6.01	-0.29	-0.50
Large negotiable CDs ³							
1-month	11.52	8.89	6.51	6.61	6.03	-0.48	-0.58
3-month	11.79	9.29	6.39	6.45	5.96	-0.43	-0.49
6-month	12.30	9.92	6.35	6.44	5.95	-0.40	-0.49
Eurodollar deposits ⁴							
1-month	11.89	8.89	6.59	6.84	6.33	-0.26	-0.51
3-month	12.20	9.58	6.55	6.65	6.26	-0.29	-0.39
Bank prime rate	13.00	10.50	8.50	8.50	8.00	-0.50	-0.50
Treasury bill futures							
Sept. 1986 contract		10.74	5.16	5.60	5.40	0.24	-0.20
Dec. 1986 contract			5.27	5.59	5.29	0.02	-0.30
Intermediate- and long-term rates							
U.S. Treasury (constant maturity)							
3-year	13.49	11.22	6.49	6.93	6.51	0.02	-0.42
10-year	13.99	12.02	6.98	7.31	7.16	0.18	-0.15
30-year	13.94	11.97	7.14	7.15	7.29	0.15	0.14
Municipal revenue ⁵ (Bond Buyer index)	11.44	10.25	7.55	7.91	7.64	0.09	-0.27
Corporate--A utility Recently offered	15.30	13.23	9.15	9.54 ^e	9.55	0.40	0.01
Home mortgage rates ⁶							
S&L fixed-rate	14.68	13.29	9.60	10.59	10.40	0.80	-0.19
S&L ARM, 1-yr.	12.31	11.14	8.41	8.57	8.44	0.03	-0.13
	1984	1985	1986	1986		Percent change from:	
	Lows	March Lows	Record Highs	FOMC July 9	Aug. 14	Record Highs	FOMC July 9
Stock prices							
Dow-Jones Industrial	1086.57	1247.35	1909.03	1826.07	1844.91	-3.36	1.03
NYSE Composite	85.13	102.46	145.15	139.55	141.79	-2.31	1.61
AMEX Composite	187.16	222.28	285.19	273.71	271.22	-4.90	-0.91
NASDAQ (OTC)	225.30	276.18	411.16	393.39	379.52	-7.70	-3.53

1. One-day quotes except as noted.

2. Averages for two-week reserve maintenance period closest to date shown. Last observation is the average to date for the maintenance period ending August 13, 1986.

3. Secondary market.

4. Averages for statement week closest to date shown.

5. One-day quotes for preceding Thursday.

6. One-day quotes for preceding Friday.
e--estimate

CONFIDENTIAL F.R.
CLASS II - FOMC

Flow of Funds Projections

August 15, 1986

Division of Research and Statistics
Board of Governors of the Federal Reserve System

AUGUST 15, 1986
DOMESTIC NONFINANCIAL DEBT

Table I

DOMESTIC NONFINANCIAL DEBT

GROWTH RATES OF MAJOR DEBT AGGREGATES BY SECTOR

	DOMESTIC NONFINANCIAL SECTORS											MEMO: PRIVATE FINAN. ASSETS		
	TOTAL	U.S. GOVT.	PVT. NONFIN	HOUSEHOLDS HOME MGTES CONSUMER CREDIT		NONFINANCIAL TOTAL	LONG TERM	SHORT TERM	STATE & LOCAL GOVTS	FOREIGN	NON- FINAN- CIAL			
ANNUAL GROWTH (PERCENT)														
1975	9.2	23.7	6.1	7.2	8.8	4.5	5.3	9.2	-1.3	5.9		14.2	9.4	9.5
1976	10.7	15.5	9.5	11.7	12.6	11.4	8.4	8.9	7.4	6.0		21.2	11.1	10.5
77	12.8	11.0	13.2	16.3	16.9	16.2	12.4	11.1	14.7	5.1		12.2	12.7	10.5
78	13.1	9.4	14.0	17.0	17.5	16.9	12.8	10.5	17.1	6.7		27.2	13.6	11.0
1979	12.1	6.0	13.6	15.1	16.1	13.5	13.6	9.9	20.1	6.7		12.5	12.1	11.2
1980	9.5	11.9	9.0	8.9	11.4	1.2	9.7	8.7	11.2	6.2		14.9	9.8	9.4
1981	9.5	11.8	9.0	8.3	7.9	6.0	11.1	7.6	16.6	2.3		13.0	9.7	11.0
1982	9.2	19.4	6.8	5.6	4.8	4.5	7.6	7.1	8.3	8.5		6.6	9.1	9.9
1983	11.6	18.8	9.7	11.3	10.3	13.6	7.7	9.2	5.5	11.4		8.3	11.4	11.7
1984	14.7	16.9	14.0	13.0	11.1	20.0	15.4	13.2	18.7	12.2		1.1	14.1	14.2
1985	15.0	16.2	14.6	14.1	11.9	17.0	11.3	14.3	7.1	34.2		.6	14.4	12.8
1986	11.1	12.3	10.8	11.1	12.4	10.6	10.1	13.4	5.0	12.3		3.9	10.9	8.2
1987	9.5	8.5	9.8	11.1	13.4	7.4	9.2	11.6	5.3	6.6		1.7	9.2	7.4
QUARTERLY GROWTH (PERCENT - SAAR)														
1984 -- I	12.9	14.7	12.3	11.2	10.5	16.9	14.6	9.5	22.3	6.5		-2.7	12.2	12.2
II	14.0	14.0	14.0	14.0	11.9	23.4	15.7	12.3	20.6	5.0		21.6	14.3	14.5
III	12.7	15.4	11.9	11.2	10.1	17.0	12.3	12.9	11.4	14.0		-15.0	11.5	11.9
IV	16.1	19.5	15.1	13.2	10.3	17.3	15.8	15.6	16.0	21.5		1.5	15.5	15.2
1985 -- I	11.4	10.5	11.6	11.7	9.4	18.7	11.0	12.4	9.0	14.8		-1.3	10.9	10.9
II	12.6	15.7	11.7	11.5	10.4	15.1	10.2	13.8	5.0	20.4		-1.3	12.1	10.1
III	12.7	11.5	13.1	14.8	13.1	18.0	8.9	12.2	4.2	25.6		4.7	12.4	11.9
IV	20.2	23.8	19.1	15.8	12.7	12.2	13.3	16.0	9.3	62.8		.3	19.5	16.0
1986 -- I	8.7	7.5	9.1	8.1	7.0	11.1	11.2	14.0	7.0	4.5		8.8	8.7	5.7
II	11.3	14.8	10.2	11.0	11.8	11.8	9.0	13.5	2.0	12.4		8.1	11.2	8.5
III	12.0	11.7	12.1	11.8	14.4	9.4	9.3	11.5	5.8	25.5		-1.3	11.6	9.6
IV	10.7	13.0	10.0	11.9	14.1	8.7	9.3	12.1	4.8	4.9		.1	10.3	7.8
1987 -- I	9.7	9.4	9.8	11.0	13.2	7.9	9.5	11.9	5.5	6.6		1.6	9.5	7.5
II	9.2	8.0	9.6	10.7	13.0	7.3	9.1	11.3	5.5	6.4		1.5	9.0	7.6
III	9.1	8.4	9.3	10.5	12.5	7.1	8.7	10.8	5.0	6.4		1.7	8.8	6.8
IV	8.6	7.0	9.1	10.4	12.3	6.7	8.3	10.5	4.6	6.4		2.0	8.4	6.9

HIGHLIGHTS

Table 2:

HIGHLIGHTS

FLOW OF FUNDS PROJECTIONS' HIGHLIGHTS

QUARTERLY, AT ANNUAL RATES

QUARTERLY, AT ANNUAL RATES

	CALENDAR YEARS				1986				1987				
	1984	1985	1986	1987	I	II	III	IV	I	II	III	IV	
NET FUNDS BORROWED BY DOMESTIC													
1	765.9	898.2	765.6	723.9	601.9	794.8	869.7	795.8	744.5	720.5	727.0	703.5	1
2	20.3	22.5	18.2	16.2	14.5	19.0	20.5	18.5	17.1	16.3	16.2	15.4	2
BANK CREDIT - F/F BASIS:													
3	187.4	207.5	122.0	132.3	147.2	73.9	138.8	128.1	131.8	132.2	131.9	133.4	3
4	76.0	28.9	20.6	19.7	37.4	14.4	15.8	14.9	19.7	19.9	19.6	19.4	4
PERCENT OF TOTAL FUNDS BORROWED (1)													
5	24.4	23.1	15.7	18.2	23.6	9.1	16.0	16.1	17.6	18.3	18.0	18.8	5
NONFINANCIAL CORPORATE BUSINESS:													
6	59.5	17.9	19.2	42.7	31.5	9.5	13.6	22.2	34.5	40.4	45.5	50.3	6
7	115.6	85.6	76.9	92.6	105.7	61.2	63.0	77.6	92.2	93.6	91.6	93.0	7
8	-77.0	-81.6	-73.8	-57.5	-60.0	-75.0	-85.0	-75.0	-65.0	-60.0	-55.0	-50.0	8
9	66.0	99.4	116.6	118.0	105.7	132.1	107.4	121.2	122.4	117.9	116.2	115.3	9
10	126.5	67.8	34.0	32.1	60.0	4.1	40.6	31.4	34.7	35.6	30.4	27.7	10
11	27.4	25.8	26.1	25.5	26.2	26.3	26.1	25.9	25.8	25.6	25.5	25.3	11
HOUSEHOLDS:													
NET ACQUISITION OF DEPOSITS AND													
12	424.6	364.3	278.7	309.3	185.2	296.0	297.4	336.4	313.1	326.3	293.5	304.4	12
13	298.7	179.4	235.3	237.2	236.4	223.0	242.7	238.9	281.0	247.2	189.6	231.0	13
14	126.0	184.9	43.5	72.1	-51.2	73.0	54.6	97.5	32.1	79.1	103.9	73.4	14
AS PERCENT OF DPI:													
15	15.9	12.9	9.3	9.8	6.3	9.9	9.9	11.1	10.1	10.4	9.2	9.4	15
16	11.2	6.3	7.9	7.5	8.1	7.5	8.1	7.9	9.1	7.9	6.0	7.1	16
17	4.7	6.5	1.5	2.3	-1.7	2.5	1.8	3.2	1.0	2.5	3.3	2.3	17

(1) TOTAL IN THIS RATIO INCLUDES FOREIGN BORROWING IN THE U.S.

(2) EXCESS OF CAPITAL EXPENDITURES OVER GROSS CASH FLOW

(3) EXCLUDES CORPORATE EQUITIES

Table 3
Funds Raised in Credit Markets

SEASONALLY ADJUSTED ANNUAL RATES

SEASONALLY ADJUSTED ANNUAL RATES

	1984	1985	1986	1987	1985		1986				1987		
					III	IV	I	II	III	IV	H1	H2	
Net borrowing in credit markets by domestic nonfinan. sectors	765.9	898.2	765.6	723.9	809.9	1323.4	601.9	794.8	869.7	795.8	732.5	715.2	1
U.S. Government	198.8	223.6	196.5	152.1	168.5	358.8	119.5	241.6	198.6	226.2	158.1	146.2	2
Private domestic nonfinan. State + local govts.	567.1	674.5	569.1	571.7	641.4	964.6	482.4	553.2	671.1	569.6	574.4	569.1	3
	45.0	140.9	67.9	41.0	115.0	300.2	24.8	69.4	147.0	30.2	40.6	41.4	4
Nonfinancial business	283.4	241.8	237.3	238.7	201.4	305.4	264.8	218.0	230.8	235.5	244.0	233.4	5
Bonds + mortgages	145.7	180.4	190.9	187.2	163.6	220.9	199.7	199.2	175.5	189.1	189.6	184.8	6
Loans + short-term paper	137.7	61.4	46.4	51.5	37.8	84.5	65.1	18.8	55.3	46.4	54.3	48.6	7
Households	238.8	291.9	263.9	292.1	324.9	359.0	192.7	265.7	293.3	303.9	289.9	294.3	8
Home mortgages	130.0	152.6	180.1	218.7	176.9	177.2	102.4	175.5	219.7	222.7	217.0	220.4	9
Consumer credit	94.8	96.6	70.9	54.8	111.2	78.8	73.9	80.8	66.4	62.7	56.5	53.0	10
Other	14.0	42.7	12.9	18.6	36.8	103.0	16.5	9.5	7.2	18.5	16.3	20.9	11
Net foreign borrowing in U. S. credit markets	2.8	1.5	9.8	4.2	11.5	.8	22.0	20.0	-3.2	.3	3.9	4.6	12
Total, all nonfin. sectors	768.7	899.7	775.3	728.1	821.3	1324.2	623.9	814.8	866.5	796.2	736.3	719.9	13
Net credit market borrowing by financial sectors	138.2	193.7	208.4	204.4	210.0	230.2	154.9	231.3	230.1	217.2	206.0	202.7	14
Sponsored credit agencies	30.4	21.7	14.2	30.4	4.2	30.4	3.6	5.1	21.2	26.8	30.0	30.8	15
Mortgage pool securities	44.4	79.9	128.9	120.4	87.3	99.0	95.0	147.2	138.7	134.7	121.6	119.1	16
Private finance	63.3	92.1	65.3	53.6	118.6	100.8	56.3	78.9	70.2	55.7	54.5	52.8	17
Net credit market borrowing by all sectors	906.9	1093.4	980.9	930.5	1031.4	1554.4	777.1	1040.3	1094.5	1011.7	940.4	920.6	18
Borrowing as per cent of GNP:													
Domestic nonfinancial	20.3	22.5	18.2	16.2	20.1	32.4	14.5	19.0	20.5	18.5	16.7	15.8	19
By U.S. Govt.	5.3	5.6	4.7	3.4	4.2	8.8	2.9	5.8	4.7	5.3	3.6	3.2	20
By private domestic nonfin.	15.1	16.9	13.5	12.8	15.9	23.6	11.6	13.2	15.9	13.3	13.1	12.6	21

Table 4
 Funds Advanced Directly in Credit Markets

SEASONALLY ADJUSTED ANNUAL RATES

SEASONALLY ADJUSTED ANNUAL RATES

	1984	1985	1986	1987	1985		1986				1987		
					III	IV	I	II	III	IV	H1	H2	
Net direct lending	906.9	1093.4	980.9	930.5	1031.4	1554.4	777.1	1040.3	1094.5	1011.7	940.4	920.6	1
To nonfinancial sectors	768.7	899.7	775.3	728.1	821.3	1324.2	623.9	814.8	866.5	796.2	736.3	719.9	2
To financial sectors	138.2	193.7	208.4	204.4	210.0	230.2	154.9	231.3	230.1	217.2	206.0	202.7	3
B													
Private finance	555.6	555.2	584.8	545.3	581.9	737.8	591.3	569.3	628.8	549.8	542.3	548.3	4
Commercial banking	181.7	196.6	122.3	131.7	191.5	312.2	120.1	103.4	138.2	127.5	131.4	131.9	5
Thrift institutions	146.3	86.0	112.0	126.2	146.1	83.5	66.2	111.8	143.8	126.2	123.0	129.4	6
Insurance + pension funds	119.0	125.2	130.3	136.5	137.1	160.2	108.5	147.2	131.1	134.4	135.5	137.4	7
Other private finance	108.6	147.4	223.0	152.9	107.2	181.8	298.2	212.6	217.8	163.5	154.3	151.6	8
U.S. Government related	98.8	140.7	170.6	167.7	115.8	161.6	96.0	206.4	176.6	203.5	165.0	170.3	9
Direct	17.1	17.4	10.3	4.5	25.6	7.9	12.1	16.5	3.2	9.4	4.3	4.6	10
Sponsored agencies	28.8	21.7	16.4	30.9	19.8	5.0	-4.2	19.4	19.5	31.1	30.7	31.0	11
Mortgage pools	44.4	79.9	128.9	120.4	87.3	99.0	95.0	147.2	138.7	134.7	121.6	119.1	12
Federal Reserve	8.4	21.6	15.0	11.9	-16.8	49.6	-6.9	23.2	15.3	28.3	8.4	15.5	13
Foreign	45.9	75.7	114.3	95.6	96.8	99.6	97.5	124.3	105.4	130.0	128.9	62.3	14
Households	126.0	184.9	43.5	72.1	110.5	265.9	-51.2	73.0	54.6	97.5	55.6	88.7	15
Nonfinancial business	30.8	3.2	2.1	.8	11.8	18.4	12.4	4.7	-7.9	-.7	-.5	2.1	16
State+local governments	49.9	133.7	65.5	49.1	114.5	271.1	31.0	62.4	137.0	31.7	49.1	49.0	17

Percent of total advances to nonfinancial sectors:

Commercial banking	23.6	21.9	15.8	18.1	23.3	23.6	19.2	12.7	15.9	16.0	17.8	18.3	18
Total private finance	72.3	61.7	75.4	74.9	70.9	55.7	94.8	69.9	72.6	69.1	73.6	76.2	19
U.S. Government related	12.8	15.6	22.0	23.0	14.1	12.2	15.4	25.3	20.4	25.6	22.4	23.7	20

Net Issues of Corporate Equities

Total net equity issues	-33.6	32.9	117.8	98.5	29.6	50.6	181.6	113.4	89.4	86.9	94.5	102.6	1
Domestic nonfinancial corp.	-77.0	-81.6	-73.8	-57.5	-75.0	-100.0	-60.0	-75.0	-85.0	-75.0	-62.5	-52.5	2
Domestic financial corps.	42.3	110.6	186.0	152.3	100.6	147.4	233.2	186.4	168.4	155.9	152.1	152.4	3
Foreign net sales to U.S.	1.1	4.0	5.6	3.8	4.0	3.2	8.4	2.0	6.0	6.0	4.9	2.7	4
Net purchases by:													
Households	-41.2	-15.7	51.5	24.7	-14.3	22.3	99.0	47.3	46.0	13.6	21.6	27.8	5
Foreign	-2.7	4.7	20.2	14.3	7.7	16.7	22.7	23.0	18.0	17.0	15.5	13.0	6
Finance	10.3	43.8	46.2	59.6	36.2	11.6	59.8	43.1	25.5	56.3	57.4	61.7	7