VOLUME 84 □ NUMBER 4 □ APRIL 1998

FEDERAL RESERVE BULLETIN

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, WASHINGTON, D.C.

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The *Federal Reserve Bulletin* is issued monthly under the direction of the staff publications committee. This committee is responsible for opinions expressed except in official statements and signed articles. It is assisted by the Economic Editing Section headed by S. Ellen Dykes, the Multimedia Technologies Center under the direction of Christine S. Griffith, and Publications Services supervised by Linda C. Kyles.

Recent Developments in Home Equity Lending

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The equity that has accumulated in homes is one of the largest components of U.S. household wealth. But unlike many other types of assets, home equity is not highly liquid—it cannot, for instance, be readily used to purchase goods or services or to repay debt. Home equity is, however, a widely accepted form of collateral for credit, and in recent years, homeowners have borrowed large amounts against the equity in their homes.

Home equity borrowing is frequently used as a substitute for consumer credit, either to finance new consumption expenditures or pay down outstanding consumer debt. This substitution generally lowers the interest expense of carrying debt and may further reduce monthly debt service payments in the short run by lengthening loan maturities. Of course, by replacing what is often unsecured debt with home-secured debt, borrowers become exposed to the risk of more severe consequences in the event of some financial setback that might impair their ability to service their debts.

In view of the growing importance of home equity credit in household finances, the Federal Reserve has for a number of years closely followed developments in the home equity lending market. The Federal Reserve obtains information from monthly and quarterly reports from banks and other lending institutions, and it has participated in several nationwide surveys of household finances, including some that focus on the use of home equity loans.[1]

Most recently, to learn more about the current status of home equity lending, the Federal Reserve participated in the May through October 1997 Surveys of Consumers, a monthly canvass conducted by the Survey Research Center of the University of Michigan (for further details on the surveys, see the appendix). This article presents findings from those surveys and from other sources of information on home equity lending.

BACKGROUND

Home equity credit is only one way homeowners can convert their home equity (which is the difference between the home's market value and its outstanding mortgage debt) into spendable funds. Homeowners may sell their homes and purchase less expensive property or become renters. Alternatively, a homeowner may refinance an existing mortgage and borrow more than is required to pay off the old loan plus closing costs.[2] The availability of these alternatives greatly influences the home equity credit market. Refinancings, which are apt to occur in large volume when interest rates fall, particularly affect home equity lending because homeowners often pay off other debts, including home equity loans, when they refinance an existing purchase-money mortgage.[3]

Home equity credit typically takes either of two forms. One, referred to here as a "traditional home equity loan," is a closed-end loan extended for a specified length of time and generally requires repayment of interest and principal in equal monthly installments. Such loans typically are second mortgages. Interest rates on these loans are ordinarily fixed for the life of the loan. The second form, a

1. See Thomas A. Durkin and Gregory E. Elliehausen, 1977 Consumer Credit Survey (Board of Governors of the Federal Reserve System, 1978); Robert B. Avery, Gregory E. Elliehausen, Glenn B. Canner, and Thomas A. Gustafson, "Survey of Consumer Finances, 1983," *Federal Reserve Bulletin*, vol. 70 (September 1984), pp. 679–92; Glenn B. Canner, James T. Fergus, and Charles A. Luckett, "Home Equity Lines of Credit," *Federal Reserve Bulletin*, vol. 74 (June 1988), pp. 361–72; Glenn B. Canner, Charles A. Luckett, and Thomas A. Durkin, "Home Equity Lending," *Federal Reserve Bulletin*, vol. 75 (May 1989), pp. 333–44; Glenn B. Canner, Thomas A. Durkin, and Charles A. Luckett, "Home Equity Lending: Evidence from Recent Surveys," *Federal Reserve Bulletin*, vol. 80 (July 1994), pp. 571–83.

2. In recent years, another option, the so-called reverse mortgage, has become available. These mortgages allow homeowners with equity in their homes to take out mortgages that pay the homeowner, typically a retired person, a monthly amount without requiring immediate repayment. Repayment occurs at a specified time in the future, ordinarily when the house is sold.

3. See Glenn B. Canner, Thomas A. Durkin, and Charles A. Luckett, "Mortgage Refinancing," *Federal Reserve Bulletin*, vol. 76 (August 1990), pp. 604–12; and Joseph Asher, "The Push is on for Home Equity Business," *ABA Banking Journal* (April 1995), pp. 56–59.

"home equity line of credit," is a revolving account that permits borrowing from time to time at the account holder's discretion up to the amount of the credit line. Home equity lines of credit typically have more flexible repayment schedules than traditional home equity loans, and the interest rates on most of these loans vary with changes in an index rate, such as the prime rate.[4] The majority of credit lines are also of second-mortgage status, but they would be first liens for homeowners who had no other mortgage debt outstanding when the lines were established. The survey results indicate that the users of these two distinct types of home equity products themselves differ in measurable ways.

At the end of 1997, the outstanding home equity debt of U.S. homeowners was an estimated $420 billion, an amount that is fully one-third the size of nonmortgage consumer debt. Home equity lenders have been expanding their product offerings and changing underwriting standards as they have gained experience with the market. Lenders have continued to promote this product aggressively by waiving closing costs and other fees, offering low introductory interest rates, and increasing the acceptable limits on loan-to-value ratios.

1. Percentage of home equity credit users citing advantages of such credit over other types of credit, by type of home equity credit, 1997

Advantage	Line of credit	Traditional loan
Low interest rate	35	49
Easy to get	20	12
Tax advantage	38	40
Convenient to use[1]	43	1
Can defer repayment of principal	4	*
Other[2]	14	22

NOTE. Data have been weighted to ensure the representativeness of the sample. Percentages sum to more than 100 percent because respondents were allowed to cite up to two advantages for each type of credit.

* Less than 0.5 percent.

1. Immediate access to funds and other responses indicating that convenience was an advantage.

2. Ability to borrow a large amount, absence of closing costs, ability to consolidate debts, and miscellaneous other responses.

SOURCE. Surveys of Consumers, 1997. Here and in the following tables, *Surveys of Consumers refers to the monthly series by that name conducted by* the Survey Research Center of the University of Michigan. See text appendix for details of the survey.

Holdings of Home Equity Loans

Although households have used home equity loans for many years, their appeal for homeowners was heightened by the Tax Reform Act of 1986, which mandated the phaseout of federal income tax deductions for interest paid on nonmortgage consumer debt. With this change in tax law, mortgage debt (on which the interest remained tax deductible) became more attractive to consumers for funding expenditures that previously were financed through auto loans, credit cards, or personal cash loans.

The favorable tax treatment of debt secured by homes, however, is only one reason for the popularity of home equity loans (table 1). Consumers also frequently cite the relatively low interest rates on home equity loans compared with most other forms of consumer credit as another important advantage.

For some homeowners, particularly those who encounter significant disruptions in income (for example, job loss) or large and perhaps unexpected claims on their income (for example, large medical expenses), drawing upon the equity in their homes may be the only means available to obtain needed funds. Access to a home equity loan (a secured debt) may be particularly important for such households if they have had difficulty meeting loan obligations in the past, because their ability to obtain other (unsecured) types of credit is likely to be severely limited.

Before the mid-1980s, nearly all home equity borrowing was of the traditional type. Since then, home equity lines of credit have grown substantially in popularity. Although relatively attractive interest rates and tax advantages characterize both types of loan, the ability to draw money as needed has proved to be a particularly attractive feature of home equity lines of credit.

Surveys of households provide an opportunity to trace the extent of home equity borrowing over time. Surveys sponsored by the Federal Reserve and others indicate that about 5 percent of homeowners had home equity debt in 1977 (table 2). By 1983, the proportion had risen to 7 percent. Following the 1986 tax changes, lenders began to promote home equity lending aggressively and greatly expanded the availability of such credit. By the second half of 1988, the proportion of homeowners with home equity loans had risen substantially, to 11 percent, and was about equally divided between home equity lines of credit and traditional home equity loans.

The proportion of homeowners with home equity loans continued to grow after 1988, reaching 13 percent in 1993–94. The 1997 survey indicated little further change in this proportion, but because of increases in both the rate of homeownership and the

4. Industry surveys find that well over 90 percent of home equity lines of credit have variable rates, while the rates on only a small proportion of traditional home equity loans are variable. See Richard F. Demong and John H. Lindgren, Jr., "Home Equity Lending: Survey Reveals Bright Picture," *Journal of Retail Banking*, vol. 17 (Spring 1995), pp. 37–48.

2. Percentage of homeowners with home equity credit by type of credit, selected years, 1977–97

Type	1977	1983	1988	1993–94	1997
Any type	**5**	**7**	**11**	**13**	**13**
Line of credit	n.a.	n.a.	6	8	8
Traditional loan	n.a.	n.a.	5	5	5

NOTE. Data have been weighted to ensure the representativeness of the sample. Between 1988 (the first year for which the data are available) and 1997, fewer than ½ percent of homeowners had both types of home equity credit.

n.a. Not available.

SOURCE. 1977 Consumer Credit Survey; 1983 Survey of Consumer Finances; Surveys of Consumers, 1988, 1993–94, and 1997.

number of households, the *number* of households with a home equity loan increased about 10 percent from 1993–94 to 1997.

In contrast to the pattern of account holding observed in 1988, both the 1993–94 and 1997 surveys found that home equity lines of credit were more prevalent (8 percent of homeowners had them in 1997) than traditional home equity loans (5 percent of homeowners). Taken together, roughly 9 million households had home equity loans in 1997.

The 1990s have seen several periods of extensive refinancing activity, particularly in 1992 and 1993. During those years, when interest rates on home mortgages fell substantially, millions of homeowners took advantage of the lower rates; in the process of refinancing their first mortgage, some rolled the outstanding balances on their home equity loans into the new loan. As a consequence, the proportions of homeowners with home equity loans found in the 1993–94 and 1997 surveys were likely smaller than they would have been otherwise.

A second factor that has likely held down the proportion of households with home equity loans in recent years has been an increase in the share of home purchase loans with high loan-to-value ratios (LTVs)—loans in which the amount borrowed is more than 90 percent of the appraised value of the property. Between 1989 and 1996, the proportion of conventional mortgages with high LTVs more than tripled, from 7 percent to 25 percent.[5] An increasing incidence of home purchase loans with high LTVs means relatively more homeowners have little home equity available to support home equity borrowing.

Sources of Home Equity Loans

Many types of financial institutions extend home equity loans. Before the mid-1970s, home equity loans were most frequently supplied by consumer finance companies, second mortgage companies, and individuals. Depository institutions—commercial banks, savings banks, savings and loan associations, and credit unions—were the source of only about two-fifths of these loans.[6] Today, commercial banks are the primary source of home equity loans, although the other types of depositories as well as finance companies have significant market shares (table 3).

Household surveys indicate some specialization among lenders in the type of home equity credit they supply. Consumer finance companies continue to be a significant source of traditional home equity loans while playing a much smaller role in the market for home equity lines of credit. Survey evidence indicates that finance companies account for about 25 percent of traditional home equity loans but only about 7 percent of the home equity line of credit market. More than 90 percent of homeowners with home equity lines of credit obtained them from depository institutions, most frequently commercial banks.

5. *Terms on Conventional Home Mortgages*, monthly release, table 1 (Federal Housing Finance Board).

6. See Durkin and Elliehausen, "1977 Consumer Credit Survey," p. 92.

3. Home equity loans, grouped by type and distributed by source, selected years, 1988–97

Percent

Source	1988		1993–94		1997	
	Lines of credit	Traditional loans	Lines of credit	Traditional loans	Lines of credit	Traditional loans
Commercial banks	54	33	60	29	61	44
Savings institutions[1]	31	27	21	30	16	20
Credit unions	11	8	13	11	16	13
Other creditors[2]	4	32	7	29	7	24
Total	**100**	**100**	**100**	**100**	**100**	**100**

NOTE. Percentages are based on numbers of loans or lines of credit. Data have been weighted to ensure the representativeness of the sample. In this and subsequent tables, components may not sum to totals because of rounding.

1. Savings banks and savings and loan associations.

2. Finance and loan companies, brokerage firms, mortgage companies, and individuals.

SOURCE. Surveys of Consumers, 1988, 1993–94, and 1997.

Several factors help explain the specialization among lending institutions. The larger role of finance companies in the traditional home equity loan market may in part reflect long-time customer relationships as well as limits on the services they provide. Because finance companies typically do not offer deposit services (except, in some cases, through affiliated depository institutions), they are less well suited to offering credit accounts that the borrower can draw down by check, a feature of virtually all home equity lines of credit. Also, finance companies tend to serve a somewhat younger clientele with relatively lower incomes and substantially smaller amounts of home equity.[7] Lenders often prefer to exercise tighter control over the credit use of such customers by granting them loans of specified amounts with predetermined payment schedules.

Although commercial banks are the predominant source of home equity lines of credit, not all banks offer this type of loan. As of September 1997, 53 percent of all U.S. commercial banks held outstanding balances on home equity lines of credit (table 4). A much larger proportion, 81 percent, held traditional home equity loans.

Home equity lines of credit are more complex to administer than are traditional home equity loans; consequently, large banks are more likely than smaller banks to offer lines of credit. The vast majority of commercial banks with assets exceeding $250 million offered home equity lines of credit in 1997, whereas only 28 percent of those with assets of less than $50 million did so. The pattern is different for traditional home equity loans, with most banks at all asset levels offering such loans.

7. According to the 1997 survey, the median family income of home equity borrowers at finance companies was $51,000, compared with $55,000 at depository institutions. The median home equity of finance company borrowers was $36,000, compared with $68,000 for borrowers from depository institutions (data not shown in tables).

4. Percentage of U.S. commercial banks with outstanding home equity credit, 1997, by type of credit

Assets of banks (millions of dollars)	Lines of credit	Traditional loans
Less than 50	28	66
50–99	55	88
100–249	74	94
250–499	83	93
500–999	89	97
1,000 or more	85	88
All banks	**53**	**81**
MEMO		
Lines of credit in use (percent)[1]	51	. . .

1. Calculated by summing the outstanding balances under home equity lines of credit and dividing by that sum plus the amount of unused lines of credit available to account holders.

. . . Not applicable.

SOURCE. Reports of Condition and Income, September 30, 1997.

Users and Uses of Home Equity Credit

As a group, homeowners with home equity credit have economic and demographic characteristics that set them apart from other homeowners. In general, home equity borrowers are relatively sophisticated and financially well off, although considerable diversity is found among them (see box "Consumer Knowledge and Satisfaction Regarding Home Equity Credit"). Moreover, important differences exist between holders of credit lines and users of traditional home equity loans. Differences among holders of each product—in their financial and demographic characteristics, in their uses of borrowed funds, and in their perceptions of the advantages of the two products—suggest that borrowers may not consider them to be close substitutes.

Characteristics of Holders of Home Equity Credit

Homeowners, who account for nearly two-thirds of all households, vary widely in their demographic characteristics and financial circumstances. Homeowners with no mortgage debt tend to be older individuals, in many cases retired; and, although they typically have relatively large amounts of home equity, they also tend to have lower incomes (table 5).

Households who have a home equity line of credit typically own relatively expensive homes, have higher incomes, and have substantially more equity in their homes than most other homeowners, including those who have a traditional home equity loan. In 1997, median household income was $60,000 for homeowners with home equity credit lines, $50,000 for those with traditional home equity loans, and $47,500 for those with first mortgages only.[8] The median amount of home equity among credit line holders was $76,000, compared with only $35,000 for those with traditional home equity loans and $43,000 for those with only a first mortgage. Those

8. Surveys of lending institutions also reveal substantial differences between the income profiles of homeowners with home equity credit lines and those with traditional home equity loans. John H. Lindgren, Jr., and Richard F. Demong, *Home Equity Loan Study: An Analysis of the Year-End 1996 Survey* (Consumer Bankers Association, 1997); and Demong and Lindgren, "Home Equity Lending," pp. 42–43.

Consumer Knowledge and Satisfaction Regarding Home Equity Credit

The 1997 survey repeated a series of questions from earlier surveys to update available information about consumers' understanding of their home equity loans, their searches for information, and their views of some associated consumer protections. For comparison, the survey also asked similar questions of users of other forms of consumer installment credit.

Initial questions focused on the homeowner's understanding of the creditor's security interest in the home. As in the 1993–94 survey, almost all users of home equity credit surveyed in 1997 indicated that the lender explained, or that they already had known, that their home served as security for the loan (table). Most consumers also said they knew of, or recalled the lender's having informed them of, their right to cancel the transaction up to three days after the closing date (a right that is a provision of the Truth in Lending Act).

Survey respondents cited many actions that a lender might take if they missed payments, including sending late-payment notices, assessing late-payment fees, working out a revised payment schedule, contacting a collection agency, and foreclosing on their home. When asked what they thought the worst thing a lender could do if they missed several payments, most respondents (85 percent, not shown in the table) said that the lender could foreclose on the loan. Thus, although virtually all home equity account holders recognized that a lien had been placed on their property, not all believed that foreclosure and loss of the property was the most severe possible outcome, perhaps indicating that some borrowers have substantial other resources available to meet obligations.

Another group of questions updated survey evidence about efforts of home equity credit account holders to gather information before opening an account: About half searched for information about home equity credit before opening the account, somewhat more than the proportion of installment credit users. Most of the information searches involved calling or visiting one or more institutions to ask about interest rates. Some information searchers consulted friends, relatives, and financial advisers, and some consulted published sources. Most of the searchers said they were able to get all the information they were looking for, and a few more said they were able to obtain at least some of the information they sought.[1]

Most surveyed holders of home equity credit accounts specifically recalled receiving a Truth in Lending (TIL) disclosure statement, and more than 90 percent of that group had saved the statement.[2] The proportion that recalled having received a Truth in Lending statement was slightly lower for users of traditional home equity loans, although the proportion of this group that had saved the statement, at 97 percent, was slightly higher. About 70 percent of those who recalled having received a TIL statement reported that it had been helpful to them in some way, but only a small proportion said that the TIL statement had affected their decision to use credit.

A final set of questions concerned consumer satisfaction with their home equity or installment credit. Satisfaction levels exceeded 90 percent for each of the types of credit. Among the small percentage of respondents who were dissatisfied, most complaints concerned the interest rate on the loan.

1. These questions were asked only of those who had obtained home equity credit or installment credit. The survey did not address the experience of any potential borrowers who sought home equity credit but did not obtain it or who chose not to apply after receiving information.

2. Under the Truth in Lending Act, lenders must give disclosure statements to potential borrowers. The statements include information about key terms related to the transaction, including the annual percentage rate.

Consumer knowledge and satisfaction regarding home equity credit and installment credit, by type of credit, 1997

Percent

Consumer knowledge or satisfaction	Home equity line of credit	Traditional home equity loan	Installment credit
Knew or learned there was lien on home	98	99	...
Knew or learned there was right to cancel	94	95	...
Searched for information[1]	44	54	33
Obtained the information sought[2]	96	96	88
Recalled receiving Truth in Lending statement	86	79	79
Saved Truth in Lending statement[3]	94	97	89
Found Truth in Lending statement helpful[3]	68	70	73
Said Truth in Lending statement affected credit decision[3]	12	2	6
Indicated satisfication with account[4]	98	93	92

NOTE. Percentages are for holders of the indicated type of credit. Data have been weighted to ensure the representativeness of the sample.

1. Searched for information about other creditors or credit terms before obtaining credit.

2. Proportion of those who "searched for information."

3. Proportion of those who "recalled receiving Truth in Lending statement."

4. Respondents who said they were "very satisfied" or "somewhat satisfied" with account.

SOURCE. Surveys of Consumers, 1997.

with home equity lines of credit also tend to be better educated than other homeowners.

Further evidence of differences in demographic and financial circumstances among homeowners can be seen when homeowners with different debt status are grouped by level of income, home equity, and other characteristics (table 6). The relative affluence of those with home equity lines of credit is apparent

5. Characteristics of homeowners, by debt status, 1997

Homeowner debt status	Proportion of home-owners (percent)	Market value of home (dollars)		Home equity[1] (dollars)		1997 family income (dollars)		Age[2] (median years)	Education[2] (median grade completed)	Nonwhite and Hispanic[3] (percent)
		Mean	Median	Mean	Median	Mean	Median			
No mortgage debt	38	104,746	80,000	104,746	80,000	38,364	27,500	67	12	10
First mortgage only[4]	50	126,392	100,000	57,749	43,000	54,282	47,500	42	14	14
Home equity line of credit	8	171,113	140,000	111,475	76,000	65,613	60,000	49	16	4
Traditional home equity loan	5	166,508	110,000	53,909	35,000	65,284	50,000	43	14	8
MEMO										
All homeowners	100	124,324	98,000	79,837	60,000	49,896	40,000	49	13	12

NOTE. Data have been weighted to ensure the representativeness of the sample.

1. Market value of home less all debts secured by home, including balances outstanding on home equity credit lines and traditional home equity loans.

2. Characteristic of head of household.

3. Characteristic of respondent.

4. Excludes those who have only a home equity line of credit.

SOURCE. Surveys of Consumers, 1997.

from these groupings. The proportion of credit line holders with incomes of $75,000 or more was substantially higher than that of any other group. A similar pattern holds for accumulated home equity, although, not surprisingly, many homeowners with no mortgage debt have also built up significant amounts of home equity. Levels of household income and home equity for holders of home equity lines are markedly higher than they are for holders of traditional home equity loans. Only 19 percent of borrowers with traditional home equity loans have incomes of $75,000 or more, compared with 32 percent for holders of home equity lines; and only 10 percent of traditional home equity borrowers have $100,000 or more in home equity, compared with nearly 40 percent for holders of home equity lines.

6. Homeowners, grouped by debt status and distributed by demographic and financial characteristics, 1997

Percent

Homeowner characteristic	Homeowners					
	All	No mortgage debt	First mortgage only[1]	Home equity line of credit	Traditional home equity loan	Either type of home equity loan
Age of head (years)						
18–34	16	7	24	6	23	12
35–44	23	9	31	28	32	30
45–54	20	12	24	34	27	31
55–64	16	18	13	20	11	17
65 or older	26	55	8	12	6	10
Total	100	100	100	100	100	100
Family income (dollars)						
Less than 15,000	10	20	4	2	2	2
15,000–24,999	16	26	11	3	6	4
25,000–49,999	34	32	38	25	32	27
50,000–74,999	23	12	26	38	42	39
75,000–99,999	10	5	13	16	8	14
100,000 or more	8	5	8	16	11	14
Total	100	100	100	100	100	100
Home equity[2] (dollars)						
Less than 50,000	41	24	55	21	69	38
50,000–99,999	33	38	29	40	21	34
100,000 or more	26	37	16	39	10	28
Total	100	100	100	100	100	100
Census region						
West	17	14	18	18	27	21
North Central	30	29	30	33	30	32
Northeast	17	16	17	24	24	24
South	36	42	35	25	19	23
Total	100	100	100	100	100	100
MEMO						
Percent of all homeowners	100	38	50	8	5	13

NOTE. Data have been weighted to ensure the representativeness of the sample.

1. Excludes those who have only a home equity line of credit.

2. Home equity consists of the market value of the home less all debts secured by the home, including balances outstanding on equity lines of credit and traditional home equity loans.

SOURCE. Surveys of Consumers, 1997.

The relatively strong financial positions of households having home equity debt and especially lines of credit is reflected in banking industry statistics on loan delinquency rates (data not shown in tables). According to the American Bankers Association, fewer than 1 percent of home equity lines of credit at banks are typically in delinquent status, the lowest rate for any category of loan, and the delinquency rate on traditional home equity loans has averaged around 1¼ percent recently, the second lowest figure of any loan category. By comparison, about 3½ percent of credit card accounts and personal loans were past due. When delinquency rates are based on dollar amounts rather than number of loans, the rates on home equity lines of credit and traditional home equity loans are both around 1¼ percent, still lower than for any other type of loan. In recent ABA reports, a bit more than 5 percent of bank credit card debt was delinquent.

The survey data show some regional differences in the use of home equity products: Homeowners residing in the North Central region are the most likely to have a home equity loan, particularly a home equity line of credit.[9] This geographic distribution differs from that in the 1993–94 survey, which found homeowners in the Northeast to be the most frequent holders of home equity loans. Change in the regional pattern may reflect the relatively strong growth in home prices (and hence, equity) in the North Central region during the period.

Amounts Borrowed

One important attraction of home-secured financing is that it allows homeowners to borrow relatively large amounts. In addition, as described below, many homeowners with lines of credit have substantial amounts available in the unused portions of their lines.

Users of home equity lines of credit and traditional home equity loans differ little in the amounts they have borrowed (table 7). On average, credit line users (that is, those who have an outstanding balance on their line of credit) owe only a bit more than users of traditional home equity loans, and the median amounts outstanding are the same.

9. The proportion of homeowners in the South with home equity loans may grow appreciably with recent amendments to the Texas State Constitution that significantly broaden the opportunities to offer traditional home equity loans in Texas. Home equity lines of credit, however, will still be prohibited in Texas. See John Trullinger, "Texas and Home Equity," *Origination News* (November 1997), pp. 4–5; and Heather Timmons, "Wary Lenders Brace for Texas Home Equity Flood," *American Banker* (January 14, 1998), p. 1.

The median balances on home equity loans are much larger than those on other forms of household debt.[10] Nevertheless, most holders of home equity lines of credit owe an amount much smaller than their available credit line—for example, about 47 percent of those with a balance have less than 50 percent of their credit line in use.[11] Among credit line holders with an outstanding balance, the mean and median proportions of the lines in use were around 55 percent, a level somewhat lower than in 1993–94. The lowering may be a reflection of refinancing activity in recent years, as some long-time users of home equity lines refinanced their outstanding balances on both their first and second mortgages into a single new loan.

Purposes of Borrowing

Historically, surveys have found that the principal uses for both types of home equity credit are

10. Median amounts owed on home equity loans are two to three times as large as those owed on installment debts and perhaps ten times as large as the median amount owed on credit cards. See Arthur B. Kennickell, Martha Starr-McCluer, and Annika E. Sunden, "Family Finances in the U.S.: Recent Evidence from the Survey of Consumer Finances," *Federal Reserve Bulletin*, vol. 83 (January 1997), pp. 1–24.

11. In addition, industry surveys indicate that for most home equity lines of credit the credit limit available may be increased with the approval of the lender. See Demong and Lindgren, "Home Equity Lending," p. 41.

7. Status of home equity debt, 1993–94 and 1997

Percent except as noted

Item	1993–94		1997	
	Lines of credit	Traditional loans	Lines of credit	Traditional loans
Outstanding balance (dollars)				
1–9,999	34	42	35	29
10,000–24,999	38	40	35	48
25,000 or more	28	19	30	23
Total	100	100	100	100
MEMO: Dollar balance				
Mean	18,459	16,199	20,155	17,956
Median	15,000	11,000	15,000	15,000
Percentage of credit line in use				
1–19	12	...	14	...
20–49	19	...	33	...
50–74	36	...	23	...
75–100	33	...	30	...
MEMO: In use (percent)				
Mean	58	...	53	...
Median	62	...	55	...

NOTE. Measures for lines of credit exclude accounts with no outstanding balance. Data have been weighted to ensure the representativeness of the sample.

... Not applicable.

SOURCE. Surveys of Consumers, 1993–94 and 1997.

8. Percentage of borrowers citing selected uses for home equity loan funds borrowed, by type of credit, 1993–94 and 1997

Use	1993–94		1997	
	Lines of credit	Traditional loans	Lines of credit	Traditional loans
Home improvement	64	38	69	45
Repayment of other debts	45	68	49	61
Education	21	4	19	2
Real estate	12	8	9	10
Auto or truck	30	3	37	6
Medical expenses	5	1	10	2
Business expenses	28	1	18	4
Vacation	6	1	13	1
Other[1]	1	3	1	1

NOTE. Data have been weighted to ensure the representativeness of the sample. Percentages sum to more than 100 percent because respondents were allowed to cite multiple uses for a single loan or drawdown and more than one draw for one line of credit.

1. Includes purchase of furniture or appliance, purchase of boat or other recreational vehicle, payment of taxes, and personal financial investments.

SOURCE. Surveys of Consumers, 1993–94 and 1997.

to finance home improvements and to repay other debts.[12] The results of the 1997 survey show a similar pattern (table 8); but credit lines were found to have additional uses not often found for most traditional loans, including vehicle purchases, education, and vacations. Both types of loan appear to be substitutes for various types of new or outstanding consumer credit.

Aggregate Home Equity Debt

After a period of anemic growth in the early 1990s, home equity debt began to expand again in 1994, with an increase in aggregate outstandings of about 6 percent. The pace has quickened substantially since then, climbing to an estimated 16 percent for 1996 and to just over 20 percent for 1997, lifting total home equity debt to an estimated $420 billion at year-end (table 9).

Influences on Growth

Several factors suppressed the growth of home equity credit from 1991 through 1993.[13] Stagnant real estate values in many localities were curbing the growth of equity in homes. As a result, fewer homeowners were becoming qualified for home equity credit, and those who did qualify may have been reluctant to increase their mortgage debt because of lowered expectations about future increases in home values. The 1990–91 recession no doubt also had a damping effect on home equity borrowing, indirectly by contributing to the sluggishness of home values and directly by affecting both the propensity of households to spend and their ability to qualify for credit.

Perhaps the greatest constraint on the growth of home equity loans, however, was the unprecedented surges in refinancings of first mortgage debt in the early 1990s, the first in 1992 and the second, even larger, in 1993, when mortgage interest rates fell to their lowest level in more than twenty years. As noted earlier, homeowners who refinanced while holding outstanding second-mortgage debt often folded that debt into the new first mortgage to lock in a low rate.

The moderation or reversal of these factors beginning in 1994 helps account for the recent resurgence of home equity borrowing. The economy's post-recession recovery was relatively listless in its early stages in 1992 and 1993, but it gained strength and

12. See Canner, Durkin, and Luckett, "Home Equity Lending: Evidence from Recent Surveys," p. 577; Lindgren and Demong, "Home Equity Loan Study," p. 15–16; and *1996 Home Equity Lines of Credit Survey Report* (American Bankers Association, 1997), p. 88.

13. For a more detailed discussion of these influences, see Canner, Durkin, and Luckett, "Home Equity Lending: Evidence from Recent Surveys," pp. 580–82.

9. Home equity loans outstanding, grouped by year and distributed by type and source of credit, 1993–97

Billions of dollars

Year	Lines of credit			Traditional loans			Total
	Commercial banks	Other sources	All lenders	Commercial banks	Other sources	All lenders	
1993	73	37	110	49	102	151	261
1994	76	40	116	54	104	158	274
1995	79	44	123	61	115	176	299
1996	85	47	132	69	146	215	347
1997	98	55	153	76	191	267	420

SOURCE. Reports of Condition and Income, various years; Credit Union National Association; Federal Reserve; Moody's Investors Service; and Bloomberg L.P.

endurance over the four subsequent years. From the end of 1993 through last year, disposable personal income on average grew 5 percent per year, while the national unemployment rate dropped from 6.5 percent to 4.7 percent.

Home prices have also been on the rise again in most parts of the country. Although increases have been moderate compared with those in some earlier boom periods, they have helped boost the total value of the household sector's real estate holdings roughly 20 percent over the past four years. Refinancings of home mortgages have ebbed and surged during the period in tandem with fluctuations in mortgage interest rates, but the peaks in activity have fallen considerably short of the 1993 volume.[14]

Emergence of the Subprime Market

On the whole, then, recent macroeconomic developments have led to robust consumer spending, and strength in the real estate market has encouraged the use of home equity credit to finance part of that spending. Moreover, a new element has given a sharp boost to overall growth in home equity lending over the past couple of years, and that is the vigorous marketing by nonbank lenders to the "subprime" segment of the market—homeowners with relatively low incomes, limited equity, or tarnished credit histories. Loans in this higher-risk segment carry interest rates several percentage points higher than those on "A-quality" home equity loans and typically lift a borrower's total mortgage debt to a high level relative to the value of the home. Some subprime specialists offer to lend amounts that would raise that ratio to 125 percent, and in a few instances, even higher.[15]

Subprime home equity loans are commonly marketed as bill-consolidation loans, particularly as a means to pay off credit card debt. Given their pricing, collateral, and performance characteristics—relatively high rates of charge-off and delinquency (chart 1)—these real-estate secured loans are more akin to unsecured personal loans than to mainstream home equity loans.

14. The decline in mortgage interest rates in the opening weeks of 1998, to just below 7 percent for conventional thirty-year fixed-rate loans, has spurred a surge in refinancing that may approach the earlier peak volume.

15. Generally speaking, however, industry sources indicate that most lenders who make so-called "125 loans" grant them only to borrowers of strong credit standing rather than to subprime borrowers. Such loans are higher in risk than A-quality mortgages because of the absence of equity, but borrower characteristics are typically well above average.

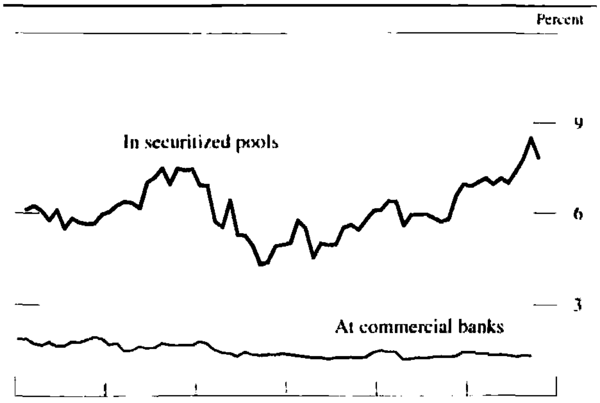
Most subprime lenders place heavy reliance on securitization of their loans to fund their operations. Through such means as third-party insurance guarantees or senior/subordinate debt structures, investors in the securities are largely insulated from credit losses; and the securities receive triple-A ratings, yielding returns of only 50 to 150 basis points above Treasury securities of comparable maturity. Ultimately, the home equity lenders bear the bulk of the credit risk, designed to be covered by the sizable margin between the interest rates paid by the subprime borrowers and the yield to the security holders.

Lower Prepayment Risk

One characteristic that has attracted investors to securities backed by home equity loans (generally subprime loans) is that, when interest rates drop significantly, the risk of accelerated prepayments of the loans underlying the securities has been considered to be less than for other mortgage-backed securities.[16] When rates fall, borrowers in the subprime category are not expected to refinance so readily as other mortgagees precisely because their marginal credit status usually bars them from doing so at attractive interest rates.

16. When market interest rates fall significantly, many homeowners with existing mortgages will refinance, paying off the original loans. Under the typical "pass-through" security format, a large volume of mortgage prepayments means that principal is returned to investors sooner than anticipated, forcing them not only to reinvest earlier than planned but also in a low-rate environment.

1. Delinquency rates of traditional home equity loans, 1992–97



NOTE. Closed-end loans, typically second mortgages. The data are monthly.
SOURCE. For pools, Moody's Investors Service; for banks, American Bankers Association.

Borrower reaction to the interest rate declines during the past year seems to support this expectation. A recent report from Standard & Poor's observed that prepayments of securitized home equity loans have risen only slightly when interest rates have dropped sharply, while prepayments of other securitized mortgages have soared.[17] Indeed, the principal factor behind home equity loan prepayments was found to be improvements in the financial positions of the borrowers that enable them to qualify for more attractively priced loans.[18]

Volume in the Subprime Market

The volume of subprime home equity credit cannot be estimated with much precision, in large part because definitional distinctions among different types of loans are not clear. With much of subprime home equity credit funded by securitization, an approximate measure of the volume of subprime credit can be derived from securitization volumes. But the loan pools designated as "home equity" pools frequently contain subprime purchase-money mortgages or refinanced loans as well; they may also mix some higher-quality home equity loans with the subprime paper. Conversely, not all subprime home equity loans are securitized. These imprecisions notwithstanding, however, data from industry sources suggest that the amount of home equity credit in securitized pools was about $90 billion at the end of 1997, much of it believed to be subprime in quality (see box "Estimation of Aggregate Home Equity Debt"). This level represents about one-fifth of the estimated $420 billion of aggregate home equity credit at year-end 1997.

APPENDIX: THE SURVEYS OF CONSUMERS

To obtain information on the prevalence of home equity accounts and their use by homeowners, the Federal Reserve Board helped develop questions for inclusion in the Surveys of Consumers, conducted by the Survey Research Center of the University of Michigan, for the period May through October 1997. Interviewees were chosen from a cluster sample of residential listings, and the interviews were conducted by telephone. The sample was chosen to be broadly representative of the four major regions—Northeast, North Central, South, and West—in proportion to their populations (residents of Alaska and Hawaii were not included). For each telephone number drawn, an adult from the household was randomly selected as the respondent.

The survey defined a household as persons living together, whether or not related by marriage, blood, or adoption, or any individual living alone. The head of the household was defined as an individual living alone, the male of a married couple, or the adult (age eighteen or older) in a household composed of more than one person and only one adult. In the case of more than one adult but no married couple, the head of household generally was designated to be the person most familiar with the household's finances or the one closest to age 45.

The survey included 3,000 households. Among the 2,098 respondents who were homeowners, 181 reported having a home equity line of credit, 102 reported having a traditional home equity loan, and 7 reported having both types. The survey data have been weighted to be representative of the population, thereby correcting for differences among households in the probability of their being selected as survey respondents. Estimates of population characteristics derived from samples are subject to error based on the degree to which the sample differs from the general population. Table A.1 indicates the sampling errors for proportions derived from samples of different sizes. □

A.1. Approximate sampling errors of survey results, by size of sample

Percentage points

Survey results (percent)	Size of sample				
	100	300	1,000	2,000	3,000
50	10.5	6.2	3.6	2.8	2.5
30 or 70	9.6	5.7	3.3	2.5	2.3
20 or 80	8.4	4.9	2.9	2.2	2.0
10 or 90	6.3	3.7	2.2	1.7	1.5
5 or 95	4.6	2.7	1.6	1.2	1.1

NOTE. Ninety-five percent confidence level, 1.96 standard errors.

17. "Standard Prepayment Model Doesn't Fit Home Equity Securities," *National Mortgage News* (November 24, 1997), p. 20.

18. Lately, however, prepayments for some pools of subprime home equity loans have been more rapid than anticipated in underwriting assumptions. These accelerated prepayments may imply that improvements in borrowers' financial positions have exceeded expectations or that intensified competition among lenders has enabled some lower-quality borrowers to refinance at rates below those they had originally obtained.

Estimation of Aggregate Home Equity Debt

As banks and finance companies have reported more detailed information on their home equity loans in recent years, estimates of aggregate debt of this type have become more accurate. Other factors, however, have introduced new sources of imprecision into the estimates: the rapid development of securitization of home equity loans and the expanding role of mortgage companies and specialized home equity lenders, for whom data reporting is fragmentary.

Since 1987, commercial banks have reported receivables under home equity lines of credit on quarterly Call Reports, and since 1991 they have reported their holdings of traditional home equity loans. Mutual savings banks also report these data on Call Reports. Savings and loan associations and federal savings banks report credit line receivables on Call Reports but do not separate traditional home equity loans from first mortgages in these reports. Finance companies report each month to the Federal Reserve on their real estate loans, and since June 1996 they have reported residential and commercial mortgages separately. Finance companies do not distinguish between loans under lines of credit and traditional loans, but the bulk of their home equity receivables consists of traditional closed-end loans. Estimates of both types of home equity debt outstanding at credit unions are available from the Credit Union National Association.

Debt Under Home Equity Lines of Credit

According to Call Reports, commercial banks held about $98 billion in receivables under home equity lines at the end of 1997 (table); savings institutions held about $18 billion, and credit unions about $15 billion. The data for the other holders are less precise. Information from the securities rating firms indicates that about $12 billion of credit line receivables resided in pools of securitized assets (the data on these receivables usually do not show the type of originating institution).

The estimate of $10 billion for finance companies is based on the fact that the household survey indicates that (1) they supplied only about 6 percent of the credit lines surveyed, (2) they reported $58 billion of residential real estate credit at the end of 1997, and (3) industry members confirm that most of these receivables are closed-end loans.

Debt Under Traditional Home Equity Loans

Estimating the amount of traditional home equity debt outstanding is somewhat more difficult: Fewer institutions provide specific data on this type of credit, and much of the recent growth has been among holders for whom the data are the least precise.

The Call Reports show the levels for commercial banks and credit unions.

Savings and loan associations and federal savings banks do not break out traditional home equity loans from their other residential mortgage debt. The household survey indicated that savings institutions (including mutual savings banks) held about half as much of this type of debt as commercial banks, which in 1997 would be about $38 billion.

The estimate of $48 billion for finance companies is derived from their report of $58 billion in residential mortgage debt and the estimate that $10 billion of it is in credit lines. The estimate for pools is from the rating agencies.

An estimate of $10 billion is used here for miscellaneous sources of traditional loans, including mortgage companies. Although mortgage companies have become quite active in this market, most of the loans they originate are securitized and would be reflected in the estimate for pools.

The estimated $420 billion of total home equity debt represents a 60 percent increase from the 1993 total, compared with an approximately 15 percent to 30 percent increase implied by responses to the household survey. Half the gain in the aggregate is accounted for by securitized loans, a category which, as noted, contains some unknown amount of loans that would otherwise be considered original or refinanced purchase-money mortgages. In the household survey, these loans were excluded from the detailed questions that focused on traditional home equity loans (typically second mortgages) and home equity lines of credit.

Estimates of aggregate home equity debt outstanding, by source, 1997
Billions of dollars

Type of home equity debt	Commercial banks	Savings institutions[1]	Credit unions	Finance companies	Securitized pools	Other[2]	All sources
Line of credit	98	18	15	10	12	*	153
Traditional loan	76	38	15	48	80	10	267
Total	**174**	**56**	**30**	**58**	**92**	**10**	**420**

1. Savings and loan associations, federal savings banks, and mutual savings banks.
2. Mortgage bankers, individuals, and any other source mentioned by respondents.
* Amount is negligible.

SOURCE. Surveys of Consumers, 1997; Reports of Condition and Income, December 31, 1997; Credit Union National Association; Federal Reserve; Moody's Investors Service; and Bloomberg L.P.

Staff Studies

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STUDY SUMMARY

THE COST OF BANK REGULATION: A REVIEW OF THE EVIDENCE

Gregory Elliehausen

The cost of government regulation has become a political issue in recent years, and the cost is no less controversial for banks than for other types of businesses. The controversy has prompted several studies of regulatory costs in banking. This paper evaluates the evidence from those studies, which vary widely in quality and content, and suggests what can reasonably be concluded about the effects of regulation on banks' costs. It begins with a discussion of the sources and types of regulatory costs. It then discusses the requirements of the various methods of determining costs and evaluates published empirical studies in light of those requirements. The paper ends with a review of the studies' substantive findings.

Regulation appears to account for a small but not inconsiderable share of banks' costs. The best available evidence, most of which is not very precise, suggests that the total cost of all bank regulations in 1991 (the year for which most of the studies were conducted) may have been about 12 percent to 13 percent of banks' noninterest expenses. Incremental costs—the costs of those required activities that are undertaken only because they are required—may have been about half of the total cost.

Labor costs apparently are the major component of both the start-up costs and the ongoing costs of complying with regulations. Some studies suggest that the time spent by bank officers and managers on compliance activities, especially activities related to new regulations or to major revisions of existing regulations, account for a large portion of labor costs.

Statistical analyses have detected, for several regulations, scale economies in compliance costs. This finding suggests that smaller banks, relative to larger banks, have a cost disadvantage that may discourage the entry of new firms into banking, may stimulate consolidation of the industry into larger banks, and may inhibit competition among institutions in markets for specific financial products. It also suggests the possibility that regulation in the early stages of the product life cycle—when output is low and average regulatory cost would be high—will discourage the introduction of new financial services.

One survey found that the start-up costs of complying with a new regulation were insensitive to the number of changes required to bring a bank's practices and policies into compliance with the regulation. If this finding is generally true, then applying regulations generally to address the practices of a few institutions would impose costs on all institutions, not just on the few that must change their practices. This finding also suggests that a regulatory policy of making frequent minor revisions to regulations might be more costly to banks than one of making infrequent major revisions.

The paper concludes that surveys can produce reasonably good data on regulatory costs if good survey methods are followed. Carefully designed studies can increase knowledge of the effects of regulation on

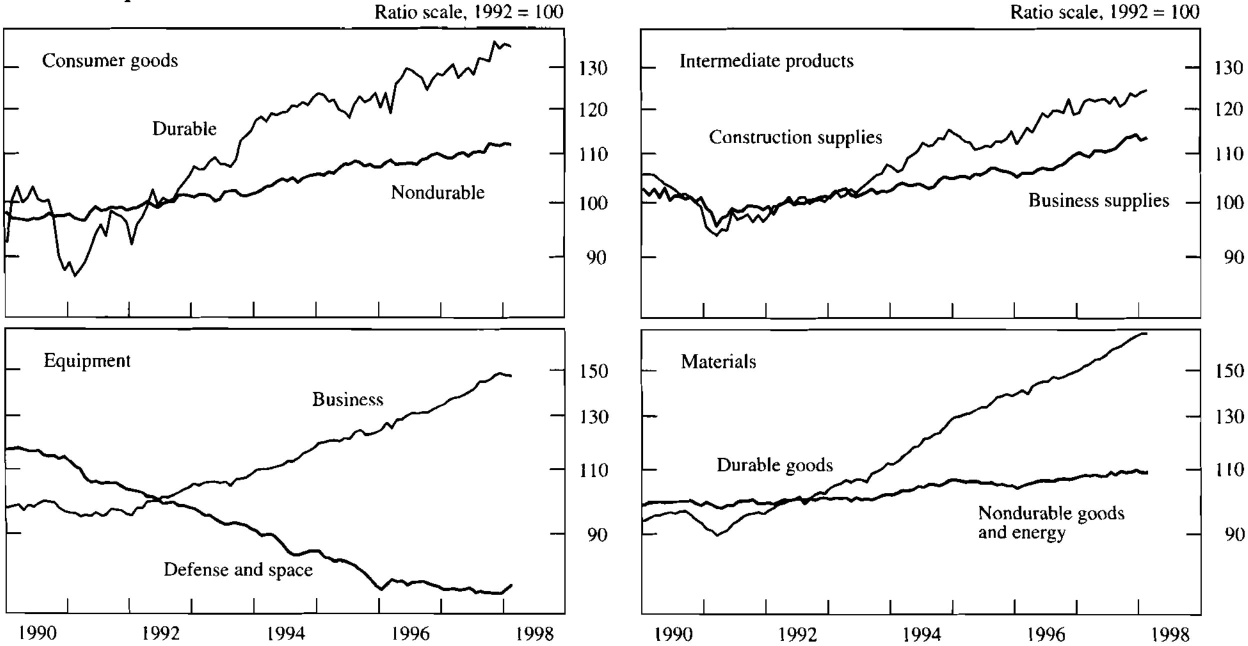
banks' costs. However, exercises that measure only costs and do not attempt to explain the determinants of cost are likely to have limited value. Our current understanding of the determinants of regulatory costs is based on analysis of a small number of regulations by a few researchers. Further research covering more and different types of regulations and regulatory requirements is clearly needed. □

Industrial Production and Capacity Utilization for February 1998

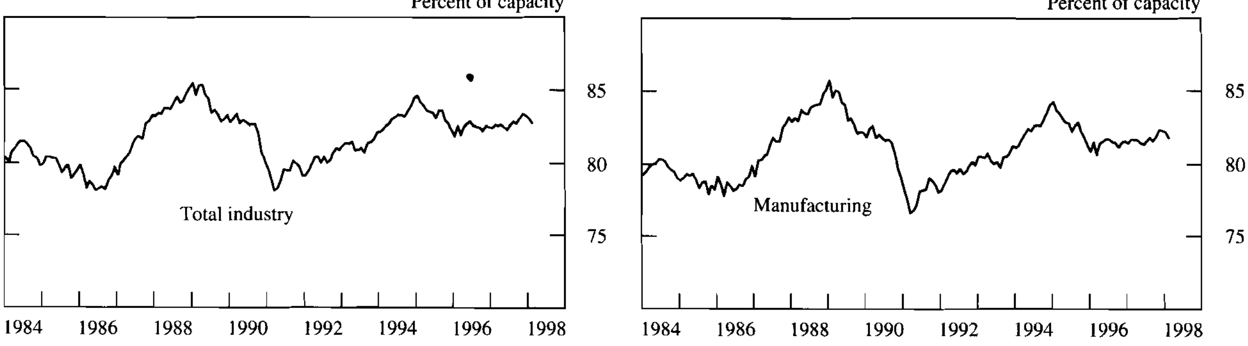
Released for publication March 17

Industrial production was unchanged in February after a revised 0.1 percent rise in January. Manufacturing output was also flat in February. Motor vehicle production declined for a third consecutive month, although it remained at a relatively high level. With unseasonably warm weather continuing to dampen demand, the output of utilities bounced back only 0.9 percent after having dropped 3.1 percent in January. At 128.1 percent of its 1992 average, total industrial production in February was 4.9 percent higher than it was in February 1997. The rate of industrial capacity utilization decreased 0.3 percentage point, to 82.7 percent.

Industrial production indexes



Capacity utilization



All series are seasonally adjusted. Latest series, February. Capacity is an index of potential industrial production.

Industrial production and capacity utilization, February 1998

Category	Industrial production, index, 1992 = 100								
	1997		1998		Percentage change				
					1997[1]		1998[1]		Feb. 1997 to Feb. 1998
	Nov.[r]	Dec.[r]	Jan.[r]	Feb.[p]	Nov.[r]	Dec.[r]	Jan.[r]	Feb.[p]	
Total	**127.5**	**127.9**	**128.0**	**128.1**	**.8**	**.3**	**.1**	**.0**	**4.9**
Previous estimate	127.4	127.9	127.9	...	.7	.4	.0	..	...
Major market groups									
Products, total[2]	121.2	121.1	121.3	121.3	.8	-.1	.2	.0	4.2
Consumer goods	116.7	116.2	116.8	116.5	.6	-.4	.5	-.2	3.1
Business equipment	147.5	148.4	147.5	147.3	1.3	.6	-.6	-.2	7.9
Construction supplies	123.6	122.8	123.8	124.3	1.9	-.6	.8	.4	2.1
Materials	137.7	138.7	138.9	139.0	.7	.8	.1	.1	6.1
Major industry groups									
Manufacturing	130.4	130.9	131.3	131.3	1.0	.4	.3	.0	5.5
Durable	147.7	148.4	148.8	148.9	1.5	.5	.3	.1	8.1
Nondurable	112.6	112.9	113.4	113.2	.4	.2	.4	-.1	2.6
Mining	106.1	105.5	107.1	106.8	.2	-.5	1.6	-.3	.7
Utilities	115.3	114.9	111.3	112.3	-1.3	-.4	-3.1	.9	1.8

Category	Capacity utilization, percent								Memo Capacity, percentage change, Feb. 1997 to Feb. 1998
	Average, 1967–97	Low, 1982	High, 1988–89	1997	1997		1998		
				Feb.	Nov.[r]	Dec.[r]	Jan.[r]	Feb.[p]	
Total	**82.1**	**71.1**	**85.4**	**82.6**	**83.3**	**83.2**	**83.0**	**82.7**	**4.7**
Previous estimate	...	...	...	...	83.2	83.3	83.0	...	...
Manufacturing	81.1	69.0	85.7	81.7	82.3	82.3	82.2	81.8	5.4
Advanced processing	80.5	70.4	84.2	79.7	80.6	80.6	80.5	80.1	6.3
Primary processing	82.4	66.2	88.9	86.1	86.2	86.1	86.0	85.6	3.4
Mining	87.5	80.3	88.0	90.1	89.7	89.2	90.6	90.2	.6
Utilities	87.3	75.9	92.6	87.7	90.7	90.3	87.4	88.1	1.3

NOTE. Data seasonally adjusted or calculated from seasonally adjusted monthly data.
1. Change from preceding month.
2. Contains components in addition to those shown.
r Revised.
p Preliminary.

MARKET GROUPS

The 0.2 percent decline in the production of consumer goods in February reflected reductions in both the durable and nondurable components. Within durables, the drop in the output of automotive products was tempered a bit by a 0.2 percent increase in other consumer durables, which has been a volatile series of late. The production of nondurable consumer goods slipped 0.2 percent and has been little changed since November; losses in food and paper products outweighed gains in the output of consumer chemicals and in the residential use of utilities.

The output of business equipment, which had expanded nearly 11 percent last year, contracted 0.2 percent after having fallen 0.6 percent in January. Weakness in the production of industrial, telephone, and photographic equipment, along with slowdowns in motor vehicle and aircraft assembly, have constrained the production of business equipment so far this year.

The production of construction supplies increased further after a healthy gain in January. The output of materials edged up 0.1 percent for the second consecutive month, well off the pace set last year. Small increases in durable and nondurable goods materials slightly outweighed a further retraction in energy materials; a reduction in the output of coal outweighed increases in utility output. Among durable goods materials, the output of parts for high-technology equipment continued to increase rapidly; the output of parts for consumer goods, particularly for motor vehicles, declined.

INDUSTRY GROUPS

The output at factories was flat in February. The output of durables ticked up just 0.1 percent; strong increases in computer and office equipment and in semiconductors were mostly offset by a decrease in motor vehicles and parts. The production of nondurables edged down 0.1 percent, with decreased production in many industries nearly matched by a sizable gain in chemicals production.

The operating rate in manufacturing declined, to 81.8 percent. Utilization in advanced-processing industries and in primary-processing industries both decreased 0.4 percentage point. Capacity utilization in advanced-processing industries fell to a level a little below its long-run average, while the operating rate in primary-processing industries was 3.2 percentage points above its long-run average. □

Statements to the Congress

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Foreign Relations, U.S. Senate, February 12, 1998

The global financial system has been evolving rapidly in recent years. New technology has radically reduced the costs of borrowing and lending across traditional national borders, facilitating the development of new instruments and drawing in new players. One result has been a massive increase in capital flows. Information is transmitted instantaneously around the world, and huge shifts in the supply and demand for funds naturally follow.

This burgeoning global system has been demonstrated to be a highly efficient structure that has significantly facilitated cross-border trade in goods and services and, accordingly, has made a substantial contribution to standards of living worldwide. Its efficiency exposes and punishes underlying economic weakness swiftly and decisively. Regrettably, it also appears to have facilitated the transmission of financial disturbances far more effectively than ever before.

As I testified three years ago, the then-emerging Mexican crisis was the first such episode associated with our new high tech international financial system. The current Asian crisis is the second.

We do not as yet fully understand the new system's dynamics. We are learning fast and need to update and modify our institutions and practices to reduce the risks inherent in the new regime. Meanwhile, we have to confront the current crisis with the institutions and techniques we have.

Many argue that the current crisis should be allowed to run its course without support from the International Monetary Fund (IMF) or the bilateral financial backing of other nations. They assert that allowing this crisis to play out, while doubtless having additional negative effects on growth in Asia and engendering greater spillovers onto the rest of the world, is not likely to have a large or lasting impact on the United States and the world economy.

They may well be correct in their judgment. There is, however, a small but not negligible probability that the upset in East Asia could have unexpectedly negative effects on Japan, Latin America, and eastern and central Europe that, in turn, could have repercussions elsewhere, including the United States. Thus, while the probability of such an outcome may be small, its consequences, in my judgment, should not be left solely to chance. We have observed that global financial markets, as currently organized, do not always achieve an appropriate equilibrium, or at least require time to stabilize.

Opponents of IMF support also argue that the substantial financial backing, by cushioning the losses of imprudent investors, could exacerbate moral hazard. Moral hazard arises when someone can reap the rewards from his or her actions when events go well but does not suffer the full consequences when they go badly. Such a reward structure, obviously, could encourage excessive risk-taking. There has doubtless been some of that type of inappropriate risk-taking attributable to expectations of IMF bailouts, though arguably it has been the expectation of governments' support of their financial systems that has been the more obvious culprit. In any event, the expectation of broad bailouts, at least in the Asian case, has turned out to have been an illusion. Many investors in Asian economies have to date suffered substantial losses. Asian equity losses, excluding Japanese companies, since June 1997, worldwide, are estimated to have exceeded $700 billion at the end of January, of which more than $30 billion has been lost by U.S. investors. Substantial further losses have been recorded in bonds and real estate.

Moreover, the policy conditionality, associated principally with IMF lending, which dictates economic and financial discipline and structural change, helps to mitigate some of the moral hazard concerns. Such conditionality is also critical to the success of the overall stabilization effort. As I will be discussing in a moment, at the root of the problems is poor public policy that has resulted in misguided investments and very weak financial sectors. Convincing a sovereign nation to alter destructive policies that impair its own performance and threaten contagion to its neighbors is best handled by an international financial institution, such as the IMF. What we have in place today to respond to crises should be supported even as we work to improve those mechanisms and institutions.

Accordingly, I fully back the Administration's request to augment the financial resources of the IMF—U.S. participation in the New Arrangements to Borrow and an increase in the U.S. quota in the IMF. Hopefully, neither will turn out not to be needed, and no funds will be drawn. But it is better to have it available if that turns out not to be the case and quick response to a pending crisis is essential. I also believe it is important to have mechanisms, such as the Treasury Department's Exchange Stabilization Fund, that permit the United States in exceptional circumstances to provide temporary bilateral financial support, often on short notice, under appropriate conditions and on occasion in cooperation with other countries.

In testimony in mid-November, I endeavored to outline the roots of the current crisis. This morning I should like to carry the analysis a bit further.

Companies in Korea and many other Asian countries have become formidable world class producers in a number of manufacturing sectors using advanced technologies, but in a number of cases they permitted leverage to rise to levels that could be sustained only with continued very rapid growth. Growth, however, was destined to slow.

Asian economies to varying degrees over the past half century have tried to combine rapid growth with a much higher mix of government-directed production than has been evident in the essentially market driven economies of the West. Through government inducements, a number of select, more sophisticated manufacturing technologies borrowed from the advanced market economies were applied to these generally low-productivity and, hence, low-wage economies.[1] Thus, for selected products, exports became competitive with those of the market economies. This engendered overall economic growth at a rate far exceeding that of economies at the cutting edge of technology, whose growth has been bound by hard-fought, but slow, accretions to knowledge.

There was, however, an upper limit to emerging country growth defined by that cutting edge as to how far this specialized Asian economic regime could develop. As the process broadened beyond a few select applications of advanced technologies, *overall* productivity continued to increase and the associated rise in the *average* real wage in these economies blunted somewhat the competitive advantage enjoyed initially. Slackening of export expansion growth was inevitable. In addition, losses in competitiveness as a result of exchange rates that were pegged to the dollar, which has appreciated against the yen since early 1995, slowed aggregate economic growth somewhat, even before the current crisis developed.

For years, domestic savings and rapidly increasing capital inflows had been directed by governments into investments that banks were required to finance. As I pointed out in previous testimony, lacking a true market test, much of that investment was unprofitable. So long as growth was vigorous, the adverse consequences of this type of non-market allocation of resources were masked. Moreover, in the context of pegged exchange rates that were presumed to continue, if not indefinitely, at least beyond the term of the loan, banks and nonbanks were willing to take the risk to borrow dollars (unhedged) to obtain the dollar-denominated interest rates that were invariably lower than those available in domestic currency. Western, especially American, investors diversified some of their huge capital gains of the 1990s into East Asian investments. In hindsight, it is evident that those economies could not provide adequate profitable opportunities at reasonable risk to absorb such a surge in funds. This surge, together with distortions caused by government planning, has resulted in huge losses.

With the inevitable slowdown, business losses and nonperforming bank loans surged. Banks' capital eroded rapidly, and, as a consequence, funding sources have dried up, as fears of defaults have risen dramatically. In an environment of weak financial systems, lax supervisory regimes, and vague guarantees about depositor or creditor protections, bank runs have occurred in several countries and reached crisis proportions in Indonesia. Uncertainty and retrenchment have escalated. The state of confidence so necessary to the functioning of any economy has been torn asunder. Vicious cycles of ever-rising and reinforcing fears have become contagious. Some exchange rates have fallen to levels that are understandable only in the context of a veritable collapse of confidence in the functioning of an economy. It is clear, for example, that neither changes in the relative purchasing power of the Indonesian rupiah relative to the U.S. dollar nor their relevant interest rates can explain the more than four-fifths decline in the rupiah by early 1998.

The sharp exchange rate changes in East Asia in recent months, as have similar instances elsewhere, do not appear to have resulted wholly from a measured judgment that fundamental forces have turned appreciably more adverse. More likely, its root is a process that is neither measured nor rational, one

1. Wage levels in an industry are largely driven by the average wage level of all workers in an economy against whom the industry's workers compete.

based on a visceral, engulfing fear. The exchange rate changes appear the consequence not of the accumulation of new knowledge of a deterioration in fundamentals but its opposite: the onset of uncertainties that destroy previous understandings of the way the world works. That has induced massive disengagements of investors and declines in Asian currencies that have no tie to reality.

A similar breakdown was also evident in Mexico three years ago, albeit to a somewhat lesser degree. In late 1994, the government was rapidly losing reserves in a vain effort to support a currency that had come under attack when the authorities failed to act expeditiously and convincingly to contain a burgeoning current account deficit financed in large part by substantial short-term flows denominated in dollars.

These two recent crisis episodes have afforded us increasing insights into the dynamics of the evolving international financial system, though there is much we do not yet understand.

With the new, more sophisticated financial markets punishing errant government policy behavior far more profoundly than in the past, vicious cycles are evidently emerging more often. For, once they are triggered, damage control is difficult. Once the web of confidence, which supports the financial system, is breached, it is difficult to restore quickly. The loss of confidence that one understands the dynamics of the systems with which we are engaged can trigger rapid and disruptive changes in the pattern of finance, which, in turn, feed back on exchange rates and asset prices. Moreover, investor concerns that weaknesses revealed in one economy may be present in others that are similarly situated means that the loss of confidence can quickly spread to other countries.

At one point the economic system appears stable, the next it behaves as though a dam has reached a breaking point, and water (read, confidence) evacuates its reservoir. The United States experienced such a sudden change with the decline in stock prices of more than 20 percent on October 19, 1987. There is no credible scenario that can readily explain so abrupt a change in the fundamentals of long-term valuation on that one day. Such market panic does not appear to reflect a simple continuum from the immediately previous period. The abrupt onset of such implosions suggests the possibility that there is a marked dividing line for confidence. When crossed, prices slip into free fall—perhaps overshooting the long-term equilibrium—before markets will stabilize.

But why do these events seem to erupt without some readily evident precursor? Certainly, the more extended the risk-taking, or more generally, the lower the discount factors applied to future outcomes, the greater the proportion of current output (mainly capital goods) driven by perceived future needs. Hence under such conditions the more vulnerable are markets to a shock that abruptly triggers a revision in expectations of future needs and sets off a vicious cycle of contraction of financial and product markets.

Episodes of vicious cycles cannot be easily forecast, as our recent experience with Asia has demonstrated. Certainly, there were indications that Thailand's large current account deficits were unsustainable. Once the recent crisis was triggered in early July with Thailand's eventual forced abandonment of its exchange rate peg, it was apparently the lethal combination of pegged exchange rates, high leverage, weak banking and financial systems, and declining demand in both Thailand and elsewhere that transformed a correction into a collapse.

Normally the presence of these factors would have produced a modest retrenchment, not the kind of discontinuous fall in confidence that leads to a vicious cycle of decline. But with a significant part of short-term liabilities, bank and nonbank, denominated in foreign currencies (predominantly dollars), unhedged, the initial pressure on domestic currencies was apparently too much to bear, leading to a sharp crack in the fixed exchange-rate structure of many East Asian economies. The belief that local currencies could, virtually without risk of loss, be converted into dollars at any time was shattered. Investors, both domestic and foreign, endeavored *en masse* to convert to dollars, as confidence in the ability of the local economy to earn dollars to meet their fixed obligations diminished. Local exchange rates fell against the dollar, inducing still further declines.

The weakening of growth also led to lowered profit expectations and contracting net capital inflows of dollars. This was an abrupt change from the pronounced acceleration through 1996 and the first half of 1997. The combination of continued strong demand for dollars to meet debt-service obligations and the slowed new supply destabilized the previously fixed exchange-rate regime. This created a marked increase in uncertainty and retrenchment, further reducing capital inflows, still further weakening local currency exchange rates. Such vicious cycles continue until either defaults or restructuring lowers debt-service obligations or the low local exchange rates finally induce a pickup in the supply of dollars.

These virulent episodes appear to be at the root of our most recent breakdowns in Mexico and Asia. Their increased prevalence may, in fact, be a defining characteristic of the new high tech international financial system. We shall never be able to alter the human response to shocks of uncertainty and withdrawal; we can only endeavor to reduce the imbalances that exacerbate them.

Although, as indicated earlier, I do not believe we are as yet sufficiently knowledgeable of the full complex dynamics of our increasingly developing high tech financial system, enough insights have been gleaned from the crises in Mexico and Asia (and previous experiences) to enable us to list a few of the critical tendencies toward disequilibrium and vicious cycles that will have to be addressed if our new global economy is to limit the scope for disruptions in the future. These elements have all, in times past, been factors in international and domestic economic disruptions, but they appear more stark in today's market.

1. *Leverage.* Certainly in Korea, probably in Thailand and Indonesia, and possibly elsewhere, a high degree of leverage (the ratio of debt to equity) appears to be a place to start. Exceptionally high leverage often is a symptom of excessive risk-taking that leaves financial systems and economies vulnerable to loss of confidence. It is not easy to imagine the cumulative cascading of debt instruments seeking safety in a crisis when assets are heavily funded with equity. The concern is particularly relevant to banks and many other financial intermediaries, whose assets typically are less liquid than their liabilities and so depend on confidence in the payment of liabilities for their continued viability. Moreover, both financial and nonfinancial businesses can employ high leverage to mask inadequate underlying profitability and otherwise have inadequate capital cushions to match their volatile environments.

Excess leverage in nonfinancial business can create problems for lenders including their banks; these problems can, in turn, spread to other borrowers that rely on these lenders. Fortunately, since lending by nonfinancial firms to other businesses is less prevalent than bank lending to other banks, direct contagion is less likely. But the leverage of South Korea's chaebols, because of their size and the pervasive distress, has clearly been an important cause of bank problems with their systemic implications.

2. *Interest Rate and Currency Risk.* Banks, when confronted with a generally rising yield curve, have a tendency to incur interest rate or liquidity risk by lending long and funding short. This exposes them to shocks, especially those institutions that have low capital–asset ratios. When financial intermediaries, in addition, seek low-cost, unhedged, foreign currency funding, the dangers of depositor runs, after a fall in the domestic currency, escalate.

3. *Weak Banking Systems.* Banks play a crucial role in the financial market infrastructure. When they are undercapitalized, have lax lending standards, and are subjected to weak supervision and regulation, they become a source of systemic risk both domestically and internationally. Lack of a cadre of loan officers who have experience in judging lending risk can produce debilitating losses even when lending is not directed by government inducement or the need to support members of an associated group of companies. Experienced bank supervision and regulation cannot fully substitute for poor lending procedures, but presumably it could encourage better practice. But apparently even that has been lacking in many emerging economies.

4. *Interbank Funding, Especially in Foreign Currencies.* Despite its importance for distributing savings to their most valued use, short-term interbank funding, especially cross-border, may turn out to be the Achilles' heel of an international financial system that is subject to wide variations in financial confidence. This phenomenon, which is all too common in our domestic experience, may be particularly dangerous in an international setting.

5. *Moral Hazard.* The expectation that monetary authorities or international financial institutions will come to the rescue of failing financial systems and unsound investments has clearly engendered a significant element of moral hazard and excessive risk-taking. The dividing line between public and private liabilities, too often, becomes blurred.

6. *Weak Central Banks.* To effectively support a stable currency, central banks need to be independent, meaning that their monetary policy decisions are not subject to the dictates of political authorities. In East Asia, as in many other areas, the central bank was not in a position to resist political pressures focused on the short run.

7. *Securities Markets.* Recent adverse banking experiences have emphasized the problems that can arise if banks are almost the sole source of intermediation. Their breakdown induces a sharp weakening in economic growth. A wider range of nonbank institutions, including viable debt and equity markets, are important safeguards of economic activity when banking fails.

8. *Inadequate Legal Structures.* Finally, an effective competitive market system requires a rule of law that severely delimits government's arbitrary intrusion into commercial disputes.

Defaults and restructuring will not always be avoidable. Indeed, "creative destruction," as Joseph Schumpeter put it, is often an important element of renewal in a dynamic market economy. But an efficient bankruptcy statute is required to aid in this process, especially in the case of cross-border defaults.

Interest and currency risk-taking, excess leverage, weak financial systems, and interbank funding are all encouraged by the existence of a safety net. In a domestic context, it is difficult to achieve financial balance without a regulatory structure that seeks to simulate the market incentives that would tend to control these financial elements if there were not broad safety nets. It is even more difficult to achieve such a balance internationally among sovereign governments operating out of different cultures. Thus, governments have developed a patchwork of arrangements and conventions governing the functioning of the international financial system that I believe will need to be thoroughly reviewed and altered as necessary to fit the needs of the new global environment. A review of supervision and regulation of private financial institutions, especially those that are supported by a safety net, is particularly pressing because those institutions have played so prominent a role in the emergence of recent crises.

As I have testified previously, I believe that, in this rapidly expanding international financial system, the primary protection from adverse financial disturbances is effective counterparty surveillance, and, hence, government regulation and supervision should seek to produce an environment in which counterparties can most effectively oversee the credit risks of potential transactions.

Here a major improvement in transparency, including both accounting and public disclosure, is essential. To be sure, counterparties often exchange otherwise confidential information as a condition of a transaction. But broader dissemination of detailed disclosures of governments, financial institutions, and firms is required if the risks inherent in our global financial structure are to be contained. A market system can approach an appropriate equilibrium only if the signals to which individual market participants respond are accurate and adequate to the needs of the adjustment process. Among the important signals are product and asset prices, interest rates, debt by maturity, detailed accounts of central banks, and private enterprises. Blinded by faulty signals, a competitive free market system cannot reach a firm balance except by chance. In today's rapidly changing marketplace, producers need sophisticated signals to hone production schedules and investment programs to respond to consumer demand.

There is sufficient bias in political systems of all varieties to substitute hope (read, wishful thinking) for possibly difficult preemptive policy moves, both with respect to financial systems and economic policy. There is often denial and delay in instituting proper adjustments. Recent propensities to obscure the need for change have been evidenced by unreported declines in official reserves, issuance by governments of the equivalent to foreign currency obligations, or unreported large forward short positions against foreign currencies. It is very difficult for political leaders to incur what they perceive as large immediate political costs to contain problems that they see (often dimly) as only prospective.

Reality eventually replaces hope, but the cost of delay is a more abrupt and disruptive adjustment than would have been required if action had been more preemptive. Increased transparency for businesses, financial institutions, and governments is a key ingredient in fostering more discipline on private transactors and on government policymakers. Increased transparency can counter political bias in part by exposing for all to see the risks to stability of current policies as they develop. Under such conditions, *failure* to act would also be perceived as having political costs. I suspect that recent political foot dragging by governments in both developed and developing countries on the issue of greater transparency is credible evidence of its power and significance.

Transparency, which is so important to foster safe and sound lending practices, is, of course, less relevant for local currency lending if banks are guaranteed with sovereign credits. Moreover, transparency becomes especially difficult to create for organizations and corporations with large interlocking ownerships. Cross holdings of stock lead too often to lending on the basis of association, not economic value.

The list of problems that must be addressed to achieve balance in our future global financial system could be significantly extended, but let me end with a notion that is relevant also to today's crisis. It is becoming increasingly evident that supervision and regulation should address excess nonperforming loans expeditiously. The expected values of the losses on these loans are, of course, a subtraction from capital. But because these estimates are uncertain, they embody an additional risk premium that reduces the markets' best estimate of the size of effective equity capital even if capital is replenished. It is, hence, far better to remove these dubious assets and their associated risk premium from bank balance sheets and dispose of them separately, preferably promptly.

As a consequence of the unwinding of market restrictions and regulations, and the rapid increase in technology, the international financial system has expanded at a pace far faster than either domestic gross domestic product or cross-border trade. To reduce the risk of systemic crises in such an environment, an enhanced regime of market incentives, involving greater sensitivity to market signals, more information to make those signals more robust, and broader securities markets—coupled with better supervision—is essential. Obviously appropriate macropolicies, as ever, are assumed. But attention to microdetails is becoming increasingly pressing.

Nonetheless, it is reasonable to expect that despite endeavors at risk containment and prevention the system may fail in some instances, triggering vicious cycles and all the associated contagion for innocent bystanders. A backup source of international financial support provided only with agreed conditions to address underlying problems, the task assigned to the IMF, can play an essential stabilizing role. The availability of such support must be limited because its size cannot be expected to expand at the pace of the international financial system. I doubt if there will be worldwide political support for that.

In closing, I should like to stress that the significant degree of volatility that continues to exist in Asian markets indicates exceptionally high levels of uncertainty, bordering on panic. It is not reasonable to expect that the substantial investments needed to implement meaningful structural reforms can proceed very far until we observe a simmering down of frenetic changes in asset prices and exchange rates.

That is likely to result only when stability of banking and financial systems generally is achieved. The failure of the fragile banking systems of East Asia to hold steady as financial pressures increased was a defining element in the developing crisis. The stabilization of those banking systems is crucial, if confidence, which has been so thoroughly undercut in this most debilitating crisis, is to be restored.

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic and International Monetary Policy of the Committee on Banking and Financial Services, U.S. House of Representatives, February 24, 1998

I welcome this opportunity to present the Federal Reserve's semiannual report on economic conditions and the conduct of monetary policy. [1]

THE U.S. ECONOMY IN 1997

The U.S. economy delivered another exemplary performance in 1997. Over the four quarters of last year, real gross domestic product expanded close to 4 percent, its fastest annual increase in ten years. To produce that higher output, about 3 million Americans joined the nation's payrolls, in the process contributing to a reduction in the unemployment rate to 4¾ percent, its lowest sustained level since the late 1960s. And our factories were working more intensively too: Industrial production increased 5¾ percent last year, exceeding robust additions to capacity.

Those gains were shared widely. The hourly wage and salary structure rose about 4 percent, fueling impressive increases in personal incomes. Unlike some prior episodes when faster wage rate increases mainly reflected attempts to make up for more rapidly rising prices of goods and services, the fatter paychecks that workers brought home represented real increments to purchasing power. Measured consumer price inflation came in at 1¾ percent over the twelve months of 1997, down about 1½ percentage points from the pace of the prior year. While swings in the prices of food and fuel contributed to this decline, both narrower price indexes excluding those items and broader ones including all goods and services produced in the United States also paint a portrait of continued progress toward price stability. Businesses, for the most part, were able to pay these higher real wages while still increasing their earnings. Although aggregate data on profits for all of 1997 are not yet available, corporate profit margins most likely remained in an elevated range not seen consistently since the 1960s. These healthy gains in earnings and the expectations of more to come provided important support to the equity market, with most major stock price indexes gaining more than 20 percent over the year.

1. See "Monetary Policy Report to the Congress," *Federal Reserve Bulletin*, vol. 84 (March 1998), pp. 155–73.

The strong growth of the real income of workers and corporations is not unrelated to the economy's continued good performance on inflation. Taken together, recent evidence supports the view that such low inflation, as closely approaching price stability as we have known in the United States in three decades, engenders many benefits. When changes in the general price level are small and predictable, households and firms can plan more securely for the future. The perception of reduced risk encourages investment. Low inflation also exerts a discipline on costs, fostering efforts to enhance productivity. Productivity is the ultimate source of rising standards of living, and we witnessed a notable pickup in this measure in the past two years.

The robust economy has facilitated the efforts of the Congress and the Administration to restore balance in the unified federal budget. As I have indicated to the Congress on numerous occasions, moving beyond this point and putting the budget in significant surplus would be the surest and most direct way of increasing national saving. In turn, higher national saving, by promoting lower real long-term interest rates, helps spur spending to outfit American firms and their workers with the modern equipment they need to compete successfully on world markets. We have seen a partial down payment of the benefits of better budget balance already: It seems reasonable to assume that the decline in longer-term Treasury yields last year owed, in part, to reduced competition—current and prospective—from the federal government for scarce private saving. However, additional effort remains to be exerted to address the effects on federal entitlement spending of the looming shift within the next decade in the nation's retirement demographics.

As I noted earlier, our nation has been experiencing a higher growth rate of productivity—output per hour worked—in recent years. The dramatic improvements in computing power and communication and information technology appear to have been a major force behind this beneficial trend. Those innovations, together with fierce competitive pressures in our high tech industries to make them available to as many homes, offices, stores, and shop floors as possible, have produced double-digit annual reductions in prices of capital goods embodying new technologies. Indeed, many products considered to be at the cutting edge of technology as recently as two to three years ago have become so standardized and inexpensive that they have achieved near "commodity" status, a development that has allowed businesses to accelerate their accumulation of more and better capital.

Critical to this process has been the rapidly increasing efficiency of our financial markets—itself a product of the new technologies and of significant market deregulation over the years. Capital now flows with relatively little friction to projects embodying new ideas. Silicon Valley is a tribute both to American ingenuity and to the financial system's ever-increasing ability to supply venture capital to the entrepreneurs who are such a dynamic force in our economy.

With new high tech tools, American businesses have shaved transportation costs, managed their production and use of inventories more efficiently, and broadened market opportunities. The threat of rising costs in tight labor markets has imparted a substantial impetus to efforts to take advantage of possible efficiencies. In my Humphrey–Hawkins testimony last July, I discussed the likelihood that the sharp acceleration in capital investment in advanced technologies beginning in 1993 reflected synergies of new ideas, embodied in increasingly inexpensive new equipment, that have elevated expected returns and have broadened investment opportunities.

More recent evidence remains consistent with the view that this capital spending has contributed to a noticeable pickup in productivity—and probably by more than can be explained by usual business cycle forces. For one, the combination of continued low inflation and stable to rising domestic profit margins implies quite subdued growth in total consolidated unit business costs. With labor costs constituting more than two-thirds of those costs and labor compensation per hour accelerating, productivity must be growing faster, and that stepup must be roughly in line with the increase in compensation growth. For another, our more direct observations on output per hour roughly tend to confirm that productivity has picked up significantly in recent years, although how much the ongoing trend of productivity has risen remains an open question.

The acceleration in productivity, however, has been exceeded by the strengthening of demand for goods and services. As a consequence, employers had to expand payrolls at a pace well in excess of the growth of the working age population that profess a desire for a job, including new immigrants. As I pointed out last year in testimony before the Congress, that gap has been accommodated by declines in both the officially unemployed and those not actively seeking work but desirous of working. The number of people in those two categories decreased at a rate of about 1 million per year on average over the last four years. By December 1997, the sum had declined to a seasonally adjusted 10½ million, or

6 percent of the working age population, the lowest ratio since detailed information on this series first became available in 1970. Anecdotal information from surveys of our twelve Reserve Banks attests to our ever tightening labor markets.

Rapidly rising demand for labor has had enormous beneficial effects on our work force. Previously low- or unskilled workers have been drawn into the job market and have obtained training and experience that will help them even if they later change jobs. Large numbers of underemployed have been moved up the career ladder to match their underlying skills, and many welfare recipients have been added to payrolls as well, to the benefit of their long-term job prospects.

The recent acceleration of wages likely has owed in part to the ever-tightening labor market and in part to rising productivity growth, which, through competition, induces firms to grant higher wages. It is difficult at this time, however, to disentangle the relative contributions of these factors. What is clear is that, unless demand growth softens or productivity growth accelerates even more, we will gradually run out of new workers who can be profitably employed. It is not possible to tell how many more of the 6 percent of the working-age population who want to work but do not have jobs can be added to payrolls. A significant number are so-called frictionally unemployed, as they have left one job but not yet chosen to accept another. Still others have chosen to work in only a limited geographic area where their skills may not be needed.

Should demand for new workers continue to exceed new supply, we would expect wage gains increasingly to exceed productivity growth, squeezing profit margins and eventually leading to a pickup in inflation. Were a substantial pickup in inflation to occur, it could, by stunting economic growth, reverse much of the remarkable labor market progress of recent years. I will be discussing our assessment of these and other possibilities and their bearing on the outlook for 1998 shortly.

MONETARY POLICY IN 1997

History teaches us that monetary policy has been its most effective when it has been preemptive. The lagging relationship between the Federal Reserve's policy instrument and spending, and, even further removed, inflation, implies that if policy actions are delayed until prices begin to pick up, they will be too late to fend off at least some persistent price acceleration and attendant economic instabilities. Preemptive policymaking is keyed to judging how widespread are emerging inflationary forces, and when, and to what degree, those forces will be reflected in actual inflation. For most of last year, the evident strains on resources were sufficiently severe to steer the Federal Open Market Committee (FOMC) toward being more inclined to tighten than to ease monetary policy. Indeed, in March, when it became apparent that strains on resources seemed to be intensifying, the FOMC imposed modest incremental restraint, raising its intended federal funds rate ¼ percentage point, to 5½ percent.

We did not increase the federal funds rate again during the summer and fall, despite further tightening of the labor market. Even though the labor market heated up and labor compensation rose, measured inflation fell, owing to the appreciation of the dollar, weakness in international commodity prices, and faster productivity growth. Those restraining forces were more evident in goods-price inflation, which in the consumer price index (CPI) slowed substantially to only about ½ percent in 1997, than on service-price inflation, which moderated much less—to around 3 percent. Providers of services appeared to be more pressed by mounting strains in labor markets. Hourly wages and salaries in service-producing sectors rose 4½ percent last year, up considerably from the prior year and almost 1½ percentage points faster than in goods-producing sectors. However, a significant portion of that differential, but by no means all, traced to commissions in the financial and real estate services sector related to one-off increases in transactions prices and in volumes of activity, rather than to increases in the underlying wage structure.

Although the nominal federal funds rate was maintained after March, the apparent drop in inflation expectations over the balance of 1997 induced some firming in the stance of monetary policy by one important measure—the real federal funds rate, or the nominal federal funds rate less a proxy for inflation expectations. Some analysts have dubbed the contribution of the reduction in inflation expectations to raising the real federal funds rate a "passive" tightening, in that it increased the amount of monetary policy restraint in place without an explicit vote by the FOMC. While the tightening may have been passive in that sense, it was by no means inadvertent. Members of the FOMC took some comfort in the upward trend of the real federal funds rate over the year and the rise in the foreign exchange value of the dollar because such additional restraint was viewed as appropriate given the strength of spending and building strains on labor resources. They also recognized that in virtually all other respects financial markets remained quite accommodative and, indeed, judging by the rise in equity prices, were providing additional impetus to domestic spending.

THE OUTLOOK FOR 1998

There can be no doubt that domestic demand retained considerable momentum at the outset of this year. Production and employment have been on a strong uptrend in recent months. Confident households, enjoying gains in income and wealth and benefiting from the reductions in intermediate- and longer-term interest rates to date, should continue to increase their spending. Firms should find financing available on relatively attractive terms to fund profitable opportunities to enhance efficiency by investing in new capital equipment. By itself, this strength in spending would seem to presage intensifying pressures in labor markets and on prices. Yet, the outlook for total spending on goods and services produced in the United States is less assured of late because of storm clouds massing over the Western Pacific and heading our way.

This is not the place to examine in detail what triggered the initial problems in Asian financial markets and why the subsequent deterioration has been so extreme. I covered that subject recently before several committees of the Congress. Rather, I shall confine my discussion this morning to the likely consequences of the Asian crisis for demand and inflation in the United States.

With the crisis curtailing the financing available in foreign currencies, many Asian economies have had no choice but to cut back their imports sharply. Disruptions to their financial systems and economies more generally will further damp demands for our exports of goods and services. American exports should be held down as well by the appreciation of the dollar, which will make the prices of competing goods produced abroad more attractive, just as foreign-produced goods will be relatively more attractive to buyers here at home. As a result, we can expect a worsening net export position to exert a discernible drag on total output in the United States. For a time, such restraint might be reinforced by a reduced willingness of U.S. firms to accumulate inventories as they foresee weaker demand ahead.

The forces of Asian restraint could well be providing another, more direct offset to inflationary impulses arising domestically in the United States. In the wake of weakness in Asian economies and of lagged effects of the appreciation of the dollar more generally, the dollar prices of our non-oil imports are likely to decline further in the months ahead. These lower import prices are apparently already making domestic producers hesitant to raise their own prices for fear of losing market share, further contributing to the restraint on overall prices. Lesser demands for raw materials on the part of Asian economies as their activity slows should help to keep world commodity prices denominated in dollars in check. Import and commodity prices, however, will restrain U.S. inflation only as long as they continue to fall, or to rise at a slower rate than the pace of overall domestic product prices.

The key question going forward is whether the restraint building from the turmoil in Asia will be sufficient to check inflationary tendencies that might otherwise result from the strength of domestic spending and tightening labor markets. The depth of the adjustment abroad will depend on the extent of weakness in the financial sectors of Asian economies and the speed with which structural inefficiencies in the financial and nonfinancial sectors of those economies are corrected. If, as we suspect, the restraint coming from Asia is sufficient to bring the demand for American labor back into line with the growth of the working-age population desirous of working, labor markets will remain unusually tight, but any intensification of inflation should be delayed, very gradual, and readily reversible. However, we cannot rule out two other, more worrisome possibilities. On the one hand, should the momentum to domestic spending not be offset significantly by Asian or other developments, the U.S. economy would be on a track along which spending could press too strongly against available resources to be consistent with contained inflation. On the other, we also need to be alert to the possibility that the forces from Asia might damp activity and prices by more than is desirable by exerting a particularly forceful drag on the volume of net exports and the prices of imports.

When confronted at the beginning of this month with these, for the moment, finely balanced, though powerful forces, the members of the Federal Open Market Committee decided that monetary policy should most appropriately be kept on hold. With the continuation of a remarkable seven-year expansion at stake and so little precedent to go by, the range of our intelligence gathering in the weeks ahead must be wide and especially inclusive of international developments.

The Forecasts of the Governors of the Federal Reserve Board and the Presidents of the Federal Reserve Banks

In these circumstances, the forecasts of the governors of the Federal Reserve Board and presidents of the Federal Reserve Banks for the performance of the U.S economy over this year are more tentative than usual. Based on information available through the first week of February, monetary policymakers were generally of the view that moderate economic growth is likely in store. The growth rate of real GDP is most commonly seen as between 2 percent and 2¾ percent over the four quarters of 1998. Given the strong performance of real GDP, these projections envisage the unemployment rate remaining in the low range of the past half year. Inflation, as measured by the fourth-quarter percentage change in the consumer price index, is expected to be 1¾ percent to 2¼ percent in 1998—near the low rate recorded in 1997. This outlook embodies the expectation that the effects of continuing tightness in labor markets will be largely offset by technical adjustments shaving a couple tenths from the published CPI, healthy productivity growth, flat or declining import prices, and little pressure in commodity markets. But the policymakers' forecasts also reflect their determination to hold the line on inflation.

The Ranges for the Debt and Monetary Aggregates

The FOMC affirmed the provisional ranges for the monetary aggregates in 1998 that it had selected last July, which, once again, encompass the growth rates associated with conditions of approximate price stability, provided that these aggregates act in accord with their pre-1990s historical relationships with nominal income and interest rates. These ranges are identical to those that had prevailed for 1997—1 percent to 5 percent for M2 and 2 percent to 6 percent for M3. The FOMC also reaffirmed its range of 3 percent to 7 percent for the debt of the domestic nonfinancial sectors for this year. I should caution, though, that the expectations of the governors and Reserve Bank presidents for the expansion of nominal GDP in 1998 suggest that growth of M2 in the upper half of its benchmark range is a distinct possibility this year. Given the continuing strength of bank credit, M3 might even be above its range as depositories use liabilities in this aggregate to fund loan growth and securities acquisitions. Nonfinancial debt should come in around the middle portion of its range.

In the first part of the 1990s, money growth diverged from historical relationships with income and interest rates, in part as savers diversified into bond and stock mutual funds, which had become more readily available and whose returns were considerably more attractive than those on deposits. This anomalous behavior of velocity severely set back most analysts' confidence in the usefulness of M2 as an indicator of economic developments. In recent years, there have been tentative signs that the historical relationship linking the velocity of M2—measured as the ratio of nominal GDP to the money stock—to the cost of holding M2 assets was reasserting itself. However, a persistent residual upward drift in velocity over the past few years and its apparent cessation very recently underscores our ongoing uncertainty about the stability of this relationship. The FOMC will continue to observe the evolution of the monetary and credit aggregates carefully, integrating information about these variables with a wide variety of other information in determining its policy stance.

Uncertainty about the Outlook

With the current situation reflecting a balance of strong countervailing forces, events in the months ahead are not likely to unfold smoothly. In that regard, I would like to flag a few areas of concern about the economy beyond those mentioned already regarding Asian developments.

Without doubt, lenders have provided important support to spending in the past few years by their willingness to transact at historically small margins and in large volumes. Equity investors have contributed as well by apparently pricing in the expectation of substantial earnings gains and requiring modest compensation for the risk that those expectations could be mistaken. Approaching the eighth year of the economic expansion, this is understandable in an economic environment that, contrary to historical experience, has become increasingly benign. Businesses have been meeting obligations readily and generating high profits, putting them in outstanding financial health.

But we must be concerned about becoming too complacent about evaluating repayment risks. All too often at this stage of the business cycle, the loans that banks extend later make up a disproportionate share of total nonperforming loans. In addition, quite possibly, twelve or eighteen months hence, some of the securities purchased on the market could be looked upon with some regret by investors. As one of the nation's bank supervisors, the Federal Reserve will make every effort to encourage banks to apply sound underwriting standards in their lending. Prudent lenders should consider a wide range of economic situations in evaluating credit; to do otherwise would risk contributing to potentially disruptive financial problems down the road.

A second area of concern involves our nation's continuing role in the new high tech international financial system. By joining with our major trading partners and international financial institutions in helping to stabilize the economies of Asia and promoting needed structural changes, we are also encouraging the continued expansion of world trade and global economic and financial stability on which the ongoing increase of our own standards of living depends. If we were to cede our role as a world leader, or backslide into protectionist policies, we would threaten the source of much of our own sustained economic growth.

A third risk is complacency about inflation prospects. The combination and interaction of significant increases in productivity-improving technologies, sharp declines in budget deficits, and disciplined monetary policy has damped product price changes, bringing them to near stability. While part of this result owes to good policy, part is the product of the fortuitous emergence of new technologies and of some favorable price developments in imported goods. However, as history counsels, it is unwise to count on any string of good fortune to continue indefinitely. At the same time, though, it is also instructive to remember the words of an old sage that "luck is the residue of design." He meant that to some degree we can deliberately put ourselves in position to experience good fortune and be better prepared when misfortune strikes. For example, the 1970s were marked by two major oil-price shocks and a significant depreciation in the exchange value of the dollar. But those misfortunes were, in part, the result of allowing imbalances to build over the decade as policymakers lost hold of the anchor provided by price stability. Some of what we now see helping rein in inflation pressures is more likely to occur in an environment of stable prices and price expectations that thwarts producers from indiscriminately passing on higher costs, puts a premium on productivity enhancement, and more effectively rewards investment in physical and human capital.

Simply put, while the pursuit of price stability does not rule out misfortune, it lowers its probability. If firms are convinced that the general price level will remain stable, they will reserve increases in their sales prices of goods and services as a last resort, for fear that such increases could mean loss of market share. Similarly, if households are convinced of price stability, they will not see variations in relative prices as reasons to change their long-run inflation expectations. Thus, continuing to make progress toward this legislated objective will make future supply shocks less likely and our nation's economy less vulnerable to those that occur. □

Chairman Greenspan presented identical testimony before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, February 25, 1998.

Announcements

Meeting of the Consumer Advisory Council

The Federal Reserve Board announced on February 26, 1998, that the Consumer Advisory Council would meet on Thursday, March 19 in a meeting open to the public. The council's function is to advise the Board on the exercise of the Board's responsibilities under the Consumer Credit Protection Act and on other matters on which the Board seeks its advice.

Adjustment of the Amount of Mortgage Loans That Triggers Additional Disclosure Requirements

The Federal Reserve Board on February 6, 1998, published its annual adjustment of the dollar amount that triggers additional disclosure requirements under Truth in Lending for mortgage loans that bear fees above a certain amount. The Board has adjusted the dollar amount from $424 for 1997 to $435 for 1998.

The Home Ownership and Equity Protection Act of 1994 bars credit terms such as balloon payments and requires additional disclosures when total points and fees payable by the consumer exceed $400, or 8 percent of the total loan amount, whichever is larger. The Board must adjust this amount each year based on the annual percentage change in the consumer price index in effect on June 1.

Proposed Actions

The Federal Reserve Board on February 19, 1998, published for comment proposed amendments to its Regulation C (Home Mortgage Disclosure). Comments were requested by April 27. The proposed amendments would modify the Loan Application Register to prepare for the Year 2000 data systems conversion.

The Federal Reserve Board on February 5, 1998, requested additional comments on possible streamlining and reform of the Truth in Lending Act and the Real Estate Settlement Procedures Act for home-secured loans. Comments were requested by March 9.

Publication by the Basle Committee of a Paper on Internal Control Systems

The Basle Committee on Banking Supervision has issued a paper entitled *Framework for the Evaluation of Internal Control Systems* as part of its ongoing work to improve risk-management standards in banks.

The paper describes elements that are essential to a sound internal control system and lists fourteen principles for use by supervisory authorities when evaluating banks' internal controls. The internal control framework described in the paper is in the context of international banking organizations, and it is consistent with the Committee of Sponsoring Organizations of the Treadway Commission document *Internal Control-Integrated Framework.*

The paper is being distributed to supervisory authorities around the world, to banks, and to other interested parties. Comments to the Basle Committee were invited by March 30, 1998. The Basle Committee's press release and paper may also be obtained from the Internet (http://www.bis.org) or from the Basle Committee Secretariat at the Bank for International Settlements.

Issuance for Public Comment of Documents on the Supervision of Financial Conglomerates by the Basle Committee

The Basle Committee on Banking Supervision has issued for public comment documents on the supervision of financial conglomerates that have been prepared by the Joint Forum on Financial Conglomerates. Comments are requested by July 31, 1998, and should be directed to the Basle Committee at FAX: 011-41-61-280-9100.

The Joint Forum prepared the documents along with the International Association of Securities Commissions and the International Association of Insurance Advisors, and the documents are accessible on the Internet at the Bank for International Settlements' Web site (http://www.bis.org).

The emergence of financial conglomerates and the blurring of distinctions among the activities of firms in the banking, securities, and insurance sectors have raised important supervisory issues that are addressed in these documents. The documents include discussion of such topics as capital adequacy and sound, prudential management principles and describe possible frameworks for facilitating the exchange of information and for enhancing cooperation among supervisors.

The documents, which are in the form of working papers, are being distributed to supervisory agencies and industry representatives in each sector worldwide. Input from industry and supervisory sources will play an important role in the ongoing work of the Joint Forum as it addresses supervisory issues related to financial conglomerates.

REVISIONS TO THE MONEY STOCK DATA

Measures of the money stock were revised in February of this year to incorporate the results of the annual benchmark and seasonal factor review. Data in tables 1.10 and 1.21 in the statistical appendix to the *Bulletin* reflect these changes beginning with this issue.

The revisions had no effect on the annual growth rates of M2 and M3 over 1997, but they raised the annual growth rate of M1 by 0.1 percentage point over the past year.

The benchmark incorporates minor revisions to data reported on the weekly and quarterly deposit reports, and it takes account of deposit data from call reports for banks and thrift institutions that are not weekly or quarterly deposit reporters. These revisions to deposit data start in 1994. The benchmark also incorporates historical data for a number of money market mutual funds that began reporting for the first time during 1997, raising the level of M3 over the years by amounts that cumulate to $18 billion by mid-1997.

Seasonal factors for the monetary aggregates have been revised, using the benchmarked data through December 1997. As in the past few years, the X-11 ARIMA procedure was used to derive monthly seasonal factors. Overall, the revisions due to seasonal factors slightly lowered the growth rates of M1 and M3 in the first half of 1997 and raised the growth rates of M3 in the second half of the year.

Completed historical data are available in printed form from the Money and Reserves Projection Section, Mail Stop 72, Board of Governors of the Federal Reserve System, Washington, D.C. 20551; or phone (202) 452-3062. Historical data for the monetary aggregates and their components are available each week in the Board's weekly H.6 statistical release on its Web site (http://www.bog.frb.fed.us) under Domestic and International Research, Statistics: Releases and historical data and also from the Economic Bulletin Board of the U.S. Department of Commerce. Call (202) 482-1986 or toll-free (800) 782-8872 for information on how to access the Commerce Department bulletin board.

1. Monthly seasonal factors used to construct M1, January 1997–March 1999

Year and month	Currency	Nonbank travelers checks	Demand deposits	Other checkable deposits[1]	
				Total	At banks
1997—January	.9963	.9636	1.0096	1.0139	1.0219
February	.9945	.9645	.9771	.9946	1.0013
March	.9980	.9778	.9841	1.0015	1.0029
April	.9994	.9820	1.0005	1.0213	1.0207
May	1.0001	.9915	.9795	.9913	.9892
June	1.0009	1.0261	.9977	.9981	.9951
July	1.0018	1.0589	1.0025	.9931	.9891
August	1.0017	1.0549	.9994	.9906	.9884
September	.9966	1.0322	.9975	.9950	.9936
October	.9975	1.0040	.9978	.9925	.9907
November	1.0013	.9770	1.0134	.9980	.9964
December	1.0081	.9658	1.0400	1.0101	1.0112
1998—January	.9973	.9655	1.0090	1.0134	1.0213
February	.9951	.9672	.9773	.9945	1.0012
March	.9979	.9782	.9851	1.0017	1.0029
April	1.0000	.9816	1.0004	1.0214	1.0207
May	1.0012	.9910	.9801	.9915	.9893
June	1.0002	1.0258	.9984	.9983	.9951
July	1.0032	1.0577	1.0022	.9929	.9890
August	1.0013	1.0529	1.0000	.9907	.9885
September	.9971	1.0310	.9974	.9948	.9935
October	.9982	1.0044	.9968	.9927	.9911
November	1.0013	.9774	1.0132	.9980	.9964
December	1.0086	.9661	1.0399	1.0098	1.0110
1999—January	.9986	.9665	1.0087	1.0132	1.0211
February	.9957	.9689	.9776	.9947	1.0012
March	.9979	.9786	.9856	1.0020	1.0030

1. Seasonally adjusted other checkable deposits at thrift institutions are derived as the difference between total other checkable deposits, seasonally adjusted, and seasonally adjusted other checkable deposits at commercial banks.

2. Monthly seasonal factors used to construct M2 and M3, January 1997–March 1999

Year and month	Savings and MMDA deposits[1]	Small-denomination time deposits[1]	Large-denomination time deposits[1]	Money market mutual funds		RPs	Eurodollars
				In M2	In M3 only		
1997—January	.9956	.9990	.9851	1.0051	1.0251	.9952	1.0210
February	.9950	1.0003	.9939	1.0074	1.0307	.9975	1.0156
March	1.0040	1.0010	.9975	1.0149	1.0187	.9945	1.0118
April	1.0045	1.0014	.9930	1.0111	.9929	1.0017	1.0017
May	.9985	1.0012	1.0027	.9860	.9818	1.0149	1.0057
June	1.0028	1.0008	.9984	.9868	.9825	1.0205	.9889
July	1.0023	1.0013	.9979	.9936	.9894	1.0019	.9786
August	1.0023	1.0002	1.0003	1.0034	.9956	1.0027	.9900
September	.9989	.9992	1.0045	.9960	.9857	.9950	.9897
October	.9969	.9998	1.0147	.9932	.9896	1.0088	.9916
November	.9996	.9986	1.0117	.9986	.9988	.9935	.9908
December	.9981	.9974	1.0010	1.0042	1.0073	.9717	1.0112
1998—January	.9959	.9993	.9850	1.0048	1.0235	.9951	1.0215
February	.9957	1.0004	.9933	1.0080	1.0336	.9998	1.0159
March	1.0048	1.0006	.9974	1.0160	1.0211	.9957	1.0139
April	1.0049	1.0012	.9933	1.0109	.9927	1.0016	1.0035
May	.9986	1.0010	1.0024	.9846	.9813	1.0155	1.0071
June	1.0029	1.0006	.9981	.9865	.9826	1.0199	.9891
July	1.0022	1.0011	.9983	.9928	.9887	1.0015	.9782
August	1.0021	1.0002	1.0002	1.0033	.9949	1.0018	.9884
September	.9985	.9993	1.0046	.9965	.9864	.9928	.9890
October	.9964	.9999	1.0153	.9937	.9890	1.0094	.9898
November	.9993	.9987	1.0116	.9989	.9977	.9947	.9893
December	.9980	.9977	1.0009	1.0043	1.0081	.9719	1.0135
1999—January	.9960	.9996	.9849	1.0046	1.0227	.9951	1.0210
February	.9961	1.0004	.9930	1.0080	1.0347	1.0001	1.0167
March	1.0052	1.0002	.9972	1.0165	1.0222	.9964	1.0156

1. Seasonal factors are applied to deposits data at both commercial banks and thrift institutions.

3. Weekly seasonal factors used to construct M1, December 1, 1997–April 5, 1999

Week ending		Currency	Nonbank travelers checks	Demand deposits	Other checkable deposits[1]	
					Total	At banks
1997—December	1	1.0025	.9620	1.0364	1.0077	1.0081
	8	1.0051	.9616	1.0208	1.0016	.9961
	15	1.0056	.9622	1.0297	.9981	.9936
	22	1.0125	.9628	1.0400	1.0120	1.0160
	29	1.0140	.9634	1.0566	1.0247	1.0350
1998—January	5	1.0055	.9630	1.0883	1.0398	1.0409
	12	1.0011	.9611	1.0343	1.0174	1.0215
	19	.9963	.9592	1.0006	1.0078	1.0150
	26	.9907	.9573	.9617	.9989	1.0137
February	2	.9910	.9554	.9670	1.0054	1.0187
	9	.9975	.9567	.9775	.9964	1.0003
	16	.9971	.9580	.9823	.9843	.9905
	23	.9935	.9593	.9705	.9897	1.0006
March	2	.9932	.9607	.9838	1.0089	1.0111
	9	1.0003	.9662	.9879	1.0014	.9946
	16	.9981	.9718	.9921	.9901	.9925
	23	.9972	.9774	.9673	.9972	1.0014
	30	.9968	.9830	.9895	1.0139	1.0197
April	6	1.0025	.9844	1.0116	1.0177	1.0105
	13	1.0033	.9827	1.0213	1.0170	1.0168
	20	.9997	.9810	1.0060	1.0394	1.0353
	27	.9970	.9793	.9711	1.0155	1.0243
May	4	1.0000	.9798	.9847	1.0108	1.0077
	11	1.0041	.9859	.9787	.9955	.9861
	18	1.0010	.9920	.9851	.9874	.9828
	25	1.0003	.9980	.9594	.9803	.9808
June	1	.9972	1.0041	.9969	.9920	.9985
	8	1.0028	1.0138	1.0037	.9960	.9876
	15	1.0010	1.0241	1.0097	.9970	.9896
	22	.9991	1.0344	.9815	.9954	.9965
	29	.9979	1.0446	.9939	1.0054	1.0072
July	6	1.0076	1.0518	1.0334	1.0004	.9899
	13	1.0056	1.0567	1.0155	.9876	.9823
	20	1.0024	1.0616	.9941	.9884	.9860
	27	.9995	1.0664	.9690	.9905	.9935

3. Weekly seasonal factors used to construct M1, December 1, 1997–April 5, 1999—Continued

Week ending	Currency	Nonbank travelers checks	Demand deposits	Other checkable deposits[1]	
				Total	At banks
1998—August 3	1.0013	1.0700	1.0040	1.0032	.9972
10	1.0061	1.0664	1.0084	.9880	.9822
17	1.0021	1.0628	1.0147	.9829	.9811
24	.9981	1.0591	.9894	.9848	.9866
31	.9977	1.0555	.9859	1.0019	1.0001
September 7	1.0027	1.0497	1.0073	.9953	.9895
14	.9992	1.0430	1.0155	.9914	.9884
21	.9954	1.0364	.9868	.9944	.9949
28	.9926	1.0297	.9774	.9957	1.0008
October 5	.9980	1.0224	1.0073	1.0040	.9946
12	1.0019	1.0142	.9968	.9880	.9784
19	.9980	1.0061	1.0015	.9896	.9881
26	.9953	.9979	.9771	.9841	.9913
November 2	.9956	.9897	1.0071	1.0046	1.0093
9	1.0029	.9831	.9993	.9976	.9892
16	1.0014	.9765	1.0188	.9932	.9921
24	.9994	.9698	1.0034	.9931	.9972
30	1.0028	.9632	1.0329	1.0062	1.0034
December 7	1.0052	.9617	1.0137	1.0045	.9934
14	1.0059	.9623	1.0303	.9974	.9942
21	1.0105	.9629	1.0441	1.0082	1.0140
28	1.0142	.9636	1.0549	1.0186	1.0304
1999—January 4	1.0084	.9635	1.0789	1.0337	1.0393
11	1.0032	.9616	1.0345	1.0217	1.0210
18	.9987	.9598	1.0088	1.0126	1.0155
25	.9935	.9580	.9723	1.0015	1.0161
February 1	.9913	.9562	.9741	1.0039	1.0213
8	.9973	.9570	.9801	1.0015	1.0034
15	.9977	.9584	.9804	.9869	.9917
22	.9947	.9597	.9686	.9882	.9988
March 1	.9937	.9611	.9824	1.0018	1.0094
8	.9998	.9659	.9917	1.0021	.9949
15	.9987	.9713	.9936	.9952	.9934
22	.9975	.9768	.9696	.9976	1.0018
29	.9969	.9823	.9818	1.0093	1.0185
April 5	1.0013	.9844	1.0065	1.0149	1.0118

1. Seasonally adjusted other checkable deposits at thrift institutions are derived as the difference between total other checkable deposits, seasonally adjusted, and seasonally adjusted other checkable deposits at commercial banks.

4. Weekly seasonal factors used to construct M2 and M3, December 1, 1997–April 5, 1999

Week ending	Savings and MMDA deposits[1]	Small-denomination time deposits[1]	Large-denomination time deposits[1]	Money market mutual funds		RPs	Eurodollars
				In M2	In M3 only		
1997—December 1	.9918	.9983	1.0093	1.0022	1.0051	.9865	1.0063
8	1.0121	.9982	1.0085	1.0051	1.0048	.9784	.9990
15	1.0059	.9974	1.0071	1.0096	1.0222	.9795	1.0088
22	.9937	.9968	1.0010	1.0065	1.0085	.9665	1.0110
29	.9802	.9969	.9915	1.0005	1.0060	.9622	1.0257
1998—January 5	1.0032	.9988	.9816	.9884	.9653	.9648	1.0156
12	1.0055	.9994	.9857	1.0067	1.0260	.9883	1.0190
19	.9989	.9995	.9855	1.0099	1.0384	.9996	1.0253
26	.9837	.9993	.9856	1.0085	1.0480	1.0079	1.0271
February 2	.9841	.9998	.9857	1.0065	1.0223	1.0106	1.0177
9	1.0018	1.0004	.9907	1.0083	1.0305	1.0076	1.0108
16	1.0006	1.0005	.9937	1.0069	1.0319	1.0046	1.0141
23	.9899	1.0004	.9945	1.0077	1.0420	.9921	1.0195
March 2	.9929	1.0006	.9975	1.0099	1.0332	.9887	1.0201
9	1.0137	1.0007	.9999	1.0168	1.0330	.9873	1.0100
16	1.0124	1.0005	.9987	1.0181	1.0260	.9950	1.0096
23	1.0015	1.0003	.9984	1.0174	1.0238	1.0008	1.0137
30	.9930	1.0008	.9938	1.0131	1.0020	1.0016	1.0214
April 6	1.0184	1.0016	.9903	1.0175	.9971	.9972	1.0096
13	1.0228	1.0013	.9923	1.0238	1.0040	.9980	.9972
20	1.0034	1.0012	.9920	1.0154	.9910	1.0013	.9947
27	.9817	1.0009	.9959	.9992	.9862	1.0060	1.0109

4. Weekly seasonal factors used to construct M2 and M3, December 1, 1997–April 5, 1999—Continued

Week ending	Savings and MMDA deposits[1]	Small-denomination time deposits[1]	Large-denomination time deposits[1]	Money market mutual funds		RPs	Eurodollars
				In M2	In M3 only		
1998—May 4	.9939	1.0012	.9984	.9842	.9767	1.0097	1.0096
11	1.0027	1.0012	1.0024	.9829	.9821	1.0130	1.0000
18	1.0002	1.0010	1.0008	.9832	.9838	1.0149	1.0031
25	.9974	1.0009	1.0039	.9874	.9801	1.0155	1.0136
June 1	.9966	1.0006	1.0051	.9852	.9816	1.0232	1.0107
8	1.0187	1.0009	1.0021	.9888	.9857	1.0228	.9953
15	1.0106	1.0006	.9996	.9902	.9868	1.0249	.9893
22	.9962	1.0002	.9967	.9858	.9792	1.0226	.9857
29	.9861	1.0007	.9937	.9816	.9784	1.0109	.9851
July 6	1.0105	1.0018	.9925	.9853	.9861	1.0076	.9762
13	1.0084	1.0014	.9970	.9944	.9954	.9994	.9724
20	1.0003	1.0011	1.0007	.9962	.9911	.9984	.9739
27	.9921	1.0005	1.0009	.9952	.9902	1.0022	.9838
August 3	1.0003	1.0008	1.0005	.9912	.9743	1.0000	.9893
10	1.0120	1.0007	.9986	.9999	.9915	1.0059	.9837
17	1.0067	1.0004	.9982	1.0055	.9955	1.0067	.9831
24	.9975	.9999	1.0023	1.0077	1.0069	.9986	.9886
31	.9931	.9994	1.0017	1.0054	.9946	.9970	.9978
September 7	1.0141	.9995	1.0017	1.0023	.9874	.9911	.9854
14	1.0102	.9993	1.0050	1.0019	.9963	.9897	.9832
21	.9918	.9990	1.0054	.9952	.9897	.9929	.9875
28	.9773	.9991	1.0047	.9895	.9753	.9963	.9991
October 5	1.0007	1.0009	1.0105	.9869	.9754	.9968	.9920
12	1.0072	1.0010	1.0179	.9948	.9909	1.0040	.9914
19	.9992	.9997	1.0144	.9954	.9933	1.0129	.9839
26	.9843	.9990	1.0168	.9953	.9894	1.0180	.9911
November 2	.9900	.9989	1.0153	.9942	.9931	1.0125	.9918
9	1.0096	.9989	1.0140	.9948	.9929	1.0043	.9820
16	1.0049	.9988	1.0112	.9967	.9966	.9969	.9829
23	.9918	.9986	1.0103	1.0044	1.0030	.9894	.9891
30	.9938	.9986	1.0099	1.0008	.9995	.9833	1.0027
December 7	1.0128	.9984	1.0083	1.0079	1.0072	.9793	1.0081
14	1.0037	.9978	1.0078	1.0088	1.0289	.9760	1.0112
21	.9924	.9972	1.0019	1.0055	1.0080	.9675	1.0122
28	.9818	.9973	.9936	1.0007	1.0029	.9647	1.0204
1999—January 4	1.0012	.9986	.9825	.9909	.9744	.9725	1.0192
11	1.0066	.9996	.9858	1.0043	1.0144	.9891	1.0194
18	1.0008	.9997	.9857	1.0093	1.0363	.9963	1.0232
25	.9877	.9996	.9847	1.0074	1.0425	1.0020	1.0249
February 1	.9845	.9999	.9849	1.0053	1.0254	1.0077	1.0171
8	1.0010	1.0005	.9894	1.0076	1.0321	1.0050	1.0091
15	1.0016	1.0005	.9929	1.0073	1.0340	1.0056	1.0146
22	.9910	1.0003	.9946	1.0077	1.0412	.9953	1.0194
March 1	.9920	1.0002	.9966	1.0101	1.0324	.9924	1.0246
8	1.0118	1.0007	.9993	1.0148	1.0340	.9915	1.0127
15	1.0099	1.0005	.9991	1.0176	1.0293	.9970	1.0141
22	1.0009	.9998	.9983	1.0188	1.0271	.9993	1.0151
29	.9963	.9999	.9946	1.0171	1.0036	1.0000	1.0214
April 5	1.0189	1.0002	.9897	1.0113	.9994	.9915	1.0076

1. Seasonal factors are applied to deposits data at both commercial banks and thrift institutions.

Minutes of the Federal Open Market Committee Meeting Held on December 16, 1997

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., on Wednesday, December 16, 1997, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Broaddus
Mr. Ferguson
Mr. Gramlich
Mr. Guynn
Mr. Kelley
Mr. Moskow
Mr. Meyer
Mr. Parry
Ms. Phillips
Ms. Rivlin

Messrs. Hoenig, Jordan, and Ms. Minehan, Alternate Members of the Federal Open Market Committee

Messrs. Boehne, McTeer, and Stern, Presidents of the Federal Reserve Banks of Philadelphia, Dallas, and Minneapolis respectively

Mr. Kohn, Secretary and Economist
Mr. Bernard, Deputy Secretary
Mr. Coyne, Assistant Secretary
Mr. Gillum, Assistant Secretary
Mr. Mattingly, General Counsel
Mr. Baxter, Deputy General Counsel
Mr. Prell, Economist
Mr. Truman, Economist

Messrs. Beebe, Cecchetti, Eisenbeis, Goodfriend, Lindsey, Promisel, Siegman, Slifman, and Stockton, Associate Economists

Mr. Fisher, Manager, System Open Market Account

Mr. Winn, Assistant to the Board, Office of Board Members, Board of Governors

Mr. Ettin, Deputy Director, Division of Research and Statistics, Board of Governors

Messrs. Madigan and Simpson, Associate Directors, Divisions of Monetary Affairs and Research and Statistics respectively, Board of Governors

Messrs. Alexander, Hooper, and Ms. Johnson, Associate Directors, Division of International Finance, Board of Governors

Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs, Board of Governors

Messrs. Connolly and Rives, First Vice Presidents, Federal Reserve Banks of Boston and St. Louis respectively

Mses. Browne, Krieger, Messrs. Dewald, Hakkio, Lang, and Rosenblum, Senior Vice Presidents, Federal Reserve Banks of Boston, New York, St. Louis, Kansas City, Philadelphia, and Dallas respectively

Mr. Miller, Vice President, Federal Reserve Bank of Minneapolis

Messrs. Bryan and Evans, Assistant Vice Presidents, Federal Reserve Banks of Cleveland and Chicago respectively

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on November 12, 1997, were approved.

The Manager of the System Open Market Account reported on developments in foreign exchange and international financial markets in the period since the previous meeting on November 12, 1997. There were no open market transactions in foreign currencies for System Account during this period, and thus no vote was required of the Committee.

The Manager also reported on developments in domestic financial markets and on System open market transactions in government securities and federal agency obligations during the period November 12, 1997, through December 15, 1997. By unanimous vote, the Committee ratified these transactions.

The Committee then turned to a discussion of the economic outlook and the conduct of monetary policy over the intermeeting period ahead.

The information reviewed at this meeting suggested that economic activity had continued to grow at a rapid pace in recent months. The further advance reflected moderating but still sizable increases in business fixed investment and consumer spending and an upturn in business inventory accumulation. Housing demand remained at a high level, and deepening trade deficits provided only a partial offset to the strength in domestic spending. Against this background, employment and production posted further large gains. Price inflation remained subdued despite tight labor markets and some pickup in the rate of wage increases.

Nonfarm payroll employment rose sharply further in October and November. The increases in payrolls were widespread across sectors, and in November they included notably large gains in the service-producing industries. Manufacturing employment also rose considerably further in November, and aggregate weekly hours of production or nonsupervisory workers registered a particularly large advance in that month. The civilian unemployment rate fell to 4.6 percent in November, its low for the current expansion.

Industrial production continued to advance at a brisk pace in October and November. The November increase was widespread across market groups. It featured particularly strong growth in the production of durable goods, including a surge in the output of motor vehicles and parts. Partly offsetting the strength in the manufacturing sector in November was a decline in mining activity and in utilities output after two months of robust expansion. The large rise in production boosted the rate of utilization of manufacturing capacity to its highest level in more than two years.

Growth in consumer spending had moderated in recent months from a very brisk pace during the summer. Retail sales were unchanged on balance over October and November after having increased rapidly in the third quarter. The flat sales for the two months reflected some softening in the durable goods category, notably at automotive dealers, and relatively slow growth in the nondurable goods sector. Consumer spending on services appeared to have remained relatively robust in October. According to recent surveys, consumer sentiment continued at an extraordinarily ebullient level in the context of further strong gains in jobs and incomes, the cumulative effect of large increases in household net worth, and the ready availability of financing for most consumers.

Available information suggested that business capital expenditures had moderated in recent months from the exceptionally strong increases of the second and third quarters. Shipments of office and computing equipment fell in nominal terms in October, while shipments of communications equipment were about unchanged after having posted strong gains earlier in the year. Shipments of nondefense capital goods other than aircraft and high tech equipment also declined in October. Spending on nonresidential structures had softened a bit in recent months.

In the housing sector, demand had continued to display appreciable strength in recent months in association with relatively moderate mortgage rates and very positive consumer assessments of homebuying conditions. In October, the latest month for which data were available, sales of new homes were well maintained, and sales of existing homes rose. Housing starts increased somewhat in October and November from the already high level reached earlier in the year.

After having picked up considerably in September, the pace of business inventory investment in October remained above that recorded earlier in the summer. The rise in stocks at the manufacturing level was at a somewhat faster pace in October than in September, but the buildup in inventories at the wholesale level, and especially at the retail level, moderated in October. On balance, inventories remained at quite low levels in relation to shipments and sales.

The nominal deficit on U.S. trade in goods and services was significantly larger in the third quarter than in the second. Exports of goods and services rose only marginally in the third quarter, as increases in machinery, industrial supplies, and service receipts were nearly offset by sharp declines in exports of aircraft and gold. Imports of goods and services rose appreciably in the third quarter; the increases were in most major trade categories and included strong further advances in the quantity of oil imports. Economic growth in most major foreign industrial countries was relatively vigorous in the third quarter, and preliminary indicators for the fourth quarter suggested continued above-trend expansion. However, growth since midyear appeared to have recovered only modestly in Japan from a sharp second-quarter decline. The ongoing financial turmoil affecting a number of Asian economies had led to a significant slowdown in economic activity in the region. Available data also suggested a favorable economic performance in major Latin American countries in the third quarter.

Consumer price inflation had remained at a low level in recent months, reflecting a variety of influences including a favorable labor cost environment, falling import prices, small increases in energy prices, and declining inflation expectations. For the twelve months ended in November, overall consumer prices and consumer prices excluding food and energy items increased appreciably less than in the year-earlier period. At the producer level, prices for finished goods edged lower in November and the index was down somewhat on balance over the past year, reflecting declines in the food and energy components. The rate of increase in average hourly earnings had picked up in recent months, apparently reflecting the effects of an increase in the federal minimum wage and some bidding up of wages in a tight labor market.

At its meeting on November 12, 1997, the Committee adopted a directive that called for maintaining conditions in reserve markets that were consistent with an unchanged federal funds rate averaging around 5½ percent. In the directive the Committee retained a tilt toward a possible firming of reserve conditions during the intermeeting period. Such a bias was seen as consistent with the members' views that the risks continued to be skewed toward rising inflation and that the next policy move was more likely to be in the direction of some firming than toward easing. Reserve market conditions associated with this directive were expected to be consistent with some moderation in the growth of M2 and M3 over coming months.

Open market operations throughout the intermeeting period were directed toward maintaining reserve conditions consistent with the intended average of around 5½ percent for the federal funds rate, and the average effective rate over the period was close to that rate level. In other domestic financial markets, short-term interest rates registered small mixed changes since the day before the Committee meeting on November 12, 1997, while bond yields fell somewhat. Share prices in U.S. equity markets recorded mixed changes over the period. Domestic financial markets became somewhat less volatile over the period, though further turmoil in a number of foreign markets fostered a sense of unease that was reflected in relatively wide yield spreads and, on occasion, in trading activity and price movements. Equity markets in other countries, notably in Asia, remained volatile.

In foreign exchange markets, the value of the dollar rose over the intermeeting period in terms of both the trade-weighted index of the other G-10 currencies and the currencies of a number of Asian countries. The dollar's appreciation against the German mark and other Western European currencies appeared to reflect market perceptions that the prospects for monetary tightening had ebbed in those countries in light of the persistence of subdued inflation and indications that the continuing financial turmoil in Asian and other emerging economies was likely to have a retarding effect on the economies of the industrial countries. The dollar's appreciation relative to the yen appeared to reflect rising concerns about the Japanese economy in the wake of continuing financial difficulties in Japan and spillover effects from events elsewhere in Asia. The dollar strengthened further in this period against most of the other East Asian currencies, notably against the Korean won.

Growth in the broad monetary aggregates picked up to relatively rapid rates in November. Strength in currency and a surge in liquid deposits boosted the expansion of M2, while that of M3 was amplified by a step-up in RP borrowing to help finance more rapid growth in bank credit. For the year through November, M2 expanded at a rate that was slightly above the upper bound of the Committee's annual range and M3 at a rate substantially above the upper bound of its range. The increase in total domestic nonfinancial debt for the year to date was at a pace somewhat below the middle of the Committee's range.

The staff forecast prepared for this meeting suggested somewhat greater moderation in economic expansion than had been projected earlier and slightly less pressure on wages and prices. A number of factors were expected to contribute to the slowing of aggregate demand and reduced pressure on resources. These included: a slackening in world economic expansion that, in conjunction with the appreciation of the dollar, would substantially restrain U.S. exports; some moderation of the growth in household and business investment; and a diminution in the desired rate of inventory accumulation.

In the Committee's discussion of current and prospective economic developments, members commented on indications that growth in economic activity had remained solid and that inflation had continued to be surprisingly low. While wages appeared to be increasingly subject to upward pressure, productivity had picked up in recent quarters, and the persisting strength in profits suggested that unit labor costs were not accelerating noticeably. The evidently higher pace of productivity growth was very encouraging, though it was still difficult to assess how long this favorable performance might last and the extent to which it might ease the price pressures that could emerge if the economic expansion did not moderate as members anticipated. Domestic demand for goods and services had been quite strong and was likely to remain reasonably robust. However, the effects of the persisting turmoil in Asian financial markets were likely to moderate the pace of expansion, though the extent of this effect was difficult to judge. The ongoing turbulence since the last Committee meeting, which included further noticeable increases in the dollar against the currencies of affected countries, likely would have a somewhat greater damping effect on output and prices in the United States than previously had been anticipated. Exports to many Asian countries, and possibly to other U.S. trading partners whose economies might be adversely affected by the spillover effects of developments in Asia, would be reduced, and declines in import prices would ease inflation pressures. However, the ultimate extent of the adjustment in Asian economies remained unknown, and more substantial downward pressure on the economies of the United States and its trading partners could not be ruled out.

With regard to the prospects for final demand in key sectors, the members noted that the appreciation of the dollar against a wide range of currencies, along with the prospective slackening in world economic expansion associated with the Asian turmoil, could be expected to exert a considerable damping effect on U.S. exports over the next several quarters. In addition, increased uncertainty about financial asset values, possibly related in part to further difficulties in Asia, could lead to greater caution in spending, while a substantial decline in equity values, should it occur, would have a more pronounced effect by reducing household wealth and raising the cost of equity capital. However, a number of members suggested that consumer spending might hold up relatively well if the effects of the Asian crisis on the U.S. economy were not markedly deeper or more prolonged than currently expected. To date, anecdotal reports indicated only scattered signs of weaker export demand, primarily some slackening in orders for and shipments of selected commodities such as agricultural goods and lumber and wood products, and there were few indications of reduced demand for manufactured goods. At the same time, business contacts were optimistic about holiday sales, tourism was booming in some parts of the country, and spending for services had been brisk. In the circumstances, continuing gains in wages and employment, the prevailing high levels of confidence, the cumulative effects of very large increases in household wealth in recent years, and the intense competition among retailers for the consumer's attention could promote substantial further growth in consumer expenditures. The same factors, along with the favorable cash flow affordability of home ownership, were maintaining housing demand at a relatively high level.

The outlook for business fixed investment remained favorable. In the near term, the low cost of capital, the ready availability of finance on attractive terms, and the potential for reducing production costs in highly competitive markets were providing strong support for capital spending. Moreover, shrinking vacancy rates and rising lease rates were fostering a rapid increase in the number of large commercial building projects, notably office buildings, that were planned or under way in many areas of the country. Even so, the growth of business capital spending was expected to slow from the unusually rapid pace of recent quarters in response to the projected smaller increases in sales and profits arising from moderating economic growth. In addition, business firms were expected to trim the pace of their inventory accumulation to keep stocks at desired levels relative to sales.

In their comments on recent developments in labor markets, the members emphasized the very limited supply of new workers and the extraordinary tightness prevailing in markets throughout the nation. Several reported that the scarcity of available workers was limiting the growth of economic activity in some parts of the country and that some employers were trying out novel approaches aimed at enticing people not currently seeking a job to enter the work force. While wage increases remained moderate on balance, larger increases were gradually becoming more pervasive as labor markets tightened. Moreover, employers were continuing their efforts to attract or retain workers that were in particularly scarce supply by means of a variety of bonus payments and other incentives that were not included in standard measures of labor compensation. There also were reports of offers of expanded benefits and, in some instances, the granting of very large wage increases to highly skilled technical personnel.

In the course of their discussion, many members remarked on the absence of inflationary price pressures during a period when economic activity had risen briskly and labor markets had grown steadily tighter. The muted effect of higher labor compensation on unit labor costs and prices reflected sharp advances in productivity partly associated with the rapid expansion of the stock of capital; the latter had been stimulated, most probably, by the desire to enhance efficiency and thus hold down costs. In addition, the earlier appreciation of the dollar and the unusually damped increases in the cost of health benefits in recent years had helped to limit the rise in compensation.

As members had noted at previous meetings, these favorable influences were likely to erode over time. Anecdotal reports indicated that health insurance premiums were beginning to trend higher, and the dollar would not rise indefinitely. More fundamentally, persistent tightness in labor markets risked a continuing uptrend in labor compensation increases that, at some point, could not be fully offset by productivity gains. Under those circumstances, competitive market conditions would allow firms to raise prices to compensate for increases in their costs. However, for some period ahead, developments associated with the turmoil in Asia along with the partly related appreciation of the dollar would tend to intensify import competition and damp the prices of goods.

In the Committee's discussion of policy for the intermeeting period ahead, nearly all the members favored a proposal to maintain an unchanged policy stance. In their discussion, members emphasized that price inflation had remained subdued, indeed with some key price measures indicating declining inflation, despite the persistence of robust economic growth and high levels of resource use, notably in labor markets. They expressed concern, however, that multiplying indications of faster wage increases might presage rising price inflation at some point. Weighing against the risks of higher inflation was the financial turmoil that had intensified in Southeast Asia during October and more recently in Korea. The effects of those developments on the U.S. economy were quite limited thus far, but the members expected some damping of economic expansion and price increases in the quarters ahead, and they did not rule out a potentially strong impact in the event of an even deeper crisis in Asia or one that spread to other countries. Nonetheless, many members commented that, with domestic demand still quite strong and the economy possibly producing beyond its potential, they viewed the risks on balance as pointing to rising price inflation and the next policy move as likely to be in the direction of some tightening. However, most members agreed that the need for such a policy adjustment did not appear to be imminent and that prevailing near-term uncertainties warranted a cautious wait-and-see policy posture. One member, while acknowledging the downside risks to the expansion associated with potential developments in Asia, still was persuaded that the economy probably would continue to expand at an unsustainable pace and that monetary policy should be tightened promptly to avert a further buildup of pressures in already strained labor markets, associated increases in labor costs, and at some point an inevitable rise in price inflation.

Other considerations cited by some members in favor of an unchanged policy included the possibility that, because a policy tightening move was not expected at this juncture, even a modest firming action might well have outsized effects in financial markets, especially the foreign exchange markets. Current conditions in domestic financial markets clearly remained supportive of spending, but it also was noted that the real federal funds rate was relatively high and that growth in the broad measures of money was expected to moderate over coming months after a period of robust expansion. The members agreed that the crosscurrents that were generating the present uncertainties in the outlook for economic activity and inflation made a flexible approach to monetary policy particularly desirable at this juncture.

Views were somewhat more divided with regard to the instruction in the directive relating to the possible adjustment of policy during the intermeeting period. A majority of the members indicated a preference for a shift to a symmetrical directive even though many continued to anticipate that the next policy move was likely to be in a tightening direction. They noted that while the probability of any policy change in the near term was very low, uncertainties in the outlook had increased, and they could not rule out the possibility that the next change might be in the direction of some easing if, contrary to current expectations, the turmoil in Asia were to intensify to the extent that it seemed likely to exert very substantial effects on the U.S. economy. A symmetric directive would position the Committee to respond flexibly in either direction to unanticipated developments in the period ahead. Other members expressed a slight preference for retaining a directive that was tilted toward tightening. In their view, such a directive would continue to underscore their concern that, at current and prospective levels of resource utilization, rising inflation was the most serious risk to the economy and that the Committee remained committed to fostering progress toward a stable price environment that in turn would heighten the prospects for sustained economic expansion and full employment.

At the conclusion of the Committee's discussion, all but one member endorsed a directive that called for maintaining conditions in reserve markets that were consistent with an unchanged federal funds rate of about 5½ percent and that did not include a presumption about the likely direction of any adjustment to policy during the intermeeting period. Accordingly, in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, the Committee decided that a slightly higher or a slightly lower federal funds rate might be acceptable during the intermeeting period. The reserve conditions contemplated at this meeting were expected to be consistent with some moderation in the growth of M2 and M3 over coming months.

The Federal Reserve Bank of New York was authorized and directed, until instructed otherwise by the Committee, to execute transactions in the System

Account in accordance with the following domestic policy directive:

The information reviewed at this meeting suggests that economic activity continued to grow rapidly in recent months. Nonfarm payroll employment increased sharply in October and November; the civilian unemployment rate fell to 4.6 percent in November, its low for the current economic expansion. Industrial production continued to advance at a brisk pace in October and November. Retail sales were unchanged on balance over the two months after rising sharply in the third quarter. Housing starts increased slightly further in October and November. Available information suggests on balance that business fixed investment will slow from the exceptionally strong increases of the second and third quarters. The nominal deficit on U.S. trade in goods and services widened significantly in the third quarter from its rate in the second quarter. Price inflation has remained subdued, despite some increase in the pace of advance in wages.

Short-term interest rates have registered small mixed changes since the day before the Committee meeting on November 12, 1997, while bond yields have fallen somewhat. Share prices in U.S. equity markets recorded mixed changes over the period; equity markets in other countries, notably in Asia, have remained volatile. In foreign exchange markets, the value of the dollar has risen over the intermeeting period in terms of both the trade-weighted index of the other G-10 countries and the currencies of a number of Asian countries.

M2 and M3 grew rapidly in November. For the year through November, M2 expanded at a rate slightly above the upper bound of its range for the year and M3 at a rate substantially above the upper bound of its range. Total domestic nonfinancial debt has expanded in recent months at a pace somewhat below the middle of its range.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at its meeting in July reaffirmed the ranges it had established in February for growth of M2 and M3 of 1 to 5 percent and 2 to 6 percent respectively, measured from the fourth quarter of 1996 to the fourth quarter of 1997. The range for growth of total domestic nonfinancial debt was maintained at 3 to 7 percent for the year. For 1998, the Committee agreed on a tentative basis to set the same ranges as in 1997 for growth of the monetary aggregates and debt, measured from the fourth quarter of 1997 to the fourth quarter of 1998. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks conditions in reserve markets consistent with maintaining the federal funds rate at an average of around 5½ percent. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, a slightly higher federal funds rate or a slightly lower federal funds rate might be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with some moderation in the growth in M2 and M3 over coming months.

Votes for this action: Messrs. Greenspan, McDonough, Ferguson, Gramlich, Guynn, Kelley, Meyer, Moskow, Parry, Mses. Phillips and Rivlin. Vote against this action: Mr. Broaddus.

Mr. Broaddus dissented because he continued to believe that a modest tightening of policy would be prudent in light of the apparent persisting strength in aggregate demand for goods and services. He recognized the case for holding policy steady given recent developments in East Asian economies and financial markets; he believed, however, that a slight firming at this meeting would provide valuable insurance against the risk that demand growth might remain above a sustainable trend and require a sharper policy response later. He thought further that the potential benefits of this insurance outweighed the risk that such an action would have a significant negative impact on U.S. economic activity. He also believed that signaling a greater willingness to tolerate modest policy adjustments in response to emerging developments would foster more flexible movements in longer-term financial markets and specifically enable longer-term interest rates to play their traditional role as automatic stabilizers for the economy more effectively.

It was agreed that the next meeting of the Committee would be held on Tuesday–Wednesday, February 3–4, 1998.

The meeting adjourned at 12:45 p.m.

Donald L. Kohn
Secretary

Legal Developments

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

First Financial Corporation
Terre Haute, Indiana

Order Approving the Acquisition of a Bank

First Financial Corporation ("FFC"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire The Morris Plan Company of Terre Haute, Inc. ("MPC"), an insured bank organized as an industrial development and investment company operating in Terre Haute, Indiana.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (63 *Federal Register* 228 (1998)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

FFC is the 14th largest depository institution in Indiana,[1] and controls eight subsidiary banks with approximately $1.2 billion in deposits, representing approximately 1.6 percent of total deposits in commercial banking organizations in the state ("state deposits").[2] MPC is the 185th largest depository institution in Indiana, controlling approximately $33 million in deposits. On consummation of the proposal, FFC would become the 13th largest depository institution in Indiana, controlling deposits of approximately $1.2 billion, representing 1.7 percent of state deposits.

Competitive Considerations

The BHC Act prohibits the Board from approving a proposal under section 3 of the BHC Act if the proposal would result in a monopoly or if the effect of the proposal may be substantially to lessen competition in any relevant market unless the Board finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

FFC and MPC compete directly in the Terre Haute, Indiana, banking market.[3] FFC is the largest depository institution in the banking market, controlling deposits of approximately $872 million, representing 47.4 percent of the total deposits in depository institutions in the market ("market deposits").[4] MPC is the eighth largest depository institution in the market, controlling deposits of approximately $16.5 million, representing 0.9 percent of market deposits. On consummation of this proposal, FFC would control deposits of approximately $905 million, representing 48.8 percent of market deposits. Concentration in the market, as measured by the Herfindahl–Hirschman Index ("HHI") would increase by 115 points to 3186.[5]

In evaluating the competitive effects of the proposal in the Terre Haute banking market, the Board has considered several factors that tend to mitigate the competitive effects of the proposal. On consummation of the proposal, eight competitors would remain in the market, including two of the largest bank holding companies based in Indiana. Four of these competitors, not including MPC, would each have a market share of more than 5 percent, and the second and third largest competitors in the market would have market shares of 24.4 and 10.7 percent, respectively. Since 1995, two banks have entered the market, one through the establishment of a *de novo* branch and one through the acquisition of a bank operating only in the Terre Haute banking market.

1. In this context, depository institutions include commercial banks, savings banks, and savings associations.
2. State deposits are as of September 30, 1997.

3. The Terre Haute banking market consists of Clay and Vigo Counties; Clinton and Helt Townships in Vermillion County; Florida, Raccoon and Jackson Townships in Parke County; and Fairbanks, Curry and Jackson Townships in Sullivan County; all in Indiana.
4. Market share data are as of June 30, 1997. These data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).
5. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is above 1800 is considered highly concentrated. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

As in other cases, the Board sought comments from the Department of Justice on the competitive effects of the proposal. The Department of Justice has reviewed the proposal and advised the Board that consummation of the proposal would not likely have any significantly adverse competitive effects in the Terre Haute banking market or any other relevant banking market.

Based on all the facts of record, and for the reasons discussed in this order, the Board concludes that consummation of the proposal is not likely to result in any significantly adverse effects on competition or on the concentration of banking resources in the Terre Haute banking market or any other relevant banking market.

Other Factors

The BHC Act also requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal, the convenience and needs of the communities to be served, and certain supervisory factors. The Board has reviewed these factors in light of the record, including supervisory reports of examination assessing the financial and managerial resources of the organizations and the Community Reinvestment Act performance records of the institutions involved, and financial information provided by FFC. Based on all the facts of record, the Board concludes that the financial and managerial resources and the future prospects of FFC, its subsidiary banks, and MPC are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act. In addition, considerations related to the convenience and needs of the communities to be served are consistent with approval of the proposal.

Conclusion

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by FFC with all the commitments made in connection with this application. For the purpose of this action, the commitments and conditions relied on by the Board in reaching its decisions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The acquisition of MPC shall not be consummated before the fifteenth calendar day following the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 23, 1998.

Voting for this action: Vice Chair Rivlin and Governors Kelley, Phillips, Meyer, Ferguson, and Gramlich. Absent and not voting: Chairman Greenspan.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Indiana United Bancorp
Greensburg, Indiana

Order Approving the Acquisition of a Bank Holding Company

Indiana United Bancorp ("Indiana United"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire by merger P.T.C. Bancorp ("PTC"), and thereby indirectly acquire its subsidiary bank, Peoples Trust Company, Brookville, Indiana.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (63 *Federal Register* 228 (1998)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Indiana United is the 43d largest commercial banking organization in Indiana, and controls one subsidiary bank with approximately $273 million in deposits, representing less than 1 percent of total deposits in commercial banking organizations in the state ("state deposits").[1] PTC is the 48th largest commercial banking organization in Indiana, controlling approximately $251 million in deposits. On consummation of the proposal, Indiana United would become the 27th largest commercial banking organization in Indiana, controlling deposits of approximately $524 million, representing less than 1 percent of state deposits.

Competitive Considerations

The BHC Act prohibits the Board from approving a proposal submitted under section 3 of the BHC Act if the proposal would result in a monopoly or if the effect of the proposal may be substantially to lessen competition in any relevant market unless the Board finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

Indiana United and PTC compete directly in the Greensburg, Indiana, banking market.[2] Indiana United is the largest depository institution in the market,[3] controlling deposits of approximately $105 million, representing 42.5 percent of the total deposits in depository institutions

1. State deposit data are as of June 30, 1997.
2. The Greensburg banking market consists of Adams, Clinton, Fugit, Clay, and Washington townships in Decatur County, Indiana.
3. In this context, depository institutions include commercial banks, savings banks, and savings associations.

in the market ("market deposits").[4] PTC is the fifth largest depository institution in the market, controlling deposits of approximately $2 million, representing less than 1 percent of market deposits. On consummation of the proposal, Indiana United would control deposits of approximately $107 million, representing 43.4 percent of market deposits. Concentration in the market, as measured by the Herfindahl–Hirschman Index ("HHI"), would increase by 74 points to 3627.[5]

In evaluating the competitive effects of the proposal in the Greensburg banking market, the Board has considered several factors that tend to mitigate the concentration of banking resources in the market. The Greensburg banking market is a relatively small rural market in central Indiana that, upon consummation of the proposal, would continue to be served by four bank holding companies and a thrift organization, including a large multistate bank holding company with more than $20 billion of assets. In addition, the market appears to be relatively attractive for entry by new competitors. Since 1995, two banks and one thrift institution have entered the market by each establishing a de novo branch, and the population and deposits per banking office in the market continue to exceed the average for rural Indiana banking markets.

As in other cases, the Board has sought comments from the Department of Justice and the Federal Deposit Insurance Corporation ("FDIC") on the competitive effects of the proposal. The Department of Justice has reviewed the proposal and advised the Board that consummation of the proposal would not likely have any significantly adverse competitive effects in the Greensburg banking market or any other relevant banking market. The FDIC did not object to consummation of the proposal or indicate it would have any significantly adverse competitive effects in the Greensburg banking market or any other relevant banking market.

Based on all the facts of record, and for the reasons discussed in this order, the Board concludes that consummation of the proposal is not likely to result in any significantly adverse effects on competition or on the concentration of banking resources in the Greensburg banking market or any other relevant banking market.

4. Market share data are as of June 30, 1997. These data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

5. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger is above 1800 is considered highly concentrated. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

Other Factors

The BHC Act also requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal, the convenience and needs of the communities to be served, and certain supervisory factors. The Board has reviewed these factors in light of the record, including supervisory reports of examination assessing the financial and managerial resources of the organizations and financial information provided by Indiana United. Based on all the facts of record, the Board concludes that the financial and managerial resources and the future prospects of Indiana United, PTC, and their respective subsidiary banks are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act. In addition, considerations related to the convenience and needs of the communities to be served are consistent with approval of this proposal.

Conclusion

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by Indiana United with all the commitments made in connection with this application. For the purpose of this action, the commitments and conditions relied on by the Board in reaching its decisions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The acquisition of PTC shall not be consummated before the thirtieth calendar day following the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 17, 1998.

Voting for this action: Chairman Greenspan and Governors Kelley, Phillips, Meyer, Ferguson, and Gramlich. Absent and not voting: Vice Chair Rivlin.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

National City Corporation
Cleveland, Ohio

Order Approving the Merger of Bank Holding Companies

National City Corporation, Cleveland, Ohio ("National City"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act

(12 U.S.C. § 1842) to merge with First of America Bank Corporation, Kalamazoo, Michigan ("First of America"), and thereby acquire First of America's subsidiary banks, First of America Bank, N.A., Kalamazoo, Michigan ("FOA-Michigan"), and First of America Bank - Illinois, N.A., Bannockburn, Illinois ("FOA-Illinois").[1] National City also has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire the nonbanking subsidiaries of First of America and thereby engage in the nonbanking activities listed in Appendix A.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 65,428 (1997)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

National City, with total consolidated assets of approximately $52.7 billion, is the 20th largest commercial banking organization in the United States, controlling approximately 1.1 percent of total banking assets of insured commercial banks in the United States ("total banking assets").[2] The subsidiary banks of National City operate in Indiana, Kentucky, Ohio, and Pennsylvania. National City also engages through other subsidiaries in a number of permissible nonbanking activities. First of America, with total consolidated assets of approximately $21.7 billion, is the 39th largest commercial banking organization in the United States, controlling less than 1 percent of total banking assets in the United States. First of America owns two subsidiary banks that operate in Indiana, Illinois, and Michigan, and engages in a variety of permissible nonbanking activities. On consummation of the proposal, and taking into account all proposed divestitures, National City would become the 13th largest commercial banking organization in the United States, with total consolidated assets of approximately $74.4 billion, representing approximately 1.5 percent of total banking assets in the United States.

As noted, National City and First of America both operate subsidiary banks in Indiana. National City is the third largest depository organization in Indiana, controlling $4.3 billion in deposits, representing approximately 6.5 percent of total deposits in insured depository institutions in the state.[3] First of America is the 13th largest depository organization in Indiana, controlling $1 billion in deposits, representing approximately 1.5 percent of total deposits in insured depository institutions in the state. On consummation of the proposal, and taking into account all proposed divestitures, National City would remain the third largest depository organization in Indiana, controlling $5.2 billion in deposits, representing approximately 7.9 percent of total deposits in depository institutions in Indiana.

Interstate Analysis

Section 3(d) of the BHC Act, as amended by Section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("Riegle-Neal Act"),[4] allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company, if certain conditions are met. For purposes of the BHC Act, the home state of National City is Ohio, and First of America operates in Indiana, Illinois, and Michigan.[5] All of the conditions for an interstate acquisition enumerated in section 3(d) are met in this case.[6] In view of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Competitive Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly, or if the proposal would substantially lessen competition in any relevant banking market and the Board has not found that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.

National City and First of America compete directly in the Toledo, Ohio, banking market and in the Indiana banking markets of Anderson, Fort Wayne, Gary, Indianapolis, Kokomo, and Peru.[7] Consummation of the proposal would be consistent with the Department of Justice Merger Guide-

1. National City and First of America also have requested approval of options to purchase up to 19.9 percent of the voting stock of the other institution if certain events occur. The options would expire on consummation of the proposal.

2. Asset and ranking data are as of September 30, 1997. State deposit and ranking data are as of June 30, 1997, and, as discussed in the order, take into account National City's commitment to divest certain deposits. Market data are as of June 30, 1996.

3. In this context, depository institutions include commercial banks, savings banks, and savings associations.

4. Pub. L. No. 103-328, 108 Stat. 2338 (1994).

5. A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. 12 U.S.C. § 1841(o)(4)(C).

6. *See* 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). National City is adequately capitalized and adequately managed, as defined by the Riegle-Neal Act. FOA-Illinois has been in existence and continuously operated for at least the minimum period required under Illinois law. *See* 205 Ill. Comp. Stat. 10/3.071 and 3.09 (Lexis through 1997 Reg. Sess.). Indiana and Michigan have no minimum age requirement. On consummation of the proposal, National City would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent of the total amount of deposits of insured depository institutions in Indiana, Illinois, and Michigan. All other requirements of section 3(d) of the BHC Act also would be met on consummation of the proposal.

7. National City has entered into a binding contract to sell its only branch in the Peru, Indiana, banking market ("Peru banking market") to an out-of-market banking organization. In this light, concentration in this banking market would not increase as a result of the proposal.

lines[8] and prior Board precedent as discussed in Appendix B in all of those banking markets except the Anderson, Indiana, banking market ("Anderson banking market").[9]

In order to mitigate the potential anticompetitive effects of the proposal in the Anderson banking market, National City has committed to divest two First of America branches controlling total deposits of approximately $33.9 million.[10] After accounting for the proposed divestitures, National City would remain the largest depository institution in the Anderson banking market, controlling deposits of approximately $402.6 million, representing approximately 34.3 percent of total deposits controlled by depository institutions in the banking market ("market deposits").[11] Concentration in the market, as measured by the HHI, would increase 357 points to 2004.

In considering the competitive effects of the proposal, the Board has evaluated the competition provided by two savings associations and has concluded that deposits controlled by those institutions should be weighted at 100 percent.[12] In this light, the HHI would increase 323 points to 1853, and the effect of the proposal on market concentration as measured by the HHI would be relatively small. In addition, some mitigating considerations offset the proposal's limited effect on competition. In addition to National City, eight commercial bank competitors would remain in the market after consummation. One large multistate bank holding company competitor would control more than 18 percent of market deposits. The proposal also would not decrease the number of competitors in the Anderson banking market because National City has proposed to divest its branches to an out-of-market commercial banking organization. Although measures of the attractiveness of the Anderson banking market for entry are mixed, the Board notes that there recently has been *de novo* entry by a banking organization and entry by acquisition by a large multi-state banking organization.

As in other cases, the Board sought comments from the Justice Department and the Office of the Comptroller of the Currency ("OCC") on the likely competitive effects of this case. The Justice Department has advised the Board of the Department's view that, in light of the proposed divestitures, consummation of the proposal would not be likely to have a significantly adverse competitive effect in the Anderson banking market or in any other relevant banking market. The OCC did not object to consummation of the proposal or indicate that the proposal would have any significantly adverse competitive effects in any banking market.

Based on these and all other facts of record, and for the reasons discussed in this order, the Board concludes that consummation of the proposal would not result in any significantly adverse effects on competition or on concentration of banking resources in the Anderson banking market or in any other relevant banking market.

Other Factors under the BHC Act

The BHC Act also requires the Board, in acting on an application, to consider the financial and managerial resources and future prospects of the companies and banks involved in a proposal, the convenience and needs of the community to be served, and certain other supervisory factors.

A. Financial, Managerial, and Other Supervisory Factors

The Board has carefully considered the financial and managerial resources and future prospects of National City, First of America, and their respective subsidiary banks,

8. Under the Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger Herfindahl–Hirschman Index ("HHI") is above 1800 is considered highly concentrated. The U.S. Department of Justice ("Justice Department") has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

9. The Anderson banking market is an area in Indiana that is approximated by Madison County except for Greene Township; Salem Township in Delaware County; Falls Creek Township in Henry County; and Madison Township in Tipton County.

10. National City has committed to execute sales agreements with an out-of-market commercial banking organization prior to consummation of the acquisition of First of America and to complete the divestitures within 180 days of consummation of the acquisition. National City also has committed that, in the event it is unsuccessful in completing any divestiture within 180 days of consummation of the proposal, including the sale of National City's branch in the Peru banking market, National City will transfer the unsold branch(es) to an independent trustee that is acceptable to the Board and that will be instructed to sell the branches promptly. *BankAmerica Corporation*, 78 *Federal Reserve Bulletin* 338 (1992); *United New Mexico Financial Corporation*, 77 *Federal Reserve Bulletin* 484 (1991). National City has further committed that, prior to consummation, it will submit to the Board an executed trust agreement acceptable to the Board stating the terms of these divestitures.

11. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

12. The Board previously has indicated that, when analyzing the competitive effects of a proposal, it may consider the competitiveness of savings associations at a level greater than 50 percent of the savings associations's deposits if appropriate. *See Banknorth Group, Inc.*, 75 *Federal Reserve Bulletin* 703 (1989). In the Anderson banking market, the two savings associations maintain 5.9 percent and 6.3 percent, respectively, of their assets in commercial loans, compared to the national average for thrifts of 1.7 percent. In addition, informal interviews with employees of the savings associations showed that each savings association maintained separate commercial lending departments with at least eight commercial lending officers and each planned to increase its staff. The institutions also offered customers a variety of business products and services.

and other supervisory factors. The Board notes that the bank holding companies and their subsidiary banks are well capitalized and are expected to remain so after consummation of the proposal. The Board also has considered other aspects of the financial condition and resources of the two organizations, the structure of the proposed transaction, the managerial resources of each of the entities and the proposed combined organization, the Board's supervisory experience with National City and First of America, and examinations by relevant federal supervisors assessing the financial and managerial resources of the entities. Based on all the facts of record, including relevant reports of examinations of the companies and the banks involved in this proposal, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of National City, First of America, and their respective subsidiaries are consistent with approval of the proposal, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act.

B. Convenience and Needs Considerations

The Board also has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record, including comments on the effects the proposal would have on the communities to be served by the combined organizations. The Board received several comments in favor of the proposal. One community organization commended National City's efforts in ascertaining and assisting to meet the credit needs of low- and moderate-income ("LMI") neighborhoods in Pittsburgh, Pennsylvania, after it acquired a Pennsylvania bank in 1995. The commenter noted that National City had improved the bank's good record of lending in LMI communities and communities with predominately African-American residents ("minority communities") and expressed confidence that National City would continue this trend in the communities served by First of America.

The Board also received comments from the Woodstock Institute ("Commenter") opposing the proposal and contending that First of America has an inadequate record in the Chicago area of making housing-related loans in minority communities and small business loans in LMI census tracts. Commenter also challenged First of America's delineated community because it does not include inner city LMI communities in Chicago.

The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). National City has indicated that it would implement its CRA policies and programs in communities currently served by First of America. In this light, the Board has given substantial consideration to National City's record. In general, the Board notes that National City's subsidiary banks provide a range of financial services including loans for 1–4 family dwellings, affordable housing, and small businesses. National City also has indicated that the proposed transaction would provide First of America's customers with access to specialized products, including a Lifeline checking product for LMI customers and 24-hour telephone banking and bill-paying services.

CRA Performance Examinations. As provided in the CRA, the Board evaluates the convenience and needs factor in light of examinations of the CRA performance records of the relevant institutions by their primary federal supervisors. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[13]

National City's lead bank, National City Bank, Cleveland, Ohio, received an "outstanding" rating from the OCC at its most recent examination, as of December 31, 1996 ("1996 Examination"). All of National City's other subsidiary banks also received "outstanding" ratings from their primary federal supervisors at their most recent examinations for CRA performance. In addition, First of America's subsidiary banks, FOA-Illinois and FOA-Michigan, received "outstanding" ratings from the OCC as of March 31, 1996.

Lending Record of National City. National City has several lending programs designed to assist in meeting the housing-related credit needs of LMI and minority borrowers. For example, National City offers a RIGHT affordable home mortgage product that provides flexible underwriting guidelines to first-time home buyers with limited incomes and to those purchasing homes within LMI areas. In 1996, National City Bank originated 367 loans totalling $19.9 million under the program. National City also offers the "At Home Loan" to provide unsecured small home improvement loans to qualified borrowers with annual household incomes of $25,000 or less.

National City also intends to expand the activities of the National City Community Development Corporation ("NCCDC") to include the communities served by First of America's subsidiary banks. NCCDC currently offers the CHAMP affordable home mortgage product, which provides low interest mortgages to purchasers of homes in the City of Cleveland that have been built or renovated. In 1996, National City Bank originated 22 loans totalling $2.4 million under the program.

National City actively engages in small business lending. National City Bank originated 1,548 small business loans totalling $172.7 million in 1996. Small business lending activities included programs sponsored by federal, state, and local government agencies. In 1996, National

13. The Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement") provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process. *See* 54 *Federal Register* 13,742 and 13,745 (1989).

City Bank originated 16 loans totalling $2.2 million under programs sponsored by the Small Business Administration.[14] In addition, the bank participates in the State of Ohio Linked Deposit Program ("Linked Deposit Program"), which links state treasury deposits to small business loans. In 1996, National City Bank originated 15 loans totalling $5 million under the Linked Deposit Program.

The Board also has considered National City's record of lending to African-American borrowers. For example, 1996 data provided under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") by National City Bank and National City Mortgage Company, Miamisburg, Ohio, for the bank's assessment area indicate that National City's percentage of originations to African-American applicants was higher than that for the aggregate of all HMDA reporters the assessment area. National City originated 12.7 percent of its home mortgage purchase loans to African Americans compared to 11.1 percent for all lenders in the aggregate.

Moreover, examiners did not find any evidence of prohibited discrimination or illegal credit practices at any of the subsidiary banks of National City or First of America in their most recent CRA performance examinations. In addition, examiners noted that National City's subsidiary banks provided training in fair lending laws and principles to all applicable employees, and had implemented steps such as a second review program to ensure compliance with fair lending laws.

FOA-Illinois's Delineated Communities. Commenter challenged the community delineation used by FOA-Illinois in the Chicago area. The reasonableness of an institution's local delineated community depends on a number of factors, including a careful review of the areas surrounding the locations of an institution's main office, branches and deposit-taking automated teller machines. The review of an institution's delineated community also requires consideration of whether the institution has arbitrarily excluded LMI areas, taking into account the institution's size and financial condition. The Board believes that an assessment of an institution's delineated community can be most effectively considered in an on-site examination by the institution's primary federal supervisor. The Board also believes that an on-site examination provides a better opportunity to consider whether an institution's delineated community reflects illegal discrimination in light of all the institution's lending activities.

At the time of its most recent CRA performance examination in March 1996, FOA-Illinois operated 129 branches in 29 counties in Illinois, and the bank's delineated communities consisted of those counties.[15] FOA-Illinois selected those counties for its delineated community using a methodology permitted by regulations in effect at the time.[16] Examiners concluded that FOA-Illinois's delineation was reasonable and did not arbitrarily exclude LMI areas.[17] The Board also has considered confidential supervisory information from the OCC regarding Commenter's contentions that FOA-Illinois's delineated community should include all of Chicago. Moreover, the Board notes that National City intends to reevaluate FOA-Illinois's delineated communities after consummation of the proposal.

Conclusion on Convenience and Needs Considerations. The Board has carefully considered all the facts of record, including the public comments received, responses to those comments, and the CRA performance records of the subsidiary banks of National City and First of America, including relevant reports of examination. Based on a review of the entire record, and for the reasons discussed in this order, the Board has concluded that convenience and needs considerations, including the CRA records of performance of the subsidiary banks of National City and First of America, are consistent with approval.

Nonbanking Activities

A. Activities Approved by Regulation

The Board previously has determined by regulation that the proposed lending, trust company, financial and investment advisory, securities brokerage, other transactional, credit insurance, and community development activities are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[18] National City proposes to conduct these activities in accordance with Regulation Y and relevant Board interpretations and orders.

B. Underwriting and Dealing in Bank-Ineligible Securities

National City also has proposed to acquire First of America Securities, Inc., Kalamazoo, Michigan ("FOA Securities"), and merge it with NatCity Investments, Cleveland, Ohio ("Company"). FOA Securities currently is engaged, among other things, in underwriting and dealing in, to a limited extent, municipal revenue bonds, 1–4 family

14. National City Bank also participates in the City of Cleveland Microloan program which offers "start-up" assistance for small businesses.

15. FOA-Illinois divided its service communities into five regions: Metro-Chicago, Northern, Eastern, Southern and Western. The Metro-Chicago and Northern regions include the majority of the counties of the Chicago Metropolitan Statistical Area.

16. When FOA-Illinois delineated its service communities, a bank could use any one of the following methods for delineation:

(1) The existing boundaries, such as those of standard metropolitan statistical areas or counties in which the bank's office or offices are located, and adjacent areas, if appropriate;

(2) The local areas around each office or group of offices where it makes a substantial portion of its loans and all other areas equidistant from its offices; or

(3) Any other reasonable delineation that meets the purpose of the CRA and does not exclude LMI neighborhoods. *See, e.g.*, 12 C.F.R. 228.3(b) (1996).

17. Examiners also noted that in 1995, FOA-Illinois originated 33 percent of its loans in its Metro-Chicago region in LMI areas.

18. *See* 12 C.F.R. 225.28(b)(1), (5), (6), (7)(i), (8), (11), and (12).

mortgage-related securities, consumer receivable-related securities, and commercial paper.[19] Company engages in securities-related activities, including underwriting and dealing in, to a limited extent, all types of debt and equity securities ("bank-ineligible securities").[20] The Board has determined—subject to the framework of prudential limitations to address the potential for conflicts of interests, unsound banking practices, or other adverse effects—that the proposed underwriting and dealing activities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[21]

National City has committed that Company will conduct its bank-ineligible securities underwriting and dealing activities subject to the Board's 25 percent revenue limit.[22] As a condition of this order, National City is required to conduct its bank-ineligible securities activities subject to the Operating Standards for section 20 subsidiaries ("Operating Standards") and the conditions in the Board's orders permitting National City to engage in limited bank-ineligible securities activities through Company.[23]

C. Other Nonbanking Considerations

In order to approve this proposal, the Board also must determine that the proposed activities are a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[24] As part of its evaluation of these factors, the Board considers the financial and managerial resources of the notificant, its subsidiaries, and any company to be acquired, and the effect the transaction would have on such resources.[25] The Board has reviewed the capitalization of National City and Company in accordance with the standards set forth in the Section 20 Orders and finds the capitalization of each to be consistent with approval. The determination of the capitalization of Company is based on all the facts of record, including National City's projections of the volume of Company's underwriting and dealing activities in bank-ineligible securities. Based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval.

The Board also has carefully considered the competitive effects of the proposed acquisition of First of America's nonbanking subsidiaries. National City operates nonbanking subsidiaries that compete with certain nonbanking subsidiaries of First of America. In each case, the markets for the nonbanking services are unconcentrated, and there are numerous providers of the services. As a result, consummation of this proposal would have a *de minimis* effect on competition for these services, and the Board has concluded that the proposal would not result in a significantly adverse effect on competition in any relevant market.

The Board expects, moreover, that the acquisition of First of America by National City would provide added convenience to First of America customers, to National City's customers, and to other members of the public. Consummation of the proposal also is likely to result in increased operating efficiencies and expanded services to customers of both National City and First of America.

Under the framework established in this order and the Section 20 Orders, and based on all the facts of record, the Board concludes that Company's proposed underwriting and dealing activities are not likely to result in significantly adverse effects that would outweigh the public benefits expected in this case. Similarly, the Board finds no evidence that National City's proposed lending, trust company, financial and investment advisory, securities brokerage, other transactional, credit insurance, and community development activities—conducted under the framework established in this order and Regulation Y—would likely result in any significantly adverse effects that would outweigh the public benefits of the proposal. Accordingly, the Board has determined that the performance of the proposed activities by National City is a proper incident to banking for purposes of section 4(c)(8) of the BHC Act.

Conclusion

Based on the foregoing and all the other facts of record, the Board has determined that the application and notice should be, and hereby are, approved subject to all the terms and conditions in this order and the Section 20 Orders as modified by the Modification Orders. The Board's approval is specifically conditioned on compliance by

19. *See First of America Corporation*, 80 *Federal Reserve Bulletin* 1120 (1994).

20. *See National City Corporation*, 81 *Federal Reserve Bulletin* 807 (1995); *National City Corporation*, 80 *Federal Reserve Bulletin* 346 (1994), (together, "National City Orders").

21. *See Citicorp*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir. 1988), *cert. denied*, 486 U.S. 1059 (1988); as modified by *Review of Restrictions on Director, Officer and Employee Interlocks, Cross-Marketing Activities, and the Purchase and Sale of Financial Assets Between a Section 20 Subsidiary and an Affiliated Bank or Thrift*, 61 *Federal Register* 57,679 (1996), and *Amendments to Restrictions in the Board's Section 20 Orders*, 62 *Federal Register* 45,295 (1997), (collectively, the "Section 20 Orders").

22. Compliance with the revenue limitation shall be calculated in accordance with the method stated in the Section 20 Orders, as modified by the *Order Approving Modifications to the Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989), and *10 Percent Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 48,953 (1996), and *Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 68,750 (1996), (collectively, "Modification Orders").

23. *See* 12 C.F.R. 225.200; National City Orders.

24. *See* 12 U.S.C. § 1843(c)(8).

25. *See* 12 C.F.R. 225.26; *see also The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

National City with all the commitments made in connection with the proposal, including the divestiture commitments discussed in this order.

The Board's determination on the nonbanking activities also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The acquisition of First of America's subsidiary banks shall not be consummated before the fifteenth calendar day following the effective date of this order, and the proposal shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 11, 1998.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Phillips, Meyer, Ferguson, and Gramlich.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix A

Nonbank subsidiaries of First of America to be acquired by National City:

(1) First of America Community Development Corporation, Kalamazoo, Michigan, and thereby engage in community development activities pursuant to section 225.28(b)(12) of Regulation Y (12 C.F.R. 225.28(b)(12));
(2) SunAmerica Affordable Housing Partners, Carson City, Nevada, and engage in thereby engage in community development activities pursuant to section 225.28(b)(12) of Regulation Y (12 C.F.R. 225.28(b)(12));
(3) First of America Insurance Company, Kalamazoo, Michigan, and thereby engage in credit insurance activities pursuant to section 225.28(b)(11) of Regulation Y (12 C.F.R. 225.28(b)(11);
(4) First of America Trust Company, Oak Brook, Illinois, and thereby engage in trust company functions and investment advisory activities pursuant to sections 225.28(b)(5) and (6) of Regulation Y (12 C.F.R. 225.28(b)(5) and (6));
(5) New England Trust Company, Providence, Rhode Island, and thereby engage in trust company functions and investment advisory activities pursuant to sections 225.28(b)(5) and (6) of Regulation Y (12 C.F.R. 225.28(b)(5) and (6)); and
(6) First of America Securities, Inc., Kalamazoo, Michigan, and thereby engage in lending, investment advisory, securities brokerage, and other transactional activities pursuant to sections 225.28(b)(1), (6), (7i), and (8) of Regulation Y (12 C.F.R. 225.28(b)(1), (6), (7i), and (8)), and underwriting and dealing in, to a limited extent, municipal revenue bonds, 1–4 family mortgage-related securities, consumer receivable-related securities, and commercial paper.

Appendix B

Banking markets in which consummation of the proposal would not exceed the DOJ Guidelines:

(1) *Fort Wayne Banking Market*: The Fort Wayne banking market is approximated by Allen, De Kalb and Whitley Counties; Preble, Root, and Union Townships in Adams County; Union and Jefferson Townships in Wells County; Jackson and Union Townships in Huntington County; Noble, Green, and Swan Townships in Noble County, all in Indiana, and Carryall Township in Paulding County and Hicksville Township in Defiance County, both in Ohio. After consummation of the proposal, National City would control less than 1 percent of market deposits and would remain the 20th largest depository institution in the market. The HHI would not increase.
(2) *Gary-Hammond Banking Market*: The Gary-Hammond banking market is approximated by Lake County; Porter County, except for Pine Township; and New Durham, Clinton, Cass, Dewey, and Prairie Townships in La Porte County, all in Indiana. After consummation of the proposal, National City would control approximately 2.9 percent of market deposits and would remain the tenth largest depository institution in the market. The HHI would not increase.
(3) *Indianapolis Banking Market*: The Indianapolis banking market is approximated by Boone, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan, and Shelby Counties, and Green Township in Madison County, all in Indiana. After consummation of the proposal, National City would control approximately 21.8 percent of market deposits and would become the second largest depository institution in the market. The HHI would increase by 133 points to 1685.
(4) *Kokomo Banking Market*: The Kokomo banking market is approximated by Howard County; Prairie and Liberty Townships in Tipton County; Tipton, Deer Creek, and Jackson Townships in Cass County; and Deer Creek and Clay Townships in Miami County, all in Indiana. After consummation of the proposal, National City would control approximately 19.7 percent of market deposits and would remain the third largest depository institution in the market. The HHI would increase by 57 points to 2000.
(5) *Toledo Banking Market*: The Toledo banking market is approximated by Lucas County, Wood County, excluding the City of Fostoria; the eastern half of Swan Creek Township and the southeastern quadrant of Fulton Township in Fulton County; Clay, Allen, Harris, Benton Townships in

Ottawa County; and Woodfield Township in Sandusky County, all in Ohio; and Whiteford, Bedford, and Erie Townships in Monroe County, Michigan. After consummation of the proposal, National City would control approximately 14.1 percent of market deposits and would become the 21st largest depository institution in the market. The HHI would increase by 5 points to 1202.

Shore Financial Corporation
Onley, Virginia

Order Approving Formation of a Bank Holding Company, Merger of a Savings Association into a Bank, and Membership in the Federal Reserve System

Shore Financial Corporation ("Shore Financial") has applied under section 3 of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842) for the Board's approval to become a bank holding company by acquiring all the voting shares of Shore Bank, Onley, Virginia ("Bank"), a *de novo* state chartered bank.[1] Bank also has applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321) to become a state member bank and to continue to operate branches in Virginia and Maryland at locations at which Bank's predecessor currently operates branches.[2]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 66,371 (1997)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in the BHC Act, the Bank Merger Act, and the Federal Reserve Act.

Shore Financial, with total consolidated assets of approximately $111 million, operates Thrift, which has branches in Virginia and Maryland.[3] Shore is the 95th largest insured depository institution in Virginia, controlling deposits of approximately $79 million, representing less than 1 percent of total deposits in insured depository institutions in the state ("state deposits"), and is the 142d largest insured depository institution in Maryland, controlling deposits of approximately $8 million, representing less than 1 percent of Maryland state deposits.[4]

As noted, the proposal represents a reorganization of subsidiaries owned by Shore Financial, and Bank would continue the current operations of Thrift. Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition in any relevant banking market.

The Board also has considered the financial and managerial resources and future prospects of Shore Financial and Bank in light of all the facts of record, including supervisory reports of examination assessing the financial and managerial resources of the organization and financial information provided by Shore Financial. The Board notes that Shore Financial is in satisfactory financial condition and would remain so after consummation of the proposal. Reports of examination assessing the managerial resources of Shore Financial and its subsidiaries indicate this factor is consistent with approval. Based on all the facts of record, the Board concludes that considerations related to the financial and managerial resources and future prospects of Shore Financial and Bank are consistent with approval under the BHC Act.

Convenience and Needs Considerations

The Board has carefully considered the effect of the proposal on the convenience and needs of the community to be served in light of all the facts of record, including comments maintaining that Thrift does not adequately serve the credit needs of commercial farmers in its assessment area and requesting the Board to require Bank to increase its agricultural lending. The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). As provided in the CRA, the Board has evaluated the convenience and needs factor in light of examinations of the CRA performance records of the relevant institutions by their primary federal supervisors. An institution's most recent CRA performance evaluation is a particularly important consideration in the application process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[5]

Thrift is a small saving association that is primarily engaged in residential mortgage lending. Thrift received an "outstanding" rating from the Office of Thrift Supervision at its most recent CRA performance examination as of February 1996 (the "1996 Examination"). Examiners characterized Thrift as having a strong record of lending within its assessment area (approximately 98 percent of its loans), a high loan-to-deposit ratio (92.5 percent), and an excellent dispersion of loans throughout all the communities within its assessment area. The 1996 Examination found Thrift's overall lending program to be particularly noteworthy because its assessment area was one of the poorest areas in

1. Shore Financial's wholly owned subsidiary federal savings bank, Shore Bank, Onley, Virginia ("Thrift"), would merge with and into Bank, with Bank as the surviving institution. Bank has requested the Board's approval for the merger under section 18(c) of the Federal Deposit Insurance Act ("FDI Act") (12 U.S.C. § 1828(c)) ("Bank Merger Act") and section 5(d)(3) of the FDI Act (12 U.S.C. § 1815(d)(3)).

2. The locations of the branches are described in the Appendix.

3. Asset data are as of September 30, 1997, and deposit data are as of June 30, 1996.

4. In this context, insured depository institutions include commercial banks, savings banks, and savings institutions.

5. The Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process. *See* 54 *Federal Register* 13,742 and 13,745 (1989).

Virginia in terms of average family income and had recently experienced little population increase. The examination also included a review of selected loan files and found no evidence of illegal discrimination.

Although residential mortgage lending constituted Thrift's primary lending activity, examiners also commended Thrift's additional emphasis on small business lending. In 1995, Thrift originated 61 small business loans totalling approximately $1.7 million. In evaluating the commenter's allegations that Thrift has not engaged in sufficient agricultural lending, the Board notes that the CRA provides banks with substantial flexibility in developing specific CRA-related policies and programs and does not require a bank to engage in any particular type of lending. Shore Financial states, moreover, that Thrift had more than $3 million in agricultural loans outstanding as of December 1997, and maintains that the service of two farmers on its eight-member board of directors reflects its commitment to helping meet the credit needs of all its communities, including the farming community.

The Board has carefully considered the entire record in its review of the convenience and needs factor under the BHC Act. Based on all the facts of record, including information provided by the commenter, the response of Shore Financial, and the relevant reports of examination, the Board concludes that considerations relating to convenience and needs, including the CRA performance records of the relevant institutions, are consistent with approval.

The Board also has considered the other supervisory factors it is required to consider under section 3 of the BHC Act as well as the factors it is required to consider under section 9 of the Federal Reserve Act for Bank to become a member of the Federal Reserve System and to operate branches and under other provisions of law.[6] The Board finds these factors to be consistent with approval.[7]

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the applications should be, and hereby are, approved.[8] The Board's approval of the proposal is specifically conditioned on compliance by Shore Financial with all the commitments made in connection with this application. For purposes of this action, the commitments and conditions relied on in reaching this decision are deemed to be conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

The proposal shall not be consummated before the fifteenth calendar day following the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 9, 1998.

Voting for this action: Vice Chair Rivlin and Governors Kelley, Phillips, Meyer, Ferguson, and Gramlich. Absent and not voting: Chairman Greenspan.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

Branches to Be Established by Shore Bank in Virginia

21220 North Bayside Drive, Cheriton
6350 Maddox Boulevard, Chincoteague
4071 Lankford Highway, Exmore

Branches to Be Established by Shore Bank in Maryland

100 West Main Street, Salisbury
1503 South Salisbury Boulevard, Salisbury

6. Bank is authorized to operate its branches under the laws of Virginia and Maryland, and under section 9 of the Federal Reserve Act. *See* Va. Code Ann. §§ 6.1–39.3 and 6.1–44.3 (Michie 1996); Md. Code Ann., Fin. Inst. § 5–1003 (1996).

7. The Board has reviewed the merger of Bank and Thrift under the Bank Merger Act and section 5(d)(3) of the FDI Act. With respect to the specific factors the Board must review under section 5(d)(3), the record in this case shows that:

(1) The transaction would not result in the transfer of any federally insured deposits from one federal deposit insurance fund to the other;

(2) Bank, on consummation of the proposal, will meet all applicable capital standards; and

(3) The proposal would comply with the interstate banking provisions of the BHC Act if Thrift were a state bank that Bank was applying to acquire directly. *See* 12 U.S.C. § 1815(d)(3).

8. The commenter has requested that the Board hold a public hearing on the application to consider the views of other farmers. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial. The Board has not received such a recommendation from the Office of Thrift Supervision or any state supervisory authority. In addition, neither the Federal Reserve Act nor the Bank Merger Act requires a public hearing on an application.

Under its rules, the Board also may, in its discretion, hold a public hearing or meeting on an application to acquire a bank if a hearing is necessary or appropriate to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 225.16(e). The Board has carefully considered the commenter's request for a hearing in light of all the facts of record. In the Board's view, the commenter has had ample opportunity to submit his views, and has submitted written comments that have been carefully considered by the Board in action on the application. The commenter's request fails to demonstrate why his written presentation does not adequately present his evidence, allegations, or views. The commenter also fails to indicate the matters that may be presented by others and why a public meeting or hearing is necessary for the proper presentation or consideration of their views. After careful review of all the facts of record, moreover, the Board has concluded that commenter disputes the weight that should be accorded to, and the conclusions that the Board should draw from, the facts of record, but does not identify disputed issues of fact that are material to the Board's decision. For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not required or warranted in this case. Accordingly, the request for a hearing or meeting on the proposal is hereby denied.

Orders Issued Under Section 4 of the Bank Holding Company Act

North Fork Bancorporation, Inc.
Melville, New York

Order Approving the Acquisition of a Savings Association

North Fork Bancorporation, Inc., Melville, New York ("North Fork"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire all the voting shares of New York Bancorp, Inc., Douglaston ("Bancorp"), and thereby acquire Home Federal Savings Bank, Ridgewood ("Savings Bank"), both in New York.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 63,344 (1997)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 4 of the BHC Act.

North Fork, with total consolidated assets of approximately $6 billion, operates North Fork Bank, which has branches in New York.[2] North Fork is the 16th largest depository institution in New York, controlling deposits of approximately $4.4 billion, representing approximately 1 percent of total deposits in depository institutions in the state ("state deposits").[3] Bancorp is the 35th largest depository institution in New York, controlling deposits of approximately $1.5 billion, representing less than 1 percent of state deposits. On consummation of the proposal, North Fork would become the 14th largest depository institution in New York, controlling deposits of approximately $6 billion, representing approximately 1.5 percent of state deposits.

The Board previously has determined by regulation that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act.[4] In making this determination, the Board requires that savings associations acquired by bank holding companies conform their direct and indirect activities to those permissible for bank holding companies under section 4 of the BHC Act. North Fork has committed to conform all of Savings Bank's activities to those permissible under section 4(c)(8) of the BHC Act and Regulation Y.[5]

Competitive Considerations

In order to approve the proposal, the Board also must determine that performance of the proposed activities is a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[6] As part of its evaluation of these factors, the Board has carefully considered the competitive effects of the proposal in light of all the facts of record.[7]

North Fork and Bancorp compete directly in the Metropolitan New York-New Jersey banking market ("New York banking market").[8] On consummation of the proposal, North Fork would become the 15th largest depository institution in the market, controlling deposits of approximately $6.6 billion, representing approximately 1.5 percent of total deposits in depository institutions in the market.[9] Concentration in the New York banking market, as measured by the Herfindahl—Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines") would remain unchanged and unconcentrated at 627 points.[10] In addition, numerous com-

1. North Fork's wholly owned subsidiary bank, North Fork Bank, Mattituck, New York ("North Fork Bank"), would merge with Savings Bank and North Fork Bank would be the surviving institution. The merger is subject to approval by the Federal Deposit Insurance Corporation ("FDIC") under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) ("Bank Merger Act") and by the New York State Banking Department ("NYSBD"). North Fork also has requested the Board's approval of an option to purchase up to 19.9 percent of the voting shares of Bancorp under certain circumstances. The option would expire on consummation of the proposal.

2. Asset data are as of September 30, 1997, and deposit data are as of June 30, 1997.

3. In this context, depository institutions include commercial banks, savings banks, and savings associations.

4. 12 C.F.R. 225.28(b)(4).

5. Savings Bank engages in the sale of savings bank life insurance ("SBLI") and annuities. North Fork has committed to terminate SBLI activities within two years after consummation of the proposal. North Fork Bank would continue to sell annuities pursuant to state law. *See Merchants National Corporation*, 75 *Federal Reserve Bulletin* 388 (1989), *aff'd sub nom. Independent Ins. Agents Ass'n v. Board of Governors*, 890 F.2d 1275 (7th Cir. 1989), *cert. denied*, 111 S. Ct. 44 (1990).

6. 12 U.S.C. § 1843(c)(8).

7. *See First Hawaiian, Inc.*, 79 *Federal Reserve Bulletin* 966, 966–68 (1993).

8. The New York banking market includes New York City; Nassau, Orange, Putnam, Rockland, Suffolk, Sullivan, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, Warren, and a portion of Mercer Counties in New Jersey; Pike County in Pennsylvania; and portions of Fairfield and Litchfield Counties in Connecticut.

9. Market share data are as of June 30, 1997. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Because the deposits of Savings Bank would be acquired by a commercial banking organization under the proposal, Savings Bank's deposits are included at 100 percent in the calculation of the *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669 (1990).

10. Under the revised DOJ Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), a market in which the post-merger HHI is less than 1000 points is considered to be unconcentrated. The Department of Justice has informed the Board that a bank merger or acquisition

petitors would remain in the New York banking market. Based on these and all other facts of record, the Board concludes that the consummation of the proposal would not result in any significantly adverse effects on competition or on the concentration of banking resources in the New York banking market or any other relevant banking market.

Record of Performance under the Community Reinvestment Act

In acting on a proposal to acquire a savings association, the Board has traditionally considered the records of performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA") of the institutions involved in the proposal.[11] The Board has reviewed the records of performance of North Fork Bank and Savings Bank in light of all the facts of record, including comments received on the proposal. Commenter contends, on the basis of 1996 and preliminary 1997 data submitted under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA"), that the lending records of North Fork Bank and Savings Bank show inadequate marketing and lending to low- and moderate-income ("LMI") communities and communities with predominately minority residents ("minority communities"). In particular, Commenter argues that North Fork Bank's record of lending in Queens, Manhattan, and the Bronx, and Savings Bank's record of lending in Brooklyn, are insufficient in light of the amount of deposits that the institutions accept from these communities.[12]

North Fork indicates that it intends to implement the CRA programs and policies of North Fork Bank in the communities formerly served by Savings Bank after Savings Bank is merged with North Fork Bank. North Fork also intends to retain Savings Bank's programs that North Fork believes best assist in meeting the community development needs of the thrift's service community. In this light, the Board has given substantial consideration to the existing record of North Fork Bank, as reflected in its CRA and supervisory examinations, and the current programs and policies of North Fork Bank that help meet the credit needs of all its service communities, including LMI neighborhoods.

A. CRA Performance Examinations

The Board has reviewed the examinations by the primary federal supervisors of the CRA performance records of the relevant institutions. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[13]

North Fork Bank received an overall rating of "satisfactory" from its primary federal supervisor, the FDIC, at its most recent evaluation for CRA performance, as of March 1997 ("1997 Examination"). In addition, as of the same date, the NYSBD rated North Fork Bank's CRA performance "satisfactory" pursuant to section 28-b of New York Banking law. Savings Bank also received an overall rating of "satisfactory" from its primary federal supervisor, the Office of Thrift Supervision, at its most recent evaluation for CRA performance, as of October 1995.

B. Lending Record of North Fork Bank

The 1997 Examination found that North Fork Bank's record of lending within LMI census tracts and to LMI individuals was very good and that the bank's performance trends over 1995 and 1996 were highlighted by noteworthy increases in loans within LMI census tracts and to LMI individuals. In 1995, North Fork Bank made 33 percent of its HMDA loans within LMI census tracts in its assessment area, compared to 10 percent by lenders in the aggregate, and made 17 percent of its HMDA loans to LMI individuals residing in its assessment area, compared to 14 percent by lenders in the aggregate. In 1996, North Fork Bank increased its HMDA loans in LMI census tracts to 35 percent and to LMI individuals to 21 percent.[14]

Mortgage loans on multi-family rental dwellings ("multi-family housing loans") are the predominate credit product offered by North Fork Bank in its service community.[15] HMDA data for multi-family housing loans in 1995

generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

11. *See Banc One Corporation*, 83 *Federal Reserve Bulletin* 602 (1997). Inner City Press/Community on the Move ("Commenter") alleges that materials filed by North Fork with the Securities and Exchange Commission ("SEC") do not state that the Board was required to review the proposal under the CRA. Commenter contends that the failure of North Fork to acknowledge the Board's review of the proposal under the CRA is a material misstatement. A copy of Commenter's contentions were provided to the SEC for consideration. The adequacy of materials filed with the SEC is a matter within the special expertise of the SEC, and the Board is not authorized under the BHC Act to adjudicate disputes that arise under the federal securities laws.

12. Commenter contends that North Fork has a record of not improving the CRA performance records of institutions it acquires, and in fact diminishes acquired institutions' overall assistance in helping meet the credit needs of communities. The Board has reviewed this contention in light of all the facts of record, including satisfactory CRA performance evaluations that accounted for North Fork's recent acquisitions.

13. The Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process. 54 *Federal Register* 13,742 and 13,745 (1989).

14. LMI census tracts comprise approximately 24 percent of North Fork Bank's current service community.

15. Multi-family housing loans accounted for 77 percent in 1995, and 71 percent in 1996, of the total dollar amount of North Fork Bank's loans.

show that North Fork Bank originated 51 percent of its multi-family housing loans by dollar volume in LMI census tracts within its service community, compared to 29 percent of such loans originated by lenders in the aggregate. Multi-family housing loans in LMI census tracts decreased by 3 percent to 48 percent in 1996.

In Manhattan, North Fork Bank made 93 multi-family housing loans totalling $115.7 million in 1996, and approximately 38 percent of the dollar amount of these loans were in LMI census tracts. In the Bronx, the bank made 51 multi-family housing loans totalling $63 million in 1996 and approximately 74 percent of these loans were made in LMI census tracts.[16] In Queens County, the bank made 11 multi-family housing loans in 1996 totalling $23.2 million. Four of the loans were made in LMI census tracts.[17]

HMDA data for North Fork Bank generally indicate, however, some disparities in the rate of loan originations, denials, and applications by racial group and income level.[18] The Board is concerned when an institution's record indicates such disparities and believes that all banks are obligated to ensure that their lending practices are based on criteria that assure not only safe and sound banking, but also equal access to credit by creditworthy applicants regardless of race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community and have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal discrimination in making lending decisions.[19]

Because of the limitations of HMDA data, the Board has carefully reviewed other information, particularly examination reports that provide an on-site evaluation of compliance by the bank with fair lending laws. FDIC examiners found no evidence of prohibited discriminatory practices or of any practices intended to discourage applications for the types of credit set forth in the bank's CRA statement in the 1997 Examination.[20] NYSBD examiners also found no evidence of practices that were intended to discourage applicants from the types of credit that North Fork Bank offers and no evidence of any prohibited discriminatory or other illegal credit practices in their 1997 CRA evaluation. Moreover, FDIC examiners concluded that North Fork Bank's management had demonstrated a commitment to making loans in LMI census tracts and to LMI individuals and favorably noted that the bank had a formal review process for all denied loan applications.

North Fork Bank also has a number of programs to assist in meeting the housing-related credit needs of LMI individuals. For example, North Fork Bank participates in governmentally sponsored lending programs that offer affordable mortgage financing. The bank originates Federal Housing Administration ("FHA") loans on referrals from mortgage bankers. In 1995 and 1996, the bank made 323 FHA loans totalling $37 million.[21] In addition, FDIC examiners noted that North Fork Bank had developed an in-house portfolio mortgage program for qualified LMI borrowers in 1996 that featured reduced closing costs and no mortgage insurance requirement for mortgages with a loan-to-value ratio less than 90 percent. North Fork made 66 loans under this program in 1996 totalling $6.6 million.[22] The bank also participates in programs sponsored by the Federal National Mortgage Association Community Home Buyers ("Community Home Buyers") programs[23] and the State of New York Mortgage Agency Affordable Housing Program.[24]

16. North Fork Bank had no branches in Brooklyn, but it made 50 loans totalling $64.2 million in Brooklyn in 1996 and approximately 70 percent of these loans were made in LMI census tracts. Brooklyn is not currently part of North Fork Bank's assessment area, but it would be added to the assessment area after consummation of the proposal.

17. Commenter maintains that North Fork Bank has not complied with a commitment to make a total of $20 million in loans in LMI census tracts in Nassau, Westchester and Rockland Counties over a three-year period ending in 1998. North Fork Bank has substantially met or significantly exceeded its annual interim lending goals in 1996 and 1997 for total amounts loaned and amounts loaned for multifamily housing and owner-occupied housing in Nassau and Westchester Counties. However, North Fork Bank has been unable to meet its interim annual lending goals for owner-occupied housing loans in Rockland County. The NYSBD considered North Fork Bank's efforts to meet this commitment in connection with its 1997 CRA evaluation of the bank and determined that the bank's record of performance was satisfactory.

18. Commenter contends that North Fork Bank only offers multifamily housing loans in the bank's LMI urban communities and does not make mortgage loans on 1–4 family dwellings ("owner-occupied housing loans") in those areas. North Fork Bank does make owner-occupied housing loans in suburban communities. Commenter alleges that North Fork Bank's geographic distribution of multi-family and owner-occupied housing loans shows illegal lending practices. The CRA provides banks with substantial flexibility in developing specific CRA-related policies and programs and does not require a bank to engage in any particular type of lending. As discussed in this order, moreover, FDIC and NYSBD examiners found no evidence of prohibited discriminatory practices or of any practices intended to discourage applications for any type of credit set forth in the bank's CRA statement in their most recent evaluations. The Board notes, however, that NYSBD examiners encouraged North Fork Bank to increase the number of owner-occupied loans to LMI borrowers, particularly in Rockland and Westchester Counties and a portion of Manhattan. The Board expects the bank to address these matters.

19. The data, for example, do not provide a basis for an independent assessment of whether an applicant who was denied credit was, in fact, creditworthy. Credit history problems and excessive debt levels relative to income (reasons most frequently cited for a credit denial) are not available from HMDA data.

20. FDIC examiners noted apparent technical violations of fair lending laws and HMDA reporting requirements during the 1997 Examination, but stated that these matters were addressed by the bank's management during the examination. The Board has considered supervisory information from the FDIC on the nature of the apparent violations and the steps taken by North Fork Bank to address these matters.

21. The 1997 Examination noted that, as of March 31, 1997, North Fork Bank had originated 64 loans totalling $7.8 million.

22. Examiners noted that 31 loans were made under the program in January and February 1997 totalling $3.2 million.

23. The Community Home Buyers program offers flexible underwriting criteria for conforming fixed-rate purchase mortgages on 1–4 family residential properties.

24. Under this program, a bank makes fixed rate loans to qualified LMI borrowers with reduced down payment requirements (as low as 3 percent) and at below-market rates. The loans are purchased by the State of New York.

North Fork Bank also engages in small business lending. In 1996, the bank originated approximately 2200 small business loans, totalling approximately $260 million. More than 23 percent of the small business loans were made to businesses in LMI census tracts within North Fork Bank's service community. These include loans that were made in Queens, the Bronx, Brooklyn, and Manhattan.

The 1997 Examination also concluded that North Fork Bank had a satisfactory record of ascertaining and helping to meet the credit needs of its entire service community, including LMI neighborhoods, in a manner consistent with its resources and capabilities. FDIC examiners found that the bank employed a number of methods to ascertain community credit needs, including personal contact with community organizations, non-profit development organizations and mortgage originators, officer call programs, and first-time home buyer seminars.[25] The 1997 Examination also commended the bank's advertising and promotional plan as designed to reach, as directly as possible, LMI individuals who would benefit from the bank's products and services and as focused on a wide audience in LMI census tracts.

C. Branch Closings

Savings Bank operates 31 branches in five New York counties. North Fork indicates that seven branches would be closed as a result of the proposal. The Board has considered the effect of the proposal on branches currently operated by Savings Bank in light of Commenter's objections to North Fork's proposed branch closings and confidential information regarding these closings provided by North Fork.

Each of the seven branches proposed to be closed would be merged into existing branches of North Fork Bank or Savings Bank. North Fork indicates that three of these branches are in LMI census tracts, and each is located less than one mile from another branch in the same LMI census tract that North Fork would continue to operate after the proposal. Thus, North Fork proposes to continue to operate branches in each of the LMI census tracts affected by the proposal. North Fork Bank currently operates approximately 20 percent of its branches in LMI areas and, following consummation of the proposal, would continue to operate approximately 20 percent of its branches in LMI census tracts. All branches would be closed pursuant to North Fork Bank's branch closing policy, moreover, which requires consideration of the community's needs and the impact of the closing on the neighborhood. The Board notes that the branch closing policy has been reviewed by FDIC examiners as part of their evaluations of CRA performance and found to be satisfactory.

In addition to these factors, the Board has considered that federal banking law provides a specific mechanism for addressing branch closings. Federal law requires an insured depository institution to provide notice to the public and to the appropriate regulatory agency at least 30 days prior to closing a branch. The law does not authorize federal regulators to prevent the closing of any branch.[26]

D. Conclusion on CRA Performance Records

The Board has carefully considered all the facts of record, including Commenter's comments, in reviewing the CRA performance records of the institutions involved. Based on a review of the entire record, and for the reasons discussed above, the Board concludes that the CRA performance records of North Fork Bank and Savings Bank are consistent with approval of the proposal. The Board notes that, although the 1997 CRA evaluation by the NYSBD found the bank's overall CRA performance record to be satisfactory, NYSBD's examiners encouraged the bank to improve its overall lending performance in Queens. The Board expects North Fork to address the areas for improvement in its lending performance discussed in the order and will consider North Fork's progress in this regard in connection with future applications by North Fork to acquire deposit-taking facilities. To permit the Board to monitor North Fork's progress, North Fork must file with the Federal Reserve Bank of New York quarterly reports on its lending activities in LMI and minority census tracts and to LMI and minority borrowers for one year from the date of this order.

Other Considerations

In connection with its review of the public interest factors under section 4 of the BHC Act, the Board also has carefully reviewed the financial and managerial resources of North Fork and Bancorp and their respective subsidiaries and the effect the transaction would have on such resources in light of all the facts of record.[27] The Board has reviewed, among other things, confidential reports of examination and other supervisory information received from the primary federal supervisors of the organizations. Based

25. The 1997 Examination noted that community contacts included a community preservation corporation, local development corporations, and a local housing alliance and partnership.

26. Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1, as implemented by the Joint Policy Statement Regarding Branch Closings (*see* 58 *Federal Register* 49,083 (1993)) ("Section 42"). Commenter contends that North Fork's reasons for closing Savings Bank's branches are inadequate and that North Fork has mischaracterized the closings as consolidations. As noted, the Board considered confidential information from North Fork regarding the branch closings, and the number and locations of branches to be closed in LMI census tracts. Moreover, Section 42 requires that a bank provide the public at large with at least 30 days notice and the primary federal supervisor and branch customers with at least 90 days notice before the date of the proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings. The notice requirements of Section 42 apply to all closings, however characterized, that are not relocations involving short distances (generally less than 1,000 feet) unless occurring in less densely populated areas.

27. *See* 12 C.F.R. 225.26.

on all the facts of record, the Board concludes that the financial and managerial resources of the organizations involved in the proposal are consistent with approval.

The record indicates that consummation of the proposal would result in benefits to consumers and businesses. The proposal would enable North Fork to provide Savings Bank customers with access to a broad array of products and services, including commercial bank products, throughout an expanded service area. Additionally, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies may make potentially profitable investments in nonbanking companies when, as in this case, those investments are consistent with the relevant considerations under the BHC Act, and from permitting banking organizations to allocate their resources in the manner they believe is most efficient. Based on all the facts of record, the Board has determined that consummation of this proposal can reasonably be expected to produce public benefits that would outweigh any likely adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the notice should be, and hereby is, approved.[28] The Board's approval of the proposal is specifically conditioned on compliance by North Fork with the commitments made in connection with the notice. The Board's determination also is subject to all the conditions in Regulation Y, including those in sections 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)) and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

This transaction shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 9, 1998.

Voting for this action: Vice Chair Rivlin and Governors Kelley, Phillips, Meyer, Ferguson, and Gramlich. Absent and not voting: Chairman Greenspan.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

28. Commenter has requested the Board to arrange an informal meeting between Commenter and North Fork. The Board's Rules of Procedure allow a Reserve Bank to hold a private meeting to provide a forum for narrowing issues and resolving differences between an applicant and commenter, if appropriate. *See* 12 C.F.R. 262.25(c). North Fork has indicated that it does not want to meet with Commenter.

Commenter also has requested that the Board hold a public hearing or meeting on the notice, including Commenter's contentions that both institutions have disparate lending records, that North Fork's managerial record raises adverse considerations, and that North Fork's justifications for few owner-occupied loans in LMI urban census tracts are inadequate. The Board's rules provide for a hearing on notices under section 4 of the BHC Act if there are disputed issues of material fact that cannot be resolved in some other manner. *See* 12 C.F.R. 225.25(a)(2). The Board also may, in its discretion, hold a public hearing or meeting if a hearing is necessary to clarify factual issues related to the proposal and to provide an opportunity for testimony, if appropriate. *See* 12 C.F.R. 225.16(e).

In the Board's view, Commenter had ample opportunity to submit its views, and has submitted substantial written comments that have been carefully considered by the Board in acting on the notice. Commenter's request fails to demonstrate why its written presentation does not adequately present its evidence, allegations, and views. After a careful review of all the facts of record, moreover, the Board has concluded that Commenter disputes the weight that should be accorded to and the conclusions that the Board should draw from the facts of record, but does not identify disputed issues of fact that are material to the Board's decision. For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not required or warranted in this case. Accordingly, the requests for a public hearing or meeting on the proposal are hereby denied.

ORDERS ISSUED UNDER BANK MERGER ACT

WestStar Bank
Bartlesville, Oklahoma

Order Approving the Merger of a Bank and Establishment of a Branch

WestStar Bank, Bartlesville, Oklahoma ("WestStar"), a state member bank, has requested the Board's approval under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to merge with Victory Bank of Nowata, Nowata, Oklahoma ("Victory Bank"). WestStar also has applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321) to establish a branch at the main office of Victory Bank, which is located at 108 North Maple, Nowata, Oklahoma.[1]

Notice of the applications, affording interested persons an opportunity to submit comments, has been given in

1. Victory Bank is owned indirectly by Victory Bancorp ("Bancorp") through an intermediate bank holding company, Victory Bancshares ("Bancshares"). In connection with the bank merger, WestStar would acquire all the voting shares of Bancorp; Bancshares would merge with and into Bancorp; and Bancorp would merge with and into WestStar. Because this transaction is in substance a merger of banks that is subject to Board review under the Bank Merger Act, the steps of the transaction would occur in immediate succession, Victory Bank would never be operated by WestStar as a separate bank, and the transaction does not raise issues that would bar Board approval under the Bank Holding Company Act ("BHC Act"), the Board has waived the applications required under section 3 of the BHC Act for the intermediate steps for this transaction.

accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. 262.3(b)). As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation ("FDIC"). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in the Bank Merger Act and the Federal Reserve Act.

WestStar is a wholly owned subsidiary of Arvest Bank Group, Bentonville, Arkansas, which is the sixth largest commercial banking organization in Oklahoma, controlling $775.5 million of deposits, representing 2.6 percent of total deposits in commercial banking organizations in the state.[2] Victory Bank controls deposits of $19.7 million, representing less than 1 percent of deposits in the state. On consummation of the proposal, Arvest Bank Group would remain the sixth largest commercial banking organization in Oklahoma.

Competitive Considerations

The Bank Merger Act provides that the Board may not approve an application if the effect of the acquisition is to create a monopoly or substantially to lessen competition in any section of the country unless the Board finds the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community.[3]

WestStar asserts that WestStar and Victory Bank operate in separate banking markets. Alternatively, WestStar contends that the appropriate banking market should include the Bartlesville banking market as previously defined by the Federal Reserve Bank of Kansas City ("Reserve Bank") plus the town of Coffeyville, Kansas.[4] The Board believes, however, that the appropriate market for analyzing the competitive effects of the proposal is the Bartlesville banking market as previously defined.[5] The Board bases its conclusion on an analysis of employment opportunities, commuting data, shopping patterns, loan and deposit data, an on-site investigation of the banking market conducted by the Reserve Bank in January 1998, and other facts of record that indicate that there is substantial commuting, travel, and interaction between Bartlesville and Nowata.[6] In light of these, and all facts of record, the Board concludes that the Bartlesville banking market reflects commercial and banking realities and represents an area where local customers can practicably turn for alternatives. Accordingly, the relevant banking market for considering the competitive effects of the proposal is the Bartlesville banking market as defined above.[7]

WestStar is the largest depository institution in the Bartlesville banking market, controlling deposits of approximately $349 million, representing approximately 47 percent of the total deposits in depository institutions in the market ("market deposits").[8] Victory Bank is the tenth largest depository institution in the market, controlling deposits of $19.7 million, representing approximately 3 percent of market deposits. On consummation of the proposal, WestStar would remain the largest depository institution in the Bartlesville banking market, controlling deposits of approximately $358.7 million, representing approximately 50 percent of market deposits. Concentration

2. State data are as of June 30, 1997, and market data are as of June 30, 1996.

3. 12 U.S.C. § 1828(c)(5).

4. The Reserve Bank defines the Bartlesville banking market as an area approximated by Nowata and Washington Counties and the northeastern quadrant of Osage County in Oklahoma; and the town of Caney, Kansas.

5. The Board and the courts have found that the relevant banking market for analyzing the competitive effects of a proposal must reflect commercial and banking realities and should consist of the local area where local customers can practicably turn for alternatives. *See St. Joseph Valley Bank*, 68 *Federal Reserve Bulletin* 673, 674 (1982). The key question to be considered in making this selection "is not where the parties to the merger do business or even where they compete, but where, within the area of competitive overlap, the effect of the merger on competition will be direct and immediate." *United States v. Philadelphia Nat'l Bank*, 374 U.S. 321, 374 (1963); *United States v. Phillipsburg Nat'l Bank*, 399 U.S. 350 (1969).

6. Bartlesville is the center of economic activity for a commercially integrated area generally encompassed by Washington, Nowata, and the northeastern portion of Osage Counties. Bartlesville is in Washington County, which is between Osage County to the west and Nowata County to the east, and has a population of 33,000 residents making it the largest town in the banking market. The area's largest employers, including a petroleum company with approximately 3100 employees and a medical center and school district office with more than 800 employees each, are in Bartlesville. Commuting data from the Census Bureau for 1990 show that approximately 27 percent of the residents in the Nowata community, where Victory Bank is located, commute to work in the Bartlesville area. Area residents also may obtain a variety of goods and services from large retail stores in an enclosed mall, restaurants, automobile dealerships, entertainment complexes, and a medical center that are unavailable in the smaller communities within a 40 mile radius of Bartlesville. Data from the Oklahoma Transportation Department indicate that in 1995, the average daily traffic count between Nowata and Bartlesville on State Highway 60 was 3,400 vehicles, which was more than twice the number of vehicles that used the highway to travel from Nowata in the opposite direction. In addition, loan and deposit data indicated that residents of Nowata obtain products and services from banking organizations in Bartlesville.

7. The facts of record do not support including Coffeyville within the Bartlesville banking market. Coffeyville, a mid-size town in Kansas with a population of approximately 13,000 residents, is approximately 40 miles northeast of Bartlesville. No highway directly connects the town with Bartlesville. In addition, Census Bureau commuting data for 1990 show that almost all the people who commute from Nowata County to Coffeyville reside in South Coffeyville, which is a small town in Nowata County approximately five miles from Coffeyville. Coffeyville also has a hospital and a full complement of retail stores.

8. In this context, depository institutions include commercial banks, savings banks, and savings associations. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

in the market, as measured by the Herfindahl–Hirschman Index ("HHI"), would increase 262 points to 2892.[9]

The Board has taken into account considerations that materially mitigate the competitive effect of the proposal. The Bartlesville banking market, for example, is a rural banking market with a significant number of competing depository institutions relative to its total market deposits of $715 million. After consummation of the proposal, 11 depository institution competitors, in addition to WestStar, would remain in the banking market. The remaining competitors include two of Oklahoma's largest commercial banking organizations that operate throughout the state. The Board also notes that a large credit union has a substantial effect on competition in the banking market.[10] The credit union controls a substantial amount of deposits in the banking market, and actively engages in home mortgage and consumer lending.[11] The Board believes that these factors mitigate the potentially adverse effects of the proposal.

The Department of Justice has reviewed the proposal and advised the Board that consummation of the proposal would not likely have any significantly adverse competitive effects in the Bartlesville banking market or any relevant banking market. The OCC and the FDIC also have not objected to the proposal.

Based on all the facts of record, and for the reasons discussed above, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in the Bartlesville banking market or any other relevant banking market.

Other Considerations

The Bank Merger Act also requires the Board to consider the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served. The Board has carefully considered these factors in light of all the facts of record. The facts of record include supervisory reports of examination that assess the financial and managerial resources of the organizations and financial information provided by WestStar. Based on these and all other facts of record, the Board concludes that financial and managerial resources and future prospects of the institutions involved are consistent with approval, as are other supervisory factors.

WestStar intends to increase Victory Bank's hours of operation and would offer its expanded products and services to the bank's customers and residents in the Nowata area, including access to ATMs, cash management services, trust services, and a greater array of retail and commercial checking accounts. WestStar also has a satisfactory record of performance under the Community Reinvestment Act of helping to meet the credit needs of all its communities, including low- and moderate-income areas.[12] Based on all the facts of record, the Board concludes that considerations relating to convenience and needs are consistent with approval. The Board also concludes that all the factors that must be considered under section 9 of the Federal Reserve Act are consistent with approval.[13]

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the applications should be, and hereby are, approved. The Board's approval of the proposal is specifically conditioned on compliance by WestStar with all the commitments made in connection with this application. For purposes of this action, the commitments and conditions relied on in reaching this decision are both conditions imposed in writing by the Board, and as such, may be enforced in proceedings under applicable law.

The proposed acquisition shall not be consummated before the fifteenth calendar day following the effective date of this order, or later than three months after the effective date of this order, unless such period is extending for good cause by the Board or by the Reserve Bank, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 18, 1998.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Phillips, Ferguson, and Gramlich. Absent and not voting: Governor Meyer.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

9. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984) ("DOJ Guidelines"), a market in which the post-merger HHI is above 1800 is considered highly concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

10. The credit union was originally established for the employees of the petroleum company in Bartlesville but has broadened its membership criteria to include employees of other companies. Approximately 26,900 residents in the Bartlesville banking market, representing approximately 39 percent of the market's total population, are credit union members.

11. If deposits for the credit union were weighted at 50 percent, WestStar would control 44.5 percent of market deposits, and the HHI would increase by 206 points to 2405.

12. 12 U.S.C. § 2901 *et seq.* ("CRA"). WestStar and Victory Bank received a satisfactory rating under the CRA at their most recent performance examinations.

13. Under Oklahoma law, a bank is permitted to branch into another county by acquisition if the bank to be acquired has operated for at least five years. *See* Okla. Stat. Tit. 6 § 501.1. Victory Bank has operated for at least five years, and Oklahoma banking officials have confirmed that the proposal would be consistent with state branching law.

INDEX OF ORDERS ISSUED OR ACTIONS TAKEN BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (OCTOBER 1, 1997-DECEMBER 31, 1997)

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
Bank of Cyprus, Ltd., Nicosia, Cyprus	To establish a representative office in New York, New York	November 24, 1997	84, 67
Barnett Banks, Inc., Jacksonville, Florida BB&T Corporation, Winston-Salem, North Carolina Central Fidelity Banks, Inc., Richmond, Virginia Crestar Financial Corporation, Richmond, Virginia First American Corporation, Nashville, Tennessee First Citizens BancShares, Inc., Raleigh, North Carolina First Union Corporation, Charlotte, North Carolina First Virginia Banks, Inc., Falls Church, Virginia Jefferson Bankshares, Inc., Charlottesville, Virginia NationsBank Corporation, Charlotte, North Carolina Riggs National Corporation, Washington, D.C. Signet Banking Corporation, Richmond, Virginia SunTrust Banks, Inc., Atlanta, Georgia Synovus Financial Corporation, Columbus, Georgia Wachovia Corporation, Winston-Salem, North Carolina	Monetary Transfer System, L.L.C., St. Louis, Missouri Honor Technologies, Inc., Maitland, Florida	October 6, 1997	83, 1003
California Community Financial Institutions Fund Limited Partnership, San Francisco, California Belvedere Bancorp, San Francisco, California Belvedere Capital Partners, Inc., San Francisco, California	Security First Bank, Fullerton, California	October 27, 1997	83, 1002
Canadian Imperial Bank of Commerce, Toronto, Canada CIBC Wood Gundy Securities Corp., New York, New York	Oppenheimer Holdings, Inc., New York, New York	October 27, 1997	83, 1008
Centura Bank, Rocky Mount, North Carolina	First Union National Bank, Charlotte, North Carolina	November 10, 1997	84, 64
Centura Bank, Rocky Mount, North Carolina	NationsBank, N.A., Charlotte, North Carolina	October 6, 1997	83, 1023

Index of Orders Issued—Continued

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
Crédit Agricole Indosuez, Paris, France	To establish state-licensed branches in Chicago, Illinois; and New York, New York; and representative offices in Houston, Texas; and San Francisco, California	October 27, 1997	83, 1025
The Cyprus Popular Bank, Ltd., Nicosia, Cyprus	To establish a representative office in New York, New York	October 27, 1997	83, 1028
First of Waverly Corporation, Waverly, Iowa	Schrage, Ltd., Plainfield, Iowa Farmers State Bank, Plainfield, Iowa	December 15, 1997	84, 111
First National Security Company, DeQueen, Arkansas	First Financial Corporation of Idabel, Idabel, Oklahoma First State Bank of Idabel, Idabel, Oklahoma	November 24, 1997	84, 58
First State Bancshares, Inc., Farmington, Missouri	Perry County Financial Corporation, Perryville, Missouri Perry County Savings Bank, FSB, Perryville, Missouri	October 29, 1997	83, 1010
First Union Corporation, Charlotte, North Carolina	Signet Banking Corporation, Richmond, Virginia Signet Bank, Richmond, Virginia	October 14, 1997	83, 1012
First Union Corporation, Charlotte, North Carolina	Wheat First Butcher Singers, Inc., Richmond, Virginia Wheat, First Securities, Inc., Richmond, Virginia	November 26, 1997	84, 59
J.P. Morgan & Co., Inc., New York, New York	American Century Companies, Inc., Kansas City, Missouri	December 8, 1997	84, 113
Lloyds TSB Group plc, London, England Lloyds Bank Plc, London, England	IAI Holdings, Inc., Minneapolis, Minnesota	December 18, 1997	84, 116
National Bancorp of Alaska, Inc., Anchorage, Alaska	California Community Financial Institutions Fund Limited Partnership, San Francisco, California	October 27, 1998	83, 1002
NationsBank Corporation, Charlotte, North Carolina NB Holdings Corporation, Charlotte, North Carolina	Barnett Banks, Inc., Jacksonville, Florida Barnett Bank, National Association, Jacksonville, Florida Community Bank of the Islands, Sanibel, Florida EquiCredit Corporation, Jacksonville, Florida First of America Bank-Florida, FSB, Tampa, Florida Honor Technologies, Inc., Maitland, Florida Barnett Community Development Corporation, Jacksonville, Florida	December 10, 1997	84, 129

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Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
The Sanwa Bank Limited, Osaka, Japan Sanwa Business Credit Corporation, Chicago, Illinois	Morcroft Capital Corporation, Fairfield, New Jersey	December 1, 1997	84, 120
Star Banc Corporation, Cincinnati, Ohio	Great Financial Corporation, Louisville, Kentucky Great Financial Bank, F.S.B., Louisville, Kentucky	December 18, 1997	84, 121
SunTrust Banks, Inc., Atlanta, Georgia	Equitable Securities Corporation, Nashville, Tennessee Equitable Trust Company, Nashville, Tennessee Equitable Asset Management, Inc., Nashville, Tennessee	December 18, 1997	84, 126
U.S. Bancorp, Minneapolis, Minnesota	U.S. Bancorp Investments, Inc., Minneapolis, Minnesota	November 26, 1997	84, 62
Wachovia Corporation, Winston-Salem, North Carolina	Central Fidelity Banks, Inc., Richmond, Virginia Central Fidelity National Bank, Richmond, Virginia CFB Insurance Agency, Inc., Richmond, Virginia	October 20, 1997	83, 1020

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT

By the Secretary of the Board

Recent applications have been approved by the Secretary of the Board as listed below. Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant(s)	Bank(s)	Effective Date
Centura Banks, Inc., Rocky Mount, North Carolina	Pee Dee Bankshares, Inc., Timmonsville, South Carolina Pee Dee State Bank, Timmonsville, South Carolina	February 24, 1998

Applications Approved—Continued

Applicant(s)	Bank(s)	Effective Date
National City Corporation, Cleveland, Ohio	Fort Wayne National Corporation, Fort Wayne, Indiana The Auburn State Bank, Auburn, Indiana Churubusco State Bank, Churubusco, Indiana First National Bank of Huntington, Huntington, Indiana First National Bank of Warsaw, Warsaw, Indiana Fort Wayne National Bank, Fort Wayne, Indiana Old-First National Bank in Bluffton, Bluffton, Indiana Valley American Bank, South Bend, Indiana	February 23, 1998
Niagara Bancorp, MHC, Lockport, New York	Niagara Bancorp, Inc., Lockport, New York Lockport Savings Bank, Lockport, New York	February 20, 1998

Section 4

Applicant(s)	Bank(s)	Effective Date
National City Corporation, Cleveland, Ohio	American Mortgage Source, Inc., Nashville, Tennessee	February 19, 1998
National City Corporation, Cleveland, Ohio National City Mortgage Co., Miamisburg, Ohio	Eastern Mortgage Services, Trevose, Pennsylvania First National Mortgage Corporation, Glen Burnie, Maryland	February 6, 1998

Sections 3 and 4

Applicant(s)	Bank(s)	Effective Date
First American Corporation, Nashville, Tennessee	Deposit Guaranty Corp., Jackson, Mississippi Deposit Guaranty National Bank, Jackson, Mississippi G&W Life Insurance Company, Jackson, Mississippi	February 3, 1998

By Federal Reserve Banks

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

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Alliance Bancorporation, Inc., Hot Springs, Arkansas	Alliance Bank of Hot Springs, Hot Springs, Arkansas	St. Louis	January 27, 1998
Bolivar Banking Corporation, Shelby, Mississippi	Bank of Bolivar County, Shelby, Mississippi	St. Louis	February 6, 1998
Brookline Bancorp, M.H.C., Brookline, Massachusetts Brookline Bancorp, Inc., Brookline, Massachusetts	Brookline Savings Bank, Brookline, Massachusetts	Boston	January 28, 1998
Capital Community Bancorporation, Inc., Orem, Utah	Orem Community Bank, Orem, Utah	San Francisco	February 4, 1998
Carrollton Bancorp, Baltimore, Maryland	Patapsco Valley Bancshares, Inc., Ellicott City, Maryland	Richmond	February 4, 1998
Community Bancshares of Mississippi, Inc., Employee Stock Ownership Plan, Forest, Mississippi	Community Bancshares of Mississippi, Inc., Forest, Mississippi	Atlanta	February 5, 1998
Community Bank Shares of Indiana, Inc., New Albany, Indiana	NCF Financial Corporation, Bardstown, Kentucky NCF Bank and Trust Company, Bardstown, Kentucky	St. Louis	February 12, 1998
Community National Bank Corporation Employee Stock Ownership Plan, Venice, Florida	Community National Bank Corporation, Venice, Florida	Atlanta	January 22, 1998
CSB Bancshares, Inc., Yukon, Oklahoma	Canadian State Bank, Yukon, Oklahoma	Kansas City	February 4, 1998
Fidelity Company, Dyersville, Iowa	Iowa Bank, Bellevue, Iowa	Chicago	February 3, 1998
First National Corporation, Orangeburg, South Carolina	Florence County National Bank, Florence, South Carolina	Richmond	February 19, 1998
First Nebraska Bancs, Inc., Sidney, Nebraska	South Platte Bancorp, Julesburg, Colorado First National Bank, Julesburg, Colorado	Kansas City	February 11, 1998
FNB Financial Services, Inc. Employee Stock Ownership Plan, Durant, Oklahoma	FNB Financial Services, Inc., Durant, Oklahoma The First National Bank in Durant, Durant, Oklahoma	Kansas City	January 23, 1998
Gold Banc Acquisition Corp., Inc. II, Leawood, Kansas	Farmers Bancshares of Oberlin, Inc., Oberlin, Kansas	Kansas City	January 29, 1998
Gold Banc Corporation, Inc., Leawood, Kansas	First Alma Bancshares, Inc., Alma, Kansas	Kansas City	February 4, 1998

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Harlingen Bancshares, Inc., Harlingen, Texas	Lower Rio Grande Valley Bancshares, Inc., La Feria, Texas First National Bank, La Feria, Texas	Dallas	February 10, 1998
Hoosac Financial Services, Inc., North Adams, Massachusetts	Hoosac Bank, North Adams, Massachusetts	Boston	January 15, 1998
The Independent Mutual Holding Company, Laconia, New Hampshire	Laconia Savings Bank, Laconia, New Hampshire	Boston	January 30, 1998
Inver Grove Bancshares, Inc., Inver Grove Heights, Minnesota	Key Community Bank, Inver Grove Heights, Minnesota	Minneapolis	February 5, 1998
Lincoln Interim Corporation, Lincolnton, Georgia	Lincoln Bancshares, Inc., Lincolnton, Georgia Farmers State Bank, Lincolnton, Georgia	Atlanta	February 19, 1998
MainStreet BankGroup Incorporated, Martinsville, Virginia	Regency Financial Shares, Inc., Richmond, Virginia Regency Bank, Richmond, Virginia	Richmond	February 18, 1998
MainStreet BankGroup Incorporated, Martinsville, Virginia	Tysons Financial Corporation, McLean, Virginia	Richmond	February 4, 1998
McCurtain County Bancshares, Inc., Idabel, Oklahoma	McCurtain County National Bank, Idabel, Oklahoma New McCurtain County National Bank, Broken Bow, Oklahoma	Kansas City	February 9, 1998
Paramount Bancorp, Inc., Bingham Farms, Michigan	Paramount Bank, Bingham Farms, Michigan	Chicago	January 26, 1998
Regions Financial Corporation, Birmingham, Alabama	Key Florida Bancorp, Inc., Bradenton, Florida Liberty National Bank, Bradenton, Florida	Atlanta	February 12, 1998
Security Bancshares, Inc., Scott City, Kansas	Farmers & Merchants Bank of Colby, Colby, Kansas	Kansas City	February 5, 1998
South Valley Bancorp, Inc., Klamath Falls, Oregon	South Valley Bank & Trust, Klamath Falls, Oregon	San Francisco	January 30, 1998
Standard Mutual Holding Company, Monroeville, Pennsylvania	Standard Bank, PaSB, Murrysville, Pennsylvania	Cleveland	February 6, 1998
State National Bancshares, Inc., Lubbock, Texas	First Sierra Bancshares, Inc., Truth or Consequences, New Mexico Sierra Bank, Truth or Consequences, New Mexico State National Bancshares of Delaware, Dover, Delaware First National Bank of Denver City, Denver City, Texas	Dallas	February 4, 1998
Tarpon Coast Bancorp, Inc., Port Charlotte, Florida	Tarpon Coast National Bank, Port Charlotte, Florida	Atlanta	February 10, 1998
Tippins Bankshares, Inc., Claxton, Georgia	Tippins Bank and Trust Company, Claxton, Georgia	Atlanta	January 22, 1998

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Union Planters Corporation, Memphis, Tennessee	Security Bancshares, Inc., Des Arc, Arkansas Farmers and Merchants Bank, Des Arc, Arkansas Merchants and Farmers Bank, West Helena, Arkansas	St. Louis	February 12, 1998
United Bankshares, Inc., Charleston, West Virginia	George Mason Bankshares, Inc., Fairfax, Virginia	Richmond	January 28, 1998
Wayne Bancorp, Inc., Wooster, Ohio	Chippewa Valley Bancshares, Inc., Rittman, Ohio	Cleveland	February 12, 1998

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Ambank Company, Inc., Sioux Center, Iowa	Amlend Mortgage Services, Inc., Sioux Center, Iowa	Chicago	February 2, 1998
Area Bancshares Corporation, Owensboro, Kentucky	SecureWare, Inc., Atlanta, Georgia	St. Louis	January 23, 1998
The Bank of New York Company, Inc., New York, New York BNY Capital Markets, Inc., New York, New York	Mendham Capital Group, Inc., Rosedale, New Jersey	New York	February 9, 1998
Banque Nationale de Paris, Paris, France	BNP Securities (U.S.A.), Inc., Radnor, Pennsylvania	San Francisco	February 3, 1998
BB&T Corporation, Winston-Salem, North Carolina	BB&T Financial Corporation of Virginia, Winston-Salem, North Carolina Life Bancorp, Inc., Norfolk, Virginia	Richmond	January 22, 1998
Deutsche Bank AG, Frankfurt am Main, Federal Republic of Germany Deutsche Morgan Grenfell, Inc., New York, New York	National Westminister Bank PLC, London, England NatWest Securities Corporation, New York, New York	New York	February 13, 1998
HUBCO, Inc., Mahwah, New Jersey	Poughkeepsie Financial Corp., Poughkeepsie, New York Bank of the Hudson, Poughkeepsie, New York	New York	January 29, 1998
Huntington Bancshares Incorporated, Columbus, Ohio	SecureWare, Inc., Atlanta, Georgia Security First Network Bank, Atlanta, Georgia	Cleveland	January 23, 1998

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Mason-Dixon Bancshares, Inc., Westminster, Maryland	Bay Finance, LLC, Baltimore, Maryland Bay Insurance, LLC, Baltimore, Maryland Rose Shanis & Co., Inc., Baltimore, Maryland Rose Shanis Sons, Inc., Baltimore, Maryland Rose Shanis & Co., Baltimore, Maryland Stephen Corp., Baltimore, Maryland	Richmond	January 23, 1998
National Australia Bank Limited, Melbourne, Australia	Homeside, Inc., Jacksonville, Florida Homeside Lending, Inc., Jacksonville, Florida	Chicago	January 30, 1998
Swiss Bank Corporation, Basel, Switzerland	Brunswick Warburg, Inc., New York, New York	New York	January 22, 1998

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
CNB Bancshares, Inc., Evansville, Indiana	Pinnacle Financial Services, Inc., St. Joseph, Michigan Pinnacle Bank, St. Joseph, Michigan Pinnacle Financial Consultants, Inc., Valparaiso, Indiana IndFed Mortgage Company, Valparaiso, Indiana Forrest Holdings Inc., Lisle, Illinois Forrest Financial Corporation, Lisle, Illinois	St. Louis	February 6, 1998
First Commercial Corporation, Little Rock, Arkansas	Kemmons Wilson, Inc., Memphis, Tennessee KW Bancshares, Inc., Little Rock, Arkansas Federal Savings Bank, Rogers, Arkansas First Commercial Bank, N.A. of West Memphis, West Memphis, Arkansas	St. Louis	February 12, 1998
Lenox Financial Services Corp., Lenox, Massachusetts	Lenox Savings Bank, Lenox, Massachusetts	Boston	January 23, 1998

APPLICATIONS APPROVED UNDER BANK MERGER ACT

By the Secretary of the Board

Recent applications have been approved by the Secretary of the Board as listed below. Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Applicant(s)	Bank(s)	Effective Date
Centura Bank, Rocky Mount, North Carolina	Pee Dee State Bank, Timmonsville, South Carolina	February 24, 1998
Farmers Trust Bank, Lebanon, Pennsylvania	Lebanon Valley National Bank, Lebanon, Pennsylvania	February 6, 1998

By Federal Reserve Banks

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

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
1st United Bank, Boca Raton, Florida	American Bank of Hollywood, Hollywood, Florida	Atlanta	January 30, 1998
Farmers State Bank, Victor, Montana	Farmers State Bank, fsb, Stevensville, Montana	Minneapolis	January 23, 1998
The George Mason Bank, Fairfax, Virginia	United Bank, Arlington, Virginia	Richmond	January 28, 1998

PENDING CASES INVOLVING THE BOARD OF GOVERNORS

This list of pending cases does not include suits against the Federal Reserve Banks in which the Board of Governors is not named a party.

Logan v. Greenspan, No. 1:98CV00049 (D.D.C., filed January 9, 1998). Employment discrimination complaint.

Department of the Treasury, No. 1–97–CV–3798 (N.D. Ga., filed December 23, 1997). Declaratory judgment action challenging Federal Reserve notes as lawful money.

Kerr v. Department of the Treasury, No. CV–S–97–01877–DWH (S.D. Nev., filed December 22, 1997). Challenge to income taxation and Federal Reserve notes.

Allen v. Indiana Western Mortgage Corp., No. 97–7744 RJK (C.D. Cal., filed November 12, 1997). Customer dispute with a bank.

Patrick v. United States, No. 97–75564 (E.D. Mich., filed November 7, 1997). Action for damages arising out of tax dispute.

Leuthe v. Office of Financial Institution Adjudication, No. 97–1826 (3d Cir., filed October 22, 1997). Appeal of district court dismissal of action against the Board and other Federal banking agencies challenging the constitutionality of the Office of Financial Institution Adjudication.

Patrick v. United States, No. 97–75017 (E.D. Mich., filed September 30, 1997). Action for damages arising out of tax dispute.

Artis v. Greenspan, No. 97–5234 (D.C. Cir., filed September 19, 1997). Appeal of district court order dismissing employment discrimination action. On January 29, 1998, the Court of Appeals granted the Board's motion for summary affirmance of the District Court's dismissal of the complaint.

Artis v. Greenspan, No. 97–5235 (D.C. Cir., filed September 19, 1997). Appeal of district court order dismissing employment discrimination class action.

Towe v. Board of Governors, No. 97–71143 (9th Cir., filed September 15, 1997). Petition for review of a Board order dated August 18, 1997, prohibiting Edward Towe and Thomas E. Towe from further participation in the banking industry.

Branch v. Board of Governors, No. 97–5229 (D.C. Cir., filed September 12, 1997). Appeal of district court order denying motion to compel production of pre-decisional supervisory documents and testimony sought in connection with an action by Bank of New England Corporation's trustee in bankruptcy against the Federal Deposit Insurance Corporation. On November 10, 1997, the court denied appellant's request for expedited consideration of the appeal. Oral argument is scheduled for May 4, 1998.

Clarkson v. Greenspan, No. 97–CV–2035 (D.D.C., filed September 5, 1997). Freedom of Information Act case. On January 20, 1998, the Board filed a motion to dismiss the action.

Banking Consultants of America v. Board of Governors, No. 97-2791 (W.D. Tenn., filed September 2, 1997). Action to enjoin investigation by the Board, the Office of the Comptroller of the Currency, and the Department of Labor. On January 23, 1998, the court granted the Board's motion to dismiss the action.

Bettersworth v. Board of Governors, No. 97–CA–624 (W.D. Tex., filed August 21, 1997). Privacy Act case.

Wilkins v. Warren, No. 97–CV–590 (E.D. Va., filed August 4, 1997). Customer dispute with a bank. On February 13, 1998, the court granted the Board's motion to dismiss the action.

Greeff v. Board of Governors, No. 97–1976 (4th Cir., filed June 17, 1997). Petition for review of a Board order dated May 19, 1997, approving the application of by Allied Irish Banks, plc, Dublin, Ireland, and First Maryland Bancorp, Baltimore, Maryland, to acquire Dauphin Deposit Corporation, Harrisburg, Pennsylvania, and thereby acquire Dauphin's banking and nonbanking subsidiaries.

Maunsell v. Greenspan, No. 97–6131 (2d Cir., filed May 22, 1997). Appeal of district court dismissal of action for compensatory and punitive damages for alleged violations of civil rights by federal savings bank.

Vickery v. Board of Governors, No. 97–1344 (D.C. Cir., filed May 9, 1997). Petition for review of a Board order dated April 14, 1997, prohibiting Charles R. Vickery, Jr., from further participation in the banking industry. Oral argument was heard on February 24, 1998.

Pharaon v. Board of Governors, No. 97–1114 (D.C. Cir., filed February 28, 1997). Petition for review of a Board order dated January 31, 1997, imposing civil money penalties and an order of prohibition for violations of the Bank Holding Company Act. Oral argument was held on December 8, 1997, and on February 10, 1998, the court of appeals affirmed the Board's order.

The New Mexico Alliance v. Board of Governors, No. 98–1049 (D.C. Cir., transferred as of January 21, 1998). Petition for review of a Board order dated December 16, 1996, approving the acquisition by NationsBank Corporation and NB Holdings Corporation, both of Charlotte, North Carolina, of Boatmen's Bancshares, Inc., St. Louis, Missouri. On January 21, 1998, the United States Court of Appeals for the Tenth Circuit ordered the petition transferred to the United States Court of Appeals for the District of Columbia Circuit.

American Bankers Insurance Group, Inc. v. Board of Governors, No. 96–CV–2383–EGS (D.D.C., filed October 16, 1996). Action seeking declaratory and injunctive relief invalidating a new regulation issued by the Board under the Truth in Lending Act relating to treatment of fees for debt cancellation agreements. On October 18, 1996, the district court denied plaintiffs' motion for a temporary restraining order. On January 17, 1997, the parties filed cross-motions for summary judgment.

Board of Governors v. Pharaon, No. 91–CIV–6250 (S.D. New York, filed September 17, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On September 17, 1991, the court issued an order temporarily restraining the transfer or disposition of the individual's assets.

Final Enforcement Orders Issued by the Board of Governors

Clark M. Clifford
Robert A. Altman
Washington, D.C.

The Federal Reserve Board announced on February 3, 1998, the consent settlement of administrative enforcement proceedings against Clark M. Clifford and Robert A. Altman, former directors of Credit and Commerce American Holdings, N.V., Netherlands Antilles, formerly a bank holding company. Under the settlement, Clifford and Altman agreed to pay approximately $5 million in compensation and Altman agreed not to participate in the banking industry without the prior approval of the Board.

John E. Colley
Schenectady, New York

The Federal Reserve Board announced on February 13, 1998, the issuance of a Combined Order of Prohibition and Assessment of a Civil Money Penalty against John E. Colley, a former employee and institution-affiliated party of the Trustco Bank New York, Schenectady, New York, formerly a state-chartered bank that was a member of the Federal Reserve System.

Stephen R. Koury
New Castle, Pennsylvania

The Federal Reserve Board announced on February 6, 1998, the issuance of an Order of Prohibition against Stephen R. Koury, a former employee and institution-affiliated party of First Western Trust Services Company, New Castle, Pennsylvania, a registered bank holding company.

Michael A. Lindahl
Croton, Ohio

The Federal Reserve Board announced on February 6, 1998, the issuance of an Order of Prohibition against Michael A. Lindahl, a former officer and institution-affiliated party of the Heartland Bank, Croton, Ohio, a state member bank.

Towne Bank
Perrysburg, Ohio

The Federal Reserve Board announced on February 6, 1998, the issuance of a Cease and Desist Order against the Towne Bank, Perrysburg, Ohio. The Order was issued jointly with the Ohio Division of Financial Institutions.

Michael Wachs
New York, New York

The Federal Reserve Board announced on February 6, 1998, the issuance of an Order of Prohibition against Michael Wachs, a former Managing Director and institution-affiliated party of the Chase Manhattan Corporation, New York, New York, a registered bank holding company, and Chase Securities, Inc., a nonbank subsidiary of Chase Manhattan Corporation.

Financial and Business Statistics

INTERNATIONAL STATISTICS

Summary Statistics

Reported by Banks in the United States

Reported by Nonbanking Business Enterprises in the United States

Securities Holdings and Transactions

Interest and Exchange Rates

Guide to Tabular Presentation

SYMBOLS AND ABBREVIATIONS

c	Corrected
e	Estimated
n.a.	Not available
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
...	Cell not applicable
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
FFB	Federal Financing Bank
FHA	Federal Housing Administration
FHLBB	Federal Home Loan Bank Board
FHLMC	Federal Home Loan Mortgage Corporation
FmHA	Farmers Home Administration
FNMA	Federal National Mortgage Association
FSLIC	Federal Savings and Loan Insurance Corporation
G-7	Group of Seven
G-10	Group of Ten
GNMA	Government National Mortgage Association
GDP	Gross domestic product
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IO	Interest only
IPCs	Individuals, partnerships, and corporations
IRA	Individual retirement account
MMDA	Money market deposit account
MSA	Metropolitan statistical area
NOW	Negotiable order of withdrawal
OCD	Other checkable deposit
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PO	Principal only
REIT	Real estate investment trust
REMIC	Real estate mortgage investment conduit
RP	Repurchase agreement
RTC	Resolution Trust Corporation
SCO	Securitized credit obligation
SDR	Special drawing right
SIC	Standard Industrial Classification
VA	Department of Veterans Affairs

GENERAL INFORMATION

In many of the tables, components do not sum to totals because of rounding.

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

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury.

"State and local government" also includes municipalities, special districts, and other political subdivisions.

1.10 RESERVES, MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1997				1997				1998
	Q1	Q2	Q3	Q4	Sept.	Oct.	Nov.	Dec.	Jan.
Reserves of depository institutions[2]									
1 Total	−8.3	−14.3	−1.8	−1.3	−18.9	−5.5	10.6	8.5	−20.9
2 Required	−8.4	−15.0	−2.4	−4.1	−20.5	−8.3	5.1	7.0	−24.4
3 Nonborrowed	−7.2	−16.0	−3.4	.7	−15.0	−1.2	13.7	4.1	−18.2
4 Monetary base[3]	5.3	3.7	6.3	8.1	6.8	6.8	10.9	9.9	5.9
Concepts of money, liquid assets, and debt[4]									
5 M1	−1.4	−4.5	.3	.8	−8.4	−1.9	8.2	7.6	−3.0
6 M2	5.1	4.4	5.4	6.8	6.3	5.9	7.3	6.8	6.9
7 M3	8.0	7.7	8.1	9.8	8.7	8.5	11.5	11.0	10.6
8 L	7.0	8.4	7.1	9.3	7.2	6.9	12.9	11.7	n.a.
9 Debt	4.3	4.7	4.1	5.2	4.9	5.5	5.3	4.8	n.a.
Nontransaction components									
10 In M2[5]	7.7	7.9	7.3	9.0	11.8	8.6	7.0	6.5	10.5
11 In M3 only[6]	18.0	18.9	16.9	19.2	16.6	16.7	24.4	23.8	21.9
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	12.8	11.0	9.5	16.3	20.4	17.4	11.9	13.6	13.4
13 Small time[7]	2.9	5.6	7.1	3.1	3.7	2.5	5.6	1.0	.0
14 Large time[8,9]	19.4	24.1	17.2	14.0	18.2	6.6	22.6	19.9	5.1
Thrift institutions									
15 Savings, including MMDAs	.7	6.0	1.0	1.3	.3	2.2	−.6	5.1	6.4
16 Small time[7]	.0	−2.9	−5.2	−3.6	−5.5	−1.0	−9.4	.3	4.2
17 Large time[8]	13.5	4.3	9.8	5.3	1.4	1.4	11.5	11.4	29.6
Money market mutual funds									
18 Retail	14.7	13.5	16.0	15.6	23.3	10.2	14.4	4.8	22.9
19 Institution-only	18.4	18.0	19.7	22.0	28.2	22.9	7.6	34.5	14.7
Repurchase agreements and Eurodollars									
20 Repurchase agreements[10]	6.2	6.8	13.4	39.3	−4.6	56.2	79.5	10.8	68.8
21 Eurodollars[10]	35.8	32.2	19.5	7.0	21.3	−13.9	−4.4	38.0	18.0
Debt components[4]									
22 Federal	1.8	.4	−.6	.9	1.1	.5	.3	2.2	n.a.
23 Nonfederal	5.2	6.3	5.8	6.7	6.2	7.2	7.0	5.7	n.a.

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding during preceding month or quarter.

2. Figures incorporate adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.20.)

3. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

4. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions, (2) travelers checks of nonbank issuers, (3) demand deposits at all commercial banks other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float, and (4) other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.

M2: M1 plus (1) savings (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more), (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

5. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances, each seasonally adjusted separately.

6. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees, each seasonally adjusted separately.

7. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits.

8. Large time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

9. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

10. Includes both overnight and term.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT[1]

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1997		1998	1997			1998			
	Nov.	Dec.	Jan.	Dec. 17	Dec. 24	Dec. 31	Jan. 7	Jan. 14	Jan. 21	Jan. 28
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	460,675	469,563[r]	468,726	466,689	471,646[r]	476,255[r]	476,928	468,283	466,446	465,389
U.S. government securities[2]										
2 Bought outright—System account[3]	416,535	427,860	429,845	430,419	429,198	430,866	430,973	430,981	429,718	428,462
3 Held under repurchase agreements	8,910	7,197	4,155	2,900	7,270	9,917	9,827	3,433	1,920	2,896
Federal agency obligations										
4 Bought outright	686	685	685	685	685	685	685	685	685	685
5 Held under repurchase agreements	1,698	1,156	833	798	1,483	1,502	1,523	826	403	422
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	49	252	188	278	92	673	352	22	364	87
8 Seasonal credit	110	79	18	84	78	64	23	20	16	16
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	585	931	1,234	486	905[r]	766[r]	1,989	690	1,798	594
11 Other Federal Reserve assets	32,102	31,404	31,769	31,040	31,936	31,782	31,556	31,626	31,543	32,228
12 Gold stock	11,050	11,049	11,046	11,049	11,049	11,048	11,047	11,046	11,046	11,044
13 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,595[r]	25,602[r]	25,644	25,602[r]	25,604[r]	25,606[r]	25,620	25,634	25,648	25,662
ABSORBING RESERVE FUNDS										
15 Currency in circulation	466,939[r]	475,661[r]	474,085	473,081[r]	477,120[r]	481,545[r]	480,719	475,243	472,553	470,160
16 Treasury cash holdings	244	230	224	231	229	229	225	228	227	219
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,126	5,107	6,507	6,330	5,001	4,758	5,031	5,253	9,148	6,976
18 Foreign	213	177	188	170	156	213	244	177	161	166
19 Service-related balances and adjustments	6,950	6,922	7,198	6,803	6,986[r]	6,954[r]	6,792	7,007	7,377	7,584
20 Other	364	354	421	379	333	365	796	252	329	343
21 Other Federal Reserve liabilities and capital	16,140	16,025	16,016	16,192	16,343	16,223	15,636	16,240	16,127	16,083
22 Reserve balances with Federal Reserve Banks[4]	10,544	10,938[r]	9,976	9,354	11,330	11,821[r]	13,353	9,762	6,417	9,765

Factor	End-of-month figures			Wednesday figures						
	Nov.	Dec.	Jan.	Dec. 17	Dec. 24	Dec. 31	Jan. 7	Jan. 14	Jan. 21	Jan. 28
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	465,930	490,034[r]	463,591	476,015	475,607[r]	490,034[r]	472,413	472,252	472,870	473,661
U.S. government securities[2]										
2 Bought outright—System account[3]	419,882	430,736	428,043	430,546	432,059	430,736	430,039	431,714	429,553	427,975
3 Held under repurchase agreements	10,416	21,188	800	9,415	7,123	21,188	4,275	5,465	6,271	8,978
Federal agency obligations										
4 Bought outright	685	685	685	685	685	685	685	685	685	685
5 Held under repurchase agreements	3,782	2,652	1,268	1,880	1,902	2,652	747	2,216	1,356	760
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	3	2,001	16	894	21	2,001	7	20	367	14
8 Seasonal credit	87	35	8	84	75	35	19	20	15	13
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	74	719[r]	700	400	2,136[r]	719[r]	5,291	−245	2,453	2,222
11 Other Federal Reserve assets	31,001	32,020	32,072	32,111	31,606	32,020	31,352	32,377	32,171	33,014
12 Gold stock	11,051	11,047	11,046	11,049	11,048	11,047	11,047	11,046	11,046	11,044
13 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,598[r]	25,606[r]	25,676	25,602[r]	25,604[r]	25,606[r]	25,620	25,634	25,648	25,662
ABSORBING RESERVE FUNDS										
15 Currency in circulation	471,226[r]	482,390[r]	468,337	475,343[r]	480,521[r]	482,390[r]	478,691	473,960	472,384	470,034
16 Treasury cash holdings	234	225	220	229	229	225	228	229	219	220
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,127	5,444	5,552	7,493	4,949	5,444	5,580	4,644	15,430	6,846
18 Foreign	167	457	215	154	157	457	159	157	161	158
19 Service-related balances and adjustments	7,178	6,954	7,278	6,803	6,986	6,954	6,792	7,007	7,377	7,584
20 Other	509	900	343	381	296	900	199	337	330	334
21 Other Federal Reserve liabilities and capital	15,559	15,500	15,969	16,021	16,141	15,500	15,735	15,971	15,929	15,853
22 Reserve balances with Federal Reserve Banks[4]	11,780	24,017[r]	11,598	15,442	12,179[r]	24,017[r]	10,896	15,826	6,933	18,538

1. Amounts of cash held as reserves are shown in table 1.12, line 2.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.
4. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1995	1996	1997	1997						1998
	Dec.	Dec.	Dec.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 Reserve balances with Reserve Banks[2]	20,440	13,395	10,673[r]	9,851	10,489	9,742	9,990	10,559	10,673[r]	9,736
2 Total vault cash[3]	42,094	44,379[r]	43,970	43,145[r]	42,379[r]	43,056[r]	41,730	42,114	43,970	46,672
3 Applied vault cash[4]	37,460	37,848	37,206	36,529	36,156	36,314	35,631	35,892	37,206	37,767
4 Surplus vault cash[5]	4,634	6,532[r]	6,763	6,616[r]	6,224[r]	6,742[r]	6,099[r]	6,222	6,763	8,905
5 Total reserves[6]	57,900	51,243	47,880	46,380	46,645	46,056	45,621	46,451	47,880	47,503
6 Required reserves	56,622	49,819	46,196[r]	45,179	45,392	44,761	44,225	44,834	46,196[r]	45,719
7 Excess reserve balances at Reserve Banks[7]	1,278	1,424	1,683	1,201	1,253	1,295	1,396	1,617	1,683	1,784
8 Total borrowings at Reserve Banks[8]	257	155	324	409	598	438	270	153	324	210
9 Seasonal borrowings	40	68	79	330	385	368	227	115	79	18
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0
	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1997							1998		
	Oct. 8	Oct. 22	Nov. 5	Nov. 19	Dec. 3	Dec. 17	Dec. 31[r]	Jan. 14	Jan. 28	Feb. 11
1 Reserve balances with Reserve Banks[2]	9,883	9,756	10,451	10,234	11,022	9,678	11,595	11,500	8,177	8,783
2 Total vault cash[3]	42,603	41,097[r]	41,941[r]	42,129	42,175	44,267	44,058	44,958	48,839	44,560
3 Applied vault cash[4]	36,329	35,177	35,718	35,817	36,068	36,965	37,692	37,976	37,841	36,447
4 Surplus vault cash[5]	6,274[r]	5,920[r]	6,224[r]	6,312	6,108	7,302	6,366	6,982	10,998	8,113
5 Total reserves[6]	46,211	44,932	46,168	46,051	47,090	46,643	49,286	49,476	46,018	45,230
6 Required reserves	44,772	43,731	44,507	44,540	45,357	45,170	47,403	47,659	44,228	43,628
7 Excess reserve balances at Reserve Banks[7]	1,439	1,201	1,661	1,510	1,733	1,473	1,883	1,817	1,790	1,602
8 Total borrowings at Reserve Banks[8]	356	241	238	149	119	240	454	209	242	67
9 Seasonal borrowings	308	220	167	112	95	85	71	22	16	9
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Data are not break-adjusted or seasonally adjusted.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.
3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.
4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. Also includes adjustment credit.
9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 3/6/98	Effective date	Previous rate	On 3/6/98	Effective date	Previous rate	On 3/6/98	Effective date	Previous rate
Boston	5.00	2/1/96	5.25	5.55	2/26/98	5.50	6.05	2/26/98	6.00
New York		1/31/96							
Philadelphia		1/31/96							
Cleveland		1/31/96							
Richmond		2/1/96							
Atlanta		1/31/96							
Chicago		2/1/96							
St. Louis		2/5/96							
Minneapolis		1/31/96							
Kansas City		2/1/96							
Dallas		1/31/96							
San Francisco	5.00	1/31/96	5.25	5.55	2/26/98	5.50	6.05	2/26/98	6.00

Range of rates for adjustment credit in recent years[4]

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6	1981—Nov. 2	13–14	13	1988—Aug. 9	6–6.5	6.5
			6	13	13	11	6.5	6.5
1978—Jan. 9	6–6.5	6.5	Dec. 4	12	12			
20	6.5	6.5				1989—Feb. 24	6.5–7	7
May 11	6.5–7	7	1982—July 20	11.5–12	11.5	27	7	7
12	7	7	23	11.5	11.5			
July 3	7–7.25	7.25	Aug. 2	11–11.5	11	1990—Dec. 19	6.5	6.5
10	7.25	7.25	3	11	11			
Aug. 21	7.75	7.75	16	10.5	10.5	1991—Feb. 1	6–6.5	6
Sept. 22	8	8	27	10–10.5	10	4	6	6
Oct. 16	8–8.5	8.5	30	10	10	Apr. 30	5.5–6	5.5
20	8.5	8.5	Oct. 12	9.5–10	9.5	May 2	5.5	5.5
Nov. 1	8.5–9.5	9.5	13	9.5	9.5	Sept. 13	5–5.5	5
3	9.5	9.5	Nov. 22	9–9.5	9	17	5	5
			26	9	9	Nov. 6	4.5–5	4.5
1979—July 20	10	10	Dec. 14	8.5–9	9	7	4.5	4.5
Aug. 17	10–10.5	10.5	15	8.5–9	8.5	Dec. 20	3.5–4.5	3.5
20	10.5	10.5	17	8.5	8.5	24	3.5	3.5
Sept. 19	10.5–11	11						
21	11	11	1984—Apr. 9	8.5–9	9	1992—July 2	3–3.5	3
Oct. 8	11–12	12	13	9	9	7	3	3
10	12	12	Nov. 21	8.5–9	8.5			
			26	8.5	8.5	1994—May 17	3–3.5	3.5
1980—Feb. 15	12–13	13	Dec. 24	8	8	18	3.5	3.5
19	13	13				Aug. 16	3.5–4	4
May 29	12–13	13	1985—May 20	7.5–8	7.5	18	4	4
30	12	12	24	7.5	7.5	Nov. 15	4–4.75	4.75
June 13	11–12	11				17	4.75	4.75
16	11	11	1986—Mar. 7	7–7.5	7			
July 28	10–11	10	10	7	7	1995—Feb. 1	4.75–5.25	5.25
29	10	10	Apr. 21	6.5–7	6.5	9	5.25	5.25
Sept. 26	11	11	23	6.5	6.5			
Nov. 17	12	12	July 11	6	6	1996—Jan. 31	5.00–5.25	5.00
Dec. 5	12–13	13	Aug. 21	5.5–6	5.5	Feb. 5	5.00	5.00
8	13	13	22	5.5	5.5			
1981—May 5	13–14	14				In effect Mar. 6, 1998	5.00	5.00
8	14	14	1987—Sept. 4	5.5–6	6			
			11	6	6			

1. Available on a short-term basis to help depository institutions meet temporary needs for funds that cannot be met through reasonable alternative sources. The highest rate established for loans to depository institutions may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

4. For earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, and *1941–1970*; and the *Annual Statistical Digest, 1970–1979*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[2]		
1 $0 million–$47.8 million[3]	3	1/1/98
2 More than $47.8 million[4]	10	1/1/98
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

1. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly, on a pass-through basis, with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin*. Under the Monetary Control Act of 1980, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. Transaction accounts include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, or telephone or preauthorized transfers for the purpose of making payments to third persons or others. However, accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month (of which no more than three may be by check, draft, debit card, or similar order payable directly to third parties) are savings deposits, not transaction accounts.

3. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 of each year. Effective with the reserve maintenance period beginning January 1, 1998, for depository institutions that report weekly, and with the period beginning January 15, 1998, for institutions that report quarterly, the amount was decreased from $49.3 million to $47.8 million.

Under the Garn–St Germain Depository Institutions Act of 1982, the Board adjusts the amount of reservable liabilities subject to a zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is made in the event of a decrease. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement. Effective with the reserve maintenance period beginning January 1, 1998, for depository institutions that report weekly, and with the period beginning January 15, 1998, for institutions that report quarterly, the exemption was raised from $4.4 million to $4.7 million.

4. The reserve requirement was reduced from 12 percent to 10 percent on Apr. 2, 1992, for institutions that report weekly, and on Apr. 16, 1992, for institutions that report quarterly.

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec. 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1995	1996	1997	1997 June	July	Aug.	Sept.	Oct.	Nov.	Dec.
U.S. TREASURY SECURITIES[2]										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	10,932	9,901	9,147	596	0	0	0	0	0	4,545
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	405,296	426,928	419,347	33,022	35,948	35,666	28,328	39,313	33,485	26,905
4 For new bills	405,296	426,928	418.997	33,022	35,948	35,666	28,328	39,313	33,485	26,905
5 Redemptions	900	0	0	0	0	0	0	0	0	0
Others within one year										
6 Gross purchases	390	524	5,748	494	0	0	644	0	1,462	1.947
7 Gross sales	0	0	0	0	0	0	0	0	0	0
8 Maturity shifts	43,574	30,512	43,473	1,476	4,359	7,487	1,596	3,193	5,231	1,748
9 Exchanges	−35,407	−41,394	−27,499	−2,250	−1,087	−2,780	−2,382	−1,267	−4.126	−2,329
10 Redemptions	1,776	2,015	0	0	598	0	0	416	0	0
One to five years										
11 Gross purchases	5,366	3,898	20.299	2,797	0	0	2,697	0	3,323	4,471
12 Gross sales	0	0	0	0	0	0	0	0	0	0
13 Maturity shifts	−34,646	−25,022	−39,744	−1,476	−4,359	−5,247	−1,596	−3,193	−4,883	−1,748
14 Exchanges	26,387	31.459	20,274	2,250	1,087	1.170	2,382	1,267	1,651	2,329
Five to ten years										
15 Gross purchases	1,432	1,116	3,101	499	0	0	0	770	485	613
16 Gross sales	0	0	0	0	0	0	0	0	0	0
17 Maturity shifts	−3,093	−5,469	−1,954	0	0	−2,240	0	0	31	0
18 Exchanges	7,220	6,666	5,215	0	0	880	0	0	1,295	0
More than ten years										
19 Gross purchases	2,529	1,655	5,827	906	0	0	0	648	954	1,214
20 Gross sales	0	0	0	0	0	0	0	0	0	0
21 Maturity shifts	−2,253	−20	−1,775	0	0	0	0	0	−379	0
22 Exchanges	1,800	3,270	2,360	0	0	730	0	0	1.180	0
All maturities										
23 Gross purchases	20,649	17,094	44.122	5,292	0	0	3,341	1,418	6,224	12,790
24 Gross sales	0	0	0	0	0	0	0	0	0	0
25 Redemptions	2,676	2.015	1,996	0	598	0	0	416	0	0
Matched transactions										
26 Gross purchases	2,197,736	3,092,399	3,586,584	293,506	307,101	317,008	311,153	316,425	272,474	353,726
27 Gross sales	2,202,030	3,094,769	3,588,905	293.008	309,578	315,439	312,083	318,485	269,586	355,668
Repurchase agreements										
28 Gross purchases	331,694	457,568	810,485	55,073	44,087	54,561	77,109	75,323	73,618	97,932
29 Gross sales	328,497	450,359	809.268	47,070	53,217	50,340	74,960	78,157	73,064	87,160
30 Net change in U.S. Treasury securities	16.875	19,919	41,022	13,793	−12,205	5,790	4,560	−3,893	9,666	21,620
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
31 Gross purchases	0	0	0	0	0	0	0	0	0	0
32 Gross sales	0	0	0	0	0	0	0	0	0	0
33 Redemptions	1,003	409	1,540	474	287	179	105	215	26	0
Repurchase agreements										
34 Gross purchases	36,851	75,354	160,409	8,401	10,437	13,131	9,796	15,639	23,054	20.056
35 Gross sales	36,776	74,842	159,369	9,131	10,811	11,252	11,196	15,157	20,976	21,186
36 Net change in federal agency obligations	−928	103	−500	−1,204	−661	1.700	−1,505	267	2,052	−1,130
37 Total net change in System Open Market Account	**15,948**	**20,021**	**40,522**	**12,589**	**−12,866**	**7,490**	**3,055**	**−3,626**	**11,718**	**20,490**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

2. Transactions exclude changes in compensation for the effects of inflation on the principal of inflation-indexed securities.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements[1]

Millions of dollars

Account	Wednesday					End of month		
	1997	1998				1997		1998
	Dec. 31	Jan. 7	Jan. 14	Jan. 21	Jan. 28	Nov. 30	Dec. 31	Jan. 31
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,047	11,047	11,046	11,046	11,044	11,051	11,047	11,046
2 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
3 Coin	460	448	476	510	532	495	460	556
Loans								
4 To depository institutions	2,035	26	40	382	27	90	2,035	24
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	685	685	685	685	685	685	685	685
8 Held under repurchase agreements	2,652	747	2,216	1,356	760	3,782	2,652	1,268
9 **Total U.S. Treasury securities**	**451,924**	**434,314**	**437,179**	**435,824**	**436,953**	**430,298**	**451,924**	**428,843**
10 Bought outright[2]	430,736	430,039	431,714	429,553	427,975	419,882	430,736	428,043
11 Bills	197,123	196,426	198,101	196,418	194,841	194,519	197,123	194,909
12 Notes	174,206	174,206	174,206	173,728	173,727	167,170	174,206	173,727
13 Bonds	59,407	59,407	59,407	59,407	59,407	58,193	59,407	59,407
14 Held under repurchase agreements	21,188	4,275	5,465	6,271	8,978	10,416	21,188	800
15 **Total loans and securities**	**457,295**	**435,771**	**440,119**	**438,246**	**438,425**	**434,855**	**457,295**	**430,820**
16 Items in process of collection	7,800	12,562	7,684	11,980	8,180	3,262	7,800	5,185
17 Bank premises	1,272	1,272	1,274	1,275	1,274	1,264	1,272	1,273
Other assets								
18 Denominated in foreign currencies[3]	17,046	17,053	17,061	17,068	17,076	17,345	17,046	17,019
19 All other[4]	13,726	13,015	14,035	13,894	15,084	12,384	13,726	13,693
20 **Total assets**	**517,847**	**500,367**	**500,895**	**503,219**	**500,816**	**489,856**	**517,847**	**488,792**
LIABILITIES								
21 Federal Reserve notes	457,469	453,747	449,031	447,464	445,125	446,357	457,469	443,438
22 **Total deposits**	**37,639**	**23,570**	**29,286**	**29,845**	**33,767**	**25,073**	**37,639**	**24,937**
23 Depository institutions	30,838	17,632	24,148	13,923	26,426	19,271	30,838	18,826
24 U.S. Treasury—General account	5,444	5,580	4,644	15,430	6,846	5,127	5,444	5,552
25 Foreign—Official accounts	457	159	157	161	158	167	457	215
26 Other	900	199	337	330	334	509	900	343
27 Deferred credit items	7,239	7,314	6,606	9,980	6,071	2,866	7,239	4,449
28 Other liabilities and accrued dividends[5]	4,846	4,581	4,775	4,718	4,635	4,908	4,846	4,635
29 **Total liabilities**	**507,193**	**489,213**	**489,698**	**492,008**	**489,598**	**479,204**	**507,193**	**477,458**
CAPITAL ACCOUNTS								
30 Capital paid in	5,433	5,439	5,473	5,471	5,476	5,314	5,433	5,477
31 Surplus	5,220	5,220	5,220	5,220	5,220	4,348	5,220	5,220
32 Other capital accounts	0	494	503	519	522	990	0	636
33 **Total liabilities and capital accounts**	**517,847**	**500,367**	**500,895**	**503,219**	**500,816**	**489,856**	**517,847**	**488,792**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	602,834	600,196	602,290	603,293	605,315	618,612	602,834	607,873
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	549,600	549,231	548,053	548,437	548,150	547,796	549,600	547,998
36 LESS: Held by Federal Reserve Banks	92,131	95,484	99,022	100,972	103,025	101,440	92,131	104,561
37 Federal Reserve notes, net	457,469	453,747	449,031	447,464	445,125	446,357	457,469	443,438
Collateral held against notes, net								
38 Gold certificate account	11,047	11,047	11,046	11,046	11,044	11,051	11,047	11,046
39 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	437,222	433,500	428,786	427,219	424,881	426,106	437,222	423,192
42 **Total collateral**	**457,469**	**453,747**	**449,031**	**447,464**	**445,125**	**446,357**	**457,469**	**443,438**

1. Some of the data in this table also appear in the Board's H.4.1 (503) weekly statistical release. For ordering address, see inside front cover.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities. Excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1997	1998				1997		1998
	Dec. 31	Jan. 7	Jan. 14	Jan. 21	Jan. 28	Nov. 28	Dec. 31	Jan. 31
1 **Total loans**	**2,035**	**26**	**40**	**382**	**27**	**90**	**737**	**24**
2 Within fifteen days[1]	2,014	10	22	380	25	35	734	21
3. Sixteen days to ninety days	21	16	18	2	2	55	3	2
4 **Total U.S. Treasury securities**[2]	**451,924**	**434,314**	**437,179**	**435,824**	**436,953**	**431,903**	**451,924**	**428,843**
5 Within fifteen days[1]	34,147	19,254	14,953	20,312	21,566	17,366	34,147	9,133
6 Sixteen days to ninety days	95,648	98,686	99,878	93,324	92,750	97,369	95,648	104,808
7 Ninety-one days to one year	137,886	132,130	138,105	138,437	138,887	137,454	137,886	131,151
8 One year to five years	95,028	95,028	95,028	94,136	94,136	92,328	95,028	94,136
9 Five years to ten years	40,906	40,907	40,907	41,306	41,306	40,292	40,906	41,306
10 More than ten years	48,308	48,308	48,308	48,308	48,308	47,094	48,308	48,308
11 **Total federal agency obligations**	**3,337**	**1,432**	**2,901**	**2,041**	**1,445**	**1,547**	**3,337**	**1,953**
12 Within fifteen days[1]	2,652	747	2,216	1,356	770	862	2,652	1,278
13 Sixteen days to ninety days	60	60	90	90	94	10	60	94
14 Ninety-one days to one year	192	192	162	162	150	197	192	150
15 One year to five years	153	153	153	153	151	198	153	151
16 Five years to ten years	255	255	255	255	255	255	255	255
17 More than ten years	25	25	25	25	25	25	25	25

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

2. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.

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

Billions of dollars, averages of daily figures

Item	1994 Dec.	1995 Dec.	1996 Dec.	1997 Dec.	1997 June	1997 July	1997 Aug.	1997 Sept.	1997 Oct.	1997 Nov.	1997 Dec.	1998 Jan.
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]	Seasonally adjusted											
1 Total reserves[3]	59.40	56.39	50.06	47.20	47.11	46.89	47.41	46.67	46.45	46.87	47.20	46.37
2 Nonborrowed reserves[4]	59.20	56.13	49.91	46.87	46.74	46.48	46.82	46.23	46.18	46.71	46.87	46.16
3 Nonborrowed reserves plus extended credit[5]	59.20	56.13	49.91	46.87	46.74	46.48	46.82	46.23	46.18	46.71	46.87	46.16
4 Required reserves	58.24	55.11	48.64	45.51	45.83	45.68	46.16	45.37	45.06	45.25	45.51	44.59
5 Monetary base[6]	418.18[r]	434.23[r]	452.47[r]	480.58[r]	461.72[r]	464.46[r]	467.02[r]	469.68[r]	472.35[r]	476.64[r]	480.58[r]	482.92
	Not seasonally adjusted											
6 Total reserves[7]	61.13	58.02	51.52	48.56	46.93	46.76	47.09	46.55	46.16	47.05	48.56	47.50
7 Nonborrowed reserves	60.92	57.76	51.37	48.23	46.56	46.35	46.49	46.11	45.89	46.90	48.23	47.29
8 Nonborrowed reserves plus extended credit[5]	60.92	57.76	51.37	48.23	46.56	46.35	46.49	46.11	45.89	46.90	48.23	47.29
9 Required reserves[8]	59.96	56.74	50.10	46.87	45.65	45.56	45.83	45.25	44.77	45.44	46.87	45.72
10 Monetary base[9]	422.51	439.03	456.72	485.47[r]	461.81	465.55	467.24	468.63	470.70[r]	476.94[r]	485.47[r]	484.43
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	61.34	57.90	51.24	47.88	46.61	46.38	46.65	46.06	45.62	46.45	47.88	47.50
12 Nonborrowed reserves	61.13	57.64	51.09	47.56	46.24	45.97	46.05	45.62	45.35	46.30	47.56	47.29
13 Nonborrowed reserves plus extended credit[5]	61.13	57.64	51.09	47.56	46.24	45.97	46.05	45.62	45.35	46.30	47.56	47.29
14 Required reserves	60.17	56.62	49.82	46.20	45.33	45.18	45.39	44.76	44.23	44.83	46.20	45.72
15 Monetary base[12]	427.25	444.45	463.49	491.92[r]	468.78	472.58	474.01	475.32	477.28[r]	483.50[r]	491.92[r]	491.62
16 Excess reserves[13]	1.17	1.28	1.42	1.68	1.28	1.20	1.25	1.30	1.40	1.62	1.68	1.78
17 Borrowings from the Federal Reserve	.21	.26	.16	.32	.37	.41	.60	.44	.27	.15	.32	.21

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data starting in 1959 and estimates of the effect on required reserves of changes in reserve requirements are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10.)

3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

5. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

6. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities that are due to regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with regulatory changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of contemporaneous reserve requirements in February 1984, currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item	1994 Dec.[r]	1995 Dec.[r]	1996 Dec.[r]	1997 Dec.[r]	1997[r] Oct.	1997[r] Nov.	1997[r] Dec.	1998 Jan.
	Seasonally adjusted							
Measures[2]								
1 M1	1,150.7	1,128.7	1,082.8	1,076.0	1,061.9	1,069.2	1,076.0	1,073.3
2 M2	3,503.0	3,651.2	3,826.1	4,040.2	3,993.2	4,017.5	4,040.2	4,063.5
3 M3	4,333.6	4,595.6	4,935.5	5,373.2	5,274.1	5,324.6	5,373.2	5,420.8
4 L	5,315.8	5,702.2	6,088.4	6,615.4	6,482.0	6,551.6	6,615.4	n.a.
5 Debt	13,078.0	13,773.3	14,496.6	15,180.2	15,052.7	15,119.1	15,180.2	n.a.
M1 components								
6 Currency[3]	354.3	372.4	394.9	425.5	418.3	421.9	425.5	427.5
7 Travelers checks[4]	8.5	8.9	8.6	8.2	8.2	8.1	8.2	8.2
8 Demand deposits[5]	384.0	391.0	403.6	397.1	389.6	394.5	397.1	392.7
9 Other checkable deposits[6]	403.9	356.4	275.9	245.1	245.8	244.6	245.1	244.9
Nontransaction components								
10 In M2[7]	2,352.3	2,522.6	2,743.2	2,964.2	2,931.2	2,948.3	2,964.2	2,990.2
11 In M3 only[8]	830.6	944.4	1,109.4	1,333.0	1,281.0	1,307.1	1,333.0	1,357.3
Commercial banks								
12 Savings deposits, including MMDAs	752.6	775.0	904.8	1,020.9	999.6	1,009.5	1,020.9	1,032.3
13 Small time deposits[9]	503.2	575.8	594.5	621.6	618.2	621.1	621.6	621.6
14 Large time deposits[10, 11]	298.7	345.4	413.2	495.8	478.7	487.7	495.8	497.9
Thrift institutions								
15 Savings deposits, including MMDAs	397.3	359.7	366.9	376.5	375.1	374.9	376.5	378.5
16 Small time deposits[9]	314.2	357.2	354.3	343.6	346.2	343.5	343.6	344.8
17 Large time deposits[10]	64.7	74.2	78.0	85.2	83.6	84.4	85.2	87.3
Money market mutual funds								
18 Retail	385.0	454.9	522.8	601.6	592.1	599.2	601.6	613.1
19 Institution-only	203.1	253.9	310.3	376.2	363.4	365.7	376.2	380.8
Repurchase agreements and Eurodollars								
20 Repurchase agreements[12]	183.3	182.4	194.2	235.6	219.0	233.5	235.6	249.1
21 Eurodollars[12]	80.8	88.6	113.7	140.1	136.3	135.8	140.1	142.2
Debt components								
22 Federal debt	3,491.9	3,638.5	3,780.0	3,797.3	3,789.6	3,790.4	3,797.3	n.a.
23 Nonfederal debt	9,586.0	10,134.8	10,716.7	11,382.9	11,263.1	11,328.7	11,382.9	n.a.
	Not seasonally adjusted							
Measures[2]								
24 M1	1,174.4	1,152.4	1,104.9	1,097.5	1,058.2	1,074.3	1,097.5	1,078.6
25 M2	3,523.4	3,672.0	3,845.4	4,059.1	3,980.9	4,019.9	4,059.1	4,065.4
26 M3	4,353.2	4,615.2	4,953.4	5,390.3	5,267.2	5,330.5	5,390.3	5,424.6
27 L	5,344.6	5,732.7	6,116.5	6,641.1	6,470.8	6,562.7	6,641.1	n.a.
28 Debt	13,079.9	13,773.9	14,496.0	15,179.3	15,016.2	15,099.9	15,179.3	n.a.
M1 components								
29 Currency[3]	357.5	376.2	397.9	429.0	417.3	422.4	429.0	426.4
30 Travelers checks[4]	8.1	8.5	8.3	7.9	8.2	8.0	7.9	7.9
31 Demand deposits[5]	400.3	407.2	419.9	412.9	388.8	399.8	412.9	396.2
32 Other checkable deposits[6]	408.6	360.5	278.8	247.6	243.9	244.2	247.6	248.2
Nontransaction components								
33 In M2[7]	2,349.0	2,519.6	2,740.5	2,961.6	2,922.7	2,945.5	2,961.6	2,986.7
34 In M3 only[8]	829.7	943.2	1,108.0	1,331.2	1,286.2	1,310.6	1,331.2	1,359.3
Commercial banks								
35 Savings deposits, including MMDAs	751.7	774.1	903.3	1,019.0	996.5	1,009.2	1,019.0	1,028.0
36 Small time deposits[9]	501.5	573.8	592.7	620.0	618.0	620.2	620.0	621.2
37 Large time deposits[10, 11]	298.9	345.8	413.6	496.3	485.7	493.4	496.3	490.4
Thrift institutions								
38 Savings deposits, including MMDAs	396.8	359.2	366.4	375.8	374.0	374.8	375.8	376.9
39 Small time deposits[9]	313.2	355.9	353.2	342.7	346.1	343.1	342.7	344.6
40 Large time deposits[10]	64.8	74.3	78.1	85.3	84.8	85.3	85.3	86.0
Money market mutual funds								
41 Retail	385.9	456.4	524.8	604.1	588.1	598.3	604.1	616.0
42 Institution-only	204.6	255.8	312.7	378.9	359.6	365.2	378.9	389.8
Repurchase agreements and Eurodollars								
43 Repurchase agreements[12]	179.6	178.0	188.8	228.9	221.0	232.0	228.9	247.8
44 Eurodollars[12]	81.8	89.4	114.7	141.7	135.1	134.6	141.7	145.3
Debt components								
45 Federal debt	3,499.0	3,645.9	3,787.9	3,805.8	3,774.4	3,792.1	3,805.8	n.a.
46 Nonfederal debt	9,580.9	10,128.0	10,708.1	11,373.5	11,241.9	11,307.8	11,373.5	n.a.

Footnotes appear on following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data starting in 1959 are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions, (2) travelers checks of nonbank issuers, (3) demand deposits at all commercial banks other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float, and (4) other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.

M2: M1 plus (1) savings deposits (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more) issued by all depository institutions, (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

4. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

5. Demand deposits at commercial banks and foreign-related institutions other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float.

6. Consists of NOW and ATS account balances at all depository institutions, credit union share draft account balances, and demand deposits at thrift institutions.

7. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances.

8. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees.

9. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRAs and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.

10. Large time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

11. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

12. Includes both overnight and term.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]

A. All commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1997	1997[r]						1998	1998			
	Jan.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Jan. 7	Jan. 14	Jan. 21	Jan. 28
	Seasonally adjusted											
Assets												
1 Bank credit	3,803.5[r]	3,957.4	3,970.9	3,995.8	4,030.9	4,076.8	4,111.3	4,158.9	4,148.6	4,146.5	4,172.3	4,162.4
2 Securities in bank credit	1,005.1[r]	1,031.4	1,025.2	1,031.9	1,046.6	1,081.4	1,101.9	1,118.8	1,120.2	1,118.5	1,123.7	1,110.2
3 U.S. government securities	706.3	726.7	715.5	724.5	732.3	746.1	752.2	762.2	764.9	758.3	761.1	760.3
4 Other securities	298.7[r]	304.7	309.6	307.4	314.3	335.3	349.7	356.6	355.4	360.2	362.6	349.9
5 Loans and leases in bank credit[2]	2,798.4	2,926.0	2,945.7	2,963.9	2,984.3	2,995.4	3,009.4	3,040.0	3,028.4	3,028.0	3,048.6	3,052.2
6 Commercial and industrial	784.5	817.0	825.6	837.6	843.6	846.8	857.0	865.3	864.2	862.9	867.3	865.1
7 Real estate	1,135.6	1,198.2	1,205.5	1,214.1	1,220.1	1,227.6	1,227.6	1,230.5	1,229.5	1,228.1	1,232.0	1,230.0
8 Revolving home equity	85.2	93.2	94.3	95.5	96.4	97.3	98.3	98.8	98.5	98.6	98.8	99.1
9 Other	1,050.5	1,105.1	1,111.2	1,118.6	1,123.7	1,130.3	1,129.3	1,131.6	1,130.9	1,129.5	1,133.2	1,130.9
10 Consumer	521.8	517.6	518.8	515.1	509.3	509.3	508.6	505.2	505.0	505.1	505.7	506.6
11 Security[3]	81.3	93.5	93.3	94.5	104.1	97.5	96.9	117.2	109.0	110.6	120.6	129.2
12 Other loans and leases	275.2	299.7	302.6	302.6	307.2	314.1	319.3	321.9	320.7	321.3	323.0	321.4
13 Interbank loans	197.8	184.6	191.5	199.6	201.5	206.4	214.3	201.4	209.6	200.5	202.7	197.2
14 Cash assets[4]	227.6[r]	241.8	259.0	255.1	264.9	274.9	263.8	262.7	265.5	252.4	270.0	264.7
15 Other assets[5]	252.7[r]	277.0	278.8	278.8	289.0	298.9	301.7	303.8	304.3	298.5	306.3	306.4
16 **Total assets[6]**	**4,425.4[r]**	**4,603.9**	**4,643.3**	**4,672.7**	**4,729.6**	**4,800.1**	**4,834.2**	**4,869.8**	**4,871.1**	**4,841.0**	**4,894.6**	**4,874.1**
Liabilities												
17 Deposits	2,870.7	3,005.2	3,029.8	3,045.8	3,061.0	3,107.1	3,117.3	3,119.9	3,121.1	3,111.6	3,127.5	3,111.4
18 Transaction	714.2	690.1	697.2	683.0	682.5	692.5	687.6	677.1	669.5	667.2	693.7	679.9
19 Nontransaction	2,156.4	2,315.0	2,332.6	2,362.9	2,378.5	2,414.6	2,429.8	2,442.8	2,451.6	2,444.4	2,433.8	2,431.5
20 Large time	527.0	597.5	603.1	618.4	617.1	636.3	646.2	645.6	647.0	642.7	643.6	647.1
21 Other	1,629.4	1,717.5	1,729.5	1,744.5	1,761.4	1,778.3	1,783.6	1,797.2	1,804.6	1,801.7	1,790.2	1,784.4
22 Borrowings	725.9	730.3	744.9	767.2	806.6	826.3	829.9	840.8	831.5	831.9	846.0	855.3
23 From banks in the U.S.	302.0	266.1	277.8	285.5	293.8	304.3	311.5	296.8	301.2	299.2	293.0	294.7
24 From others	424.0	464.1	467.1	481.7	512.8	522.0	518.4	544.0	530.3	532.7	553.0	560.6
25 Net due to related foreign offices	222.7	216.6	210.5	212.0	193.0	193.7	203.5	219.2	234.7	212.5	213.6	217.7
26 Other liabilities	259.3[r]	269.6	273.2	261.2	277.3	287.3	299.1	310.0	310.9	313.8	314.8	302.6
27 **Total liabilities**	**4,078.6[r]**	**4,221.6**	**4,258.3**	**4,286.2**	**4,337.9**	**4,414.4**	**4,449.9**	**4,489.8**	**4,498.1**	**4,469.8**	**4,501.8**	**4,487.0**
28 Residual (assets less liabilities)[7]	346.8[r]	382.3	384.9	386.5	391.7	385.7	384.3	380.0	373.0	371.2	392.8	387.1
	Not seasonally adjusted											
Assets												
29 Bank credit	3,802.4[r]	3,953.3	3,972.1	3,997.3	4,032.3	4,080.2	4,106.2	4,155.4	4,150.1	4,148.3	4,164.3	4,151.9
30 Securities in bank credit	996.7[r]	1,028.9	1,030.3	1,032.1	1,046.5	1,079.9	1,083.7	1,108.1	1,107.0	1,108.2	1,112.0	1,099.8
31 U.S. government securities	700.4	722.7	718.2	725.6	733.0	746.6	746.9	754.8	754.7	751.2	754.8	752.5
32 Other securities	296.3[r]	306.1	312.1	306.5	313.5	333.3	336.9	353.3	352.3	357.0	357.2	347.3
33 Loans and leases in bank credit[2]	2,805.7	2,924.5	2,941.8	2,965.2	2,985.9	3,000.4	3,022.4	3,047.3	3,043.1	3,040.2	3,052.3	3,052.2
34 Commercial and industrial	782.3	818.2	821.4	831.8	839.6	844.6	853.4	862.7	861.6	859.3	864.2	862.7
35 Real estate	1,137.6	1,198.3	1,207.2	1,217.5	1,223.5	1,232.0	1,233.0	1,232.8	1,233.5	1,232.7	1,233.7	1,230.0
36 Revolving home equity	85.1	93.2	94.6	96.2	97.0	97.9	98.5	98.8	98.6	98.8	98.8	99.1
37 Other	1,052.5	1,105.1	1,112.6	1,121.3	1,126.5	1,134.2	1,134.6	1,133.9	1,134.9	1,134.0	1,134.9	1,130.9
38 Consumer	527.4	515.2	519.2	517.2	509.4	509.7	513.4	510.9	512.6	511.8	510.9	511.1
39 Security[3]	80.6	92.0	91.4	93.6	103.9	99.5	98.4	115.8	107.2	110.5	118.0	127.3
40 Other loans and leases	277.8	300.7	302.6	305.1	309.6	314.6	324.3	325.2	328.3	325.8	325.5	321.0
41 Interbank loans	207.6	182.3	187.1	194.1	196.3	211.0	223.6	210.9	223.4	215.4	210.0	199.2
42 Cash assets[4]	237.7[r]	238.2	245.6	251.8	265.9	282.9	281.9	275.0	275.6	274.8	293.8	262.9
43 Other assets[5]	253.3[r]	279.1	282.0	281.3	285.9	297.4	301.8	304.4	304.9	299.3	303.7	308.2
44 **Total assets[6]**	**4,445.0[r]**	**4,596.2**	**4,629.8**	**4,667.6**	**4,723.9**	**4,814.7**	**4,856.4**	**4,889.1**	**4,897.3**	**4,881.2**	**4,915.3**	**4,865.8**
Liabilities												
45 Deposits	2,874.5	2,996.5	3,019.7	3,046.0	3,068.6	3,125.0	3,147.6	3,122.6	3,149.4	3,135.9	3,124.5	3,077.4
46 Transaction	725.6	683.8	684.7	681.5	680.4	702.0	719.2	687.9	700.1	694.3	700.3	663.4
47 Nontransaction	2,148.9	2,312.7	2,335.0	2,364.5	2,388.2	2,423.0	2,428.4	2,434.7	2,449.4	2,441.6	2,424.2	2,414.0
48 Large time	525.7	593.2	602.2	613.7	624.5	640.8	644.4	644.2	642.0	641.1	643.7	647.6
49 Other	1,623.2	1,719.5	1,732.8	1,750.8	1,763.7	1,782.2	1,784.0	1,790.5	1,807.4	1,800.4	1,780.5	1,766.4
50 Borrowings	720.4	744.7	749.7	770.5	796.7	813.3	820.1	835.3	816.6	824.6	854.6	848.1
51 From banks in the U.S.	296.2	274.9	282.6	286.8	286.1	297.6	305.3	290.3	294.1	292.1	291.6	286.5
52 From others	424.1	469.8	467.2	483.6	510.6	515.7	514.7	545.0	522.5	532.5	563.0	561.6
53 Net due to related foreign offices	233.1	212.9	206.2	204.3	193.6	188.3	200.0	230.9	237.5	221.1	231.6	238.4
54 Other liabilities	256.7[r]	268.0	272.3	261.6	275.9	291.4	294.3	306.6	304.5	309.1	309.0	303.9
55 **Total liabilities**	**4,084.7[r]**	**4,222.1**	**4,248.0**	**4,282.3**	**4,334.8**	**4,417.9**	**4,462.0**	**4,495.3**	**4,508.0**	**4,490.7**	**4,519.7**	**4,467.9**
56 Residual (assets less liabilities)[7]	360.3[r]	374.1	381.9	385.3	389.1	396.7	394.4	393.8	389.3	390.5	395.6	397.9
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	89.1[r]	84.6	86.5	78.7	78.0	83.3	82.2	92.2	93.5	94.6	94.7	87.0
58 Revaluation losses on off-balance-sheet items[8]	85.4[r]	87.9	89.6	81.8	81.4	85.5	85.8	95.4	97.3	97.5	97.6	90.2

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

B. Domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1997	1997[r]						1998	1998			
	Jan.	July	Aug.	Sept.	Oct.	Nov	Dec.	Jan.	Jan. 7	Jan. 14	Jan. 21	Jan. 28
	Seasonally adjusted											
Assets												
1 Bank credit	3,287.6	3,421.2	3,438.3	3,458.4	3,487.0	3,524.7	3,551.5	3,580.9	3,570.3	3,571.1	3,593.2	3,584.4
2 Securities in bank credit	834.8[r]	851.2	847.3	849.5	865.3	885.6	902.0	919.3	917.5	920.4	924.6	913.3
3 U.S. government securities	625.3	636.4	629.8	636.7	645.9	660.0	668.0	681.7	681.1	681.6	684.5	678.8
4 Other securities	209.5[r]	214.9	217.5	212.8	219.4	225.6	234.0	237.6	236.4	238.8	240.2	234.5
5 Loans and leases in bank credit[2]	2,452.8	2,569.9	2,591.0	2,608.9	2,621.7	2,639.1	2,649.5	2,661.6	2,652.8	2,650.7	2,668.6	2,671.1
6 Commercial and industrial	570.1	598.9	605.9	615.4	620.1	624.2	633.0	639.0	637.9	636.1	639.6	640.3
7 Real estate	1,103.8	1,169.7	1,177.1	1,186.3	1,192.4	1,200.6	1,201.1	1,203.4	1,202.4	1,201.0	1,205.2	1,203.0
8 Revolving home equity	85.2	93.2	94.3	95.5	96.4	97.3	98.3	98.8	98.5	98.6	98.8	99.1
9 Other	1,018.6	1,076.6	1,082.9	1,090.7	1,096.0	1,103.3	1,102.8	1,104.6	1,103.9	1,102.3	1,106.4	1,103.8
10 Consumer	521.8	517.6	518.8	515.1	509.3	509.3	508.6	505.2	505.0	505.1	505.7	506.6
11 Security[3]	43.2	50.0	51.0	51.5	57.7	56.4	52.5	62.6	55.7	57.9	65.9	70.7
12 Other loans and leases	213.8	233.7	238.2	240.6	242.1	248.5	254.2	251.4	251.7	250.6	252.2	250.5
13 Interbank loans	175.1	166.0	173.5	181.7	181.5	183.3	183.8	174.1	173.0	174.1	178.8	173.5
14 Cash assets[4]	196.5[r]	208.2	224.6	219.5	230.1	238.7	229.1	229.8	232.7	219.9	236.6	231.5
15 Other assets[5]	214.6[r]	234.5	236.2	236.8	247.6	254.0	259.7	259.7	263.3	254.4	261.0	259.5
16 **Total assets**[6]	**3,817.9[r]**	**3,973.3**	**4,015.9**	**4,040.0**	**4,089.7**	**4,144.1**	**4,167.3**	**4,187.9**	**4,182.6**	**4,162.9**	**4,213.2**	**4,192.5**
Liabilities												
17 Deposits	2,645.0	2,740.6	2,766.4	2,780.3	2,800.1	2,835.0	2,839.4	2,843.9	2,845.2	2,837.1	2,853.7	2,832.9
18 Transaction	703.9	679.5	686.0	672.2	672.1	681.8	677.0	666.3	658.4	656.2	683.1	669.1
19 Nontransaction	1,941.1	2,061.1	2,080.4	2,108.1	2,128.0	2,153.2	2,162.4	2,177.6	2,186.8	2,180.9	2,170.6	2,163.8
20 Large time	313.9	346.2	353.4	366.1	369.0	377.3	381.2	382.9	384.6	381.7	382.9	381.8
21 Other	1,627.2	1,714.9	1,727.0	1,742.0	1,759.0	1,775.8	1,781.1	1,794.7	1,802.1	1,799.2	1,787.7	1,781.9
22 Borrowings	595.4	595.2	607.4	623.9	644.8	661.3	672.6	681.7	678.0	672.3	689.5	690.3
23 From banks in the U.S.	273.8	235.9	246.6	249.6	256.1	273.8	283.8	271.6	278.5	274.8	266.0	270.0
24 From others	321.6	359.4	360.8	374.2	388.6	387.5	388.7	410.0	399.6	397.5	423.5	420.4
25 Net due to related foreign offices	72.1	85.6	79.8	84.7	74.4	74.3	77.7	84.1	87.1	80.7	81.5	88.3
26 Other liabilities	169.0[r]	174.3	177.3	167.0	183.9	190.3	200.6	212.0	211.3	212.7	216.1	208.8
27 **Total liabilities**	**3,481.4[r]**	**3,595.8**	**3,630.9**	**3,655.9**	**3,703.2**	**3,761.0**	**3,790.2**	**3,821.6**	**3,821.7**	**3,802.8**	**3,840.9**	**3,820.3**
28 Residual (assets less liabilities)[7]	336.4[r]	377.5	384.9	384.0	386.5	383.1	377.1	366.3	360.9	360.1	372.4	372.2
	Not seasonally adjusted											
Assets												
29 Bank credit	3,289.0[r]	3,416.6	3,435.5	3,462.0	3,489.9	3,529.1	3,551.6	3,581.0	3,576.8	3,577.0	3,590.5	3,576.0
30 Securities in bank credit	830.1	849.7	848.9	851.4	865.3	884.8	891.8	913.4	912.1	915.3	918.9	905.6
31 U.S. government securities	618.3	635.0	630.9	638.9	647.4	660.9	665.2	673.2	672.5	673.3	676.3	669.0
32 Other securities	211.7[r]	214.7	218.0	212.5	217.9	223.8	226.6	240.2	239.6	242.0	242.6	236.6
33 Loans and leases in bank credit[2]	2,458.9	2,566.9	2,586.7	2,610.5	2,624.6	2,644.3	2,659.9	2,667.6	2,664.7	2,661.6	2,671.6	2,670.4
34 Commercial and industrial	567.9	599.0	601.5	611.1	617.3	622.2	628.9	636.4	635.2	632.7	636.9	638.1
35 Real estate	1,105.8	1,169.9	1,178.8	1,189.5	1,195.6	1,204.7	1,206.4	1,205.8	1,206.4	1,205.6	1,206.9	1,203.1
36 Revolving home equity	85.1	93.2	94.6	96.2	97.0	97.9	98.5	98.8	98.6	98.8	98.8	99.1
37 Other	1,020.6	1,076.7	1,084.2	1,093.3	1,098.6	1,106.8	1,107.9	1,106.9	1,107.7	1,106.8	1,108.0	1,104.0
38 Consumer	527.4	515.2	519.2	517.2	509.4	509.7	513.4	510.9	512.6	511.8	510.9	511.1
39 Security[3]	42.5	48.5	49.1	50.6	57.5	58.4	54.0	61.2	53.9	57.8	63.4	68.8
40 Other loans and leases	215.3	234.2	238.0	242.1	244.7	249.4	257.2	253.3	256.7	253.8	253.5	249.2
41 Interbank loans	184.9	163.8	169.1	176.1	176.3	187.9	193.0	183.6	186.8	189.0	186.1	175.4
42 Cash assets[4]	206.2[r]	204.4	211.3	217.1	230.8	246.4	245.8	241.7	242.4	241.6	260.0	229.4
43 Other assets[5]	215.9[r]	237.3	238.6	238.9	244.8	252.2	258.9	261.2	264.2	256.4	260.2	262.1
44 **Total assets**[6]	**3,840.3[r]**	**3,965.6**	**3,997.7**	**4,037.4**	**4,085.5**	**4,159.0**	**4,192.6**	**4,211.2**	**4,213.7**	**4,207.6**	**4,240.6**	**4,186.7**
Liabilities												
45 Deposits	2,648.7	2,734.9	2,758.5	2,781.4	2,799.8	2,849.3	2,866.6	2,846.4	2,874.1	2,861.1	2,849.5	2,798.1
46 Transaction	715.3	673.2	673.8	670.2	670.0	691.3	708.0	677.0	688.8	683.3	689.8	652.7
47 Nontransaction	1,933.4	2,061.7	2,084.7	2,111.2	2,129.9	2,158.0	2,158.6	2,169.4	2,185.3	2,177.8	2,159.8	2,145.4
48 Large time	312.4	344.8	354.4	362.8	368.6	378.2	377.1	381.3	380.3	379.8	381.8	381.4
49 Other	1,621.0	1,716.9	1,730.3	1,748.3	1,761.3	1,779.7	1,781.6	1,788.0	1,805.0	1,798.0	1,778.0	1,764.0
50 Borrowings	593.0	600.8	607.1	626.2	639.7	653.5	664.8	679.6	664.7	667.9	700.1	691.0
51 From banks in the U.S.	267.0	242.9	250.9	251.9	251.6	267.1	277.2	264.2	269.6	265.2	265.1	261.3
52 From others	326.0	357.9	356.2	374.4	388.0	386.4	387.7	415.5	395.1	402.6	435.1	429.7
53 Net due to related foreign offices	73.8	83.2	77.4	80.1	76.0	70.6	73.8	86.1	81.8	81.5	87.5	96.5
54 Other liabilities	167.2[r]	174.8	175.9	167.7	184.5	193.7	197.3	209.6	207.2	210.3	212.2	209.0
55 **Total liabilities**	**3,482.6[r]**	**3,593.7**	**3,618.9**	**3,655.5**	**3,700.1**	**3,767.1**	**3,802.5**	**3,821.7**	**3,827.8**	**3,820.7**	**3,849.4**	**3,794.6**
56 Residual (assets less liabilities)[7]	357.7[r]	372.0	378.8	381.9	385.4	391.8	390.1	389.5	385.9	386.9	391.3	392.1
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	47.5	44.3	45.1	37.5	38.2	41.5	41.3	50.1	49.6	51.4	53.4	46.7
58 Revaluation losses on off-balance-sheet items[8]	44.0	45.9	46.5	40.0	41.3	43.6	44.2	52.9	52.6	54.0	55.9	49.6
59 Mortgage-backed securities[9]	244.3	254.7	256.4	259.3	265.0	273.8	279.1	287.5	285.5	287.2	286.5	288.9

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

C. Large domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1997	1997[r]						1998	1998			
	Jan.[r]	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Jan. 7	Jan. 14	Jan. 21	Jan. 28
	Seasonally adjusted											
Assets												
1 Bank credit	1,965.2	2,036.0	2,038.6	2,049.9	2,075.0	2,096.0	2,111.8	2,139.3	2,128.6	2,130.2	2,152.0	2,142.0
2 Securities in bank credit	440.0	446.4	441.7	444.4	460.3	477.7	491.8	510.9	505.3	510.5	518.3	506.7
3 U.S. government securities	310.6	314.5	306.7	313.5	323.1	336.4	343.2	358.8	354.8	357.3	363.5	357.7
4 Trading account	17.3	23.7	20.6	23.3	25.2	26.5	29.4	29.6	31.5	29.1	31.3	27.2
5 Investment account	293.3	290.8	286.0	290.2	297.9	310.0	313.9	329.2	323.2	328.2	332.3	330.5
6 Other securities	129.4	132.0	135.0	130.9	137.2	141.3	148.6	152.0	150.6	153.2	154.7	149.0
7 Trading account	64.6	64.2	63.7	59.6	65.4	68.8	72.2	74.3	71.9	76.1	77.5	71.7
8 Investment account	64.8	67.8	71.4	71.3	71.8	72.5	76.5	77.7	78.6	77.1	77.2	77.4
9 State and local government	20.7	22.3	22.4	22.3	22.4	22.2	22.1	22.5	22.5	22.5	22.4	22.4
10 Other	44.1	45.4	48.9	49.0	49.4	50.3	54.4	55.2	56.1	54.6	54.9	54.9
11 Loans and leases in bank credit[2]	1,525.2	1,589.6	1,596.9	1,605.5	1,614.7	1,618.3	1,620.0	1,628.4	1,623.3	1,619.7	1,633.7	1,635.3
12 Commercial and industrial	402.8	421.8	426.7	434.4	438.3	439.9	446.9	451.5	451.5	449.6	451.9	451.9
13 Bankers acceptances	2.0	1.6	1.5	1.5	1.3	1.3	1.3	1.2	1.3	1.2	1.1	1.2
14 Other	400.9	420.2	425.1	432.9	437.0	438.7	445.6	450.3	450.1	449.5	451.8	451.8
15 Real estate	625.0	646.3	646.8	648.4	649.2	649.8	646.1	644.5	645.5	642.7	645.8	643.1
16 Revolving home equity	60.6	65.5	66.1	67.1	67.6	68.0	68.8	69.2	69.0	69.1	69.2	69.5
17 Other	564.3	580.8	580.7	581.4	581.6	581.7	577.3	575.3	576.5	573.7	576.6	573.6
18 Consumer	306.0	307.1	304.9	302.7	299.5	297.0	294.4	293.2	292.8	293.1	293.3	294.6
19 Security[3]	38.8	45.5	46.3	46.6	52.5	51.3	47.3	57.5	50.7	52.9	60.8	65.5
20 Federal funds sold to and repurchase agreements with broker–dealers	22.8	28.6	30.0	29.7	35.4	35.1	31.1	41.2	35.0	35.4	44.9	48.7
21 Other	16.0	16.9	16.3	16.9	17.1	16.2	16.3	16.3	15.7	17.4	15.9	16.8
22 State and local government	11.7	11.2	11.3	11.3	11.2	11.1	11.1	11.0	11.3	11.1	11.0	10.8
23 Agricultural	9.0	9.0	9.1	9.2	9.3	9.6	9.6	9.3	9.3	9.3	9.4	9.4
24 Federal funds sold to and repurchase agreements with others	6.3	7.5	6.4	6.6	9.0	10.8	12.4	7.5	9.6	9.0	6.5	6.0
25 All other loans	61.5	66.6	69.2	68.9	67.5	69.5	70.9	70.8	70.0	69.2	72.2	70.7
26 Lease-financing receivables	64.1	74.6	76.3	77.3	78.2	79.3	81.2	83.0	82.6	82.7	83.0	83.5
27 Interbank loans	129.3	116.4	122.3	128.8	125.3	127.9	125.5	116.2	116.7	117.0	120.6	114.9
28 Federal funds sold to and repurchase agreements with commercial banks	81.5	70.4	74.7	81.5	78.7	82.1	81.4	74.4	72.6	75.2	80.3	74.5
29 Other	47.8	46.0	47.6	47.3	46.6	45.8	44.1	41.8	44.1	41.9	40.2	40.4
30 Cash assets[4]	135.6	140.4	153.4	147.9	160.2	166.3	158.1	159.5	164.1	152.1	162.4	161.1
31 Other assets[5]	167.9	173.1	172.8	175.4	183.8	187.3	194.7	195.3	200.4	191.2	195.3	194.0
32 **Total assets**[6]	**2,360.8**	**2,428.7**	**2,450.1**	**2,465.4**	**2,507.6**	**2,540.8**	**2,553.5**	**2,573.8**	**2,573.0**	**2,553.9**	**2,594.0**	**2,575.6**
Liabilities												
33 Deposits	1,481.7	1,502.0	1,516.2	1,524.2	1,533.1	1,553.2	1,556.0	1,550.1	1,556.9	1,546.8	1,556.8	1,536.2
34 Transaction	410.7	380.7	384.9	373.4	374.5	380.6	379.0	371.0	368.3	365.2	383.2	368.8
35 Nontransaction	1,071.0	1,121.3	1,131.3	1,150.8	1,158.6	1,172.6	1,177.0	1,179.1	1,188.6	1,181.6	1,173.7	1,167.4
36 Large time	164.5	186.1	191.7	201.9	203.3	209.7	211.7	212.0	213.5	210.3	212.2	211.6
37 Other	906.5	935.2	939.6	948.9	955.3	963.0	965.4	967.1	975.1	971.3	961.5	955.8
38 Borrowings	444.8	441.6	450.7	468.1	490.8	506.1	514.1	525.3	523.1	518.3	532.0	531.9
39 From banks in the U.S.	187.3	158.7	168.7	175.5	182.6	200.7	209.7	199.8	207.3	203.1	194.2	197.3
40 From others	257.5	282.9	282.0	292.6	308.2	305.4	304.4	325.5	315.8	315.3	337.8	334.5
41 Net due to related foreign offices	68.1	80.8	75.3	79.9	69.2	69.3	73.4	79.8	82.5	76.4	77.4	84.4
42 Other liabilities	145.8	148.5	150.2	139.0	156.2	161.9	171.7	184.4	183.6	185.4	188.5	181.2
43 **Total liabilities**	**2,140.3**	**2,172.8**	**2,192.3**	**2,211.2**	**2,249.2**	**2,290.5**	**2,315.2**	**2,339.6**	**2,346.0**	**2,326.9**	**2,354.7**	**2,333.7**
44 Residual (assets less liabilities)[7]	220.5	255.9	257.8	254.1	258.4	250.3	238.3	234.2	227.0	227.0	239.3	241.9

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

C. Large domestically chartered commercial banks—Continued

Account	Monthly averages								Wednesday figures			
	1997	1997[r]						1998	1998			
	Jan.[r]	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Jan. 7	Jan. 14	Jan. 21	Jan. 28
	Not seasonally adjusted											
Assets												
45 Bank credit	1,968.5	2,030.9	2,036.1	2,049.6	2,075.2	2,098.8	2,109.1	2,141.5	2,134.5	2,136.3	2,151.8	2,138.4
46 Securities in bank credit	436.7	445.7	445.0	445.9	461.2	478.4	482.0	506.4	501.7	506.3	513.3	500.8
47 U.S. government securities	304.9	314.0	309.4	315.2	325.5	339.0	340.8	351.5	347.6	349.8	355.9	349.5
48 Trading account	16.4	22.6	21.3	23.4	26.1	28.0	26.9	28.2	27.9	27.9	31.3	25.8
49 Investment account	288.5	291.4	288.1	291.8	299.5	311.0	313.9	323.3	319.6	321.8	324.6	323.7
50 Mortgage-backed securities	185.1	191.0	190.0	191.8	197.4	205.9	210.7	218.5	216.6	218.2	217.6	220.4
51 Other	103.4	100.4	98.1	100.0	102.1	105.1	103.2	104.8	103.0	103.6	107.0	103.3
52 One year or less	28.5	26.8	26.8	27.6	26.3	28.9	27.5	26.4	24.7	25.2	28.0	26.7
53 Between one and five years	60.6	52.4	49.9	49.8	52.7	53.5	53.2	52.2	52.6	52.6	53.5	49.5
54 More than five years	14.2	21.2	21.4	22.7	23.1	22.7	22.5	26.2	25.7	25.8	25.5	27.1
55 Other securities	131.8	131.7	135.7	130.7	135.7	139.4	141.2	154.9	154.1	156.6	157.4	151.2
56 Trading account	66.5	64.9	64.8	59.4	63.3	65.9	63.9	76.6	74.9	78.7	79.5	73.4
57 Investment account	65.3	66.9	70.9	71.3	72.3	73.5	77.2	78.3	79.3	77.9	77.9	77.8
58 State and local government	20.7	21.9	22.2	22.3	22.4	22.3	22.2	22.5	22.5	22.5	22.4	22.5
59 Other	44.6	44.9	48.7	49.0	50.0	51.2	55.1	55.8	56.7	55.4	55.4	55.3
60 Loans and leases in bank credit[2]	1,531.8	1,585.2	1,591.1	1,603.6	1,614.0	1,620.3	1,627.1	1,635.1	1,632.8	1,630.0	1,638.5	1,637.7
61 Commercial and industrial	400.6	421.9	423.4	431.1	436.2	438.6	443.4	449.0	448.3	446.1	449.2	449.9
62 Bankers acceptances	1.9	1.5	1.5	1.5	1.4	1.4	1.3	1.2	1.3	1.2	1.1	1.2
63 Other	398.8	420.4	421.9	429.6	434.8	437.3	442.0	447.8	447.0	444.9	448.1	448.7
64 Real estate	627.4	646.1	647.3	649.4	650.0	651.6	649.2	647.2	649.0	647.4	648.0	644.1
65 Revolving home equity	60.7	65.5	66.3	67.4	68.0	68.4	68.8	69.3	69.1	69.2	69.3	69.5
66 Other	349.4	360.3	361.1	360.8	359.1	359.1	356.3	356.0	358.3	356.6	356.5	352.6
67 Commercial	217.3	220.3	219.8	221.2	223.0	224.0	224.0	221.9	221.6	221.5	222.2	222.0
68 Consumer	310.6	304.9	305.4	304.1	299.0	296.7	298.4	298.0	299.6	298.9	297.8	298.1
69 Security[3]	38.0	44.1	44.5	45.8	52.4	53.0	48.5	56.0	48.4	52.5	58.2	63.8
70 Federal funds sold to and repurchase agreements with broker–dealers	21.9	27.9	28.5	29.3	35.5	36.5	31.3	39.5	33.2	34.7	42.3	46.7
71 Other	16.0	16.2	16.0	16.5	16.9	16.5	17.3	16.4	15.2	17.8	15.9	17.2
72 State and local government	11.5	11.2	11.3	11.4	11.3	11.1	11.1	10.9	11.1	11.0	10.8	10.6
73 Agricultural	9.0	9.3	9.3	9.4	9.4	9.5	9.5	9.3	9.4	9.3	9.2	9.2
74 Federal funds sold to and repurchase agreements with others	6.4	7.7	6.3	7.3	8.8	8.7	11.0	7.6	9.5	9.0	6.4	6.2
75 All other loans	63.3	66.0	68.1	68.5	68.6	71.7	74.6	72.8	73.4	72.0	74.4	71.1
76 Lease-financing receivables	65.1	74.1	75.4	76.6	78.2	79.3	81.4	84.3	84.1	84.1	84.4	84.6
77 Interbank loans	137.8	116.7	118.9	125.0	119.9	127.6	131.4	124.5	124.2	129.0	128.9	121.0
78 Federal funds sold to and repurchase agreements with commercial banks	86.4	69.7	71.6	78.4	73.5	82.3	85.1	79.5	76.9	83.4	84.8	78.0
79 Other	51.4	47.0	47.3	46.7	46.4	45.3	46.4	45.0	47.4	45.5	44.1	42.9
80 Cash assets[4]	143.2	137.1	142.5	147.1	159.7	171.2	171.0	169.3	168.6	170.3	182.8	160.8
81 Other assets[5]	168.2	176.0	175.2	177.1	181.4	184.9	193.2	195.7	198.9	192.7	194.6	196.1
82 **Total assets**[6]	**2,380.7**	**2,423.7**	**2,435.6**	**2,461.8**	**2,499.6**	**2,545.6**	**2,568.0**	**2,594.5**	**2,589.8**	**2,591.9**	**2,621.8**	**2,580.0**
Liabilities												
83 Deposits	1,487.9	1,499.7	1,510.9	1,523.1	1,530.5	1,559.8	1,570.2	1,555.8	1,572.7	1,568.3	1,560.2	1,520.9
84 Transaction	418.3	376.6	375.9	372.2	371.9	386.7	399.4	378.4	383.9	384.8	389.2	360.7
85 Nontransaction	1,069.6	1,123.1	1,135.0	1,150.9	1,158.6	1,173.0	1,170.8	1,177.4	1,188.8	1,183.6	1,171.0	1,160.2
86 Large time	164.4	185.5	192.9	199.0	202.5	210.1	208.5	211.9	211.2	210.4	212.7	212.0
87 Other	905.2	937.6	942.1	951.9	956.1	962.9	962.3	965.5	977.6	973.2	958.3	948.2
88 Borrowings	440.7	447.2	451.9	471.2	485.6	500.0	506.9	521.6	510.1	511.0	538.4	530.8
89 From banks in the U.S.	180.7	164.2	173.0	177.1	178.8	195.8	203.7	192.7	198.8	194.3	191.8	189.3
90 From nonbanks in the U.S.	259.9	282.9	278.9	294.1	306.9	304.2	303.2	328.9	311.2	316.7	346.6	341.4
91 Net due to related foreign offices	69.8	78.4	72.9	75.3	70.8	65.6	69.5	81.8	77.1	77.2	83.4	92.6
92 Other liabilities	143.8	148.8	148.6	139.9	156.8	165.4	169.0	181.8	179.4	182.8	184.4	180.9
93 **Total liabilities**	**2,142.1**	**2,173.9**	**2,184.3**	**2,209.5**	**2,243.7**	**2,290.8**	**2,315.6**	**2,340.9**	**2,339.4**	**2,339.3**	**2,366.2**	**2,325.1**
94 Residual (assets less liabilities)[7]	238.6	249.8	251.2	252.3	255.8	254.8	252.4	253.6	250.4	252.6	255.5	254.9
MEMO												
95 Revaluation gains on off-balance-sheet items[8]	47.5	44.3	45.1	37.5	38.2	41.5	41.3	50.1	49.6	51.4	53.4	46.7
96 Revaluation losses on off-balance-sheet items[8]	44.0	45.9	46.5	40.0	41.3	43.6	44.2	52.9	52.6	54.0	55.9	49.6
97 Mortgage-backed securities[9]	207.0	209.0	208.2	210.0	215.7	224.1	228.9	237.1	234.8	236.6	236.3	238.9
98 Pass-through securities	139.5	144.4	143.1	144.6	149.3	154.2	157.2	162.0	159.8	161.3	161.6	164.3
99 CMOs, REMICs, and other mortgage-backed securities	67.5	64.6	65.1	65.4	66.4	70.0	71.7	75.1	75.0	75.4	74.7	74.6
100 Net unrealized gains (losses) on available-for-sale securities[10]	2.0	2.5	3.0	2.5	2.5	2.4	2.2	3.0	2.6	2.6	3.3	3.2
101 Offshore credit to U.S. residents[11]	30.9	33.7	34.0	34.1	34.2	34.4	34.2	35.5	35.5	35.6	35.1	34.7

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

D. Small domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1997	1997[r]						1998	1998			
	Jan.[r]	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Jan. 7	Jan. 14	Jan. 21	Jan. 28
	Seasonally adjusted											
Assets												
1 Bank credit	1,322.4	1,385.2	1,399.7	1,408.5	1,412.0	1,428.7	1,439.6	1,441.6	1,441.7	1,440.9	1,441.2	1,442.4
2 Securities in bank credit	394.8	404.8	405.6	405.1	405.0	407.9	410.1	408.4	412.2	409.9	406.4	406.6
3 U.S. government securities	314.7	321.9	323.1	323.2	322.8	323.5	324.7	322.9	326.4	324.3	320.9	321.1
4 Other securities	80.1	82.9	82.5	81.9	82.2	84.4	85.4	85.5	85.8	85.6	85.4	85.5
5 Loans and leases in bank credit[2]	927.5	980.4	994.1	1,003.4	1,006.9	1,020.8	1,029.5	1,033.2	1,029.5	1,031.1	1,034.8	1,035.8
6 Commercial and industrial	167.3	177.1	179.3	181.0	181.8	184.3	186.1	187.4	186.5	186.5	187.7	188.4
7 Real estate	478.8	523.4	530.3	537.8	543.3	550.9	555.1	558.9	556.9	558.2	559.4	559.9
8 Revolving home equity	24.5	27.7	28.1	28.4	28.8	29.3	29.6	29.7	29.6	29.6	29.7	29.7
9 Other	454.3	495.7	502.2	509.4	514.4	521.6	525.5	529.3	527.4	528.7	529.8	530.2
10 Consumer	215.8	210.5	213.8	212.3	209.8	212.3	214.2	212.0	212.2	212.0	212.4	212.1
11 Security[3]	4.4	4.6	4.7	4.9	5.2	5.1	5.2	5.1	5.0	5.0	5.2	5.2
12 Other loans and leases	61.2	64.9	65.9	67.3	66.9	68.2	69.0	69.7	68.9	69.3	70.1	70.3
13 Interbank loans	45.8	49.7	51.1	52.8	56.2	55.4	58.3	57.9	56.3	57.1	58.3	58.6
14 Cash assets[4]	60.9	67.7	71.2	71.6	69.9	72.4	71.0	70.3	68.6	67.8	74.2	70.4
15 Other assets[5]	46.7	61.4	63.4	61.4	63.7	66.7	65.0	64.4	63.0	63.2	65.7	65.6
16 **Total assets[6]**	**1,457.0**	**1,544.5**	**1,565.7**	**1,574.6**	**1,582.1**	**1,603.2**	**1,613.8**	**1,614.1**	**1,609.6**	**1,609.0**	**1,619.3**	**1,616.9**
Liabilities												
17 Deposits	1,163.3	1,238.7	1,250.2	1,256.1	1,267.1	1,281.8	1,283.4	1,293.8	1,288.3	1,290.3	1,296.9	1,296.7
18 Transaction	293.2	298.8	301.1	298.8	297.6	301.3	298.1	295.3	290.2	291.0	299.9	300.3
19 Nontransaction	870.1	939.8	949.1	957.3	969.4	980.5	985.3	998.5	998.2	999.3	997.0	996.4
20 Large time	149.4	160.1	161.7	164.2	165.7	167.7	169.6	170.9	171.1	171.4	170.7	170.3
21 Other	720.7	779.7	787.4	793.1	803.7	812.9	815.8	827.7	827.1	827.9	826.3	826.1
22 Borrowings	150.6	153.7	156.8	155.7	154.0	155.2	158.5	156.3	155.0	154.0	157.5	158.5
23 From banks in the U.S.	86.6	77.2	78.0	74.1	73.5	73.1	74.2	71.8	71.2	71.7	71.7	72.6
24 From others	64.1	76.5	78.8	81.6	80.5	82.1	84.4	84.5	83.8	82.3	85.8	85.8
25 Net due to related foreign offices	4.0	4.8	4.5	4.8	5.2	5.0	4.3	4.2	4.7	4.3	4.1	3.9
26 Other liabilities	23.2	25.8	27.1	28.1	27.8	28.5	28.9	27.6	27.7	27.4	27.7	27.6
27 **Total liabilities**	**1,341.1**	**1,422.9**	**1,438.6**	**1,444.7**	**1,454.0**	**1,470.4**	**1,475.0**	**1,482.0**	**1,475.7**	**1,475.9**	**1,486.2**	**1,486.7**
28 Residual (assets less liabilities)[7]	115.9	121.6	127.2	129.9	128.1	132.8	138.8	132.1	133.9	133.1	133.1	130.3
	Not seasonally adjusted											
Assets												
29 Bank credit	1,320.5	1,385.6	1,399.4	1,412.4	1,414.7	1,430.3	1,442.5	1,439.5	1,442.3	1,440.6	1,438.7	1,437.6
30 Securities in bank credit	393.4	404.0	403.8	405.5	404.1	406.3	409.8	407.0	410.4	409.0	405.6	404.9
31 U.S. government securities	313.5	321.1	321.5	323.7	321.8	321.9	324.3	321.7	324.9	323.5	320.4	319.5
32 Other securities	79.9	82.9	82.3	81.8	82.2	84.4	85.4	85.3	85.5	85.5	85.2	85.3
33 Loans and leases in bank credit[2]	927.1	981.6	995.6	1,006.9	1,010.7	1,024.0	1,032.8	1,032.5	1,031.9	1,031.6	1,033.1	1,032.7
34 Commercial and industrial	167.3	177.1	178.1	180.0	181.2	183.6	185.5	187.4	186.8	186.6	187.7	188.2
35 Real estate	478.4	523.8	531.5	540.1	545.6	553.2	557.2	558.5	557.4	558.2	558.9	559.0
36 Revolving home equity	24.4	27.7	28.3	28.8	29.0	29.4	29.7	29.6	29.5	29.5	29.6	29.6
37 Other	454.0	496.1	503.3	511.3	516.6	523.7	527.5	529.0	527.9	528.7	529.3	529.4
38 Consumer	216.8	210.3	213.8	213.1	210.4	212.9	215.0	212.8	213.0	212.9	213.1	213.1
39 Security[3]	4.6	4.4	4.7	4.8	5.1	5.3	5.4	5.3	5.5	5.3	5.2	5.0
40 Other loans and leases	60.0	66.0	67.5	68.9	68.4	69.0	69.6	68.4	69.2	68.6	68.3	67.5
41 Interbank loans	47.1	47.1	50.2	51.1	56.4	60.3	61.6	59.2	62.6	60.0	57.2	54.4
42 Cash assets[4]	63.1	67.3	68.8	70.0	71.0	75.2	74.8	72.4	73.7	71.2	77.2	68.6
43 Other assets[5]	47.7	61.3	63.4	61.9	63.4	67.4	65.7	65.5	65.3	63.7	65.6	66.0
44 **Total assets[6]**	**1,459.6**	**1,541.9**	**1,562.2**	**1,575.6**	**1,585.9**	**1,613.3**	**1,624.6**	**1,616.7**	**1,623.9**	**1,615.7**	**1,618.8**	**1,606.7**
Liabilities												
45 Deposits	1,160.8	1,235.3	1,247.6	1,258.4	1,269.4	1,289.5	1,296.4	1,290.7	1,301.4	1,292.8	1,289.4	1,277.2
46 Transaction	297.0	296.6	297.9	298.1	298.1	304.6	308.6	298.7	304.9	298.5	300.5	292.1
47 Nontransaction	863.8	938.6	949.7	960.3	971.3	984.9	987.8	992.0	996.5	994.3	988.8	985.2
48 Large time	148.0	159.2	161.4	163.9	166.1	168.1	168.6	169.4	169.1	169.5	169.1	169.4
49 Other	715.8	779.4	788.3	796.4	805.1	816.8	819.2	822.6	827.3	824.8	819.7	815.8
50 Borrowings	152.3	153.7	155.3	155.1	154.0	153.5	157.9	158.1	154.6	156.9	161.8	160.3
51 From banks in the U.S.	86.3	78.7	77.9	74.8	72.9	71.3	73.5	71.5	70.7	70.9	73.3	72.0
52 From others	66.0	74.9	77.4	80.3	81.2	82.2	84.4	86.6	83.9	86.0	88.5	88.3
53 Net due to related foreign offices	4.0	4.8	4.5	4.8	5.2	5.0	4.3	4.2	4.7	4.3	4.1	3.9
54 Other liabilities	23.4	26.0	27.2	27.7	27.7	28.3	28.3	27.8	27.8	27.5	27.9	28.1
55 **Total liabilities**	**1,340.5**	**1,419.7**	**1,434.6**	**1,446.0**	**1,456.3**	**1,476.3**	**1,486.9**	**1,480.8**	**1,488.4**	**1,481.4**	**1,483.1**	**1,469.5**
56 Residual (assets less liabilities)[7]	119.1	122.2	127.6	129.6	129.6	137.0	137.7	135.8	135.5	134.3	135.7	137.2
MEMO												
57 Mortgage-backed securities[9]	37.3	45.7	48.2	49.3	49.3	49.7	50.2	50.4	50.7	50.5	50.1	50.0

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

E. Foreign-related institutions

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1997	1997						1998	1998			
	Jan.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Jan. 7	Jan. 14	Jan. 21	Jan. 28
	Seasonally adjusted											
Assets												
1 Bank credit	515.9	536.2	532.6	537.4[r]	543.9[r]	552.1[r]	559.9[r]	578.0	578.3	575.4	579.1	578.0
2 Securities in bank credit	170.3	180.2	177.9	182.4	181.3[r]	195.8[r]	199.9[r]	199.6	202.7	198.1	199.0	196.9
3 U.S. government securities	81.0	90.3	85.8	87.8	86.4	86.1	84.3	80.6	83.7	76.6	76.6	81.5
4 Other securities	89.2	89.9	92.1	94.6	94.9[r]	109.7[r]	115.6[r]	119.0	119.0	121.4	122.4	115.4
5 Loans and leases in bank credit[2]	345.7	356.1	354.7	355.0	362.6[r]	356.3	360.0	378.4	375.6	377.3	380.1	381.1
6 Commercial and industrial	214.4	218.0	219.7	222.2	223.6	222.6	224.1	226.4	226.3	226.8	227.7	224.8
7 Real estate	31.8	28.5	28.3	27.9	27.7	26.9[r]	26.5	27.0	27.1	27.2	26.8	27.0
8 Security[3]	38.1	43.5	42.2	43.0	46.3[r]	41.1	44.4	54.5	53.3	52.7	54.7	58.5
9 Other loans and leases	61.3	66.0	64.4	62.0	65.0	65.6	65.0[r]	70.5	69.0	70.7	70.8	70.8
10 Interbank loans	22.7	18.5	18.0	18.0	20.0	23.1	30.6	27.2	36.6	26.4	23.8	23.8
11 Cash assets[4]	31.1	33.6	34.4	35.5	34.8	36.2	34.7	32.9	32.8	32.5	33.4	33.2
12 Other assets[5]	38.1	42.5	42.6	42.0	41.4[r]	44.9[r]	42.0[r]	44.1	41.0	44.1	45.3	46.9
13 **Total assets**[6]	**607.5**	**630.6**	**627.4**	**632.7**[r]	**639.9**[r]	**656.1**[r]	**666.9**	**681.9**	**688.5**	**678.1**	**681.4**	**681.6**
Liabilities												
14 Deposits	225.7	264.6	263.4	265.6	260.9	272.1	278.0	276.0	275.9	274.5	273.8	278.5
15 Transaction	10.3	10.6	11.2	10.8	10.4	10.7	10.5	10.8	11.1	11.0	10.6	10.8
16 Nontransaction	215.4	253.9	252.2	254.8	250.5	261.4	267.4	265.2	264.8	263.5	263.2	267.7
17 Large time	213.2	251.4	249.7	252.3	248.1	259.0	265.0	262.7	262.4	261.1	260.8	265.3
18 Other	2.2	2.6	2.5	2.5	2.4	2.4	2.4	2.4	2.5	2.4	2.4	2.4
19 Borrowings	130.5	135.0	137.4	143.3	161.8	165.1	157.3	159.1	153.4	159.6	156.5	164.9
20 From banks in the U.S.	28.2	30.3	31.2	35.9	37.7	30.5	27.7	25.2	22.7	24.5	27.1	24.7
21 From others	102.4	104.7	106.3	107.4	124.1[r]	134.5	129.6	134.0	130.7	135.1	129.4	140.2
22 Net due to related foreign offices	150.6	130.9	130.6	127.3	118.6	119.4	125.9	135.1	147.6	131.9	132.0	129.4
23 Other liabilities	90.4	95.3	96.0	94.1	93.4	97.0[r]	98.6[r]	98.0	99.5	101.0	98.6	93.8
24 **Total liabilities**	**597.2**	**625.9**	**627.4**	**630.2**[r]	**634.7**[r]	**653.5**[r]	**659.7**	**668.2**	**676.4**	**667.0**	**661.0**	**666.7**
25 Residual (assets less liabilities)[7]	10.4	4.8	0.0	2.5	5.2	2.6	7.2	13.7	12.1	11.1	20.4	14.9
	Not seasonally adjusted											
Assets												
26 Bank credit	513.4	536.8	536.5	535.4	542.5[r]	551.1[r]	554.5[r]	574.4	573.4	571.4	573.8	575.9
27 Securities in bank credit	166.6	179.1	181.5	180.7	181.2[r]	195.1[r]	192.0[r]	194.7	194.9	192.8	193.1	194.1
28 U.S. government securities	82.0	87.7	87.3	86.7	85.6	85.7	81.7	81.6	82.3	77.9	78.5	83.4
29 Trading account	16.2	17.0	18.3	17.2	15.1	17.6	15.8[r]	15.5	16.2	11.1	12.8	18.7
30 Investment account	65.8	70.7	68.9	69.5	70.5	68.1	65.9[r]	66.0	66.0	66.8	65.7	64.8
31 Other securities	84.6	91.4	94.2	94.0	95.6[r]	109.4[r]	110.3[r]	113.1	112.7	114.9	114.6	110.7
32 Trading account	56.4[r]	60.3[r]	61.4[r]	61.4[r]	62.5[r]	69.6[r]	70.3[r]	72.3	74.0	72.8	70.5	70.8
33 Investment account	28.1	31.1	32.8	32.6	33.1[r]	39.8[r]	40.0[r]	40.8	38.6	42.1	44.1	40.0
34 Loans and leases in bank credit[2]	346.8	357.6	355.1	354.6	361.3[r]	356.0[r]	362.6	379.7	378.4	378.6	380.7	381.8
35 Commercial and industrial	214.3	219.2	219.9	220.7	222.2	222.4	224.5	226.3	226.4	226.7	227.3	224.7
36 Real estate	31.8	28.4	28.4	28.0	27.8[r]	27.3[r]	26.6[r]	27.0	27.1	27.2	26.8	26.9
37 Security[3]	38.1	43.5	42.2	43.0	46.3[r]	41.1	44.4	54.5	53.3	52.7	54.7	58.5
38 Other loans and leases	62.6	66.5	64.6	63.0	64.9	65.2[r]	67.0[r]	71.9	71.6	72.0	72.0	71.7
39 Interbank loans	22.7	18.5	18.0	18.0	20.0	23.1	30.6	27.2	36.6	26.4	23.8	23.8
40 Cash assets[4]	31.5	33.8	34.3	34.7	35.2	36.5	36.0	33.3	33.2	33.3	33.8	33.4
41 Other assets[5]	37.3	41.7	43.4	42.4	41.1[r]	45.2[r]	42.9[r]	43.2	40.7	42.8	43.5	46.2
42 **Total assets**[6]	**604.6**	**630.6**	**632.1**	**630.2**	**638.5**[r]	**655.7**[r]	**663.8**	**677.9**	**683.6**	**673.6**	**674.7**	**679.0**
Liabilities												
43 Deposits	225.8	261.6	261.2	264.6	268.8	275.7	281.0	276.1	275.3	274.8	275.0	279.3
44 Transaction	10.4	10.6	10.9	11.2	10.5	10.7	11.2	10.8	11.2	11.0	10.5	10.7
45 Nontransaction	215.5	251.0	250.3	253.3	258.3	265.0	269.8	265.3	264.1	263.8	264.4	268.6
46 Large time	213.3	248.5	247.8	250.8[r]	255.9	262.6	267.3	262.8	261.6	261.3	262.0	266.2
47 Other	2.2	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.5	2.4	2.4	2.4
48 Borrowings	127.4	143.9	142.6	144.2	157.1	159.8	155.2	155.6	151.9	156.7	154.4	157.1
49 From banks in the U.S.	29.2	31.9	31.7	34.9	34.5	30.5	28.2	26.1	24.5	26.9	26.5	25.2
50 From others	98.2	112.0	110.9	109.3	122.6	129.3	127.1[r]	129.5	127.4	129.8	127.9	131.9
51 Net due to related foreign offices	159.3	129.7	128.7	124.1	117.6	117.6	126.3	144.8	155.7	139.7	144.2	141.9
52 Other liabilities	89.5	93.2	96.4	93.9[r]	91.3[r]	97.7[r]	97.0	96.9	97.3	98.8	96.7	94.9
53 **Total liabilities**	**602.1**	**628.4**	**629.0**	**626.8**[r]	**634.8**[r]	**650.8**[r]	**659.5**	**673.5**	**680.2**	**670.0**	**670.3**	**673.3**
54 Residual (assets less liabilities)[7]	2.6	2.2	3.0	3.4	3.7	4.9	4.3	4.3	3.5	3.6	4.4	5.8
MEMO												
55 Revaluation gains on off-balance-sheet items[8]	41.5[r]	40.3[r]	41.5[r]	41.2[r]	39.8[r]	41.8[r]	40.9[r]	42.0	43.9	43.1	41.3	40.3
56 Revaluation losses on off-balance-sheet items[8]	41.4[r]	42.1[r]	43.1[r]	41.8[r]	40.1[r]	41.9[r]	41.6[r]	42.4	44.7	43.5	41.6	40.6

Footnotes appear on p. A21.

NOTES TO TABLE 1.26

NOTE. Tables 1.26, 1.27, and 1.28 have been revised to reflect changes in the Board's H.8 statistical release, "Assets and Liabilities of Commercial Banks in the United States." Table 1.27, "Assets and Liabilities of Large Weekly Reporting Commercial Banks," and table 1.28, "Large Weekly Reporting U.S. Branches and Agencies of Foreign Banks," are no longer being published in the *Bulletin*. Instead, abbreviated balance sheets for both large and small domestically chartered banks have been included in table 1.26, parts C and D. Data are both merger-adjusted and break-adjusted. In addition, data from large weekly reporting U.S. branches and agencies of foreign banks have been replaced by balance sheet estimates of all foreign-related institutions and are included in table 1.26, part E. These data are break-adjusted.

The not-seasonally-adjusted data for all tables now contain additional balance sheet items, which were available as of October 2, 1996.

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks, and Edge Act and agreement corporations (foreign-related institutions). Excludes International Banking Facilities. Data are Wednesday values or *pro rata* averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

The data for large and small domestic banks presented on pp. A17–19 are adjusted to remove the estimated effects of mergers between these two groups. The adjustment for mergers changes past levels to make them comparable with current levels. Estimated quantities of balance sheet items acquired in mergers are removed from past data for the bank group that contained the acquired bank and put into past data for the group containing the acquiring bank. Balance sheet data for acquired banks are obtained from Call Reports, and a ratio procedure is used to adjust past levels.

2. Excludes federal funds sold to, reverse RPs with, and loans made to commercial banks in the United States, all of which are included in "Interbank loans."

3. Consists of reverse RPs with brokers and dealers and loans to purchase and carry securities.

4. Includes vault cash, cash items in process of collection, balances due from depository institutions, and balances due from Federal Reserve Banks.

5. Excludes the due-from position with related foreign offices, which is included in "Net due to related foreign offices."

6. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

7. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis. On a seasonally adjusted basis this item reflects any differences in the seasonal patterns estimated for total assets and total liabilities.

8. Fair value of derivative contracts (interest rate, foreign exchange rate, other commodity and equity contracts) in a gain/loss position, as determined under FASB Interpretation No. 39.

9. Includes mortgage-backed securities issued by U.S. government agencies, U.S. government-sponsored enterprises, and private entities.

10. Difference between fair value and historical cost for securities classified as available-for-sale under FASB Statement No. 115. Data are reported net of tax effects. Data shown are restated to include an estimate of these tax effects.

11. Mainly commercial and industrial loans but also includes an unknown amount of credit extended to other than nonfinancial businesses.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1997					
	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	1997 Dec.	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**555,075**	**595,382**	**674,904**	**775,371**	**966,699**	**889,494**	**885,601**	**908,640**	**921,769**	**940,524**	**966,699**
Financial companies[1]											
2 Dealer-placed paper[2], total	218,947	223,038	275,815	361,147	513,307	440,262	437,340	475,792	483,489	483,475	513,307
3 Directly placed paper[3], total	180,389	207,701	210,829	229,662	252,536	253,971	253,934	235,030	237,544	249,781	252,536
4 Nonfinancial companies[4]	155,739	164,643	188,260	184,563	200,857	195,260	194,327	197,818	200,736	207,268	200,857
	Bankers dollar acceptances (not seasonally adjusted)[5]										
5 **Total**	**32,348**	**29,835**	**29,242**	**25,754**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By holder											
6 Accepting banks	12,421	11,783	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Own bills	10,707	10,462	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Bills bought from other banks	1,714	1,321	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Federal Reserve Banks[6]											
9 Foreign correspondents	725	410	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Others	19,202	17,642	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By basis											
11 Imports into United States	10,217	10,062	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Exports from United States	7,293	6,355	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 All other	14,838	13,417	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial-company paper sold by dealers in the open market.
3. As reported by financial companies that place their paper directly with investors.
4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
5. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January. Beginning January 1995, data for Bankers dollar acceptances are reported annually in September.
6. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1995—Jan. 1	8.50	1995	8.83	1996—Jan.	8.50	1997—Jan.	8.25
Feb. 1	9.00	1996	8.27	Feb.	8.25	Feb.	8.25
July 7	8.75	1997	8.44	Mar.	8.25	Mar.	8.30
Dec. 20	8.50			Apr.	8.25	Apr.	8.50
		1995—Jan.	8.50	May	8.25	May	8.50
1996—Feb. 1	8.25	Feb.	9.00	June	8.25	June	8.50
		Mar.	9.00	July	8.25	July	8.50
1997—Mar. 26	8.50	Apr.	9.00	Aug.	8.25	Aug.	8.50
		May	9.00	Sept.	8.25	Sept.	8.50
		June	9.00	Oct.	8.25	Oct.	8.50
		July	8.80	Nov.	8.25	Nov.	8.50
		Aug.	8.75	Dec.	8.25	Dec.	8.50
		Sept.	8.75				
		Oct.	8.75			1998—Jan.	8.50
		Nov.	8.75			Feb.	8.50
		Dec.	8.65				

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Percent per year; figures are averages of business day data unless otherwise noted

Item	1995	1996	1997	1997 Oct.	1997 Nov.	1997 Dec.	1998 Jan.	1998, week ending Jan. 2	Jan. 9	Jan. 16	Jan. 23	Jan. 30
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	5.83	5.30	5.46	5.50	5.52	5.50	5.56	5.45	5.74	5.45	5.53	5.53
2 Discount window borrowing[2,4]	5.21	5.02	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Commercial paper[3,4,5,6]												
Nonfinancial												
3 1-month	n.a.	n.a.	5.57	5.49	5.53	5.78	5.46	5.71	5.48	5.44	5.44	5.47
4 2-month	n.a.	n.a.	5.57	5.48	5.59	5.71	5.44	5.65	5.47	5.40	5.43	5.43
5 3-month	n.a.	n.a.	5.56	5.51	5.60	5.67	5.42	5.60	5.47	5.38	5.40	5.40
Financial												
6 1-month	n.a.	n.a.	5.59	5.50	5.55	5.80	5.48	5.67	5.49	5.45	5.46	5.48
7 2-month	n.a.	n.a.	5.59	5.50	5.65	5.72	5.46	5.63	5.49	5.43	5.44	5.44
8 3-month	n.a.	n.a.	5.60	5.55	5.64	5.70	5.44	5.62	5.48	5.40	5.42	5.44
Commercial paper (historical)[3,5,6,7]												
9 1-month	5.93	5.43	5.54	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 3-month	5.93	5.41	5.58	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
11 6-month	5.93	5.42	5.62	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Finance paper, directly placed (historical)[3,5,7,8]												
12 1-month	5.81	5.31	5.44	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 3-month	5.78	5.29	5.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 6-month	5.68	5.21	5.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bankers acceptances[3,5,9]												
15 3-month	5.81	5.31	5.54	5.57	5.66	5.75	5.48	5.62	5.52	5.47	5.45	5.47
16 6-month	5.80	5.31	5.57	5.56	5.63	5.68	5.45	5.59	5.51	5.37	5.44	5.44
Certificates of deposit, secondary market[3,10]												
17 1-month	5.87	5.35	5.54	5.55	5.61	5.88	5.53	5.72	5.55	5.50	5.51	5.53
18 3-month	5.92	5.39	5.62	5.65	5.74	5.80	5.54	5.74	5.58	5.50	5.51	5.53
19 6-month	5.98	5.47	5.73	5.72	5.78	5.82	5.56	5.76	5.61	5.51	5.52	5.54
20 Eurodollar deposits, 3-month[3,11]	5.93	5.38	5.61	5.63	5.71	5.79	5.53	5.73	5.56	5.48	5.52	5.51
U.S. Treasury bills												
Secondary market[3,5]												
21 3-month	5.49	5.01	5.06	4.97	5.14	5.16	5.04	5.24	5.04	5.00	5.02	5.06
22 6-month	5.56	5.08	5.18	5.09	5.17	5.24	5.03	5.24	5.04	4.97	5.02	5.06
23 1-year	5.60	5.22	5.32	5.17	5.17	5.24	4.98	5.23	4.99	4.92	4.96	5.01
Auction average[3,5,12]												
24 3-month	5.51	5.02	5.07	4.95	5.15	5.16	5.09	5.29	5.12	4.97	4.98	5.07
25 6-month	5.59	5.09	5.18	5.09	5.17	5.24	5.07	5.29	5.13	4.91	5.00	5.03
26 1-year	5.69	5.23	5.36	5.20	5.14	5.18	5.07	n.a.	5.07	n.a.	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[13]												
27 1-year	5.94	5.52	5.63	5.46	5.46	5.53	5.24	5.52	5.25	5.18	5.22	5.28
28 2-year	6.15	5.84	5.99	5.77	5.71	5.72	5.36	5.66	5.35	5.28	5.36	5.40
29 3-year	6.25	5.99	6.10	5.84	5.76	5.74	5.38	5.70	5.37	5.28	5.36	5.43
30 5-year	6.38	6.18	6.22	5.93	5.80	5.77	5.42	5.71	5.38	5.32	5.45	5.48
31 7-year	6.50	6.34	6.33	6.05	5.90	5.83	5.53	5.76	5.48	5.45	5.57	5.60
32 10-year	6.57	6.44	6.35	6.03	5.88	5.81	5.54	5.75	5.49	5.45	5.59	5.63
33 20-year	6.95	6.83	6.69	6.38	6.20	6.07	5.88	6.01	5.82	5.80	5.93	5.96
34 30-year	6.88	6.71	6.61	6.33	6.11	5.99	5.81	5.93	5.75	5.74	5.87	5.89
Composite												
35 More than 10 years (long-term)	6.93	6.80	6.67	6.37	6.18	6.06	5.87	6.00	5.81	5.79	5.92	5.95
STATE AND LOCAL NOTES AND BONDS												
Moody's series[14]												
36 Aaa	5.80	5.52	5.32	5.19	5.19	5.03	4.88	4.98	4.93	4.77	4.78	4.92
37 Baa	6.10	5.79	5.50	5.32	5.32	5.17	5.04	5.12	5.08	4.94	4.96	5.08
38 *Bond Buyer* series[15]	5.95	5.76	5.52	5.38	5.33	5.19	5.06	5.15	5.07	4.96	5.03	5.11
CORPORATE BONDS												
39 Seasoned issues, all industries[16]	7.83	7.66	7.54	7.26	7.13	7.03	6.89	6.98	6.83	6.83	6.94	6.97
Rating group												
40 Aaa	7.59	7.37	7.27	7.00	6.87	6.76	6.61	6.70	6.55	6.55	6.67	6.70
41 Aa	7.72	7.55	7.48	7.20	7.07	6.99	6.82	6.94	6.77	6.77	6.87	6.89
42 A	7.83	7.69	7.54	7.27	7.15	7.05	6.93	7.00	6.86	6.87	6.98	7.02
43 Baa	8.20	8.05	7.87	7.57	7.42	7.32	7.19	6.91	7.13	7.14	7.24	7.28
44 A-rated, recently offered utility bonds[17]	7.86	7.77	7.71	7.44	7.24	7.10	6.97	6.96	6.86	6.96	7.11	6.96
MEMO												
Dividend–price ratio[18]												
45 Common stocks	2.56	2.19	1.77	1.61	1.65	1.62	1.62	1.61	1.62	1.63	1.62	1.61

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year for bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.
7. Series ended August 29, 1997.
8. An average of offering rates on paper directly placed by finance companies.
9. Representative closing yields for acceptances of the highest-rated money center banks.
10. An average of dealer offering rates on nationally traded certificates of deposit.
11. Bid rates for Eurodollar deposits at approximately 11:00 a.m. London time. Data are for indication purposes only.
12. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
13. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
14. General obligation bonds based on Thursday figures; Moody's Investors Service.
15. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moodys' A1 rating. Based on Thursday figures.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
18. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1995	1996	1997	1997 May	1997 June	1997 July	1997 Aug.	1997 Sept.	1997 Oct.	1997 Nov.	1997 Dec.	1998 Jan.
	Prices and trading volume (averages of daily figures)[1]											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	291.18	357.98	456.99	433.36	457.07	480.94	482.39	489.74	499.25	492.14	504.66	504.13
2 Industrial	367.40	453.57	574.97	549.65	578.57	610.42	609.54	617.94	625.22	615.65	623.57	624.61
3 Transportation	270.14	327.30	415.08	395.50	410.93	433.75	439.71	451.63	466.04	453.56	461.04	458.49
4 Utility	110.64	126.36	143.87	140.52	140.24	144.25	143.82	145.96	157.83	153.53	165.74	146.25
5 Finance	238.48	303.94	424.84	392.32	419.12	441.59	446.93	459.86	476.70	465.35	490.30	479.81
6 Standard & Poor's Corporation (1941–43 = 10)[2]	541.72	670.49	873.43	833.09	876.29	925.29	927.74	937.02	951.16	938.92	962.37	963.36
7 American Stock Exchange (Aug. 31, 1973 = 50)[3]	498.13	570.86	628.34	584.06	619.94	635.28	645.59	678.05	702.43	674.37	667.89	665.72
Volume of trading (thousands of shares)												
8 New York Stock Exchange	345,729	409,740	523,254	479,907	516,241	543,006	506,205	541,204	606,513	531,449	541,134	632,895
9 American Stock Exchange	20,387	22,567	n.a.	19,634	23,277	25,562	24,095	28,252	32,873	27,741	27,624	28,199
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[4]	**76,680**	**97,400**	**126,090**	**106,010**	**113,440**	**116,190**	**119,810**	**126,050**	**128,190**	**127,330**	**126,090**	**127,790**
Free credit balances at brokers[5]												
11 Margin accounts[6]	16,250	22,540	31,410	22,050	23,860	24,290	23,375	23,630	26,950	26,735	31,410	29,480
12 Cash accounts	34,340	40,430	52,160	39,400	41,840	43,985	42,960	43,770	47,465	45,470	52,160	48,620

	Margin requirements (percent of market value and effective date)[7]					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. Daily data on prices are available upon request to the Board of Governors. For ordering address, see inside front cover.
2. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
3. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.
4. Since July 1983, under the revised Regulation T, margin credit at broker–dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
5. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.
6. Series initiated in June 1984.
7. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
	1995	1996	1997	1997					1998
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
U.S. budget[1]									
1 Receipts, total	1,351,830	1,453,062	1,579,292	103,483	174,772	114,898	103,481	167,998	162,610
2 On-budget	1,000,751	1,085,570	1,187,302	70,902	138,849	87,083	73,690	135,340	123,367
3 Off-budget	351,079	367,492	391,990	32,581	35,923	27,815	29,791	32,658	39,243
4 Outlays, total	1,515,729	1,560,512	1,601,235	138,672	124,831	150,866	120,830	154,359	137,231
5 On-budget	1,227,065	1,259,608	1,290,609	109,810	91,406	123,863	91,327	146,647	108,843
6 Off-budget	288,664	300,904	310,626	28,862	33,429	26,999	29,504	7,712	28,388
7 Surplus or deficit (−), total	−163,899	−107,450	−21,943	−35,189	49,937	−35,964	−17,349	13,639	25,379
8 On-budget	−226,314	−174,038	−103,307	−38,908	47,443	−36,780	−17,637	−11,307	14,524
9 Off-budget	62,415	66,588	81,364	3,719	2,494	816	287	24,946	10,855
Source of financing (total)									
10 Borrowing from the public	171,288	129,712	38,171	30,348	−18,318	6,315	29,108	−1,771	−24,807
11 Operating cash (decrease, or increase (−))	−2,007	−6,276	604	15,435	−31,545	23,360	483	−12,107	−8,422
12 Other[2]	−5,382	−15,986	−16,832	−10,594	−74	6,289	−12,242	239	7,850
MEMO									
13 Treasury operating balance (level, end of period)	37,949	44,225	43,621	12,076	43,621	20,261	19,778	31,885	40,307
14 Federal Reserve Banks	8,620	7,700	7,692	4,700	7,692	4,616	5,127	5,444	5,552
15 Tax and loan accounts	29,329	36,525	35,930	7,376	35,930	15,645	14,651	26,441	34,756

1. Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.

2. Includes special drawing rights (SDRs); reserve position on the U.S. quota in the International Monetary Fund (IMF); loans to the IMF; other cash and monetary assets; accrued interest payable to the public; allocations of SDRs; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain or loss for U.S. currency valuation adjustment; net gain or loss for IMF loan-valuation adjustment; and profit on sale of gold.

SOURCE. Monthly totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year 1996	Fiscal year 1997	Calendar year 1996 H1	Calendar year 1996 H2	Calendar year 1997 H1	Calendar year 1997 H2	Calendar year 1997 Nov.	Calendar year 1997 Dec.	Calendar year 1998 Jan.
RECEIPTS									
1 **All sources**	**1,453,062**	**1,579,292**	**767,099**	**707,551**	**845,527r**	**773,810r**	**103,481**	**167,998**	**162,610**
2 Individual income taxes, net	656,417	737,466	347,285	323,884	400,435	354,072	46,596	69,060	95,798
3 Withheld	533,080	580,207	264,177	279,988	292,252	306,865	47,581	64,604	56,628
4 Nonwithheld	212,168	250,753	162,782	53,491	191,050	58,069	2,053	5,240	40,039
5 Refunds	88,897	93,560	79,735	9,604	82,926	10,869	3,040	784	870
Corporation income taxes									
6 Gross receipts	189,055	204,493	96,480	95,364	106,451	104,659	4,900	44,973	6,888
7 Refunds	17,231	22,198	9,704	10,053	9,635	10,135	987	936	2,481
8 Social insurance taxes and contributions, net	509,414	539,371	277,767	240,326	288,251	260,795	42,488	45,149	51,765
9 Employment taxes and contributions[2]	476,361	506,751	257,446	227,777	268,357	247,794	39,629	44,297	50,395
10 Unemployment insurance	28,584	28,202	18,068	10,302	17,709	10,724	2,526	425	1,036
11 Other net receipts[3]	4,469	4,418	2,254	2,245	2,184	2,280	334	427	333
12 Excise taxes	54,014	56,924	25,682	27,016	28,084	31,132	5,202	5,167	4,679
13 Customs deposits	18,670	17,928	8,731	9,294	8,619	9,679	1,323	1,416	1,387
14 Estate and gift taxes	17,189	19,845	8,775	8,835	10,477	10,262	1,510	1,498	1,808
15 Miscellaneous receipts[4]	25,534	25,465	12,087	12,888	12,866	13,347r	2,450	1,671	2,768
OUTLAYS									
16 **All types**	**1,560,512r**	**1,601,235**	**785,368**	**800,176r**	**797,418**	**824,360r**	**120,830**	**154,359**	**137,231**
17 National defense	265,748	270,473	132,599	138,702	131,500	139,480	17,883	26,944	20,738
18 International affairs	13,496	15,228	8,076	8,596	5,779	9,518	955	4,534	750
19 General science, space, and technology	16,709	17,174	8,897	8,260	8,939	10,040	1,606	1,899	1,498
20 Energy	2,844r	1,483	1,356	703	793r	386	−68	−267	291
21 Natural resources and environment	21,614	21,369	10,254	10,310	9,688	11,199	1,566	2,388	1,638
22 Agriculture	9,159	9,032	73	10,977	1,433	10,542	1,425	2,846	1,958
23 Commerce and housing credit	−10,472r	−14,624	−6,885	−5,899	−7,575	−3,526	−714	−1,144	−403
24 Transportation	39,565	40,767	18,290	22,211	18,046	21,823	3,014	3,681	2,762
25 Community and regional development	10,685	11,005	5,245	5,498	5,699	5,712	916	843	783
26 Education, training, employment, and social services	52,001	53,008	25,979	27,549	25,227	26,895	4,517	4,688	5,081
27 Health	119,378	123,843	59,989	61,595	61,808	63,552	9,870	11,159	11,162
28 Social security and Medicare	523,901	555,273	264,647	269,412	278,817	283,109	42,864	50,500	46,929
29 Income security	225,989	230,886	121,186	107,602	123,875r	106,295	14,694	19,951	20,093
30 Veterans benefits and services	36,985	39,313	18,140	21,109	17,696r	22,077	1,864	4,931	3,331
31 Administration of justice	17,548	20,197	9,015	9,583	10,643	10,196	1,747	2,051	1,718
32 General government	11,892	12,768	4,641	6,546	6,575r	7,230	713	2,504	836
33 Net interest[5]	241,090	244,013	120,576	122,573	122,701	122,620	20,592	20,480	20,570
34 Undistributed offsetting receipts[6]	−37,620	−49,973	−16,716	−25,142	−24,234	−22,795	−2,613	−3,629	−2,504

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for receipts and outlays do not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Federal employee retirement contributions and civil service retirement and disability fund.
4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
5. Includes interest received by trust funds.
6. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCE. Fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1999*; monthly and half-year totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government.*

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1995	1996				1997			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	**5,017**	**5,153**	**5,197**	**5,260**	**5,357**	**5,415**	**5,410**	**5,446**	**5,536**
2 Public debt securities	4,989	5,118	5,161	5,225	5,323	5,381	5,376	5,413	5,502
3 Held by public	3,684	3,764	3,739	3,778	3,826	3,874	3,805	3,815	n.a.
4 Held by agencies	1,305	1,354	1,422	1,447	1,497	1,507	1,572	1,599	n.a.
5 Agency securities	28	36	36	35	34	34	34	33	34
6 Held by public	28	28	28	27	27	26	26	26	n.a.
7 Held by agencies	0	8	8	8	8	8	7	7	n.a.
8 **Debt subject to statutory limit**	**4,900**	**5,030**	**5,073**	**5,137**	**5,237**	**5,294**	**5,290**	**5,328**	**5,417**
9 Public debt securities	4,900	5,030	5,073	5,137	5,237	5,294	5,290	5,328	5,416
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,900	5,500	5,500	5,500	5,500	5,500	5,500	5,950	5,950

1. Consists of guaranteed debt of U.S. Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCE. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin*.

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

Billions of dollars, end of period

Type and holder	1994	1995	1996	1997	1997			
					Q1	Q2	Q3	Q4
1 **Total gross public debt**	**4,800.2**	**4,988.7**	**5,323.2**	**5,502.4**	**5,380.9**	**5,376.2**	**5,413.2**	**5,502.4**
By type								
2 Interest-bearing	4,769.2	4,964.4	5,317.2	5,494.9	5,375.1	5,370.5	5,407.5	5,494.9
3 Marketable	3,126.0	3,307.2	3,459.7	3,456.8	3,504.4	3,433.1	3,439.6	3,456.8
4 Bills	733.8	760.7	777.4	715.4	785.6	704.1	701.9	715.4
5 Notes	1,867.0	2,010.3	2,112.3	2,106.1	2,131.0	2,132.6	2,122.2	2,106.1
6 Bonds	510.3	521.2	555.0	587.3	565.4	565.4	576.2	587.3
7 Inflation-indexed notes[1]	n.a.	n.a.	n.a.	33.0	7.4	15.9	24.4	33.0
8 Nonmarketable[2]	1,643.1	1,657.2	1,857.5	2,038.1	1,870.8	1,937.4	1,967.9	2,038.1
9 State and local government series	132.6	104.5	101.3	124.1	104.8	107.9	111.9	124.1
10 Foreign issues[3]	42.5	40.8	37.4	36.2	36.8	35.4	34.9	36.2
11 Government	42.5	40.8	47.4	36.2	36.8	35.4	34.9	36.2
12 Public	.0	.0	.0	.0	.0	.0	.0	.0
13 Savings bonds and notes	177.8	181.9	182.4	181.2	182.6	182.7	182.7	181.2
14 Government account series[4]	1,259.8	1,299.6	1,505.9	1,666.7	1,516.6	1,581.5	1,608.5	1,666.7
15 Non-interest-bearing	31.0	24.3	6.0	7.5	5.8	5.7	5.6	7.5
By holder[5]								
16 U.S. Treasury and other federal agencies and trust funds	1,257.1	1,304.5	1,497.2		1,506.8	1,571.6	1,598.5	
17 Federal Reserve Banks	374.1	391.0	410.9		405.6	426.4	436.5	
18 Private investors	3,168.0	3,294.9	3,411.2		3,451.7	3,361.7	3,388.9	
19 Commercial banks	290.4	278.7	261.7		282.3	265.7	260.0	
20 Money market funds	67.6	71.5	91.6		84.0	77.4	76.4	
21 Insurance companies	240.1	241.5	214.1		214.3	203.4	192.0	
22 Other companies	224.5	228.8	258.5	n.a.	262.5	261.0	266.5	n.a.
23 State and local treasuries[6,7]	540.2	421.5	363.7		348.0	337.4	333.5	
Individuals								
24 Savings bonds	180.5	185.0	187.0		186.5	186.3	186.2	
25 Other securities	150.7	162.7	169.6		168.9	169.1	168.6	
26 Foreign and international[8]	688.6	862.2	1,131.8		1,215.4	1,246.9	1,292.4	
27 Other miscellaneous investors[7,9]	785.5	843.0	733.2		689.8	614.5	613.3	

1. The U.S. Treasury first issued inflation-indexed notes during the first quarter of 1997.
2. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
3. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
4. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
6. Includes state and local pension funds.
7. In March 1996, in a redefinition of series, fully defeased debt backed by nonmarketable federal securities was removed from "Other miscellaneous investors" and added to "State and local treasuries." The data shown here have been revised accordingly.
8. Consists of investments of foreign balances and international accounts in the United States.
9. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

SOURCE. U.S. Treasury Department, data by type of security, *Monthly Statement of the Public Debt of the United States;* data by holder, *Treasury Bulletin.*

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Millions of dollars, daily averages

Item	1997			1997, week ending						1998, week ending		
	Oct.	Nov.	Dec.	Nov. 26	Dec. 3	Dec. 10	Dec. 17	Dec. 24	Dec. 31	Jan. 7	Jan. 14	Jan. 21
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	41,086	43,506	38,244	42,517	35,218	51,698	38,376	33,558	29,390	42,416	40,994	37,381
Coupon securities, by maturity												
2 Five years or less	132,174	118,847	95,901	125,279	92,007	118,669	110,937	89,852	59,127	128,295	153,884	124,469
3 More than five years	76,423	68,164	54,749	61,156	50,120	66,089	70,503	49,970	30,326	79,357	92,992	64,302
4 Federal agency	43,579	48,097	43,015	44,605	44,065	44,867	44,552	42,630	38,475	46,582	48,175	50,166
5 Mortgage-backed	58,174	63,657	45,285	48,623	56,118	75,721	42,624	33,167	17,590	61,292	94,472	68,029
By type of counterparty												
With interdealer broker												
6 U.S. Treasury	145,596	132,153	107,366	133,112	96,334	137,469	129,162	100,678	59,126	137,234	161,913	130,689
7 Federal agency	1,377	1,250	1,143	1,258	934	1,775	1,245	995	567	1,572	2,521	1,398
8 Mortgage-backed	18,087	19,089	13,748	14,180	16,743	20,960	13,815	10,781	6,110	19,908	28,462	26,718
With other												
9 U.S. Treasury	104,088	98,365	81,528	95,841	81,011	98,986	90,654	72,701	59,717	112,834	125,957	95,462
10 Federal agency	42,202	46,847	41,873	43,347	43,131	43,092	43,307	41,635	37,908	45,010	45,654	48,768
11 Mortgage-backed	40,088	44,569	31,538	34,443	39,375	54,761	28,809	22,386	11,480	41,384	66,010	41,311
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
12 U.S. Treasury bills	228	262	404	90	390	314	380	570	352	226	367	138
Coupon securities, by maturity												
13 Five years or less	1,848	2,041[r]	2,534	3,012	1,995	4,056	2,792	1,929	1,465	4,304	3,201	2,229
14 More than five years	21,358	16,939[r]	13,394	17,300	10,718	16,278	18,919	12,655	5,783	17,724	20,089	13,888
15 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
16 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
17 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
18 Five years or less	2,274	1,674	1,831	1,673	1,955	2,077	2,663	1,631	640	1,807	4,799	3,061
19 More than five years	6,825	6,353[r]	4,487	4,596	3,974	6,020	4,646	4,714	2,470	7,903	5,460	3,983
20 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
21 Mortgage-backed	614	549	632	364	233	1,450	847	270	90	515	737	706

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed to be evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. Futures transactions are standardized agreements arranged on an exchange. All futures transactions are included regardless of time to delivery.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Millions of dollars

Item	1997			1997, week ending					1998, week ending		
	Oct.	Nov.	Dec.	Dec. 3	Dec. 10	Dec. 17	Dec. 24	Dec. 31	Jan. 7	Jan. 14	Jan. 21
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	6,161	18,776	18,205	22,644	24,485	19,132	18,900	8,400	19,343	14,900	12,871
Coupon securities, by maturity											
2 Five years or less	−31,681	−17,008	−21,352	−16,446	−26,456	−26,116	−15,154	−19,785	−12,528	−13,393	−14,543
3 More than five years	−21,634	−18,763	−16,759	−14,649	−18,580	−16,942	−15,934	−16,484	−15,515	−15,037	−19,897
4 Federal agency	34,843	28,049	26,328	27,660	30,840	28,165	28,239	17,499	29,434	38,266	39,389
5 Mortgage-backed	37,762	37,409	44,132	36,210	46,019	48,908	42,492	42,503	46,366	48,880	49,783
NET FUTURES POSITIONS[4]											
By type of deliverable security											
6 U.S. Treasury bills	−1,334	−3,141	−2,635	−1,965	−2,625	−2,293	−2,708	−3,203	−3,182	−3,367	−3,448
Coupon securities, by maturity											
7 Five years or less	3,079	2,355	3,578	2,448	6,764	5,049	1,225	1,768	−4,216	−1,879	−253
8 More than five years	−22,760	−20,652	−27,144	−22,670	−20,736	−28,707	−31,858	−29,043	−29,805	−27,645	−27,138
9 Federal agency	0	0	0	0	0	0	0	0	0	0	0
10 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
11 U.S. Treasury bills	n.a.	n.a.	n.a.	0	0	0	0	n.a.	n.a.	n.a.	n.a.
Coupon securities, by maturity											
12 Five years or less	2,573	2,234	−757	1,087	215	−1,193	−1,289	−1,551	−652	−1,117	78
13 More than five years	4,444	3,845	3,226	4,004	2,188	4,064	3,486	2,831	3,163	3,515	3,200
14 Federal agency	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
15 Mortgage-backed	369	74	869	782	811	725	976	1,001	1,222	841	203
	Financing[5]										
Reverse repurchase agreements											
16 Overnight and continuing	323,078	328,976	304,385	339,159	313,568	322,159	260,415	306,496	322,402	337,041	324,835
17 Term	713,746	688,464	654,600	618,503	670,168	672,927	719,458	571,315	670,529	738,725	770,417
Securities borrowed											
18 Overnight and continuing	209,087	201,701	200,401	199,239	200,910	198,031	193,859	209,303	217,021	219,985	212,852
19 Term	96,609	94,469	92,672	88,500	92,201	94,742	100,459	85,073	87,774	89,083	89,364
Securities received as pledge											
20 Overnight and continuing	7,407	6,306	5,939	6,487	5,954	5,941	5,797	5,827	5,511	5,396	5,665
21 Term	88	99	286	n.a.	n.a.	286	n.a.	n.a.	137	n.a.	n.a.
Repurchase agreements											
22 Overnight and continuing	685,099	679,506	648,786	699,819	688,769	704,310	579,768	600,427	700,774	733,257	728,141
23 Term	642,512	629,143	586,741	538,525	578,842	581,607	678,507	528,672	579,576	650,443	677,327
Securities loaned											
24 Overnight and continuing	7,546	7,759	7,927	8,240	8,328	8,197	7,612	7,435	8,336	8,594	7,905
25 Term	3,365	3,828	4,591	4,069	3,939	3,667	4,736	6,244	4,745	4,871	4,493
Securities pledged											
26 Overnight and continuing	51,116	50,941	53,643	50,174	48,791	50,042	51,718	65,507	54,835	51,136	51,851
27 Term	4,190	2,741	3,566	2,230	2,759	3,649	3,473	4,956	4,694	4,682	4,642
Collateralized loans											
28 Overnight and continuing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
29 Term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
30 Total	15,354	14,645	13,891	20,350	13,573	12,117	16,544	10,563	18,077	15,341	12,957
MEMO: Matched book[6]											
Securities in											
31 Overnight and continuing	303,512	300,635	284,089	311,754	292,408	297,079	247,980	287,031	306,066	324,775	313,439
32 Term	686,424	662,654	623,240	598,418	640,338	647,472	685,181	530,605	643,071	697,823	717,775
Securities out											
33 Overnight and continuing	396,064	386,203	374,312	401,962	398,670	397,406	331,509	357,812	409,321	421,397	413,707
34 Term	552,735	544,801	495,105	465,730	497,699	501,630	557,276	436,403	506,290	n.a.	n.a.

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright positions include immediate and forward positions. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day. Financing data are reported in terms of actual funds paid or received, including accrued interest.

6. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1993	1994	1995	1996	1997				
					July	Aug.	Sept.	Oct.	Nov.
1 **Federal and federally sponsored agencies**	**570,711**	**738,928**	**844,611**	**925,823**	**977,877**	**980,501**	**983,599**	**1,003,177**	**1,014,907**
2 Federal agencies	45,193	39,186	37,347	29,380	27,738	27,484	27,392	27,356	27,500
3 Defense Department[1]	6	6	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	5,315	3,455	2,050	1,447	1,326	1,326	1,326	1,295	1,295
5 Federal Housing Administration[4]	255	116	97	84	43	46	68	68	93
6 Government National Mortgage Association certificates of participation[5]	n.a	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Postal Service[6]	9,732	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Tennessee Valley Authority	29,885	27,536	29,429	27,853	27,732	27,478	27,386	27,350	27,494
9 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Federally sponsored agencies[7]	523,452	699,742	807,264	896,443	950,139	953,017	956,207	975,821	987,407
11 Federal Home Loan Banks	139,512	205,817	243,194	263,404	291,931	292,174	295,212	302,310	308,745
12 Federal Home Loan Mortgage Corporation	49,993	93,279	119,961	156,980	161,476	165,690	160,050	172,433	174,900
13 Federal National Mortgage Association	201,112	257,230	299,174	331,270	348,599	348,115	358,003	356,149	361,602
14 Farm Credit Banks[8]	53,123	53,175	57,379	60,053	61,874	61,091	61,612	61,093	61,093
15 Student Loan Marketing Association[9]	39,784	50,335	47,529	44,763	45,536	45,211	40,531	43,000	40,321
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**128,187**	**103,817**	**78,681**	**58,172**	**50,119**	**48,625**	**49,944**	**48,698**	**32,523**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	5,309	3,449	2,044	1,431	1,326	1,326	1,326	1,295	1,295
21 Postal Service[6]	9,732	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
22 Student Loan Marketing Association	4,760	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23 Tennessee Valley Authority	6,325	3,200	3,200	n.a	n.a.	n.a.	n.a.	n.a.	n.a.
24 United States Railway Association[6]	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other lending[14]									
25 Farmers Home Administration	38,619	33,719	21,015	18,325	18,700	14,300	13,895	13,530	13,530
26 Rural Electrification Administration	17,578	17,392	17,144	16,702	15,564	15,568	14,917	14,819	14,819
27 Other	45,864	37,984	29,513	21,714	14,529	17,431	19,716	19,054	2,879

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. On-budget since Sept. 30, 1976.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation, therefore details do not sum to total. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.
9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table to avoid double counting.
14. Includes FFB purchases of agency assets and guaranteed loans; the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1995	1996	1997	1997							1998
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 **All issues, new and refunding**[1]	**145,657**	**171,222**	**214,693**	**22,901**[r]	**17,786**[r]	**17,401**[r]	**21,499**	**21,898**	**20,207**	**21,342**	**16,770**
By type of issue											
2 General obligation	56,980	60,409	69,934	6,145	7,679	5,062	3,590	7,837	5,713	8,005	5,608
3 Revenue	88,677	110,813	134,989	13,231	9,061	11,518	17,909	14,061	14,494	13,337	11,162
By type of issuer											
4 State	14,665	13,651	18,237	1,197	1,984	1,352	1,278	2,392	509	1,702	1,268
5 Special district or statutory authority[2]	93,500	113,228	134,919	13,810	10,715	10,480	14,890	13,195	13,586	15,600	11,794
6 Municipality, county, or township	37,492	44,343	70,558	4,369	4,041	4,803	16,592	13,920	5,920	4,098	3,706
7 **Issues for new capital**	**102,390**	**112,298**	**127,928**	**14,536**	**9,279**	**8,915**	**10,158**	**12,981**	**12,979**	**13,487**	**9,696**
By use of proceeds											
8 Education	23,964	26,851	31,860	3,498	2,701	2,781	1,943	2,647	2,973	2,981	2,338
9 Transportation	11,890	12,324	13,951	638	666	1,276	2,654	1,215	1,420	1,144	1,521
10 Utilities and conservation	9,618	9,791	12,219	1,615	1,182	576	907	1,402	1,217	683	598
11 Social welfare	19,566	24,583	27,794	4,438	1,789	1,481	2,305	2,341	4,090	2,940	1,540
12 Industrial aid	6,581	6,287	6,667	637	334	799	441	729	574	897	448
13 Other purposes	30,771	32,462	35,095	3,710	2,607	2,024	1,908	4,642	2,705	4,842	3,251

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts.

SOURCE. Securities Data Company beginning January 1990; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1995	1996	1997	1997							
				May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 **All issues**[1]	**673,779**	n.a.	n.a.	**54,750**	**83,890**	**67,305**	**52,117**	**84,731**[r]	**71,289**[r]	**58,350**[r]	**63,890**
2 **Bonds**[2]	**573,206**	n.a.	n.a.	**46,738**	**72,638**	**57,886**	**46,576**	**75,166**[r]	**58,236**[r]	**46,543**[r]	**55,871**
By type of offering											
3 Public, domestic	408,804	386,280	537,778	38,594	60,979	46,415	40,840	60,226[r]	47,037[r]	42,969	54,341
4 Private placement, domestic[3]	87,492	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	76,910	74,793	103,188	8,144	11,660	11,471	5,736	14,941	11,199	3,574	1,530
By industry group											
6 Manufacturing	61,070	41,959	47,064	2,355	3,748	8,480	5,087	3,534	4,668	2,152	2,827
7 Commercial and miscellaneous	50,689	34,076	42,480	2,104	2,771	4,466	3,196	4,330	7,982	1,166	1,693
8 Transportation	8,430	5,111	11,352	6,566	424	544	406	296	1,322	299	448
9 Public utility	13,751	8,161	16,660	653	1,377	3,674	1,407	1,357	1,664	1,590	1,372
10 Communication	22,999	13,320	12,055	300	576	1,304	278	1,829	342	1,586	923
11 Real estate and financial	416,269	358,446	511,285	34,761	63,743	39,419	36,202	63,820[r]	42,258[r]	39,750	48,608
12 **Stocks**[2]	**100,573**	n.a.	n.a.	**8,012**	**11,252**	**9,419**	**5,541**	**9,565**	**13,053**	**11,807**	**8,019**
By type of offering											
13 Public preferred	10,917	33,208	29,959	2,055	3,846	678	645	2,155	1,824	1,060	3,578
14 Common	57,556	83,052	85,765	5,957	7,406	8,741	4,895	7,410	11,229	10,747	4,441
15 Private placement[3]	32,100			n.a.	n.a.	n.a	n.a.	n.a.	n.a	n.a.	n.a.
By industry group											
16 Manufacturing	21,545			1,594	1,627	1,056	836	1,294	2,068	2,176	471
17 Commercial and miscellaneous	27,844	n.a.	n.a.	1,912	2,938	2,804	1,673	3,218	3,438	3,404	1,221
18 Transportation	804			35	272	563	139	472	197	84	241
19 Public utility	1,936			200	1,046	483	48	235	280	592	350
20 Communication	1,077			0	374	120	52	238	487	102	479
21 Real estate and financial	47,367			4,219	5,384	3,875	2,371	4,108	6,583	5,449	5,257

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCE. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1995	1996	1997							1998
			June	July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.
1 **Sales of own shares**[2]	**871,415**	**1,149,918**	**112,318**	**125,710**	**114,358**	**116,021**	**126,824**	**110,231**	**150,133**	**147,994**
2 Redemptions of own shares	699,497	853,460	86,759	90,095	84,366	86,449	98,109	76,115	113,359	109,395
3 Net sales[3]	171,918	296,458	25,559	35,615	29,992	29,572	28,715	34,117	36,774	38,598
4 **Assets**[4]	**2,067,337**	**2,637,398**	**3,067,565**	**3,279,535**	**3,199,534**	**3,386,547**	**3,300,248**	**3,375,197**	**3,430,795**	**3,479,784**
5 Cash[5]	142,572	139,396	180,552	182,122	180,152	180,159	181,314	188,192	176,231	186,301
6 Other	1,924,765	2,498,002	2,887,013	3,097,413	3,019,382	3,206,388	3,118,934	3,187,005	3,254,564	3,293,483

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds Data on asset positions exclude both money market mutual funds and limited-maturity municipal bond funds.
2. Includes reinvestment of net income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3 Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.
4. Market value at end of period, less current liabilities.
5. Includes all U.S. Treasury securities and other short-term debt securities.

SOURCE. Investment Company Institute. Data based on reports of membership, which comprises substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect underwritings of newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1995	1996	1997	1996				1997			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1 Profits with inventory valuation and capital consumption adjustment	650.0	735.9	n.a.	717.7	738.5	739.6	747.8	779.6	795.1	827.3	n.a.
2 Profits before taxes	622.6	676.6	n.a.	664.9	682.2	679.1	680.0	708.4	719.8	753.4	n.a.
3 Profits-tax liability	213.2	229.0	n.a.	226.2	232.2	231.6	226.0	241.2	244.5	258.2	n.a.
4 Profits after taxes	409.4	447.6	n.a.	438.7	450.0	447.5	454.0	467.2	475.3	495.2	n.a.
5 Dividends	264.4	304.8	336.1	300.7	303.7	305.7	309.1	326.8	333.0	339.1	345.6
6 Undistributed profits	145.0	142.8	n.a.	138.0	146.4	141.8	144.9	140.3	142.3	156.1	n.a.
7 Inventory valuation	−24.3	−2.5	5.7	−5.1	−5.4	−2.7	3.3	3.5	5.9	3.6	9.6
8 Capital consumption adjustment	51.6	61.8	69.8	57.9	61.6	63.2	64.4	67.7	69.4	70.3	71.6

SOURCE. U.S. Department of Commerce, *Survey of Current Business*

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1995	1996	1997	1996			1997[r]			
				Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASSETS										
1 Accounts receivable, gross[2]	607.0	637.1	663.7	626.7	628.1	637.1	648.0	651.6	660.5	663.5
2 Consumer	233.0	244.9	257.0	240.6	244.4	244.9	249.4	255.1	254.5	256.8
3 Business	301.6	309.5	318.8	305.7	301.4	309.5	315.2	311.7	319.5	318.8
4 Real estate	72.4	82.7	87.9	80.4	82.2	82.7	83.4	84.8	86.4	87.9
5 LESS: Reserves for unearned income	60.7	55.6	52.7	57.2	54.8	55.6	51.3	57.2	54.6	52.7
6 Reserves for losses	12.8	13.1	13.0	12.7	12.9	13.1	12.8	13.3	12.7	13.0
7 Accounts receivable, net	533.5	568.3	597.9	556.7	560.5	568.3	583.9	581.2	593.1	597.8
8 All other	250.9	290.0	312.3	258.7	268.7	290.0	289.6	306.8	289.1	312.4
9 **Total assets**	**784.4**	**858.3**	**910.2**	**815.4**	**829.2**	**858.3**	**873.4**	**887.9**	**882.3**	**910.2**
LIABILITIES AND CAPITAL										
10 Bank loans	15.3	19.7	24.1	17.7	18.3	19.7	18.4	18.8	20.4	24.1
11 Commercial paper	168.6	177.6	116.2	169.6	173.1	177.6	185.3	193.7	189.6	201.5
Debt										
12 Owed to parent	51.1	60.3	72.7	56.3	57.9	60.3	61.0	60.0	61.6	64.7
13 Not elsewhere classified	300.0	332.5	369.9	319.0	322.3	332.5	324.6	345.3	322.8	328.9
14 All other liabilities	163.6	174.7	213.3	163.2	164.8	174.7	189.2	171.4	190.1	189.6
15 Capital, surplus, and undivided profits	85.9	93.5	113.9	89.7	92.8	93.5	94.9	98.7	97.9	101.3
16 **Total liabilities and capital**	**784.4**	**858.3**	**910.2**	**815.4**	**829.2**	**858.3**	**873.4**	**887.9**	**882.3**	**910.1**

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.
2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES Owned and Managed Receivables[1]

Billions of dollars, amounts outstanding

Type of credit	1995	1996	1997	1997 July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.
	Seasonally adjusted								
1 **Total**	**682.4**	**762.4**	**811.0**	**789.5**	**796.9**	**799.5[r]**	**803.2**	**806.2**	**811.0**
2 Consumer	281.9	306.6	327.0	323.3	322.7	322.6[r]	324.4	323.8	327.0
3 Real estate	72.4	111.9	121.1	121.9	123.4	120.7	121.5	121.7	121.1
4 Business	328.1	343.8	362.9	344.3	350.8	356.2[r]	357.2	360.7	362.9
	Not seasonally adjusted								
5 **Total**	**689.5**	**769.7**	**818.7**	**783.7**	**791.4**	**795.8[r]**	**801.3**	**807.4**	**818.7**
6 Consumer	285.8	310.6	331.1	322.2	322.4	323.3[r]	324.3	325.5	331.1
7 Motor vehicles loans	81.1	86.7	87.0	88.3	88.4	88.5	86.8	86.0	87.0
8 Motor vehicle leases	80.8	92.5	96.8	99.3	98.3	96.1	95.9	96.4	96.8
9 Revolving[2]	28.5	32.5	38.7	33.5	33.5	34.9	34.8	34.9	38.7
10 Other[3]	42.6	33.2	34.4	34.7	35.2	35.0	35.3	35.5	34.4
Securitized assets[4]									
11 Motor vehicle loans	34.8	36.8	44.3	38.1	38.3	39.7	42.6	42.5	44.3
12 Motor vehicle leases	3.5	8.7	10.8	9.0	8.9	10.0[r]	9.9	11.0	10.8
13 Revolving	n.a.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14 Other	14.7	20.1	19.0	19.4	19.7	19.0	18.9	19.2	19.0
15 Real estate	72.4	111.9	121.1	121.9	123.4	120.7	121.5	121.7	121.1
16 One- to four-family	n.a.	52.1	59.0	57.0	59.1	56.6	58.5	59.4	59.0
17 Other	n.a.	30.5	28.9	30.1	30.1	29.8	29.3	29.0	28.9
Securitized real estate assets[4]									
18 One- to four-family	n.a.	28.9	33.0	34.4	33.9	34.0	33.5	33.0	33.0
19 Other	n.a.	0.4	0.2	0.3	0.3	0.3	0.3	0.2	0.2
20 Business	331.2	347.2	366.6	339.6	345.6	351.8[r]	355.5	360.2	366.6
21 Motor vehicles	66.5	67.1	63.7	63.6	65.2	67.4	61.2	62.0	63.7
22 Retail loans	21.8	25.1	25.6	24.4	25.4	26.0	26.5	26.3	25.6
23 Wholesale loans[5]	36.6	33.0	27.7	29.9	30.4	31.8	25.0	25.8	27.7
24 Leases	8.0	9.0	10.3	9.3	9.4	9.6	9.7	9.8	10.3
25 Equipment	8.0	9.0	10.3	191.3	194.9	199.0	198.5	198.9	204.0
26 Loans	8.0	9.0	10.3	51.7	51.3	51.9	50.3	49.6	51.7
27 Leases	8.0	9.0	10.3	139.6	143.6	147.1	148.2	149.4	152.3
28 Other business receivables[6]	8.0	9.0	10.3	51.8	53.0	53.1[r]	54.7	54.0	51.1
Securitized assets[4]									
29 Motor vehicles	8.0	9.0	10.3	19.9	19.8	19.6	28.4	32.4	33.0
30 Retail loans	8.0	9.0	10.3	2.4	2.3	2.2	2.1	2.5	2.4
31 Wholesale loans	8.0	9.0	10.3	17.4	17.5	17.4	26.3	29.8	30.5
32 Leases	8.0	9.0	10.3	0.0	0.0	0.0	0.0	0.0	0.0
33 Equipment	8.0	9.0	10.3	10.6	10.3	10.1	10.1	10.3	11.0
34 Loans	8.0	9.0	10.3	4.2	4.1	4.0	4.2	4.5	4.6
35 Leases	8.0	9.0	10.3	6.4	6.2	6.0	5.8	5.8	6.5
36 Other business receivables[6]	8.0	9.0	10.3	2.5	2.4	2.6	2.7	2.6	3.8

NOTE. This table has been revised to incorporate several changes resulting from the benchmarking of finance company receivables to the June 1996 Survey of Finance Companies. In that benchmark survey, and in the monthly surveys that have followed, more detailed breakdowns have been obtained for some components. In addition, previously unavailable data on securitized real estate loans are now included in this table. The new information has resulted in some reclassification of receivables among the three major categories (consumer, real estate, and business) and in discontinuities in some component series between May and June 1996.

Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

1. Owned receivables are those carried on the balance sheet of the institution. Managed receivables are outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator. Data are shown before deductions for unearned income and losses. Components may not sum to totals because of rounding.

2. Excludes revolving credit reported as held by depository institutions that are subsidiaries of finance companies.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, boats, and recreation vehicles.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

6. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1995	1996	1997	1997 July	1997 Aug.	1997 Sept.	1997 Oct.	1997 Nov.	1997 Dec.	1998 Jan.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	175.8	182.4	180.1	181.4	191.2	190.6	183.4	184.0	190.7	184.1
2 Amount of loan (thousands of dollars)	134.5	139.2	140.3	142.7	148.2	147.0	142.4	143.5	149.8	142.3
3 Loan-to-price ratio (percent)	78.6	78.2	80.4	81.2	79.8	79.3	80.1	80.8	81.0	80.5
4 Maturity (years)	27.7	27.2	28.2	28.7	28.2	28.3	28.1	28.6	28.2	28.5
5 Fees and charges (percent of loan amount)[2]	1.21	1.21	1.02	1.05	1.06	1.12	0.94	0.95	0.96	0.91
Yield (percent per year)										
6 Contract rate[1]	7.65	7.56	7.57	7.62	7.42	7.43	7.39	7.26	7.25	7.13
7 Effective rate[1,3]	7.85	7.77	7.73	7.78	7.59	7.61	7.54	7.40	7.40	7.27
8 Contract rate (HUD series)[4]	8.05	8.03	7.76	7.62	7.67	7.51	7.48	7.38	7.25	7.16
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	8.18	8.19	7.89	7.61	8.02	7.52	7.53	7.51	7.17	7.08
10 GNMA securities[6]	7.57	7.48	7.26	7.04	7.16	7.10	6.90	6.84	6.74	6.56
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	253,511	287,052	316,678r	300,439	304,528	307,256	310,421	314,627	316,678r	320,062
12 FHA/VA insured	28,762	30,592	31,925	31,065	31,193	31,847	32,080	31,878	31,925	31,621
13 Conventional	224,749	256,460	284,753	269,374	273,335	275,409	278,341	282,749	284,753	288,441
14 Mortgage transactions purchased (during period)	56,598	68,618	70,465	6,417	7,606	6,544	7,619	8,166	6,692	7,647
Mortgage commitments (during period)										
15 Issued[7]	56,092	65,859	69,965	6,956	5,960	7,573	9,190	5,123	6,275	12,199
16 To sell[8]	360	130	1,298	75	219	215	300	139	140	60
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	107,424	137,755	164,421	151,582	155,169	157,165	159,801	160,974	164,421	169,142
18 FHA/VA insured	267	220	180	194	190	186	183	180	180	180
19 Conventional	107,157	137,535	164,241	151,388	154,979	156,979	159,618	160,794	164,241	168,962
Mortgage transactions (during period)										
20 Purchases	98,470	125,103r	117,397r	8,265r	9,808r	10,362r	12,175r	11,152r	15,975r	13,120
21 Sales	85,877	119,702	114,260	7,757	9,187	9,727	11,713	10,832	14,587	12,702
22 Mortgage commitments contracted (during period)[9]	118,659	128,995	120,089r	9,054r	9,913r	10,877	11,986r	12,047	15,805	15,638

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.
4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.
5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.
6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.
7. Does not include standby commitments issued, but includes standby commitments converted.
8. Includes participation loans as well as whole loans.
9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1993	1994	1995	1996		1997		
				Q3	Q4	Q1	Q2	Q3[p]
1 **All holders**	**4,261,163**	**4,462,828**	**4,691,824**	**4,940,719**	**5,022,464**	**5,080,733**	**5,168,350**	**5,259,875**
By type of property								
2 One- to four-family residences	3,225,399	3,424,395	3,616,807	3,792,994	3,851,163	3,899,042	3,960,438	4,027,379
3 Multifamily residences	270,005	274,922	287,238	304,532	312,418	315,091	321,145	327,203
4 Nonfarm, nonresidential	685,021	680,540	703,218	756,462	771,749	778,947	798,089	815,534
5 Farm	80,739	82,971	84,561	86,732	87,134	87,653	88,679	89,759
By type of holder								
6 Major financial institutions	1,763,410	1,811,018	1,884,714	1,945,088	1,968,859	1,982,764	2,023,400	2,055,789
7 Commercial banks[2]	940,603	1,003,923	1,080,483	1,112,914	1,135,133	1,149,854	1,186,264	1,216,606
8 One- to four-family	556,660	611,092	663,715	678,565	692,180	702,616	727,217	745,458
9 Multifamily	38,657	39,346	43,837	46,410	46,676	47,618	48,752	49,231
10 Nonfarm, nonresidential	324,420	330,934	349,101	363,124	371,394	374,377	384,234	395,116
11 Farm	20,866	22,551	23,830	24,815	24,883	25,242	26,061	26,800
12 Savings institutions[3]	598,435	596,191	596,763	628,037	628,335	626,381	629,059	629,757
13 One- to four-family	470,000	477,626	482,353	513,794	513,712	513,393	516,713	518,409
14 Multifamily	67,366	64,343	61,987	61,308	61,570	60,645	60,102	60,370
15 Nonfarm, nonresidential	60,764	53,933	52,135	52,614	52,723	52,007	51,906	50,634
16 Farm	305	289	288	320	331	336	338	344
17 Life insurance companies	224,372	210,904	207,468	204,138	205,390	206,529	208,077	209,426
18 One- to four-family	8,593	7,018	7,316	6,190	6,772	6,799	6,842	7,080
19 Multifamily	25,376	23,902	23,435	23,155	23,197	23,320	23,499	23,615
20 Nonfarm, nonresidential	180,934	170,421	167,095	165,096	165,399	166,277	167,548	168,374
21 Farm	9,469	9,563	9,622	9,697	10,022	10,133	10,188	10,358
22 Federal and related agencies	326,040	315,580	306,774	302,793	300,935	295,203	292,966	290,786
23 Government National Mortgage Association	22	6	2	2	2	6	7	7
24 One- to four-family	15	6	2	2	2	6	7	7
25 Multifamily	7	0	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,386	41,781	41,791	41,575	41,596	41,485	41,400	41,332
27 One- to four-family	18,030	18,098	17,705	17,374	17,303	17,175	17,239	17,458
28 Multifamily	10,940	11,319	11,617	11,652	11,685	11,692	11,706	11,713
29 Nonfarm, nonresidential	5,406	5,670	6,248	6,681	6,841	6,969	7,135	7,246
30 Farm	7,012	6,694	6,221	5,869	5,768	5,649	5,321	4,916
31 Federal Housing and Veterans' Administrations	12,215	10,964	9,809	6,627	6,244	4,330	4,200	2,839
32 One- to four-family	5,364	4,753	5,180	3,190	3,524	2,335	2,299	843
33 Multifamily	6,851	6,211	4,629	3,438	2,719	1,995	1,900	1,996
34 Resolution Trust Corporation	17,284	10,428	1,864	0	0	0	0	0
35 One- to four-family	7,203	5,200	691	0	0	0	0	0
36 Multifamily	5,327	2,859	647	0	0	0	0	0
37 Nonfarm, nonresidential	4,754	2,369	525	0	0	0	0	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	14,112	7,821	4,303	4,025	2,431	2,217	1,816	1,476
40 One- to four-family	2,367	1,049	492	675	365	333	272	221
41 Multifamily	1,426	1,595	428	766	413	377	309	251
42 Nonfarm, nonresidential	10,319	5,177	3,383	2,584	1,653	1,508	1,235	1,004
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	165,668	174,312	176,824	175,472	174,556	172,829	170,386	168,457
45 One- to four-family	150,698	158,766	161,665	161,072	160,751	159,634	157,729	156,362
46 Multifamily	14,970	15,546	15,159	14,400	13,805	13,195	12,657	12,095
47 Federal Land Banks	28,460	28,555	28,428	29,579	29,602	29,668	29,963	30,346
48 One- to four-family	1,675	1,671	1,673	1,740	1,742	1,746	1,763	1,786
49 Farm	26,785	26,885	26,755	27,839	27,860	27,922	28,200	28,560
50 Federal Home Loan Mortgage Corporation	46,892	41,712	43,753	45,513	46,504	44,668	45,194	46,329
51 One- to four-family	44,345	38,882	39,901	41,149	41,758	39,640	40,092	40,953
52 Multifamily	2,547	2,830	3,852	4,364	4,746	5,028	5,102	5,376
53 Mortgage pools or trusts[5]	1,570,691	1,726,365	1,861,489	2,008,356	2,056,276	2,099,504	2,134,312	2,178,530
54 Government National Mortgage Association	414,066	450,934	472,283	497,018	506,340	513,471	520,938	529,867
55 One- to four-family	404,864	441,198	461,438	485,073	494,158	500,591	507,618	516,217
56 Multifamily	9,202	9,736	10,845	11,945	12,182	12,880	13,320	13,650
57 Federal Home Loan Mortgage Corporation	447,147	490,851	515,051	545,608	554,260	562,894	567,187	569,920
58 One- to four-family	442,612	487,725	512,238	543,341	551,513	560,369	564,445	567,340
59 Multifamily	4,535	3,126	2,813	2,267	2,747	2,525	2,742	2,580
60 Federal National Mortgage Association	495,525	530,343	582,959	636,362	650,780	663,668	673,931	690,919
61 One- to four-family	486,804	520,763	569,724	619,869	633,210	645,324	654,826	670,677
62 Multifamily	8,721	9,580	13,235	16,493	17,570	18,344	19,105	20,242
63 Farmers Home Administration[4]	28	19	11	7	3	3	2	2
64 One- to four-family	5	3	2	0	0	0	0	0
65 Multifamily	0	0	0	0	0	0	0	0
66 Nonfarm, nonresidential	13	9	5	4	0	0	0	0
67 Farm	10	7	4	3	3	3	2	2
68 Private mortgage conduits	213,925	254,218	291,185	329,360	344,894	359,468	372,253	387,822
69 One- to four-family[6]	179,755	202,519	222,526	244,884	247,740	256,834	259,950	267,000
70 Multifamily	8,701	14,925	21,279	28,141	33,689	35,607	38,992	41,973
71 Nonfarm, nonresidential	25,469	36,774	47,380	56,336	63,464	67,027	73,312	78,849
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[7]	601,023	609,865	638,848	684,481	696,395	703,262	717,672	734,769
74 One- to four-family	446,408	448,027	470,187	476,075	486,433	492,248	503,426	517,568
75 Multifamily	65,380	69,602	73,474	80,193	81,419	81,864	82,959	84,111
76 Nonfarm, nonresidential	72,943	75,253	77,345	110,023	110,275	110,782	112,720	114,312
77 Farm	16,292	16,983	17,841	18,190	18,268	18,368	18,568	18,778

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated
6. Includes securitized home equity loans.
7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCE. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 69 from Inside Mortgage Securities and other sources.

1.55 CONSUMER CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1995	1996	1997	1997 July	1997 Aug.	1997 Sept.	1997 Oct.[r]	1997 Nov.[r]	1997 Dec.
	Seasonally adjusted								
1 **Total**	**1,094,197**	**1,179,892**	**1,235,844**	**1,216,066**	**1,222,234[r]**	**1,223,909[r]**	**1,235,543**	**1,231,871**	**1,235,844**
2 Automobile	364,231	392,370	414,601	403,239	403,154	405,665	410,356	409,060	414,601
3 Revolving	442,994	499,209	528,862	520,221	523,686	526,377	530,181	528,689	528,862
4 Other[2]	286,972	288,313	292,381	292,607	295,394[r]	291,867[r]	295,006	294,121	292,381
	Not seasonally adjusted								
5 **Total**	**1,122,828**	**1,211,590**	**1,269,271**	**1,209,179**	**1,220,589[r]**	**1,226,752[r]**	**1,235,032**	**1,239,420**	**1,269,271**
By major holder									
6 Commercial banks	501,963	526,769	514,860	514,482	516,176	507,528	507,334	508,603	514,860
7 Finance companies	152,123	152,391	160,134	156,435	157,152	158,428	156,904	156,450	160,134
8 Credit unions	131,939	144,148	153,704	148,973	149,791	150,669	151,486	151,770	153,704
9 Savings institutions	40,106	44,711	50,492	47,152	47,820	48,487	49,156	49,824	50,492
10 Nonfinancial business[3]	85,061	77,745	78,891	67,580	68,639[r]	68,658[r]	68,534	70,438	78,891
11 Pools of securitized assets[4]	211,636	265,826	311,190	274,557	281,011	292,982	301,618	302,335	311,190
By major type of credit[5]									
12 Automobile	367,069	395,609	418,119	403,694	405,740	409,253	414,874	413,288	418,119
13 Commercial banks	151,437	157,047	155,254	157,784	158,516	157,234	158,140	156,798	155,254
14 Finance companies	81,073	86,690	87,015	88,323	88,428	88,545	86,805	86,046	87,015
15 Pools of securitized assets[4]	44,635	51,719	64,401	52,672	52,427	55,432	60,079	59,812	64,401
16 Revolving	464,134	522,860	553,828	515,086	520,777	524,281	526,915	531,779	553,828
17 Commercial banks	210,298	228,615	217,548	218,992	217,466	209,269	208,785	211,207	217,548
18 Finance companies	28,460	32,493	38,720	33,461	33,543	34,925	34,754	34,864	38,720
19 Nonfinancial business[3]	53,525	44,901	44,966	36,791	37,578	37,685	37,479	38,865	44,966
20 Pools of securitized assets[4]	147,934	188,712	220,976	196,456	202,444	212,403	215,674	216,411	220,976
21 Other	291,625	293,121	297,324	290,399	294,072[r]	293,218[r]	293,243	294,353	297,324
22 Commercial banks	140,228	141,107	142,058	137,706	140,194	141,025	140,409	140,598	142,058
23 Finance companies	42,590	33,208	34,399	34,651	35,181	34,958	35,345	35,540	34,399
24 Nonfinancial business[3]	31,536	32,844	33,925	30,789	31,061[r]	30,973[r]	31,055	31,573	33,925
25 Pools of securitized assets[4]	19,067	25,395	25,813	25,429	26,140	25,147	25,865	26,112	25,813

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Comprises mobile home loans and all other loans that are not included in automobile or revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.
3. Includes retailers and gasoline companies.
4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.
5. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER CREDIT[1]

Percent per year except as noted

Item	1995	1996	1997	1997 June	1997 July	1997 Aug.	1997 Sept.	1997 Oct.	1997 Nov	1997 Dec.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	9.57	9.05	9.02	n.a.	n.a.	8.99	n.a.	n.a.	8.96	n.a.
2 24-month personal	13.94	13.54	13.90	n.a.	n.a.	13.84	n.a.	n.a.	14.50	n.a.
Credit card plan										
3 All accounts	16.02	15.63	15.77	n.a.	n.a.	15.78	n.a.	n.a.	15.65	n.a.
4 Accounts assessed interest	15.79	15.50	15.55	n.a.	n.a.	15.79	n.a.	n.a.	15.57	n.a.
Auto finance companies										
5 New car	11.19	9.84	7.12	7.64	6.71	5.93	6.12	7.27	6.85	5.93
6 Used car	14.48	13.53	13.27	13.55	13.51	13.38	13.29	13.22	13.14	13.16
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.1	51.6	54.1	53.3	54.6	55.5	55.4	54.4	53.7	53.5
8 Used car	52.2	51.4	51.0	51.3	51.4	51.2	50.8	50.6	50.5	50.5
Loan-to-value ratio										
9 New car	92	91	92	93	94	93	93	92	91	92
10 Used car	99	100	99	99	99	99	99	101	99	99
Amount financed (dollars)										
11 New car	16,210	16,987	18,077	18,171	18,281	18,329	18,520	18,779	18,923	19,121
12 Used car	11,590	12,182	12,281	12,239	12,307	12,204	12,190	12,287	12,389	12,547

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Data are available for only the second month of each quarter.
3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1993	1994	1995	1996	1997	1996 Q2	1996 Q3	1996 Q4	1997 Q1	1997 Q2	1997 Q3	1997 Q4
						Nonfinancial sectors						
1 **Total net borrowing by domestic nonfinancial sectors**	**589.4[r]**	**575.2[r]**	**704.2[r]**	**719.7[r]**	**758.8**	**694.9[r]**	**686.8[r]**	**638.7[r]**	**724.2**	**612.6**	**722.3**	**976.1**
By sector and instrument												
2 Federal government	256.1	155.9	144.4	145.0	23.1	62.7	163.2	126.9	81.2	−97.1	40.9	67.4
3 Treasury securities	248.3	155.7	142.9	146.6	23.2	60.5	166.3	130.2	82.6	−97.3	41.9	65.6
4 Budget agency securities and mortgages	7.8	.2	1.5	−1.6	−.1	2.2	−3.1	−3.3	−1.4	.2	−.9	1.7
5 Nonfederal	333.3[r]	419.4[r]	559.7[r]	574.6[r]	735.7	632.2[r]	523.6[r]	511.8[r]	643.0	709.6	681.4	908.8
By instrument												
6 Commercial paper	10.0	21.4	18.1	−.9	13.7	9.2	−14.2	−24.1	7.2	20.3	14.5	12.8
7 Municipal securities and loans	74.8	−35.9	−48.2	2.6[r]	70.2	32.8[r]	−64.7[r]	41.6[r]	43.7	95.9	51.8	89.3
8 Corporate bonds	75.2	23.3	73.3	72.5	90.7	71.5	67.8	89.9	79.4	86.1	122.9	74.4
9 Bank loans n.e.c.	6.4	75.2	102.0	66.3[r]	107.7	49.8[r]	136.6[r]	31.9[r]	147.5	110.5	24.7	147.9
10 Other loans and advances	−18.9	34.0[r]	67.2[r]	33.8[r]	65.9	47.3[r]	63.0[r]	3.9[r]	31.2	20.3	73.5	138.3
11 Mortgages	125.1[r]	176.5[r]	208.4[r]	311.7[r]	333.8	306.9[r]	253.3[r]	330.0[r]	263.1	316.6	340.9	414.4
12 Home	156.6[r]	179.0[r]	175.8[r]	262.1[r]	257.5	248.5[r]	238.5[r]	249.6[r]	229.9	226.5	261.5	312.2
13 Multifamily residential	−6.6[r]	2.0[r]	10.7[r]	17.8[r]	21.0	17.6[r]	12.0[r]	27.6[r]	10.8	21.3	15.1	36.6
14 Commercial	−25.9[r]	−6.8[r]	20.2[r]	29.2[r]	52.1	35.9[r]	.7[r]	51.2[r]	20.4	64.6	60.0	63.2
15 Farm	1.0	2.2	1.6	2.6	3.2	4.9	2.2	1.6	2.1	4.1	4.3	2.4
16 Consumer credit	60.7	124.9	138.9	88.8	53.8	114.7	81.9	38.6	70.8	60.0	53.0	31.5
By borrowing sector												
17 Household	218.7[r]	322.8[r]	363.0[r]	383.0[r]	364.1	406.0[r]	363.5[r]	312.1[r]	357.9	350.4	322.2	425.8
18 Nonfinancial business	52.3[r]	141.9[r]	245.7[r]	190.3[r]	311.7	204.9[r]	220.4[r]	159.9[r]	244.5	279.1	317.3	405.9
19 Corporate	46.5[r]	134.3[r]	216.7[r]	144.1[r]	244.7	159.9[r]	192.0[r]	92.6[r]	193.6	205.7	250.2	329.3
20 Nonfarm noncorporate	3.2	3.3[r]	26.0[r]	41.5[r]	60.7	37.1[r]	27.9[r]	58.2[r]	46.6	66.8	64.0	65.5
21 Farm	2.6	4.4[r]	2.9[r]	4.8[r]	6.3	7.9[r]	.6[r]	9.2[r]	4.3	6.7	3.1	11.1
22 State and local government	62.3	−45.3[r]	−49.0[r]	1.3[r]	59.9	21.2[r]	−60.3[r]	39.8[r]	40.6	80.0	41.8	77.0
23 Foreign net borrowing in United States	69.8	−14.0	71.1	70.5	51.5	36.1	105.7	87.9	26.3	56.4	87.8	35.5
24 Commercial paper	−9.6	−26.1	13.5	11.3	3.7	9.6	37.5	4.4	15.5	10.4	−11.6	.7
25 Bonds	82.9	12.2	49.7	49.4	41.3	11.2	60.2	78.5	11.0	34.3	94.6	25.3
26 Bank loans n.e.c.	.7	1.4	8.5	9.1	8.5	15.1	4.7	7.8	−.7	11.5	7.3	15.7
27 Other loans and advances	−4.2	−1.5	−.5	.8	−2.0	.1	3.4	−2.7	.5	.2	−2.5	−6.1
28 **Total domestic plus foreign**	**659.2[r]**	**561.2[r]**	**775.2[r]**	**790.2[r]**	**810.3**	**731.0[r]**	**792.5[r]**	**726.6[r]**	**750.5**	**668.9**	**810.1**	**1,011.7**
						Financial sectors						
29 **Total net borrowing by financial sectors**	**293.6**	**464.3**	**448.4**	**536.3**	**614.3**	**721.7**	**436.8**	**644.8**	**325.9**	**661.0**	**536.7**	**933.8**
By instrument												
30 Federal government-related	165.3	287.5	204.1	231.5	213.4	301.4	222.9	252.8	105.7	286.2	161.0	300.6
31 Government-sponsored enterprise securities	80.6	176.9	105.9	90.4	99.0	126.9	80.0	123.3	−8.9	198.1	46.4	160.4
32 Mortgage pool securities	84.7	115.4	98.2	141.1	114.4	174.5	142.9	129.6	114.6	88.1	114.6	140.3
33 Loans from U.S. government	.0	−4.8	.0	.0	0	.0	.0	.0	.0	.0	.0	.0
34 Private	128.3	176.8	244.3	304.9	400.9	420.3	213.9	392.0	220.2	374.8	375.6	633.1
35 Open market paper	−5.5	40.5	42.7	92.2	166.7	105.4	84.4	162.0	175.9	77.8	168.2	244.6
36 Corporate bonds	122.2	117.6	188.2	156.5	170.8	230.9	80.7	164.0	41.4	215.1	139.3	287.4
37 Bank loans n.e.c.	−14.4	−13.7	4.2	16.8	13.6	20.6	2.6	20.4	7.0	4.9	16.7	25.7
38 Other loans and advances	22.4	22.6	3.4	27.9	36.0	52.7	33.3	31.2	−20.1	63.0	37.5	63.3
39 Mortgages	3.6	9.8	5.9	11.4	14.0	10.8	12.9	14.3	16.0	14.0	14.0	12.0
By borrowing sector												
40 Commercial banking	13.4	20.1	22.5	13.0	46.5	44.5	14.7	26.8	13.7	79.7	32.0	60.7
41 Savings institutions	11.3	12.8	2.6	25.5	19.8	42.1	25.8	23.0	−16.8	31.9	22.3	41.7
42 Credit unions	.2	.2	−.1	.1	.1	−.2	.3	.3	−.2	.2	.2	.3
43 Life insurance companies	.2	.3	−.1	1.1	.2	.3	−.4	2.0	.8	.1	.2	−.3
44 Government-sponsored enterprises	80.6	172.1	105.9	90.4	99.0	126.9	80.0	123.3	−8.9	198.1	46.4	160.4
45 Federally related mortgage pools	84.7	115.4	98.2	141.1	114.4	174.5	142.9	129.6	114.6	88.1	114.6	140.3
46 Issuers of asset-backed securities (ABSs)	82.8	68.8	132.9	132.0	168.2	162.5	88.0	138.6	62.9	95.0	169.6	345.5
47 Finance companies	−1.4	48.7	50.2	45.9	48.7	67.8	30.7	43.8	7.2	123.8	−2.9	66.6
48 Mortgage companies	.0	−11.5	.4	12.4	4.8	16.0	1.7	12.1	5.9	5.0	3.6	4.9
49 Real estate investment trusts (REITs)	3.4	13.7	6.0	12.8	23.8	11.5	13.7	17.7	20.2	20.3	26.9	27.9
50 Brokers and dealers	12.0	.5	−5.0	−2.0	8.0	13.2	5.7	4.9	−2.9	34.9	−6.9	7.0
51 Funding corporations	6.3	23.1	34.9	64.1	80.7	62.7	33.7	123.0	129.4	−16.1	130.7	78.8

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1993	1994	1995	1996	1997	1996 Q2	1996 Q3	1996 Q4	1997 Q1	1997 Q2	1997 Q3	1997 Q4
	All sectors											
52 **Total net borrowing, all sectors**	**952.7[r]**	**1,025.5[r]**	**1,223.7[r]**	**1,326.5[r]**	**1,424.6**	**1,452.7[r]**	**1,229.3[r]**	**1,371.5[r]**	**1,076.4**	**1,329.9**	**1,346.7**	**1,945.5**
53 Open market paper	−5.1	35.7	74.3	102.6	184.1	124.2	107.7	142.3	198.6	108.5	171.1	258.1
54 U.S. government securities	421.4	448.1	348.5	376.5	236.5	364.1	386.1	379.7	186.9	189.1	201.9	368.0
55 Municipal securities	74.8	−35.9	−48.2	2.6[r]	70.2	32.8[r]	−64.7[r]	41.6[r]	43.7	95.9	51.8	89.3
56 Corporate and foreign bonds	280.3	153.2	311.1	278.4	302.8	313.6	208.7	332.4	131.8	335.5	356.8	387.1
57 Bank loans n.e.c.	−7.2	62.9	114.7	92.1[r]	129.7	85.5	143.8[r]	60.1[r]	153.8	126.8	48.7	189.4
58 Other loans and advances	−8	50.3[r]	70.1[r]	62.5[r]	99.8	100.1[r]	99.7[r]	32.4[r]	11.7	83.6	108.5	195.6
59 Mortgages	128.7[r]	186.2[r]	214.2[r]	323.1[r]	347.8	317.7[r]	266.1[r]	344.4[r]	279.1	330.6	354.9	426.4
60 Consumer credit	60.7	124.9	138.9	88.8	53.8	114.7	81.9	38.6	70.8	60.0	53.0	31.5
	Funds raised through mutual funds and corporate equities											
61 **Total net issues**	**429.7[r]**	**125.2[r]**	**143.9[r]**	**230.5[r]**	**217.8**	**380.4[r]**	**71.9[r]**	**156.0[r]**	**197.7**	**183.0**	**313.9**	**176.6**
62 Corporate equities	137.7[r]	24.6[r]	−3.5[r]	−7.0[r]	−41.2	75.9[r]	−100.1[r]	−20.3[r]	−55.7	−57.9	10.2	−61.5
63 Nonfinancial corporations	21.3	−44.9	−58.3	−64.2	−79.9	.4	−127.6	−56.0	−78.8	−90.4	−60.4	−90.0
64 Foreign shares purchased by U.S. residents	63.4	48.1	50.4	58.8	38.0	70.1	32.7	42.3	47.0	53.0	62.2	−10.4
65 Financial corporations	53.0[r]	21.4[r]	4.4[r]	−1.6[r]	.7	5.4[r]	−5.1[r]	−6.7[r]	−23.9	−20.6	8.4	38.8
66 Mutual fund shares	292.0	100.6	147.4	237.6	259.0	304.5	171.9	176.3	253.4	240.9	303.7	238.2

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.4. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

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

Transaction category or sector	1993	1994	1995	1996	1997	1996 Q2	1996 Q3	1996 Q4	1997 Q1	1997 Q2	1997 Q3	1997 Q4
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**952.7[r]**	**1,025.5[r]**	**1,223.7[r]**	**1,326.5[r]**	**1,424.6**	**1,452.7[r]**	**1,229.3[r]**	**1,371.5[r]**	**1,076.4**	**1,329.9**	**1,346.7**	**1,945.5**
2 Domestic nonfederal nonfinancial sectors	43.0[r]	241.8[r]	−85.7[r]	−17.9[r]	−115.2	311.1[r]	−222.3[r]	−158.5[r]	−205.8	−66.3	−175.8	−13.0
3 Household	2.4[r]	278.5[r]	−1.8[r]	5.1[r]	−101.7	274.9[r]	−81.9[r]	−22.8[r]	−204.2	−30.0	−121.5	−51.0
4 Nonfinancial corporate business	9.1	17.7	−2.4	13.5[r]	5.3	37.4	−9.1[r]	−5.9[r]	58.0	−51.5	20.0	−5.3
5 Nonfarm noncorporate business	−1.1	.6	.3	.4	.7	.4	.4	.4	.5	.7	.8	.9
6 State and local governments	32.6	−55.0	−81.8[r]	−37.0[r]	−19.6	−1.7[r]	−131.7[r]	−130.2[r]	−60.2	14.5	−75.1	42.4
7 Federal government	−18.4	−27.5[r]	−.2[r]	−7.7[r]	4.9	−.1[r]	−7.1[r]	−4.1[r]	1.9	5.6	3.0	9.1
8 Rest of the world	129.3	132.3	273.9	409.3[r]	316.4	268.9	485.3[r]	532.2	367.3	303.0	402.7	192.5
9 Financial sectors	798.8[r]	678.9[r]	1,035.7[r]	942.9[r]	1,218.5	872.8[r]	973.4[r]	1,001.9[r]	913.0	1,087.5	1,116.8	1,756.8
10 Monetary authority	36.2	31.5	12.7	12.3	38.3	11.7	11.5	8.4	37.4	47.2	14.3	54.3
11 Commercial banking	142.2	163.4	265.9	187.5[r]	324.3	179.7	196.1	248.3[r]	308.1	309.2	209.8	469.9
12 U.S.-chartered banks	149.6	148.1	186.5	119.6	275.0	121.9	119.5	158.9	195.9	301.1	209.5	393.5
13 Foreign banking offices in United States	−9.8	11.2	75.4	63.3	39.6	50.7	71.1	80.5	104.0	1.1	−.6	53.8
14 Bank holding companies	.0	.9	−.3	3.9	5.4	5.4	4.8	10.5	2.2	5.1	−5.0	19.4
15 Banks in U.S.-affiliated areas	2.4	3.3	4.2	.7[r]	4.2	1.7	.7	−1.6[r]	6.1	1.8	5.8	3.2
16 Savings institutions	−23.3	6.7	−7.6	19.9	−7.7	43.8[r]	49.7	−47.9[r]	−5.3	23.8	−42.1	−7.1
17 Credit unions	21.7	28.1	16.2	25.5	15.7	33.0	21.1	24.3	18.5	25.7	15.7	2.7
18 Bank personal trusts and estates	9.5	7.1	−18.8	3.9	9.2	4.2	7.8	7.2	8.2	8.9	9.4	10.3
19 Life insurance companies	100.9	66.7	99.2	72.5	121.1	.9	123.2	118.1	94.3	175.0	107.0	108.1
20 Other insurance companies	27.7	24.9	21.5	22.5	23.3	30.5	14.2	27.7	−.1	27.9	32.4	32.8
21 Private pension funds	49.5	45.5[r]	61.4[r]	46.5[r]	66.9	46.9[r]	41.3[r]	31.0[r]	52.4	58.5	66.2	90.5
22 State and local government retirement funds	22.7[r]	22.3[r]	27.5[r]	45.9[r]	48.3	60.4[r]	45.5[r]	41.9[r]	3.6	39.2	90.6	59.7
23 Money market mutual funds	20.4	30.0	86.5	88.8	84.5	27.0	83.0	81.3	65.2	19.7	123.6	129.3
24 Mutual funds	159.5	−7.1	52.5	48.9	74.7	54.3	27.5	25.3	61.9	91.6	103.6	41.4
25 Closed-end funds	20.0[r]	−3.7[r]	10.5[r]	2.2[r]	.8	2.2[r]	2.2[r]	2.2[r]	2.7	1.3	.3	−.9
26 Government-sponsored enterprises	87.8	117.8	84.7	92.0	95.0	114.7	81.4	137.9	45.1	119.2	55.5	160.1
27 Federally related mortgage pools	84.7	115.4	98.2	141.1	114.4	174.5	142.9	129.6	114.6	88.1	114.6	140.3
28 Asset-backed securities issuers (ABSs)	80.2	61.7	111.1	101.8	129.8	135.7	62.0	89.6	39.3	80.2	107.0	292.7
29 Finance companies	−20.9	48.3	49.9	18.4	22.2	36.3	13.2	−6.2	44.9	1.9	65.2	−23.2
30 Mortgage companies	.0	−24.0	−3.4	8.2	6.7	−26.8	3.4	4.1	−.3	10.0	7.2	9.7
31 Real estate investment trusts (REITs)	.6	4.7	2.2	3.5[r]	5.0	3.4	3.4	3.9[r]	5.0	5.0	5.0	5.0
32 Brokers and dealers	14.8	−44.2	90.1	−15.7	15.9	−72.0	35.5	82.7	−14.5	−11.7	15.8	74.0
33 Funding corporations	−35.3[r]	−16.2[r]	−24.6[r]	17.2[r]	30.4	12.3[r]	8.6[r]	−7.6[r]	31.9	−33.1	15.6	107.2
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 **Net flows through credit markets**	**952.7[r]**	**1,025.5[r]**	**1,223.7[r]**	**1,326.5[r]**	**1,424.6**	**1,452.7[r]**	**1,229.3[r]**	**1,371.5[r]**	**1,076.4**	**1,329.9**	**1,346.7**	**1,945.5**
Other financial sources												
35 Official foreign exchange	.8	−5.8	8.8	−6.3	.7	1.6	−26.6	.7	−17.6	.4	2.4	17.5
36 Special drawing rights certificates	.0	.0	2.2	−.5	−.5	.0	−1.8	.0	−2.1	.0	.0	.0
37 Treasury currency	.4	.7	.6	.0	.0	.0	2.3	−2.3	.4	.2	1.3	−1.9
38 Foreign deposits	−18.5	52.9	35.3	82.0	89.0	3.0	119.7	104.5	188.6	18.8	105.4	43.1
39 Net interbank transactions	50.5	89.8	9.9	−51.6	−40.2	−50.8	−97.2	17.6	−88.8	−43.7	−42.7	14.5
40 Checkable deposits and currency	117.3	−9.7	−12.7	15.8	41.1	3.9	105.9	−53.3[r]	85.3	64.2	−49.2	64.3
41 Small time and savings deposits	−70.3	−39.9	96.6	97.2[r]	98.5	−3.2	94.2	90.1[r]	157.9	24.5	46.6	165.1
42 Large time deposits	−23.5	19.6	65.6	114.0[r]	120.5	83.1	180.2	135.4[r]	49.9	176.3	194.1	61.6
43 Money market fund shares	20.2	43.3	142.3	145.8	157.6	23.1	145.1	187.5	182.4	58.5	243.6	146.0
44 Security repurchase agreements	71.3	78.2	110.5	40.3	114.0	98.4	−15.9	83.3	32.8	193.7	115.9	113.6
45 Corporate equities	137.7[r]	24.6[r]	−3.5[r]	−7.0[r]	−41.2	75.9[r]	−100.1[r]	−20.3[r]	−55.7	−57.9	10.2	−61.5
46 Mutual fund shares	292.0	100.6	147.4	237.6	259.0	304.5	171.9	176.3	253.4	240.9	303.7	238.2
47 Trade payables	52.0	93.7	105.2	68.1[r]	75.7	116.9	−15.9[r]	97.2[r]	66.8	63.4	131.9	40.6
48 Security credit	61.4	−.1	26.7	52.4	103.8	−34.8	5.3	125.2	117.1	137.4	79.7	81.2
49 Life insurance reserves	36.0	34.5	44.9	43.6	57.0	31.4[r]	59.2[r]	66.7[r]	39.8	77.5	62.8	48.0
50 Pension fund reserves	255.6[r]	246.1[r]	233.9[r]	227.2[r]	298.6	195.6[r]	221.6[r]	277.0[r]	243.3	337.3	311.8	302.0
51 Taxes payable	11.4	2.6	4.6	14.0[r]	20.1	7.6	12.5[r]	16.6[r]	30.4	1.8	29.9	18.1
52 Investment in bank personal trusts	.9	17.8	−49.7	12.5	26.4	11.8	19.2	19.8	23.5	26.3	28.9	26.9
53 Noncorporate proprietors' equity	24.6[r]	59.0[r]	39.5[r]	22.6[r]	15.8	19.6[r]	44.5[r]	5.9[r]	22.6	19.7	19.7	1.2
54 Miscellaneous	345.6[r]	250.8[r]	462.9[r]	490.7[r]	544.1	415.3[r]	413.4[r]	656.5[r]	587.8	633.3	406.6	548.8
55 **Total financial sources**	**2,318.0[r]**	**2,084.3[r]**	**2,694.7[r]**	**2,925.1[r]**	**3,364.6**	**2,755.4[r]**	**2,566.9[r]**	**3,355.8[r]**	**2,994.4**	**3,302.3**	**3,349.2**	**3,812.6**
Liabilities not identified as assets (−)												
56 Treasury currency	−.2	−.2	−.5	−1.0	−.6	−1.0	1.3	−3.1	−.3	−.5	.8	−2.4
57 Foreign deposits	−5.7	43.0	25.7	55.8[r]	68.3	26.6	86.3[r]	37.3	178.0	−10.2	78.1	27.2
58 Net interbank liabilities	4.2	−2.7	−3.1	−3.3	−16.0	−22.5	−4.4	4.2	26.9	−24.4	−51.6	−15.0
59 Security repurchase agreements	46.4[r]	69.4[r]	36.1[r]	31.9[r]	52.1	100.1[r]	−90.6[r]	132.6[r]	−104.6	178.6	6.2	128.3
60 Taxes payable	15.8	16.6	17.8	16.3[r]	20.5	23.2	20.3[r]	21.6[r]	12.2	28.3	11.2	30.3
61 Miscellaneous	−190.1[r]	−145.6[r]	−110.6[r]	−120.7[r]	−283.0	−123.2[r]	−240.1[r]	19.0[r]	−189.3	−321.4	−281.7	−339.8
Floats not included in assets (−)												
62 Federal government checkable deposits	−1.5	−4.8	−6.0	.5	−2.7	−6.6	27.1	−21.4	−9.4	16.1	2.1	−19.5
63 Other checkable deposits	−1.3	−2.8	−3.8	−4.0	−3.9	−5.0	−4.7	−3.7	−2.6	−4.8	−3.4	−4.8
64 Trade credit	−4.3	.3	−29.1	−33.9[r]	−33.4	.2	−103.5[r]	−42.7[r]	15.2	−73.1	−17.2	−58.6
65 **Total identified to sectors as assets**	**2,454.5[r]**	**2,111.1[r]**	**2,768.2[r]**	**2,983.6[r]**	**3,563.4**	**2,763.6[r]**	**2,875.4[r]**	**3,212.0[r]**	**3,068.4**	**3,513.7**	**3,604.6**	**4,066.9**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.1 and F.5. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1994	1995	1996	1997	1996 Q2	1996 Q3	1996 Q4	1997 Q1	1997 Q2	1997 Q3	1997 Q4
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**13,013.0r**	**13,717.2r**	**14,436.9r**	**15,194.1**	**14,065.4r**	**14,241.9r**	**14,436.9r**	**14,602.1r**	**14,727.9r**	**14,913.9**	**15,194.1**
By sector and instrument											
2 Federal government	3,492.3	3,636.7	3,781.8	3,804.9	3,693.8	3,733.1	3,781.8	3,829.8	3,760.6	3,771.2	3,804.9
3 Treasury securities	3,465.6	3,608.5	3,755.1	3,778.3	3,665.5	3,705.7	3,755.1	3,803.5	3,734.3	3,745.1	3,778.3
4 Budget agency securities and mortgages	26.7	28.2	26.6	26.5	28.2	27.4	26.6	26.3	26.3	26.1	26.5
5 Nonfederal	9,520.7r	10,080.4r	10,655.1r	11,389.2	10,371.6r	10,508.8r	10,655.1r	10,772.3r	10,967.3r	11,142.7	11,389.2
By instrument											
6 Commercial paper	139.2	157.4	156.4	168.6	181.7	173.0	156.4	168.7	179.3	176.6	168.6
7 Municipal securities and loans	1,341.7	1,293.5	1,296.0r	1,366.2	1,297.9r	1,281.7r	1,296.0r	1,305.2r	1,326.7r	1,338.9	1,366.2
8 Corporate bonds	1,253.0	1,326.3	1,398.8	1,489.5	1,359.4	1,376.4	1,398.8	1,418.7	1,440.2	1,470.9	1,489.5
9 Bank loans n.e.c.	759.9	861.9	928.2r	1,035.8	889.2r	919.2	928.2r	963.8r	996.5r	998.5	1,035.8
10 Other loans and advances	669.6r	736.9r	770.6r	836.5	757.3r	769.4r	770.6r	782.9r	786.9r	801.3	836.5
11 Mortgages	4,373.4r	4,581.7r	4,893.4r	5,227.2	4,741.6r	4,815.7r	4,893.4r	4,946.6r	5,032.7r	5,129.1	5,227.2
12 Home	3,357.5r	3,533.3r	3,761.7r	4,019.2	3,633.7r	3,704.1r	3,761.7r	3,806.6r	3,870.1r	3,946.7	4,019.2
13 Multifamily residential	268.4r	279.2r	300.7r	321.6	290.8r	293.8	300.7r	303.4r	308.7r	312.5	321.6
14 Commercial	664.5r	684.7r	743.9r	796.0	731.0r	731.1r	743.9r	749.0r	765.2r	780.2	796.0
15 Farm	83.0	84.6	87.1	90.3	86.2	86.7	87.1	87.7	88.7	89.8	90.3
16 Consumer credit	983.9	1,122.8	1,211.6	1,265.4	1,144.5	1,173.5	1,211.6	1,186.4	1,205.0	1,227.3	1,265.4
By borrowing sector											
17 Household	4,482.5r	4,850.7r	5,204.6r	5,571.5	4,991.3r	5,101.0r	5,204.6r	5,240.0r	5,340.5r	5,439.4	5,571.5
18 Nonfinancial business	3,921.7r	4,162.2r	4,381.7r	4,689.0	4,309.6r	4,352.1r	4,381.7r	4,454.2r	4,531.4r	4,598.0	4,689.0
19 Corporate	2,657.7r	2,869.2r	3,042.4r	3,282.8	2,993.7r	3,028.4r	3,042.4r	3,104.9r	3,160.4r	3,209.7	3,282.8
20 Nonfarm noncorporate	1,121.8r	1,147.9r	1,189.3r	1,250.1	1,167.8r	1,174.1r	1,189.3r	1,200.9r	1,217.6r	1,233.0	1,250.1
21 Farm	142.2r	145.1r	149.9r	156.2	148.2r	149.5r	149.9r	148.3r	153.4r	155.4	156.2
22 State and local government	1,116.5r	1,067.6r	1,068.9r	1,128.7	1,070.7r	1,055.7r	1,068.9r	1,078.1r	1,095.4r	1,105.2	1,128.7
23 **Foreign credit market debt held in United States**	**371.8**	**442.9**	**513.4**	**558.8**	**462.6**	**490.2**	**513.4**	**517.8**	**531.6**	**548.7**	**558.8**
24 Commercial paper	42.7	56.2	67.5	65.1	54.5	65.8	67.5	69.3	71.3	64.3	65.1
25 Bonds	242.3	291.9	341.3	382.6	306.7	321.7	341.3	344.1	352.7	376.3	382.6
26 Bank loans n.e.c.	26.1	34.6	43.7	52.1	40.5	41.7	43.7	43.5	46.4	48.2	52.1
27 Other loans and advances	60.8	60.2	61.0	59.0	60.9	61.0	61.0	60.9	61.2	59.9	59.0
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**13,384.9r**	**14,160.1r**	**14,950.3r**	**15,752.9**	**14,528.0r**	**14,732.1r**	**14,950.3r**	**15,119.8r**	**15,259.5r**	**15,462.6**	**15,752.9**
	Financial sectors										
29 **Total credit market debt owed by financial sectors**	**3,797.3**	**4,248.4**	**4,784.7**	**5,366.0**	**4,511.9**	**4,624.1**	**4,784.7**	**4,861.4r**	**5,029.4r**	**5,133.7**	**5,366.0**
By instrument											
30 Federal government-related	2,172.7	2,376.8	2,608.3	2,821.7	2,489.4	2,545.1	2,608.3	2,634.7	2,706.2	2,746.5	2,821.7
31 Government-sponsored enterprise securities	700.6	806.5	896.9	995.9	846.1	866.1	896.9	894.7	944.2	955.8	995.9
32 Mortgage pool securities	1,472.1	1,570.3	1,711.4	1,825.8	1,643.3	1,679.0	1,711.4	1,740.0	1,762.1	1,790.7	1,825.8
33 Loans from U.S. government	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	0
34 Private	1,624.6	1,871.5	2,176.4	2,544.3	2,022.5	2,079.0	2,176.4	2,226.7r	2,323.2r	2,387.2	2,544.3
35 Open market paper	441.6	486.9	579.1	745.7	517.3	538.6	579.1	623.0	642.5	684.7	745.7
36 Corporate bonds	983.9	1,172.0	1,328.5	1,466.3	1,265.2	1,288.8	1,328.5	1,334.4r	1,390.7r	1,396.0	1,466.3
37 Bank loans n.e.c.	48.9	53.1	69.8	83.4	63.9	64.2	69.8	71.3	72.9r	76.5	83.4
38 Other loans and advances	131.6	135.0	162.9	198.9	146.8	155.1	162.9	157.9	173.7	183.0	198.9
39 Mortgages	18.7	24.6	36.0	50.0	29.2	32.4	36.0	40.0	43.5	47.0	50.0
By borrowing sector											
40 Commercial banks	94.5	102.6	113.6	141.0	104.6	107.7	113.6	115.3	125.7	130.0	141.0
41 Bank holding companies	133.6	148.0	150.0	168.6	148.4	149.1	150.0	151.6	161.1r	164.6	168.6
42 Savings institutions	112.4	115.0	140.5	160.3	128.3	134.8	140.5	136.3	144.3	149.8	160.3
43 Credit unions	.5	.4	.4	.6	.3	.4	.4	.4	.4	.5	.6
44 Life insurance companies	.6	.5	1.6	1.8	1.2	1.1	1.6	1.8	1.8	1.9	1.8
45 Government-sponsored enterprises	700.6	806.5	896.9	995.9	846.1	866.1	896.9	894.7	944.2	955.8	995.9
46 Federally related mortgage pools	1,472.1	1,570.3	1,711.4	1,825.8	1,643.3	1,679.0	1,711.4	1,740.0	1,762.1	1,790.7	1,825.8
47 Issuers of asset-backed securities (ABSs)	554.1	687.0	819.1	998.4	756.6	781.2	819.1	829.8r	852.5r	908.8	998.4
48 Brokers and dealers	34.3	29.3	27.3	35.3	24.6	26.1	27.3	26.6	35.3	33.6	35.3
49 Finance companies	433.7	483.9	529.8	554.5	506.3	513.7	529.8	528.4r	557.8	532.7	554.5
50 Mortgage companies	18.7	19.1	31.5	36.4	28.1	28.5	31.5	33.0	34.3r	35.2	36.4
51 Real estate investment trusts (REITs)	31.1	37.1	49.9	73.7	42.0	45.4	49.9	54.9r	60.0r	66.7	73.7
52 Funding corporations	211.0	248.6	312.7	373.8	282.0	291.0	312.7	348.6	350.0	363.4	373.8
	All sectors										
53 **Total credit market debt, domestic and foreign**	**17,182.2r**	**18,408.5r**	**19,735.0r**	**21,118.9**	**19,039.9r**	**19,356.2r**	**19,735.0r**	**19,981.2r**	**20,288.9r**	**20,596.3**	**21,118.9**
54 Open market paper	623.5	700.4	803.0	979.4	753.6	777.4	803.0	861.1	893.1	925.7	979.4
55 U.S. government securities	5,665.0	6,013.6	6,390.0	6,626.5	6,183.1	6,278.2	6,390.0	6,464.5	6,466.8	6,517.7	6,626.5
56 Municipal securities	1,341.7	1,293.5	1,296.0r	1,366.2	1,297.9r	1,281.7r	1,296.0r	1,305.2r	1,326.7r	1,338.9	1,366.2
57 Corporate and foreign bonds	2,479.1	2,790.3	3,068.7	3,338.4	2,931.3	2,986.8	3,068.7	3,097.2r	3,183.6r	3,243.2	3,358.4
58 Bank loans n.e.c.	834.9	949.6	1,041.7r	1,171.3	993.7r	1,025.0r	1,041.7r	1,078.6r	1,115.7r	1,123.1	1,171.3
59 Other loans and advances	862.0r	932.1r	994.5r	1,094.4	965.0r	985.4r	994.5r	1,001.7r	1,021.8r	1,044.2	1,094.4
60 Mortgages	4,392.1r	4,606.3r	4,929.4r	5,277.2	4,770.8r	4,848.1r	4,929.4r	4,986.6r	5,076.2r	5,176.1	5,277.2
61 Consumer credit	983.9	1,122.8	1,211.6	1,265.4	1,144.5	1,173.5	1,211.6	1,186.4	1,205.0	1,227.3	1,265.4

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1994	1995	1996	1997	1996 Q2	1996 Q3	1996 Q4	1997 Q1	1997 Q2	1997 Q3	1997 Q4
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**17,182.2[r]**	**18,408.5[r]**	**19,735.0[r]**	**21,118.9**	**19,039.9[r]**	**19,356.2[r]**	**19,735.0[r]**	**19,981.2**	**20,288.9**	**20,596.3**	**21,118.9**
2 Domestic nonfederal nonfinancial sectors	2,998.6[r]	2,877.8[r]	2,905.0[r]	2,753.7	2,936.2[r]	2,896.5[r]	2,905.0[r]	2,825.6	2,785.6	2,725.9	2,753.7
3 Household	1,941.9[r]	1,904.9[r]	1,964.5[r]	1,826.9	1,934.5[r]	1,941.3[r]	1,964.5[r]	1,911.7	1,873.7	1,829.4	1,826.9
4 Nonfinancial corporate business	289.2	286.8	291.0[r]	296.3	285.7	273.8[r]	291.0[r]	281.8	272.3	277.1	296.3
5 Nonfarm noncorporate business	37.6	37.9	38.3	39.0	38.1	38.2	38.3	38.5	38.6	38.8	39.0
6 State and local governments	729.9	648.1[r]	611.1[r]	591.5	677.8[r]	643.2[r]	611.1[r]	593.6	600.9	580.5	591.5
7 Federal government	204.4[r]	204.2[r]	196.5[r]	201.4	199.2[r]	197.5[r]	196.5[r]	196.9	198.3	199.1	201.4
8 Rest of the world	1,254.8	1,563.1	1,953.6[r]	2,270.0	1,722.2[r]	1,844.8[r]	1,953.6[r]	2,051.1	2,125.3	2,227.3	2,270.0
9 Financial sectors	12,724.3[r]	13,763.4[r]	14,679.9[r]	15,893.8	14,182.3[r]	14,417.4[r]	14,679.9[r]	14,907.6	15,179.7	15,443.9	15,893.8
10 Monetary authority	368.2	380.8	393.1	431.4	386.3	386.2	393.1	397.1	412.4	412.7	431.4
11 Commercial banking	3,254.3	3,520.1	3,707.7[r]	4,031.9	3,590.8	3,643.3	3,707.7[r]	3,775.7	3,856.8	3,912.9	4,031.9
12 U.S.-chartered banks	2,869.6	3,056.1	3,175.8	3,450.8	3,101.3	3,135.3	3,175.8	3,218.1	3,295.2	3,351.9	3,450.8
13 Foreign banking offices in United States	337.1	412.6	475.8	515.4	437.1	454.2	475.8	499.5	501.8	501.0	515.4
14 Bank holding companies	18.4	18.0	22.0	27.4	18.1	19.3	22.0	22.5	23.8	22.5	27.4
15 Banks in U.S.-affiliated areas	29.2	33.4	34.1[r]	38.3	34.3	34.5	34.1[r]	35.6	36.1	37.5	38.3
16 Savings institutions	920.8	913.3	933.2	925.5	932.7[r]	945.2[r]	933.2	931.9	937.8	927.3	925.5
17 Credit unions	246.8	263.0	288.5	304.2	276.9	282.6	288.5	291.2	299.2	303.6	304.2
18 Bank personal trusts and estates	248.0	229.2	233.1	242.3	229.4	231.3	233.1	235.2	237.4	239.7	242.3
19 Life insurance companies	1,482.6	1,581.8	1,654.3	1,775.4	1,596.7	1,627.0	1,654.3	1,680.2	1,724.1	1,750.4	1,775.4
20 Other insurance companies	446.4	468.7	491.2	514.4	480.7	484.2	491.2	491.2	498.1	506.2	514.4
21 Private pension funds	656.9[r]	718.3[r]	764.8[r]	831.7	746.7[r]	757.1[r]	764.8[r]	777.9	792.5	809.1	831.7
22 State and local government retirement funds	455.8[r]	483.3[r]	529.2[r]	577.5	509.8[r]	517.7[r]	529.2[r]	531.6	542.7	562.0	577.5
23 Money market mutual funds	459.0	545.5	634.3	718.8	594.7	606.6	634.3	659.0	656.5	678.7	718.8
24 Mutual funds	718.8	771.3	820.2	894.8	809.0	818.3	820.2	838.3	860.6	889.2	894.8
25 Closed-end funds	86.0[r]	96.4[r]	98.7[r]	99.5	97.6[r]	98.1[r]	98.7[r]	99.3	99.7	99.7	99.5
26 Government-sponsored enterprises	663.3	748.0	813.6	908.6	758.9	779.3	813.6	824.3	854.8	868.7	908.6
27 Federally related mortgage pools	1,472.1	1,570.3	1,711.4	1,825.8	1,643.3	1,679.0	1,711.4	1,740.0	1,762.1	1,790.7	1,825.8
28 Asset-backed securities issuers (ABSs)	516.8	627.9	729.7	859.5	686.0	704.1	729.7	734.5	753.5	783.1	859.5
29 Finance companies	476.2	526.2	544.5	566.7	539.9	538.3	544.5	552.4	553.1	564.4	566.7
30 Mortgage companies	36.5	33.0	41.2	47.9	39.3	40.2	41.2	41.1	43.6	45.4	47.9
31 Real estate investment trusts (REITs)	13.3	15.5	19.0[r]	24.0	17.2	18.0	19.0[r]	20.3	21.5	22.8	24.0
32 Brokers and dealers	93.3	183.4	167.7	183.6	138.2	147.1	167.7	164.1	161.2	165.1	183.6
33 Funding corporations	109.3[r]	87.3[r]	104.5[r]	130.3	108.1[r]	113.9[r]	104.5[r]	122.5	112.0	112.3	130.3
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
34 **Total credit market debt**	**17,182.2[r]**	**18,408.5[r]**	**19,735.0[r]**	**21,118.9**	**19,039.9[r]**	**19,356.2[r]**	**19,735.0[r]**	**19,981.2**	**20,288.9**	**20,596.3**	**21,118.9**
Other liabilities											
35 Official foreign exchange	53.2	63.7	53.7	48.9	61.4	54.3	53.7	46.3	46.7	46.1	48.9
36 Special drawing rights certificates	8.0	10.2	9.7	9.2	10.2	9.7	9.7	9.2	9.2	9.2	9.2
37 Treasury currency	17.6	18.2	18.2	18.2	18.2	18.8	18.2	18.3	18.3	18.7	18.2
38 Foreign deposits	324.6	359.2	438.1	527.0	385.2	415.1	438.1	485.2	489.9	516.2	527.0
39 Net interbank liabilities	280.1	290.7	240.8	198.9	250.0	225.8	240.8	210.2	197.1	186.9	198.9
40 Checkable deposits and currency	1,242.0	1,229.3	1,245.1	1,286.2	1,212.3	1,220.8	1,245.1	1,220.0	1,265.3	1,234.2	1,286.2
41 Small time and savings deposits	2,183.2	2,279.7	2,377.0[r]	2,475.5	2,340.2	2,357.9	2,377.0[r]	2,427.1	2,432.3	2,437.0	2,475.5
42 Large time deposits	411.2	476.9	590.9[r]	711.4	511.1	557.2	590.9[r]	606.0	646.7	696.1	711.4
43 Money market fund shares	602.9	745.3	891.1	1,048.7	809.5	838.1	891.1	950.8	952.4	1,005.1	1,048.7
44 Security repurchase agreements	549.5	660.0	700.3	814.3	692.0	687.6	700.3	713.3	765.1	792.5	814.3
45 Mutual fund shares	1,477.3	1,852.8	2,342.4	3,013.5	2,129.9	2,211.6	2,342.4	2,41[illegible].5	2,719.6	2,977.0	3,013.5
46 Security credit	279.0	305.7	358.1	461.9	318.6	317.8	358.1	380.0	414.8	432.2	461.9
47 Life insurance reserves	505.3	550.2	593.8	650.8	562.3[r]	577.1[r]	593.8	603.7	623.1	638.8	650.8
48 Pension fund reserves	4,880.1[r]	5,600.5[r]	6,313.8[r]	7,453.9	5,901.1[r]	6,030.9[r]	6,313.8[r]	6,414.7	6,940.1	7,325.1	7,453.9
49 Trade payables	1,141.5	1,246.7	1,314.8[r]	1,390.5	1,269.7	1,263.0[r]	1,314.8[r]	1,300.6	1,322.2	1,351.3	1,390.5
50 Taxes payable	101.4	106.0	120.0[r]	140.1	113.4	117.9[r]	120.0[r]	133.2	128.9	137.5	140.1
51 Investment in bank personal trusts	699.4	767.4	872.0	1,050.7	811.7	829.0	872.0	890.4	969.7	1,035.2	1,050.7
52 Miscellaneous	5,402.7[r]	5,792.0[r]	6,163.8[r]	6,441.0	5,943.3[r]	6,031.6[r]	6,163.8[r]	6,344.1	6,276.2	6,394.0	6,441.0
53 **Total liabilities**	**37,341.4[r]**	**40,762.9[r]**	**44,378.5[r]**	**48,859.7**	**42,379.7[r]**	**43,120.4[r]**	**44,378.5[r]**	**45,146.0**	**46,506.6**	**47,829.3**	**48,859.7**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	21.1	22.1	21.4	21.1	22.0	21.2	21.4	20.9	21.1	21.0	21.1
55 Corporate equities	6,237.9	8,331.3	10,061.1	12,958.6	9,105.0	9,340.5	10,061.1	10,072.3	11,719.8	12,804.6	12,958.6
56 Household equity in noncorporate business	3,419.1[r]	3,625.4[r]	3,836.5[r]	4,087.6	3,727.1[r]	3,792.1[r]	3,836.5[r]	3,914.9	4,052.3	4,111.8	4,087.6
Liabilities not identified as assets (−)											
57 Treasury currency	−5.4	−5.8	−6.8	−7.4	−6.3	−6.0	−6.8	−6.9	−7.0	−6.8	−7.4
58 Foreign deposits	276.2	301.2	354.1[r]	422.4	326.1	347.7[r]	354.1[r]	398.6	396.0	415.6	422.4
59 Net interbank transactions	−6.5	−9.0	−10.6	−28.3	−8.0	−11.6	−10.6	−1.6	−8.1	−22.1	−28.3
60 Security repurchase agreements	67.8[r]	103.9[r]	135.8[r]	187.9	125.5[r]	113.4[r]	135.8[r]	110.9	153.4	164.8	187.9
61 Taxes payable	48.8	60.8	73.2[r]	93.2	61.0	67.7[r]	73.2[r]	70.6	72.5	82.3	93.2
62 Miscellaneous	−977.7[r]	−1,092.2[r]	−1,414.2[r]	−1,631.2	−1,222.4[r]	−1,300.4[r]	−1,414.2[r]	−1,382.7	−1,439.6	−1,448.0	−1,631.2
Floats not included in assets (−)											
63 Federal government checkable deposits	3.4	3.1	−1.6	−8.1	−3.4	−1.7	−1.6	−9.7	−6.8	−7.8	−8.1
64 Other checkable deposits	38.0	34.2	30.1	26.2	31.8	23.1	30.1	25.6	27.9	19.5	26.2
65 Trade credit	−245.8	−274.9	−308.7[r]	−353.2	−338.5	−377.8[r]	−308.7[r]	−363.8	−390.0	−419.9	−353.2
66 **Total identified to sectors as assets**	**47,820.7[r]**	**53,620.4[r]**	**59,446.2[r]**	**67,225.5**	**56,268.0[r]**	**57,419.8[r]**	**59,446.2[r]**	**60,313.1**	**63,501.4**	**65,989.1**	**67,225.5**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.1 and L.5. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1992=100, except as noted

Measure	1995	1996	1997	1997								1998
				May	June	July	Aug.	Sept.	Oct.	Nov.r	Dec.r	Jan.
1 **Industrial production**[1]	**114.5**	**118.5**	**124.5**	**123.3**	**123.5**	**124.5**	**125.2**	**125.6**	**126.5**	**127.4**	**127.9**	**127.9**
Market groupings												
2 Products, total	110.6	113.7	118.5r	117.7	117.6	118.1	119.2	119.1	120.2r	121.2	121.3	121.3
3 Final, total	111.3	114.6	119.6	118.6	118.6	119.2	120.5	120.3	121.5r	122.5	122.4	122.6
4 Consumer goods	109.9	111.8	114.4	113.9	113.5	113.9	114.6	114.5	115.9r	116.6	116.5	116.4
5 Equipment	113.8	119.6	128.7	126.8	127.7	128.6	130.9	130.6	131.3	132.9	132.8	133.6
6 Intermediate	108.3	110.8	115.1r	114.9	114.7	114.6	115.3	115.2	116.3r	117.2	117.9	117.3
7 Materials	120.8	126.2	134.0r	132.4	133.0	134.9	134.9	136.1	136.7r	137.3	138.5	138.6
Industry groupings												
8 Manufacturing	116.0	120.2	127.0	125.7	126.1	126.9	127.9	128.0	129.1r	130.4	130.9	131.2
9 Capacity utilization, manufacturing (percent)[2]	82.8	81.4	81.7	81.4	81.3	81.5	81.8	81.6	81.9r	82.3	82.3	82.1
10 Construction contracts[3]	122.0r	130.8	139.0r	145.0r	143.0r	140.0	139.0	139.0	137.0r	138.0	135.0	131.0
11 Nonagricultural employment, total[4]	114.9	117.2	119.9	119.5	119.7	120.1	120.1	120.4	120.7	121.1	121.5	121.8
12 Goods-producing, total	98.3	99.0	100.3	100.1	100.2	100.2	100.4	100.4	100.6	100.9	101.3	101.8
13 Manufacturing, total	97.5	97.2	97.6	97.4	97.5	97.5	97.7	97.7	97.9	98.1	98.3	98.5
14 Manufacturing, production workers	99.0	98.4	98.9	98.7	98.8	98.8	98.9	99.0	99.2	99.5	99.7	99.9
15 Service-producing	120.2	123.0	126.2	125.7	126.0	126.5	126.5	126.8	127.2	127.6	127.9	128.2
16 Personal income, total	158.2	167.0	176.8	175.5	176.5	176.7	177.8	178.3	179.3r	180.6	181.4	n.a.
17 Wages and salary disbursements	150.9	159.8	170.6	168.7	170.2	170.3	171.7	172.3	173.5	175.5	176.3	n.a.
18 Manufacturing	130.4	135.7	142.0	140.9	141.0	141.1	142.1	142.8	144.4	145.7	146.3	n.a.
19 Disposable personal income[5]	158.7	166.2	174.4	173.2	174.1	174.3	175.2	175.8	176.6r	177.8	178.7	n.a.
20 Retail sales[5]	151.2	158.6	165.6r	163.3	164.5	166.5	167.2	166.7	166.5	166.8	167.3	167.5
Prices[6]												
21 Consumer (1982–84=100)	152.4	156.9	160.5	160.1	160.3	160.5	160.8	161.2	161.6	161.5	161.3	161.6
22 Producer finished goods (1982=100)	127.9	131.3	131.8	131.6	131.6	131.3	131.7	131.8	132.4	131.8	131.1	130.2

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in December 1997. The recent annual revision is described in an article in the February 1998 issue of the *Bulletin*. For a description of the aggregation methods for industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. For details about the construction of individual industrial production series, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.

4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.

5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.

6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

NOTE. Basic data (not indexes) for series mentioned in notes 4 and 5, and indexes for series mentioned in notes 3 and 6, can also be found in the *Survey of Current Business*.

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590–605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1995	1996	1997	1997							1998
				June	July	Aug.	Sept.	Oct.	Nov.r	Dec.r	Jan.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	132,304	133,943	126,297	136,206	136,294	136,404	136,439	136,406	136,864	137,169	137,493
Employment											
2 Nonagricultural industries[3]	121,460	123,264	126,159	126,003	126,209	126,368	126,339	126,583	127,191	127,392	127,764
3 Agriculture	3,440	3,443	3,399	3,389	3,452	3,379	3,422	3,327	3,384	3,385	3,319
Unemployment											
4 Number	7,404	7,236	6,739	6,814	6,633	6,657	6,678	6,496	6,289	6,392	6,409
5 Rate (percent of civilian labor force)	5.6	5.4	4.9	5.0	4.9	4.9	4.9	4.8	4.6	4.7	4.7
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**117,191**	**119,523**	**122,257**	**122,056**	**122,440**	**122,492**	**122,792**	**123,083**	**123,512**	**123,867**	**124,225**
7 Manufacturing	18,524	18,457	18,538	18,518	18,514	18,555	18,553	18,590	18,634	18,672	18,715
8 Mining	581	574	573	574	574	573	576	574	572	574	574
9 Contract construction	5,160	5,400	5,627	5,622	5,625	5,637	5,642	5,650	5,682	5,742	5,834
10 Transportation and public utilities	6,132	6,261	6,426	6,434	6,443	6,289	6,473	6,497	6,495	6,470	6,519
11 Trade	27,565	28,108	28,788	28,713	28,823	28,864	28,902	28,970	29,132	29,218	29,272
12 Finance	6,806	6,899	7,053	7,034	7,058	7,068	7,082	7,108	7,132	7,154	7,176
13 Service	33,117	34,377	35,597	35,522	35,684	35,702	35,850	35,945	36,102	36,265	36,354
14 Government	19,305	19,447	19,655	19,639	19,719	19,804	19,714	19,749	19,763	19,772	19,781

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.

2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.

3. Includes self-employed, unpaid family, and domestic service workers.

4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1997				1997				1997			
	Q1	Q2	Q3	Q4[r]	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4[r]
	Output (1992=100)				Capacity (percent of 1992 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**121.9**	**123.3**	**125.1**	**127.3**	**147.8**	**149.6**	**151.3**	**153.0**	**82.5**	**82.4**	**82.7**	**83.2**
2 Manufacturing	124.2	125.7	127.6	130.1	152.3	154.3	156.3	158.3	81.6	81.5	81.6	82.2
3 Primary processing[3]	116.7	117.7	118.5	119.6	135.8	136.9	138.0	139.2	85.9	86.0	85.8	85.9
4 Advanced processing[4]	128.0	129.7	132.1	135.3	160.6	163.2	165.7	168.1	79.7	79.5	79.8	80.5
5 Durable goods	137.5	140.2	143.7	147.1	170.4	173.8	177.2	180.6	80.7	80.7	81.1	81.5
6 Lumber and products	113.5	116.4	114.9	115.0	137.3	138.6	140.0	141.3	82.7	84.0	82.1	81.4
7 Primary metals	120.9	123.8	125.5	127.9	134.7	136.0	137.2	138.5	89.8	91.0	91.5	92.4
8 Iron and steel	119.4	122.6	122.8	126.1	134.1	135.4	136.6	137.9	89.1	90.6	89.9	91.5
9 Nonferrous	122.7	125.3	128.8	130.0	135.2	136.4	137.7	138.9	90.8	91.8	93.5	93.6
10 Industrial machinery and equipment	163.9	168.2	173.9	177.5	193.3	199.0	204.4	210.0	84.8	84.5	85.1	84.5
11 Electrical machinery	216.4	226.6	236.6	245.8	264.4	276.7	289.1	301.9	81.9	81.9	81.9	81.4
12 Motor vehicles and parts	133.6	130.5	136.7	143.1	180.6	182.6	184.7	186.7	74.0	71.4	74.0	76.6
13 Aerospace and miscellaneous transportation equipment	89.9	92.8	95.6	98.7	122.7	123.4	124.1	124.8	73.3	75.2	77.1	79.1
14 Nondurable goods	110.3	110.7	111.1	112.6	133.6	134.3	135.0	135.7	82.6	82.4	82.3	83.0
15 Textile mill products	107.3	108.5	110.9	111.8	130.5	131.1	131.7	132.3	82.3	82.8	84.3	84.5
16 Paper and products	111.7	112.2	114.1	113.5	124.9	125.5	126.0	126.7	89.4	89.4	90.5	89.6
17 Chemicals and products	114.5	114.8	114.8	116.7	143.9	145.1	146.3	147.5	79.5	79.1	78.5	79.1
18 Plastics materials	126.8	127.6	130.6	...	136.3	138.1	140.0	...	93.0	92.4	93.3	...
19 Petroleum products	107.7	111.0	109.5	110.2	114.1	114.7	115.2	115.7	94.4	96.8	95.1	95.2
20 Mining	105.4	106.0	106.4	105.3	117.6	117.9	118.1	118.2	89.6	89.9	90.1	89.1
21 Utilities	110.8	111.7	114.0	115.7	125.8	126.3	126.7	127.1	88.1	88.5	90.0	91.0
22 Electric	111.5	111.3	114.2	116.4	124.2	124.6	125.0	125.4	89.8	89.3	91.4	92.8

	1973	1975	Previous cycle[5]		Latest cycle[6]		1997	1997					
	High	Low	High	Low	High	Low	Jan.	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.	Jan.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.1**	**85.4**	**78.1**	**82.4**	**82.8**	**82.7**	**83.0**	**83.2**	**83.3**	**83.0**
2 Manufacturing	88.5	70.5	86.9	69.0	85.7	76.6	81.4	81.8	81.6	81.9	82.3	82.3	82.1
3 Primary processing[3]	91.2	68.2	88.1	66.2	88.9	77.7	85.5	85.8	85.7	85.7	86.0	86.1	86.1
4 Advanced processing[4]	87.2	71.8	86.7	70.4	84.2	76.1	79.6	80.0	79.7	80.2	80.7	80.6	80.4
5 Durable goods	89.2	68.9	87.7	63.9	84.6	73.1	80.4	81.4	81.0	81.1	81.8	81.6	81.3
6 Lumber and products	88.7	61.2	87.9	60.8	93.6	75.5	81.4	82.5	80.7	80.1	82.7	81.4	80.7
7 Primary metals	100.2	65.9	94.2	45.1	92.7	73.7	88.9	91.4	91.5	92.3	93.0	91.9	91.9
8 Iron and steel	105.8	66.6	95.8	37.0	95.2	71.8	88.9	89.1	90.8	91.9	92.1	90.4	90.5
9 Nonferrous	90.8	59.8	91.1	60.1	89.3	74.2	89.1	94.3	92.5	92.8	94.1	93.8	93.8
10 Industrial machinery and equipment	96.0	74.3	93.2	64.0	85.4	72.3	85.0	86.1	84.2	84.8	84.2	84.5	83.8
11 Electrical machinery	89.2	64.7	89.4	71.6	84.0	75.0	81.1	81.9	81.0	80.9	82.0	81.4	81.1
12 Motor vehicles and parts	93.4	51.3	95.0	45.5	89.1	55.9	74.2	75.2	76.2	75.0	78.1	76.7	75.7
13 Aerospace and miscellaneous transportation equipment	78.4	67.6	81.9	66.6	87.3	79.2	72.6	76.9	77.9	78.2	78.6	80.6	81.2
14 Nondurable goods	87.8	71.7	87.5	76.4	87.3	80.7	82.6	82.2	82.3	82.8	83.0	83.1	83.1
15 Textile mill products	91.4	60.0	91.2	72.3	90.4	77.7	82.1	84.1	84.5	84.5	85.3	83.9	84.6
16 Paper and products	97.1	69.2	96.1	80.6	93.5	85.0	88.8	90.8	90.1	89.2	89.7	90.0	89.9
17 Chemicals and products	87.6	69.7	84.6	69.9	86.2	79.3	80.2	78.3	78.8	79.3	78.9	79.1	79.1
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	93.2	92.0	93.6	91.2	93.0	...	...
19 Petroleum products	96.7	81.1	90.0	66.8	88.5	85.1	93.9	95.2	95.4	96.2	93.9	95.5	96.0
20 Mining	94.3	88.2	96.0	80.3	88.0	87.0	88.2	90.0	90.1	89.6	89.1	88.6	89.9
21 Utilities	96.2	82.9	89.1	75.9	92.6	83.4	89.5	89.2	90.8	92.0	89.9	91.1	87.4
22 Electric	99.0	82.7	88.2	78.9	95.0	87.1	91.0	90.5	92.5	94.3	91.5	92.6	89.8

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in December 1997. The recent annual revision is described in an article in the February 1998 issue of the *Bulletin*. For a description of the aggregation methods for industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. For details about the construction of individual industrial production series, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol 76 (April 1990), pp. 187–204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; synthetic materials; fertilizer materials; petroleum products; rubber and plastics; stone, clay, and glass; primary metals, and fabricated metals.

4. Advanced processing includes foods; tobacco; apparel; furniture and fixtures; printing and publishing; chemical products such as drugs and toiletries; agricultural chemicals; leather and products; machinery; transportation equipment; instruments; and miscellaneous manufactures.

5. Monthly highs, 1978–80; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1992 proportion	1997 avg.	1997 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.	1998 Jan.[p]
			Index (1992 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**124.5**	**121.3**	**122.1**	**122.5**	**123.1**	**123.3**	**123.5**	**124.5**	**125.2**	**125.6**	**126.5**	**127.4**	**127.9**	**127.9**
2 Products	60.5	118.5	116.0	116.5	116.9	117.2	117.7	117.6	118.1	119.2	119.1	120.2	121.2	121.3	121.3
3 Final products	46.3	119.6	116.8	117.2	117.9	118.0	118.6	118.6	119.2	120.5	120.3	121.5	122.5	122.4	122.6
4 Consumer goods, total	29.1	114.4	113.2	113.1	113.4	113.4	113.9	113.5	113.9	114.6	114.5	115.9	116.6	116.5	116.4
5 Durable consumer goods	6.1	131.3	128.0	129.4	130.7	127.4	128.8	129.8	128.1	132.1	131.9	131.4	136.6	134.8	135.4
6 Automotive products	2.6	129.9	127.4	128.5	129.0	122.3	124.6	126.7	120.3	131.6	132.8	131.2	138.4	134.0	132.8
7 Autos and trucks	1.7	136.5	134.8	135.1	135.6	124.4	127.6	130.3	120.2	137.6	140.9	139.7	147.8	142.8	139.6
8 Autos, consumer	.9	115.2	114.5	116.5	117.6	110.7	112.4	110.8	113.0	118.6	119.9	115.2	120.3	113.9	116.0
9 Trucks, consumer	.7	159.1	160.0	158.6	158.5	142.7	147.3	154.2	131.9	161.2	166.5	168.6	179.8	176.0	167.7
10 Auto parts and allied goods	.9	119.3	115.5	117.9	118.4	118.2	119.1	120.3	119.3	121.8	120.1	117.9	123.8	120.2	122.0
11 Other	3.5	132.4	128.5	130.1	132.0	131.4	132.1	132.3	134.4	132.5	131.1	131.5	135.2	135.5	137.4
12 Appliances, televisions, and air conditioners	1.0	168.5	157.3	164.1	166.9	164.2	166.5	165.4	174.8	169.8	166.0	169.4	176.9	177.3	183.6
13 Carpeting and furniture	.8	117.2	114.1	114.3	116.7	116.7	117.7	119.0	116.4	117.7	116.2	116.5	122.9	117.8	121.2
14 Miscellaneous home goods	1.6	120.0	119.0	119.1	120.3	120.3	120.2	120.3	122.1	119.8	119.4	118.6	119.2	122.3	121.7
15 Nondurable consumer goods	23.0	110.2	109.4	109.0	109.1	109.9	110.1	109.4	110.3	110.3	110.2	112.1	111.7	112.0	111.7
16 Foods and tobacco	10.3	109.4	109.1	109.2	110.0	109.1	108.9	108.1	109.6	108.9	108.6	109.7	110.7	111.1	112.0
17 Clothing	2.4	95.9	96.5	95.6	96.1	96.5	95.8	95.4	95.8	96.0	96.0	96.4	95.1	95.4	94.7
18 Chemical products	4.5	119.2	118.0	117.3	115.9	118.4	119.3	119.1	117.3	119.4	119.4	123.0	122.3	121.9	122.8
19 Paper products	2.9	109.4	106.5	107.1	107.8	108.2	108.9	109.8	110.8	109.8	110.1	111.3	111.6	110.1	109.1
20 Energy	2.9	111.2	110.5	108.3	107.3	111.9	112.8	109.7	112.4	112.8	112.4	116.2	112.1	114.4	110.5
21 Fuels	.8	109.4	105.7	106.6	108.2	109.6	111.3	111.5	108.8	111.0	110.8	112.0	106.5	110.4	112.2
22 Residential utilities	2.1	111.8	112.5	108.7	106.4	112.6	113.0	108.3	113.7	113.2	112.8	117.8	114.4	116.0	109.2
23 Equipment	17.2	128.7	123.1	124.6	125.8	126.0	126.8	127.7	128.6	130.9	130.6	131.3	132.9	132.8	133.6
24 Business equipment	13.2	141.8	134.9	136.5	137.5	137.9	139.0	140.2	141.6	144.6	144.4	145.5	147.5	147.9	148.2
25 Information processing and related	5.4	168.1	157.8	160.9	161.0	163.0	164.4	166.8	169.3	171.1	172.9	174.3	175.3	175.5	175.7
26 Computer and office equipment	1.1	385.2	333.8	341.5	348.8	358.4	365.3	375.8	391.6	407.1	414.6	420.3	426.9	435.4	442.5
27 Industrial	4.0	133.2	130.0	129.8	130.6	131.6	131.5	131.7	133.7	135.8	133.8	135.9	135.7	137.4	136.6
28 Transit	2.5	111.1	103.3	105.2	107.7	104.6	106.7	107.3	106.9	113.3	114.2	113.0	119.9	119.1	121.2
29 Autos and trucks	1.2	119.4	116.4	118.2	121.4	112.5	114.6	113.6	111.5	120.3	120.2	117.0	128.2	120.1	122.6
30 Other	1.3	135.0	129.7	130.8	132.6	134.4	135.2	136.3	136.3	137.9	135.1	137.5	137.7	136.6	136.5
31 Defense and space equipment	3.3	75.3	75.5	75.6	75.7	75.4	75.6	76.0	74.9	75.0	74.7	74.7	74.7	74.6	75.0
32 Oil and gas well drilling	.6	149.7	138.4	143.5	154.8	151.4	150.7	150.9	152.1	153.2	153.1	149.1	150.0	145.9	155.0
33 Manufactured homes	.2	139.1	137.7	140.7	139.4	142.9	141.9	139.1	143.5	139.5	137.2	136.9	138.1	132.4	...
34 Intermediate products, total	14.2	115.1	113.5	114.1	114.1	114.7	114.9	114.7	114.6	115.3	115.2	116.3	117.2	117.9	117.3
35 Construction supplies	5.3	121.8	119.1	121.7	122.3	121.8	122.2	122.2	121.2	122.7	120.4	121.3	123.4	123.8	124.2
36 Business supplies	8.9	111.1	110.2	109.6	109.2	110.6	110.6	110.2	110.6	111.0	112.2	113.4	113.5	114.4	113.2
37 Materials	39.5	134.0	129.7	131.0	131.3	132.5	132.4	133.0	134.9	134.9	136.1	136.7	137.3	138.5	138.6
38 Durable goods materials	20.8	158.1	150.2	152.2	153.0	155.1	155.4	156.9	159.3	160.3	161.3	163.2	164.9	166.2	166.7
39 Durable consumer parts	4.0	139.1	136.2	136.3	135.9	137.1	134.7	136.2	139.2	140.3	140.7	141.8	142.3	145.6	143.4
40 Equipment parts	7.6	221.8	201.1	206.1	210.0	213.4	216.7	220.0	224.6	227.6	229.6	233.3	238.0	240.2	243.5
41 Other	9.2	125.5	122.6	123.5	123.2	124.7	124.5	125.0	125.9	126.0	126.6	127.8	128.5	128.5	128.8
42 Basic metal materials	3.1	120.6	116.7	118.3	118.2	118.8	119.9	121.2	121.1	121.8	121.7	122.5	124.8	122.5	122.9
43 Nondurable goods materials	8.9	112.9	111.6	112.6	112.5	113.0	111.8	111.9	113.5	112.3	113.3	113.1	113.8	114.8	115.0
44 Textile materials	1.1	109.3	107.0	108.0	106.3	109.4	106.1	108.1	112.3	108.4	111.4	111.9	111.0	112.7	112.8
45 Paper materials	1.8	112.6	110.4	112.0	112.5	112.6	112.6	110.9	113.8	114.3	112.7	113.4	112.3	113.9	114.7
46 Chemical materials	3.9	114.9	114.9	115.0	114.8	115.4	113.8	113.8	115.1	113.9	115.6	115.0	115.2	116.1	116.3
47 Other	2.1	110.3	107.7	110.1	110.4	109.7	109.5	110.8	110.1	108.6	109.5	109.0	113.7	113.6	113.4
48 Energy materials	9.7	103.9	103.6	103.8	103.4	103.7	103.7	103.2	104.6	103.9	105.5	104.7	103.4	104.5	103.5
49 Primary energy	6.3	101.7	101.2	102.5	101.9	101.7	102.1	101.0	102.3	102.4	102.2	101.7	100.8	101.4	101.4
50 Converted fuel materials	3.3	108.2	108.0	106.2	106.2	107.6	106.8	107.3	109.0	106.8	111.8	110.6	108.3	110.4	107.7
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.1	124.3	121.1	121.9	122.3	123.2	123.4	123.6	124.8	125.1	125.4	126.5	127.1	127.8	127.8
52 Total excluding motor vehicles and parts	95.1	123.8	120.7	121.5	121.9	122.7	123.0	123.1	124.3	124.6	124.8	125.9	126.5	127.1	127.2
53 Total excluding computer and office equipment	98.2	121.9	119.1	119.8	120.2	120.7	120.9	121.1	122.0	122.6	122.9	123.8	124.6	125.1	125.1
54 Consumer goods excluding autos and trucks	27.4	113.2	112.0	111.8	112.1	112.8	113.1	112.5	113.5	113.4	113.0	114.6	114.9	115.1	115.1
55 Consumer goods excluding energy	26.2	114.8	113.5	113.7	114.2	113.6	114.0	114.0	114.1	114.9	114.7	115.9	117.2	116.8	117.2
56 Business equipment excluding autos and trucks	12.0	144.5	137.1	138.6	139.5	141.0	141.9	143.4	145.2	147.5	147.3	149.0	149.8	151.2	151.2
57 Business equipment excluding computer and office equipment	12.1	129.0	123.8	125.1	126.0	126.0	126.9	127.7	128.6	131.2	130.8	131.8	133.6	133.7	133.8
58 Materials excluding energy	29.8	143.6	137.9	139.6	140.1	141.6	141.4	142.5	144.6	144.8	145.8	147.0	148.3	149.5	150.0

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Group	SIC[2] code	1992 proportion	1997 avg.	1997 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.	1998 Jan.[p]
				Index (1992 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	..	**100.0**	**124.5**	**121.3**	**122.1**	**122.5**	**123.1**	**123.3**	**123.5**	**124.5**	**125.2**	**125.6**	**126.5**	**127.4**	**127.9**	**127.9**
60 Manufacturing	...	85.4	127.0	123.5	124.4	124.9	125.4	125.7	126.1	126.9	127.9	128.0	129.1	130.4	130.9	131.2
61 Primary processing	..	26.5	118.1	115.8	116.9	117.2	117.7	117.7	117.7	118.3	118.5	118.6	118.9	119.8	120.2	120.5
62 Advanced processing	..	58.9	131.4	127.2	128.1	128.6	129.2	129.6	130.2	131.2	132.5	132.7	134.1	135.7	136.2	136.6
63 Durable goods	.	45.0	142.3	136.1	137.8	138.7	139.5	140.1	141.2	142.4	144.3	144.4	145.5	147.6	148.3	148.8
64 Lumber and products	24	2.0	115.0	111.4	114.2	114.9	115.9	116.4	117.0	116.1	115.4	113.3	112.9	116.9	115.3	114.8
65 Furniture and fixtures	25	1.4	122.7	119.7	120.6	120.7	123.5	123.3	123.5	124.2	121.1	122.0	123.0	125.1	125.6	126.8
66 Stone, clay, and glass products	32	2.1	120.5	119.2	118.9	119.5	121.1	119.4	120.0	120.9	120.5	121.2	121.0	122.1	123.2	124.2
67 Primary metals	33	3.1	124.5	119.4	121.6	121.8	122.3	124.2	124.9	125.2	125.5	125.9	127.4	128.7	127.6	128.0
68 Iron and steel	331,2	1.7	122.7	118.8	119.9	119.6	121.2	123.9	122.6	122.2	121.8	124.5	126.4	127.0	125.0	125.6
69 Raw steel	331PT	.1	115.9	111.9	112.4	114.0	115.1	115.4	114.9	115.5	116.1	119.2	117.7	120.9	119.2	117.8
70 Nonferrous	333–6,9	1.4	126.6	120.0	123.5	124.5	123.5	124.6	127.7	128.8	129.9	127.7	128.6	130.7	130.6	131.0
71 Fabricated metal products	34	5.0	122.9	120.6	121.7	122.1	122.5	122.7	121.9	122.4	122.8	122.7	124.4	124.7	125.9	126.1
72 Industrial machinery and equipment	35	8.0	171.3	162.8	164.0	165.1	167.8	168.0	168.8	172.2	175.9	173.7	176.5	176.8	179.1	179.2
73 Computer and office equipment	357	1.8	381.9	328.6	336.6	344.2	354.1	361.4	372.3	388.5	403.9	412.0	418.0	425.0	434.1	441.6
74 Electrical machinery	36	7.3	231.5	211.1	217.4	220.8	223.7	226.3	229.7	235.5	236.8	237.5	240.8	247.5	249.2	252.0
75 Transportation equipment	37	9.5	115.5	110.9	111.4	112.3	110.7	110.8	113.0	112.2	117.0	118.8	118.3	121.7	122.1	121.9
76 Motor vehicles and parts	371	4.9	137.0	133.4	133.3	134.0	129.7	129.2	132.5	130.0	138.9	141.2	139.6	145.9	143.8	142.5
77 Autos and light trucks	371PT	2.6	128.3	126.7	127.2	127.8	117.8	120.6	122.4	115.0	129.5	132.3	130.4	137.7	132.6	130.6
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.6	94.4	88.9	89.9	91.0	92.0	92.7	93.8	94.6	95.5	96.8	97.3	98.1	100.7	101.6
79 Instruments	38	5.4	108.0	105.9	107.2	106.5	106.6	107.6	107.9	108.0	109.2	108.9	109.7	110.0	108.9	109.6
80 Miscellaneous	39	1.3	125.9	124.0	125.0	124.7	125.1	125.5	126.0	127.0	126.7	126.1	126.5	126.2	128.7	128.5
81 Nondurable goods	.	40.4	111.2	110.2	110.4	110.5	110.8	110.7	110.5	110.9	111.0	111.3	112.2	112.6	113.0	113.3
82 Foods	20	9.4	109.6	109.3	109.4	110.0	109.2	109.2	108.8	110.0	108.9	108.6	109.2	110.8	111.2	112.7
83 Tobacco products	21	1.6	113.2	112.0	113.0	114.2	113.0	111.5	109.0	110.5	112.5	112.0	118.8	116.1	117.3	113.6
84 Textile mill products	22	1.8	109.6	107.0	107.0	108.0	109.2	107.2	109.1	110.7	110.7	111.4	111.6	112.8	111.1	112.2
85 Apparel products	23	2.2	99.6	100.5	99.5	100.1	99.8	99.8	99.6	99.7	99.1	99.1	99.3	98.4	99.2	98.9
86 Paper and products	26	3.6	112.9	110.8	111.9	112.4	112.4	112.6	111.7	114.2	114.4	113.7	112.8	113.6	114.1	114.3
87 Printing and publishing	27	6.7	104.9	103.2	103.3	103.6	104.4	104.5	104.1	104.1	104.4	105.1	106.7	107.5	107.2	106.2
88 Chemicals and products	28	9.9	115.2	115.2	114.6	113.6	115.2	114.5	114.6	114.3	114.5	115.6	116.7	116.4	117.0	117.4
89 Petroleum products	29	1.4	109.5	107.0	108.0	108.0	110.1	111.4	111.3	108.9	109.7	110.1	111.2	108.7	110.6	111.5
90 Rubber and plastic products	30	3.5	126.5	123.3	125.0	125.5	124.4	125.4	125.6	126.0	127.9	127.6	127.4	129.5	129.9	130.0
91 Leather and products	31	.3	73.7	76.5	76.0	76.6	75.9	75.3	74.0	74.0	71.2	70.9	72.4	70.9	71.4	70.8
92 Mining	..	6.9	105.8	103.7	106.0	106.7	105.5	106.7	105.7	106.5	106.3	106.5	105.9	105.3	104.8	106.3
93 Metal	10	.5	107.0	105.5	106.2	106.4	105.3	105.9	109.9	105.2	106.0	105.3	111.1	113.6	104.5	105.0
94 Coal	12	1.0	109.9	107.4	110.4	107.0	105.4	115.9	107.4	112.1	107.7	109.5	109.6	111.2	116.8	116.2
95 Oil and gas extraction	13	4.8	103.1	101.1	102.8	104.3	103.8	103.4	102.9	103.9	104.1	104.3	103.1	101.9	100.9	102.9
96 Stone and earth minerals	14	.6	118.3	115.0	123.5	123.6	116.8	118.2	120.9	117.8	119.9	117.7	116.2	116.3	117.0	118.4
97 Utilities	..	7.7	112.6	112.5	110.3	109.6	112.5	111.8	110.9	113.8	113.0	115.1	116.9	114.2	115.9	111.3
98 Electric	491,493PT	6.2	113.3	112.9	111.0	110.6	112.7	110.4	110.7	113.8	113.1	115.7	118.1	114.7	116.3	112.9
99 Gas	492,493PT	1.6	110.5	111.2	107.9	105.4	111.5	117.1	111.9	113.5	112.5	112.7	111.9	112.5	114.5	105.1
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	.	80.5	126.4	122.9	123.9	124.3	125.2	125.5	125.7	126.7	127.2	127.3	128.4	129.4	130.1	130.5
101 Manufacturing excluding office and computing machines	..	83.6	124.1	120.9	121.8	122.2	122.7	122.9	123.2	123.9	124.8	124.9	125.9	127.1	127.6	127.9
				Gross value (billions of 1992 dollars, annual rates)												
MAJOR MARKETS																
102 **Products, total**	..	**2,001.9**	**2,373.4**	**2,332.0**	**2,344.1**	**2,355.4**	**2,353.4**	**2,365.8**	**2,365.3**	**2,368.4**	**2,402.0**	**2,396.9**	**2,416.1**	**2,440.6**	**2,439.6**	**2,444.1**
103 Final	...	1,552.1	1,855.8	1,818.2	1,827.3	1,838.7	1,832.9	1,844.4	1,844.6	1,849.1	1,879.3	1,875.6	1,890.6	1,909.7	1,906.2	1,913.8
104 Consumer goods	..	1,049.6	1,195.9	1,185.8	1,187.6	1,191.4	1,187.7	1,194.1	1,190.2	1,191.0	1,205.2	1,203.3	1,215.9	1,222.7	1,221.4	1,224.4
105 Equipment	...	502.5	659.7	631.8	639.2	646.8	644.8	649.8	654.1	657.8	674.0	672.3	674.5	687.1	684.8	689.5
106 Intermediate	..	449.9	518.3	514.2	517.0	517.2	520.6	521.7	521.0	519.9	523.7	522.2	526.5	531.9	534.2	531.4

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in December 1997. The recent annual revision is described in an article in the February 1998 issue of the *Bulletin*. For a description of the aggregation methods for industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. For details about the construction of individual industrial production series, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76, (April 1990), pp. 187–204.

2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1995	1996	1997	1997 Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,333	1,426	1,442	1,457	1,442	1,432	1,402	1,414	1,397	1,460	1,487	1,440	1,482
2 One-family	997	1,070	1,056	1,034	1,060	1,053	1,049	1,030	1,027	1,065	1,087	1,061	1,071
3 Two-family or more	335	356	387	423	382	379	353	384	370	395	400	379	411
4 Started	1,354	1,477	1,474	1,477[r]	1,480[r]	1,404[r]	1,502[r]	1,461[r]	1,383[r]	1,501[r]	1,529	1,523	1,538
5 One-family	1,076	1,161	1,133	1,139[r]	1,134[r]	1,095[r]	1,132[r]	1,144[r]	1,076[r]	1,174[r]	1,124	1,167	1,118
6 Two-family or more	278	316	341	338[r]	346[r]	309[r]	370[r]	317[r]	307[r]	327[r]	405	356	420
7 Under construction at end of period[1]	775	819	831	814	812	815	829	837	836	842	854	860	n.a.
8 One-family	554	584	570	566	563	564	566	571	569	571	576	576	n.a.
9 Two-family or more	221	235	261	248	249	251	263	266	267	271	278	284	n.a.
10 Completed	1,319	1,407	1,403	1,471	1,460	1,388	1,318	1,320	1,325	1,431	1,375	1,409	n.a.
11 One-family	1,073	1,124	1,123	1,156	1,158	1,101	1,096	1,069	1,053	1,142	1,058	1,140	n.a.
12 Two-family or more	246	283	280	315	302	287	222	251	272	289	317	269	n.a.
13 Mobile homes shipped	341	361	354	354[r]	366[r]	354[r]	353[r]	356[r]	354[r]	351[r]	349	352	353
Merchant builder activity in one-family units													
14 Number sold	667	757	800	825	765	764	802	812	798	816[r]	785	857	777
15 Number for sale at end of period[1]	374	326	291	287	291	288	288	288	286	285[r]	285	283	284
Price of units sold (thousands of dollars)[2]													
16 Median	133.9	140.0	145.5	148.0	150.0	141.0	145.0	145.9	144.0	146.3[r]	142.0	144.0	142.6
17 Average	158.7	166.4	175.7	172.7	179.5	170.7	179.4	175.5	170.7	177.5[r]	173.6	174.8	177.8
EXISTING UNITS (one-family)													
18 Number sold	3,812	4,087	4,215	4,120[r]	4,040[r]	4,190[r]	4,120[r]	4,180	4,280[r]	4,300[r]	4,380	4,390	4,370
Price of units sold (thousands of dollars)[2]													
19 Median	113.1	118.2	124.1	120.0	120.7	123.1	127.2	126.5	127.5	125.8	124.4	124.3	125.9
20 Average	139.1	145.5	154.2	147.5	150.4	153.1	158.4	157.6	159.1	155.4	154.7	155.0	157.5
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 **Total put in place**	**534,463**	**567,179**	**599,795**	**593,908**	**596,907**	**595,763**	**594,195**	**603,002**	**603,684**	**605,748**	**611,805**	**611,294**	**611,753**
22 Private	407,370	435,929	461,146	452,728	457,604	459,882	456,927	464,326	465,236	468,822	469,567	469,369	472,860
23 Residential	231,230	246,659	259,765	253,974	259,917	259,662	257,277	258,803	259,958	263,799	265,717	268,074	271,936
24 Nonresidential	176,140	189,271	201,381	198,754	197,687	200,220	199,650	205,523	205,278	205,023	203,850	201,295	200,924
25 Industrial buildings	32,505	31,997	30,574	30,520	29,331	30,501	31,046	31,796	31,480	30,675	29,964	29,449	28,092
26 Commercial buildings	68,223	74,593	80,587	81,015	76,545	78,670	79,009	82,346	81,552	80,551	81,424	79,597	81,253
27 Other buildings	27,089	30,525	36,926	36,012	38,229	37,738	35,775	36,672	37,274	38,729	37,694	37,956	37,210
28 Public utilities and other	48,323	52,156	53,294	51,207	53,582	53,311	53,820	54,709	54,972	55,068	54,768	54,293	54,369
29 Public	127,092	131,250	138,649	141,180	139,304	135,882	137,268	138,676	138,448	136,926	142,238	141,925	138,893
30 Military	2,983	2,541	2,550	2,232	2,408	2,548	2,580	2,738	2,767	2,451	2,794	2,696	2,283
31 Highway	36,319	37,898	41,177	41,473	42,356	40,694	41,531	41,087	41,715	40,126	39,400	44,413	42,404
32 Conservation and development	6,391	5,807	5,475	6,114	5,134	5,242	4,952	5,002	5,469	6,177	4,899	5,312	5,870
33 Other	81,399	85,005	89,446	91,361	89,406	87,398	88,205	89,849	88,497	88,172	95,145	89,504	88,336

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

SOURCE. Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 19,000 jurisdictions beginning in 1994.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, Jan. 1998[1]
	1997 Jan.	1998 Jan.	1997[r] Mar.	1997[r] June	1997[r] Sept.	1997[r] Dec.	1997 Sept.	1997 Oct.	1997 Nov.	1997 Dec.	1998 Jan.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**3.0**	**1.6**	**1.5**	**1.5**	**2.3**	**1.5**	**.2**	**.2**	**.1**	**.1**	**.0**	**161.6**
2 Food	3.6	2.2	−.3	2.1	2.8	1.5	.1	.3[r]	.1[r]	.0[r]	.3	159.9
3 Energy items	7.9	−6.5	−1.4	−11.8	8.3	−7.7	.9[r]	−.2[r]	.0[r]	−1.8[r]	−2.4	105.9
4 All items less food and energy	2.5	2.2	2.2	2.6	1.7	2.4	.2	.2	.1	.2	.2	171.2
5 Commodities	.9	.4	.8	.6	−.3	.6	.1[r]	.1	.1[r]	.0[r]	.1	142.0
6 Services	3.3	3.0	3.1	3.1	2.6	3.3	.2	.3	.2[r]	.3[r]	.2	187.9
PRODUCER PRICES (1982=100)												
7 Finished goods	2.5	−1.8	−1.8	−3.0	1.2	−1.2	.4[r]	.1	−.2	−.2	−.7	130.2
8 Consumer foods	2.6	−1.0	.0	−3.5	−1.5	.9	.0[r]	.6[r]	−.3[r]	−.1	−.4	132.8
9 Consumer energy	10.2	−10.5	−11.8	−13.0	6.0	−6.1	1.1[r]	−.1[r]	−.6[r]	−.8[r]	−3.7	77.4
10 Other consumer goods	.8	.3	.6	−.6	1.7	.0	.5	.1	−.1	.0[r]	−.1	145.6
11 Capital equipment	.5	−.7	.0	−.9	.6	−1.7	.2[r]	−.1	−.1	−.2	−.1	138.0
Intermediate materials												
12 Excluding foods and feeds	.8	−1.5	−1.3	−1.6	.6	−.6	.2[r]	.0[r]	.2[r]	−.3[r]	−.5	124.5
13 Excluding energy	−.5	.1	.6	.3	.6	.0	.1[r]	.0[r]	.1	−.1	−.1	134.3
Crude materials												
14 Foods	−2.2	−6.1	−4.1	−10.8	−5.0	3.3	−.3[r]	.5[r]	.3[r]	.0[r]	−3.3	105.4
15 Energy	52.9	−35.3	−75.5	11.3	21.8	1.0	4.4[r]	9.3[r]	5.0	−12.6	−7.3	77.3
16 Other	−3.4	−4.2	12.5	−3.7	.3	−7.9	−.7[r]	.2[r]	−.8[r]	−1.4[r]	−2.2	150.1

1. Not seasonally adjusted.
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. U.S. Department of Labor, Bureau of Labor Statistics.

2.16 GROSS DOMESTIC PRODUCT AND INCOME

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

Account	1995	1996	1997	1996	1997			
				Q4	Q1	Q2	Q3	Q4
GROSS DOMESTIC PRODUCT								
1 **Total**	**7,265.4**	**7,636.0**	**8,083.4**	**7,792.9**	**7,933.6**	**8,034.3**	**8,124.3**	**8,241.5**
By source								
2 Personal consumption expenditures	4,957.7	5,207.6	5,488.6	5,308.1	5,405.7	5,432.1	5,527.4	5,589.3
3 Durable goods	608.5	634.5	659.4	638.2	658.4	644.5	667.3	667.6
4 Nondurable goods	1,475.8	1,534.7	1,592.7	1,560.1	1,587.4	1,578.9	1,600.8	1,603.9
5 Services	2,873.4	3,038.4	3,236.5	3,109.8	3,159.9	3,208.7	3,259.3	3,317.9
6 Gross private domestic investment	1,038.2	1,116.5	1,237.6	1,151.1	1,193.6	1,242.0	1,250.2	1,264.5
7 Fixed investment	1,008.1	1,090.7	1,173.0	1,119.2	1,127.5	1,160.8	1,201.3	1,202.4
8 Nonresidential	723.0	781.4	845.4	807.2	811.3	836.3	872.0	862.3
9 Structures	200.6	215.2	230.2	227.0	227.4	226.8	232.9	233.7
10 Producers' durable equipment	522.4	566.2	615.2	580.2	583.9	609.5	639.1	628.5
11 Residential structures	285.1	309.2	327.5	312.0	316.2	324.6	329.3	340.1
12 Change in business inventories	30.1	25.9	64.6	31.9	66.1	81.1	48.9	62.1
13 Nonfarm	38.1	23.0	57.8	28.7	62.2	74.9	40.9	53.0
14 Net exports of goods and services	-86.0	-94.8	-96.7	-88.6	-98.8	-88.7	-111.3	-87.9
15 Exports	818.4	870.9	958.8	904.6	922.2	960.3	965.8	986.9
16 Imports	904.5	965.7	1,055.5	993.2	1,021.0	1,049.0	1,077.1	1,074.8
17 Government consumption expenditures and gross investment	1,355.5	1,406.7	1,453.9	1,422.3	1,433.1	1,449.0	1,457.9	1,475.6
18 Federal	509.6	520.0	524.8	517.6	516.1	526.1	525.7	531.1
19 State and local	846.0	886.7	929.1	904.7	917.0	923.0	932.3	944.4
By major type of product								
20 Final sales, total	7,235.3	7,610.2	8,018.8	7,761.0	7,867.4	7,953.2	8,075.3	8,179.3
21 Goods	2,637.9	2,759.3	2,880.6	2,795.0	2,838.4	2,854.9	2,903.2	2,925.7
22 Durable	1,133.9	1,212.0	1,284.9	1,233.5	1,248.0	1,275.3	1,305.3	1,310.9
23 Nondurable	1,503.9	1,547.3	1,595.7	1,561.5	1,590.4	1,579.6	1,597.9	1,614.8
24 Services	3,980.7	4,187.3	4,432.8	4,282.7	4,338.2	4,400.1	4,462.3	4,530.4
25 Structures	616.8	663.6	705.5	683.3	690.8	698.2	709.8	723.2
26 Change in business inventories	30.1	25.9	64.6	31.9	66.1	81.1	48.9	62.1
27 Durable goods	29.1	16.9	30.8	-1.1	31.8	46.8	18.6	25.9
28 Nondurable goods	1.1	9.0	33.8	33.0	34.3	34.4	30.3	36.2
MEMO								
29 **Total GDP in chained 1992 dollars**	**6,742.1**	**6,928.4**	**7,191.4**	**7,017.4**	**7,101.6**	**7,159.6**	**7,214.0**	**7,290.3**
NATIONAL INCOME								
30 **Total**	**5,912.3**	**6,254.5**	n.a.	**6,376.5**	**6,510.0**	**6,599.0**	**6,699.6**	n.a.
31 Compensation of employees	4,215.4	4,426.9	4,703.4	4,520.7	4,606.3	4,663.4	4,725.2	4,818.6
32 Wages and salaries	3,442.6	3,633.6	3,878.4	3,718.0	3,792.7	3,842.7	3,897.3	3,980.8
33 Government and government enterprises	623.0	642.6	665.4	648.9	657.8	662.0	667.7	674.2
34 Other	2,819.6	2,991.0	3,213.0	3,069.0	3,134.9	3,180.8	3,229.6	3,306.7
35 Supplement to wages and salaries	772.9	793.3	825.0	802.7	813.6	820.7	827.9	837.7
36 Employer contributions for social insurance	366.0	385.7	408.4	393.6	401.3	405.6	410.2	416.4
37 Other labor income	406.8	407.6	416.6	409.1	412.3	415.1	417.7	421.4
38 Proprietors' income[1]	489.0	520.3	544.7	528.3	534.6	543.6	547.2	553.3
39 Business and professional[1]	465.5	483.1	503.8	487.9	494.4	500.0	506.3	514.4
40 Farm[1]	23.4	37.2	40.9	40.4	40.2	43.6	40.9	39.0
41 Rental income of persons[2]	132.8	146.3	148.1	149.2	149.0	148.7	148.0	146.6
42 Corporate profits[1]	650.0	735.9	n.a	747.8	779.6	795.1	827.3	n.a
43 Profits before tax[3]	622.6	676.6	n.a.	680.0	708.4	719.8	753.4	n.a.
44 Inventory valuation adjustment	-24.3	-2.5	4.9	3.3	3.5	5.9	3.6	6.5
45 Capital consumption adjustment	51.6	61.8	69.7	64.4	67.7	69.4	70.3	71.3
46 Net interest	425.1	425.1	n.a.	430.6	440.5	448.1	451.8	n.a.

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

2.17 PERSONAL INCOME AND SAVING

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

Account	1995	1996	1997	1996	1997			
				Q4	Q1	Q2	Q3	Q4
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**6,150.8**	**6,495.2**	**6,874.4**	**6,618.4**	**6,746.2**	**6,829.1**	**6,906.9**	**7,015.4**
2 Wage and salary disbursements	3,429.5	3,632.5	3,877.2	3,716.9	3,791.5	3,841.6	3,896.1	3,979.7
3 Commodity-producing industries	864.4	909.1	960.1	927.8	942.9	952.8	961.4	983.5
4 Manufacturing	648.4	674.7	705.9	685.6	694.1	700.3	706.0	723.1
5 Distributive industries	783.1	823.3	876.0	840.6	856.8	867.0	880.8	899.6
6 Service industries	1,159.0	1,257.5	1,375.6	1,299.5	1,334.1	1,359.8	1,386.3	1,422.4
7 Government and government enterprises	623.0	642.6	665.4	648.9	657.8	662.0	667.7	674.2
8 Other labor income	406.8	407.6	416.6	409.1	412.3	415.1	417.7	421.4
9 Proprietors' income[1]	489.0	520.3	544.7	528.3	534.6	543.6	547.2	553.3
10 Business and professional[1]	465.5	483.1	503.8	487.9	494.4	500.0	506.3	514.4
11 Farm[1]	23.4	37.2	40.9	40.4	40.2	43.6	40.9	39.0
12 Rental income of persons[2]	132.8	146.3	148.1	149.2	149.0	148.7	148.0	146.6
13 Dividends	251.9	291.2	321.5	295.2	312.5	318.3	324.5	330.7
14 Personal interest income	718.9	735.7	768.8	749.8	757.2	766.1	772.6	779.1
15 Transfer payments	1,015.0	1,068.0	1,121.1	1,081.5	1,107.2	1,117.0	1,125.7	1,134.8
16 Old-age survivors, disability, and health insurance benefits	507.8	537.6	566.7	545.6	558.9	564.4	569.4	574.1
17 LESS: Personal contributions for social insurance	293.1	306.3	323.6	311.5	318.2	321.3	324.8	330.2
18 EQUALS: Personal income	6,150.8	6,495.2	6,874.4	6,618.4	6,746.2	6,829.1	6,906.9	7,015.4
19 LESS: Personal tax and nontax payments	795.1	886.9	987.9	922.6	955.7	979.2	998.0	1,018.5
20 EQUALS: Disposable personal income	5,355.7	5,608.3	5,886.6	5,695.8	5,790.5	5,849.9	5,908.9	5,996.9
21 LESS: Personal outlays	5,101.1	5,368.8	5,661.0	5,475.4	5,574.6	5,602.8	5,700.8	5,765.8
22 EQUALS: Personal saving	254.6	239.6	225.6	220.4	215.9	247.0	208.2	231.1
MEMO								
Per capita (chained 1992 dollars)								
23 Gross domestic product	25,615.7[r]	26,085.8	26,843.5	26,331.6	26,597.8	26,765.0	26,897.9	27,121.5
24 Personal consumption expenditures	17,459.2[r]	17,748.7[r]	18,177.2	17,847.8	18,045.2	18,053.9	18,255.7	18,359.3
25 Disposable personal income	18,861.0	19,116.0	19,497.0	19,152.0	19,331.0	19,439.0	19,518.0	19,700.0
26 Saving rate (percent)	4.8	4.3	3.8	3.9	3.7	4.2	3.5	3.9
GROSS SAVING								
27 **Gross saving**	**1,165.5**	**1,267.8**	n.a.	**1,303.0**	**1,332.9**	**1,396.9**	**1,411.6**	n.a.
28 Gross private saving	1,093.1	1,125.5	n.a.	1,131.4	1,134.0	1,178.1	1,159.6	n.a.
29 Personal saving	254.6	239.6	225.6	220.4	215.9	247.0	208.2	231.1
30 Undistributed corporate profits[1]	172.4	202.1	n.a.	212.6	211.5	217.6	230.0	n.a.
31 Corporate inventory valuation adjustment	−24.3	−2.5	4.9	3.3	3.5	5.9	3.6	6.5
Capital consumption allowances								
32 Corporate	428.9	452.3	475.7	462.0	467.4	472.6	478.0	484.8
33 Noncorporate	224.1	230.5	241.3	235.2	238.0	239.7	242.4	245.1
34 Gross government saving	72.4	142.3	n.a.	171.6	198.9	218.8	251.9	n.a.
35 Federal	−103.6	−39.3	n.a.	−5.9	15.9	34.7	60.8	n.a.
36 Consumption of fixed capital	70.9	71.2	71.6	71.3	71.4	71.5	71.6	71.9
37 Current surplus or deficit (−), national accounts	−174.4	−110.5	n.a.	−77.1	−55.5	−36.8	−10.8	n.a.
38 State and local	176.0	181.5	n.a.	177.5	182.9	184.1	191.1	n.a.
39 Consumption of fixed capital	72.9	76.2	79.5	77.2	78.2	79.2	79.7	80.8
40 Current surplus or deficit (−), national accounts	103.1	105.3	n.a.	100.4	104.7	104.9	111.4	n.a.
41 **Gross investment**	**1,137.2**	**1,207.9**	n.a.	**1,243.5**	**1,268.6**	**1,323.4**	**1,308.4**	n.a.
42 Gross private domestic investment	1,038.2	1,116.5	1,237.6	1,151.1	1,193.6	1,242.0	1,250.2	1,264.5
43 Gross government investment	213.4	224.3	226.9	225.3	223.3	227.4	227.1	229.7
44 Net foreign investment	−114.4	−132.9	n.a.	−132.9	−148.4	−146.0	−168.9	n.a.
45 **Statistical discrepancy**	**−28.2**	**−59.9**	n.a.	**−59.5**	**−64.3**	**−73.5**	**−103.2**	n.a.

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted[1]

Item credits or debits	1994	1995	1996	1996		1997		
				Q3	Q4	Q1	Q2	Q3[p]
1 Balance on current account	−133,538	−129,095	−148,184	−42,833	−36,874	−39,972	−37,852	−42,156
2 Merchandise trade balance[2]	−166,192	−173,560	−191,170	−52,493	−48,190	−49,787	−47,134	−51,549
3 Merchandise exports	502,398	575,871	612,069	150,764	157,846	162,527	171,411	170,579
4 Merchandise imports	−668,590	−749,431	−803,239	−203,257	−206,036	−212,314	−218,545	−222,128
5 Military transactions, net	1,874	3,866	3,786	792	1,295	437	1,048	1,040
6 Other service transactions, net	59,902	67,837	76,344	19,185	20,697	20,050	20,441	20,878
7 Investment income, net	9,723	6,808	2,824	−1,370	1,250	−1,990	−3,247	−3,321
8 U.S. government grants	−15,671	−11,096	−14,933	−2,690	−5,499	−2,109	−2,245	−2,252
9 U.S. government pensions and other transfers	−4,544	−3,420	−4,331	−1,064	−1,050	−1,083	−1,128	−1,099
10 Private remittances and other transfers	−18,630	−19,530	−20,704	−5,193	−5,377	−5,490	−5,587	−5,853
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	−352	−549	−690	162	−284	−21	−268	482
12 Change in U.S. official reserve assets (increase, −)	5,346	−9,742	6,668	7,489	−315	4,480	−236	−730
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−441	−808	370	848	−146	72	−133	−139
15 Reserve position in International Monetary Fund	494	−2,466	−1,280	−183	−28	1,055	54	−463
16 Foreign currencies	5,293	−6,468	7,578	6,824	−141	3,353	−157	−128
17 Change in U.S. private assets abroad (increase, −)	−165,510	−296,916	−358,422	−85,193	−153,837	−132,428	−90,431	−101,316
18 Bank-reported claims[3]	−4,200	−75,108	−98,186	−33,589	−66,657	−62,026	−27,947	...
19 Nonbank-reported claims	−31,739	−34,997	−64,234	−17,294	−26,115	−29,466	−3,984	−22,760
20 U.S. purchases of foreign securities, net	−60,309	−100,074	−108,189	−23,206	−30,200	−14,510	−21,841	−37,995
21 U.S. direct investments abroad, net	−69,262	−86,737	−87,813	−11,104	−30,865	−26,426	−36,659	−24,661
22 Change in foreign official assets in United States (increase, +)	40,385	110,729	122,354	24,089	33,097	28,891	−5,374	22,498
23 U.S. Treasury securities	30,750	68,977	111,253	25,472	33,564	23,289	−12,108	6,485
24 Other U.S. government obligations	6,077	3,735	4,381	1,217	1,854	651	644	2,663
25 Other U.S. government liabilities[4]	2,366	744	720	907	160	478	654	16
26 Other U.S. liabilities reported by U.S. banks[3]	3,665	34,008	4,722	−1,922	−4,270	7,698	4,536	12,705
27 Other foreign official assets[5]	−2,473	3,265	1,278	−1,585	1,789	−3,225	900	629
28 Change in foreign private assets in United States (increase, +)	256,952	340,505	425,201	134,540	161,482	153,347	148,389	147,042
29 U.S. bank-reported liabilities[3]	104,338	30,176	9,784	2,040	38,960	17,387	28,100	14,102
30 U.S. nonbank-reported liabilities	−7,710	34,588	31,786	20,610	−2,912	15,210	−7,916	...
31 Foreign private purchases of U.S. Treasury securities, net	57,674	111,848	172,878	50,798	75,326	51,289	49,915	43,494
32 Foreign purchases of other U.S. securities, net	56,971	96,367	133,798	35,115	32,447	38,820	51,682	60,770
33 Foreign direct investments in United States, net	45,679	67,526	76,955	25,977	17,661	30,641	26,608	21,076
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	−3,283	−14,931	−46,927	−38,254	−3,269	−14,297	−14,228	−25,820
36 Due to seasonal adjustment	...	...	...	−7,830	2,669	7,059	−1,713	−8,560
37 Before seasonal adjustment	−3,284	−14,931	−46,926	−30,424	−5,938	−21,356	−12,515	−17,260
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	5,346	−9,742	6,668	7,489	−315	4,480	−236	−730
39 Foreign official assets in United States, excluding line 25 (increase, +)	38,019	109,985	121,634	23,182	32,937	28,413	−6,028	22,482
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	−1,529	4,239	12,278	5,263	3,315	9,272	2,287	3,170

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.
2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.
3. Reporting banks include all types of depository institutions as well as some brokers and dealers.
4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1995	1996	1997	1997						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.p
1 Goods and services, balance	−101,857	−111,040	−113,747	−8,337	−9,744	−9,055	−11,228	−9,091	−8,676	−10,785
2 Merchandise	−173,560	−191,170	−198,935	−15,244	−16,848	−16,559	−18,538	−16,479	−15,722	−17,643
3 Services	71,703	80,130	85,188	6,907	7,104	7,504	7,310	7,388	7,046	6,858
4 Goods and services, exports	794,610	848,833	932,322	78,365	77,845	78,890	78,116	80,230	78,971	80,019
5 Merchandise	575,871	612,069	678,348	57,378	56,745	57,326	56,370	58,450	57,586	58,674
6 Services	218,739	236,764	253,974	20,987	21,100	21,564	21,746	21,780	21,385	21,345
7 Goods and services, imports	−896,467	−959,873	−1,046,068	−86,702	−87,589	−87,945	−89,344	−89,321	−87,647	−90,804
8 Merchandise	−749,431	−803,239	−877,282	−72,622	−73,593	−73,885	−74,908	−74,929	−73,308	−76,317
9 Services	−147,036	−156,634	−168,786	−14,080	−13,996	−14,060	−14,436	−14,392	−14,339	−14,487

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900*, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1994	1995	1996	1997							1998
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.p
1 **Total**	**74,335**	**85,832**	**75,090**	**67,813**	**66,120**	**66,640**	**67,148**	**68,036**	**67,112**	**69,954**	**70,004**
2 Gold stock, including Exchange Stabilization Fund[1]	11,051	11,050	11,049	11,050	11,051	11,050	11,050	11,050	11,050	11,050	11,047
3 Special drawing rights[2,3]	10,039	11,037	10,312	10,023	9,810	9,985	9,997	10,132	10,120	10,027	9,998
4 Reserve position in International Monetary Fund[2]	12,030	14,649	15,435	13,805	13,677	13,959	14,042	14,243	14,571	18,071	18,039
5 Foreign currencies[4]	41,215	49,096	38,294	32,935	31,582	31,646	32,059	32,611	31,371	30,809	30,920

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.
2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.
3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Asset	1994	1995	1996	1997							1998
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.p
1 **Deposits**	**250**	**386**	**167**	**178**	**175**	**169**	**188**	**190**	**167**	**457**	**215**
Held in custody											
2 U.S. Treasury securities[2]	441,866	522,170	638,049	652,077	653,157	660,461	655,406	638,100	635,092	620,885	625,219
3 Earmarked gold[3]	12,033	11,702	11,197	10,794	10,793	10,793	10,793	10,793	10,793	10,763	10,709

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.
3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1995	1996	1997						
			June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 **Total**[1]	**630,918**	**758,624**	**781,245**	**781,414**	**793,548**	**803,621**	**798,596**	**791,253**	**776,477**
By type									
2 Liabilities reported by banks in the United States[2]	107,394	113,098	125,785	129,797	128,628	138,176	153,704	147,745	134,825
3 U.S. Treasury bills and certificates[3]	168,534	198,921	163,950	161,270	165,453	161,610	153,283	150,102	148,301
U.S. Treasury bonds and notes									
4 Marketable	293,690	379,497	425,347	422,934	431,169	434,260	421,412	422,879	422,568
5 Nonmarketable[4]	6,491	5,968	5,767	5,804	5,841	5,879	5,919	5,955	5,994
6 U.S. securities other than U.S. Treasury securities[5]	54,809	61,140	60,396	61,609	62,457	63,696	64,278	64,572	64,789
By area									
7 Europe[1]	222,406	257,915	274,026	272,159	272,566	276,594	280,489	272,630	262,928
8 Canada	19,473	21,295	20,582	21,112	20,959	21,233	19,418	19,275	18,749
9 Latin America and Caribbean	66,721	80,623	88,838	93,117	94,262	94,754	90,190	94,134	97,310
10 Asia	311,016	385,484	382,911	380,702	390,584	394,551	391,541	389,839	380,787
11 Africa	6,296	7,379	8,890	8,882	8,934	10,218	9,812	9,542	10,118
12 Other countries	5,004	5,926	5,996	5,440	6,241	6,269	7,144	5,831	6,583

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero-coupon Treasury bond issues to foreign governments as follows: Mexico, beginning March 1988, 20-year maturity issue and beginning March 1990, 30-year maturity issue; Venezuela, beginning December 1990, 30-year maturity issue; Argentina, beginning April 1993, 30-year maturity issue.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1993	1994	1995	1996	1997		
				Dec.	Mar.	June	Sept.
1 Banks' liabilities	78,259	89,258	109,713	103,383	109,238	109,433	118,477
2 Banks' claims	62,017	60,711	74,016	66,018	72,589	84,623	89,568
3 Deposits	20,993	19,661	22,696	22,467	24,542	26,461	28,961
4 Other claims	41,024	41,050	51,320	43,551	48,047	58,162	60,607
5 Claims of banks' domestic customers[2]	12,854	10,878	6,145	10,978	10,196	10,265	10,210

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Item	1995	1996	1997	1997						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**1,099,549**	**1,162,148**	**1,277,200**	**1,184,712**	**1,200,323**	**1,192,443**	**1,198,563**	**1,225,798[r]**	**1,240,322**	**1,277,200**
2 Banks' own liabilities	753,461	758,998	877,082	801,908	807,103	788,607	797,480	824,419[r]	834,048	877,082
3 Demand deposits	24,448	27,034	32,079	29,545	27,655	27,107	28,332	33,551	35,742	32,079
4 Time deposits[2]	192,558	186,910	193,243	186,904	189,352	190,465	187,475	193,424	191,691	193,243
5 Other[3]	140,165	143,510	167,704	166,849	177,279	162,026	171,113	193,960[r]	181,006	167,704
6 Own foreign offices[4]	396,290	401,544	484,056	418,610	412,817	409,009	410,560	403,484[r]	425,609	484,056
7 Banks' custodial liabilities[5]	346,088	403,150	400,118	382,804	393,220	403,836	401,083	401,379	406,274	400,118
8 U.S. Treasury bills and certificates[6]	197,355	236,874	193,446	205,792	202,630	209,121	205,946	200,215	196,476	193,446
9 Other negotiable and readily transferable instruments[7]	52,200	72,011	93,483	75,235	88,057	89,096	90,686	95,108	99,882	93,483
10 Other	96,533	94,265	113,189	101,777	102,533	105,619	104,451	106,056	109,916	113,189
11 Nonmonetary international and regional organizations[8]	11,039	13,972	11,528	13,952	11,796	10,569	11,806	13,914	12,469	11,528
12 Banks' own liabilities	10,347	13,355	11,324	13,496	11,384	10,068	11,524	13,509	12,205	11,324
13 Demand deposits	21	29	16	775	86	217	771	36	43	16
14 Time deposits[2]	4,656	5,784	5,254	6,669	4,726	4,879	5,967	5,161	6,310	5,254
15 Other[3]	5,670	7,542	6,054	6,052	6,572	4,972	4,786	8,312	5,852	6,054
16 Banks' custodial liabilities[5]	692	617	204	456	412	501	282	405	264	204
17 U.S. Treasury bills and certificates[6]	350	352	69	65	47	166	53	148	46	69
18 Other negotiable and readily transferable instruments[7]	341	265	133	383	365	314	229	257	217	133
19 Other	1	0	2	8	0	21	0	0	1	2
20 Official institutions[9]	275,928	312,019	283,126	289,735	291,067	294,081	299,786	306,987	297,847	283,126
21 Banks' own liabilities	83,447	79,406	101,409	97,680	102,366	99,111	105,354	118,054	109,937	101,409
22 Demand deposits	2,098	1,511	2,311	1,482	1,711	2,198	1,745	2,034	1,891	2,311
23 Time deposits[2]	30,717	33,336	41,222	39,849	42,145	40,301	39,884	41,670	39,666	41,222
24 Other[3]	50,632	44,559	57,876	56,349	58,510	56,612	63,725	74,350	68,380	57,876
25 Banks' custodial liabilities[5]	192,481	232,613	181,717	192,055	188,701	194,970	194,432	188,933	187,910	181,717
26 U.S. Treasury bills and certificates[6]	168,534	198,921	148,301	163,950	161,270	165,453	161,610	153,283	150,102	148,301
27 Other negotiable and readily transferable instruments[7]	23,603	33,266	33,211	27,676	26,878	29,349	32,315	35,236	37,374	33,211
28 Other	344	426	205	429	553	168	507	414	434	205
29 Banks[10]	691,412	694,835	815,388	727,626	734,459	730,322	723,002	733,017[r]	765,607	815,388
30 Banks' own liabilities	567,834	562,898	641,626	575,788	573,819	566,366	562,218	568,398[r]	595,677	641,626
31 Unaffiliated foreign banks	171,544	161,354	157,570	157,178	161,002	157,357	151,658	164,914	170,068	157,570
32 Demand deposits	11,758	13,692	17,515	14,800	13,700	13,323	13,852	18,354	21,317	17,515
33 Time deposits[2]	103,471	89,765	83,804	79,281	80,131	81,890	76,443	83,172	84,591	83,804
34 Other[3]	56,315	57,897	56,251	63,097	67,171	62,144	61,363	63,388	64,160	56,251
35 Own foreign offices[4]	396,290	401,544	484,056	418,610	412,817	409,009	410,560	403,484[r]	425,609	484,056
36 Banks' custodial liabilities[5]	123,578	131,937	173,762	151,838	160,640	163,956	160,784	164,619	169,930	173,762
37 U.S. Treasury bills and certificates[6]	15,872	23,106	31,915	27,115	28,642	30,629	30,012	33,085	32,995	31,915
38 Other negotiable and readily transferable instruments[7]	13,035	17,027	35,333	28,866	35,522	33,960	32,886	32,065	33,826	35,333
39 Other	94,671	91,804	106,514	95,857	96,476	99,367	97,886	99,469	103,109	106,514
40 Other foreigners	121,170	141,322	167,158	153,399	163,001	157,471	163,969	171,880[r]	164,399	167,158
41 Banks' own liabilities	91,833	103,339	122,723	114,944	119,534	113,062	118,384	124,458[r]	116,229	122,723
42 Demand deposits	10,571	11,802	12,237	12,488	12,158	11,369	11,964	13,127	12,491	12,237
43 Time deposits[2]	53,714	58,025	62,963	61,105	62,350	63,395	65,181	63,421	61,124	62,963
44 Other[3]	27,548	33,512	47,523	41,351	45,026	38,298	41,239	47,910[r]	42,614	47,523
45 Banks' custodial liabilities[5]	29,337	37,983	44,435	38,455	43,467	44,409	45,585	47,422	48,170	44,435
46 U.S. Treasury bills and certificates[6]	12,599	14,495	13,161	14,662	12,671	12,873	14,271	13,699	13,333	13,161
47 Other negotiable and readily transferable instruments[7]	15,221	21,453	24,806	18,310	25,292	25,473	25,256	27,550	28,465	24,806
48 Other	1,517	2,035	6,468	5,483	5,504	6,063	6,058	6,173	6,372	6,468
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	9,103	14,573	16,046	15,771	16,453	16,040	15,872	15,485	16,553	16,046

1. Reporting banks include all types of depository institutions as well as some brokers and dealers. Excludes bonds and notes of maturities longer than one year.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks for foreign customers.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

Item	1995	1996	1997	1997						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.[p]
AREA										
50 **Total, all foreigners**	**1,099,549**	**1,162,148**	**1,277,200**	**1,184,712**	**1,200,323**	**1,192,443**	**1,198,563**	**1,225,798[r]**	**1,240,322**	**1,277,200**
51 **Foreign countries**	**1,088,510**	**1,148,176**	**1,265,672**	**1,170,760**	**1,188,527**	**1,181,874**	**1,186,757**	**1,211,884[r]**	**1,227,853**	**1,265,672**
52 Europe	362,819	376,590	420,291	395,718	411,680	407,700	402,063	418,988	425,619	420,291
53 Austria	3,537	5,128	2,721	3,252	3,257	3,404	2,691	2,679	2,319	2,721
54 Belgium and Luxembourg	24,792	24,084	41,003	41,286	45,291	46,063	43,436	46,067	46,258	41,003
55 Denmark	2,921	2,565	1,514	2,098	2,289	1,736	2,867	2,359	2,157	1,514
56 Finland	2,831	1,958	2,246	1,851	1,814	1,751	2,163	1,997	1,969	2,246
57 France	39,218	35,078	46,607	41,211	43,464	41,213	43,065	45,057	45,688	46,607
58 Germany	24,035	24,660	23,737	26,086	24,978	22,626	25,201	22,117	23,040	23,737
59 Greece	2,014	1,835	1,515	1,701	1,726	1,592	2,086	2,075	1,229	1,515
60 Italy	10,868	10,946	11,378	10,191	9,490	9,179	9,852	11,449	10,713	11,378
61 Netherlands	13,745	11,110	7,385	8,292	8,440	7,823	8,388	8,119	7,010	7,385
62 Norway	1,394	1,288	317	841	846	604	1,321	1,022	1,793	317
63 Portugal	2,761	3,562	2,262	2,582	2,075	1,931	1,958	1,888	1,987	2,262
64 Russia	7,948	7,623	7,968	12,302	13,604	13,216	12,784	11,722	6,938	7,968
65 Spain	10,011	17,707	18,989	16,274	15,158	15,203	17,796	21,934	20,921	18,989
66 Sweden	3,246	1,623	1,628	1,514	1,925	2,317	2,024	1,348	1,614	1,628
67 Switzerland	43,625	44,538	39,258	39,124	44,283	41,076	36,862	37,075[r]	39,665	39,258
68 Turkey	4,124	6,738	4,054	6,545	6,594	5,933	4,736	4,661	4,218	4,054
69 United Kingdom	139,183	153,420	181,824	156,127	161,672	167,914	158,849	165,199	177,781	181,824
70 Yugoslavia[11]	177	206	239	228	267	244	243	233	234	239
71 Other Europe and other former U.S.S.R.[12]	26,389	22,521	25,646	24,213	24,507	23,875	25,741	31,987[r]	30,085	25,646
72 Canada	30,468	38,920	28,341	37,976	30,445	27,629	29,592	30,282	30,921	28,341
73 Latin America and Caribbean	440,213	467,529	530,332	496,530	500,824	496,658	502,648	501,854	499,265	530,332
74 Argentina	12,235	13,877	20,193	18,229	17,100	18,033	16,643	17,557	18,214	20,193
75 Bahamas	94,991	88,895	113,016	90,166	92,136	86,271	86,914	89,630	92,389	113,016
76 Bermuda	4,897	5,527	7,036	5,358	5,919	7,786	6,084	6,209	6,012	7,036
77 Brazil	23,797	27,701	30,107	26,058	28,340	31,567	33,575	31,675	32,609	30,107
78 British West Indies	239,083	251,465	270,407	272,447	265,291	268,485	273,570	270,004	263,770	270,407
79 Chile	2,826	2,915	4,072	3,371	3,440	3,353	3,327	3,579	3,283	4,072
80 Colombia	3,659	3,256	3,630	2,836	2,652	2,587	2,657	3,395	3,266	3,630
81 Cuba	8	21	66	55	54	60	55	71	57	66
82 Ecuador	1,314	1,767	2,078	1,466	1,640	1,512	1,508	1,671	1,704	2,078
83 Guatemala	1,276	1,282	1,494	1,497	1,455	1,389	1,449	1,399	1,361	1,494
84 Jamaica	481	628	450	465	532	534	523	481	445	450
85 Mexico	24,560	31,240	33,971	33,111	34,779	30,804	32,640	32,748	32,668	33,971
86 Netherlands Antilles	4,673	6,099	5,078	6,134	10,986	8,286	7,566	6,059	4,987	5,078
87 Panama	4,264	4,099	4,239	3,976	4,424	3,805	3,835	4,107	4,291	4,239
88 Peru	974	834	893	919	958	1,006	904	917	907	893
89 Uruguay	1,836	1,890	2,382	2,153	2,392	2,070	1,997	2,184	2,247	2,382
90 Venezuela	11,808	17,363	21,539	19,197	19,124	20,159	20,580	20,639	22,050	21,539
91 Other	7,531	8,670	9,681	9,092	9,602	8,951	8,821	9,529	9,005	9,681
92 Asia	240,595	249,083	269,157	222,848	227,759	231,017	234,560	242,074[r]	255,047	269,157
China										
93 Mainland	33,750	30,438	18,238	7,283	9,480	10,450	12,664	16,244	17,443	18,238
94 Taiwan	11,714	15,995	11,700	12,363	13,464	11,803	13,460	15,207	13,586	11,700
95 Hong Kong	20,197	18,789	17,759	20,236	18,737	17,647	18,533	19,755[r]	18,886	17,759
96 India	3,373	3,930	4,567	4,241	4,555	4,474	4,451	5,131	4,913	4,567
97 Indonesia	2,708	2,298	3,554	2,531	2,817	3,737	2,810	4,568	3,092	3,554
98 Israel	4,041	6,051	6,283	5,751	5,180	5,202	4,534	4,200	3,745	6,283
99 Japan	109,193	117,316	143,404	118,413	118,410	119,581	118,536	116,852	133,697	143,404
100 Korea (South)	5,749	5,949	12,955	7,657	8,928	9,646	9,327	8,597[r]	9,982	12,955
101 Philippines	3,092	3,378	3,250	2,469	2,908	2,541	2,409	2,505	2,558	3,250
102 Thailand	12,279	10,912	6,501	6,159	5,262	4,956	6,545	6,988	5,854	6,501
103 Middle Eastern oil-exporting countries[13]	15,582	16,285	14,959	13,086	14,306	15,325	14,279	14,436	14,017	14,959
104 Other	18,917	17,742	25,987	22,659	23,712	25,655	27,012	27,591	27,274	25,987
105 Africa	7,641	8,116	10,343	9,970	9,734	9,731	10,380	10,310	9,520	10,343
106 Egypt	2,136	2,012	1,663	1,986	1,921	1,973	2,050	1,742	1,836	1,663
107 Morocco	104	112	138	65	112	94	99	105	69	138
108 South Africa	739	458	2,158	1,758	1,697	1,694	2,047	2,028	1,615	2,158
109 Zaire	10	10	10	17	8	7	14	3	5	10
110 Oil-exporting countries[14]	1,797	2,626	3,060	3,153	2,981	3,211	3,280	3,194	2,948	3,060
111 Other	2,855	2,898	3,314	2,991	3,015	2,752	2,890	3,238	3,047	3,314
112 Other	6,774	7,938	7,208	7,718	8,085	9,139	7,514	8,376	7,481	7,208
113 Australia	5,647	6,479	6,304	6,433	6,782	7,917	6,391	7,284	6,283	6,304
114 Other	1,127	1,459	904	1,285	1,303	1,222	1,123	1,092	1,198	904
115 Nonmonetary international and regional organizations	11,039	13,972	11,528	13,952	11,796	10,569	11,806	13,914	12,469	11,528
116 International[15]	9,300	12,099	10,255	12,297	10,341	9,434	10,634	11,943	10,926	10,255
117 Latin American regional[16]	893	1,339	524	1,071	794	579	708	1,277	1,053	524
118 Other regional[17]	846	534	749	584	661	556	464	694	490	749

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
14. Comprises Algeria, Gabon, Libya, and Nigeria.
15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.
16. Principally the Inter-American Development Bank.
17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Area or country	1995	1996	1997	1997 June	July	Aug.	Sept.	Oct.	Nov.	Dec.[p]
1 **Total, all foreigners**	**532,444**	**599,925**	**704,762**	**651,457**	**646,504**	**650,453**	**656,676**	**681,634[r]**	**699,515**	**704,762**
2 **Foreign countries**	**530,513**	**597,321**	**702,525**	**649,527**	**645,351**	**648,036**	**654,633**	**679,886[r]**	**697,029**	**702,525**
3 Europe	132,150	165,769	199,881	192,392	186,365	189,759	199,261	213,886	215,397	199,881
4 Austria	565	1,662	1,385	1,394	1,690	1,739	1,371	1,913	2,034	1,385
5 Belgium and Luxembourg	7,624	6,727	6,739	8,164	8,094	8,124	7,847	8,347	7,461	6,739
6 Denmark	403	492	980	981	806	811	1,082	896	844	980
7 Finland	1,055	971	1,233	1,414	1,247	1,773	1,889	1,808	1,259	1,233
8 France	15,033	15,246	16,235	16,759	18,689	16,232	17,531	17,043	19,893	16,235
9 Germany	9,263	8,472	12,666	10,024	8,351	8,685	11,724	11,617	13,305	12,666
10 Greece	469	568	402	630	461	481	499	463	401	402
11 Italy	5,370	6,457	6,327	7,865	7,443	8,015	7,670	7,146	6,870	6,327
12 Netherlands	5,346	7,117	6,154	10,687	12,050	11,083	11,548	11,504	11,496	6.154
13 Norway	665	808	591	750	745	849	1.713	1,419	2,080	591
14 Portugal	888	418	777	468	439	732	563	615	695	777
15 Russia	660	1.669	1,248	2,020	2,098	2,192	1,927	2,054	2,207	1,248
16 Spain	2,166	3,211	2,941	6,811	6,496	6,175	5,431	6,624	6,338	2,941
17 Sweden	2,080	1,739	1,854	2,539	1,740	1,639	1,659	1,838	1,804	1,854
18 Switzerland	7,474	19,798	28,841	22,523	24,883	24,338	25,393	29.980	29,599	28,841
19 Turkey	803	1,109	1,571	1,392	1,362	1,305	1,410	1,424	1,572	1,571
20 United Kingdom	67,784	85,234	102,876	94,070	84,162	90,226	93,825	102,405	100,870	102,876
21 Yugoslavia[2]	147	115	52	75	75	76	75	75	74	52
22 Other Europe and other former U.S.S.R.[3]	4,355	3,956	7,009	3,826	5,534	5,284	6,104	6,715	6,595	7,009
23 Canada	20,874	26,436	27,168	35,916	26,289	24,442	23,513	22,824[r]	24.765	27,168
24 Latin America and Caribbean	256,944	274,153	342,812	281,258	300,339	298,786	302,528	303,877[r]	317,478	342,812
25 Argentina	6,439	7,400	8,914	7,293	7,088	7,277	7,243	8,138	8,757	8,914
26 Bahamas	58,818	71,871	88,372	66,804	69,819	70,031	66,074	73,837	72.739	88,372
27 Bermuda	5,741	4,129	8,782	7,112	8,252	9,829	9,342	8,097	6.552	8,782
28 Brazil	13,297	17,259	20,919	18,757	18,879	19,249	19,422	20,127[r]	20,382	20,919
29 British West Indies	124,037	105,510	146,353	122,088	134,438	128,373	133,778	133,310[r]	141,801	146,353
30 Chile	4,864	5,136	7,913	5,599	5,686	5,919	6,235	7,189	7,783	7.913
31 Colombia	4,550	6,247	6,936	6,324	6,419	6,608	6,543	6,862	6,968	6,936
32 Cuba	0	0	0	0	0	0	0	0	3	0
33 Ecuador	825	1,031	1,311	1,132	1,165	1,199	1,218	1,307	1,292	1,311
34 Guatemala	457	620	886	651	679	689	764	760	787	886
35 Jamaica	323	345	674	336	359	375	374	364	405	674
36 Mexico	18,024	18,425	19,144	19,201	19,585	18,680	18,770	18,584	18,904	19,144
37 Netherlands Antilles	9,229	25,209	17,874	14,016	15,759	18,399	20,325	12,274	17,064	17,874
38 Panama	3,008	2,786	4,336	3,183	3,272	3,482	3,566	3,957	4,089	4,336
39 Peru	1,829	2,720	3,490	2,597	2,697	2,850	3,060	3,184	3,456	3,490
40 Uruguay	466	589	626	705	778	702	728	709	651	626
41 Venezuela	1,661	1,702	2,157	1,801	1,734	1,750	1,716	1,636	1,915	2,157
42 Other	3,376	3,174	4,125	3,659	3,730	3,374	3,370	3,542	3,930	4,125
43 Asia	115,336	122,478	122,802	129,761	122,517	124,927	120,807	129,589	129,890	122,802
China										
44 Mainland	1,023	1,401	1,566	2,036	2,385	2,574	2,798	2,345	2.102	1,566
45 Taiwan	1,713	1,894	921	1,851	1,523	1,521	1,250	1,271	1,000	921
46 Hong Kong	12,821	12,802	13,995	16,014	12,247	13,188	13,573	15,343	15,156	13,995
47 India	1,846	1,946	2,205	2,342	2,184	2,110	2,086	2,360	2,501	2,205
48 Indonesia	1,696	1,762	2,564	2,539	2,524	2.579	2,713	2,698	2,746	2,564
49 Israel	739	633	768	631	855	749	907	1,539	1,201	768
50 Japan	61,468	59,967	59,547	59,679	55,592	54,427	52,480	59,437	60,195	59,547
51 Korea (South)	13,975	18,901	16,005	20,606	21,274	21,690	19,978	19,922	19,253	16,005
52 Philippines	1,318	1,697	1,689	2,119	1,723	1,834	1,670	1,455	1,533	1,689
53 Thailand	2,612	2,679	2,260	3,187	2,825	2,641	2,479	2,317	2,180	2,260
54 Middle Eastern oil-exporting countries[4]	9,639	10,424	10,805	9,115	9,751	9,503	7,988	8,490	8,909	10,805
55 Other	6,486	8,372	10,477	9,642	9.634	12,111	12,885	12,412	13,114	10,477
56 Africa	2,742	2,776	3,523	3,273	3,125	3,281	3,464	3,342	3,332	3,523
57 Egypt	210	247	247	312	267	288	251	245	282	247
58 Morocco	514	524	511	465	463	554	547	599	412	511
59 South Africa	465	584	808	602	493	489	655	557	743	808
60 Zaire	1	0	0	0	0	0	0	0	0	0
61 Oil-exporting countries[5]	552	420	1,204	1,129	1,134	1,178	1,123	1,111	1,091	1,204
62 Other	1,000	1,001	753	765	768	772	888	830	804	753
63 Other	2,467	5,709	6,339	6,927	6,716	6,841	5,060	6,368	6,167	6,339
64 Australia	1,622	4,577	5,299	5,042	4,938	5.266	4,314	5,296	4,962	5,299
65 Other	845	1,132	1,040	1,885	1,778	1,575	746	1,072	1,205	1,040
66 Nonmonetary international and regional organizations[6]	1,931	2,604	2,237	1,930	1,153	2,417	2,043	1,748	2.486	2,237

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1995	1996	1997	1997						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.[p]
1 **Total**	**655,211**	**743,919**	...	**813,714**	..	..	**826,669**	...	.	..
2 Banks' claims	532,444	599,925	704,762	651,457	646,504	650,453	656,676	682,894	698,937	704,762
3 Foreign public borrowers	22,518	22,216	20,771	29,399	26,923	28,263	30,287	29,795	28,112	20,771
4 Own foreign offices[2]	307,427	341,574	428,616	379,426	370,506	370,599	374,443	401,467	408,509	428,616
5 Unaffiliated foreign banks	101,595	113,682	109,139	119,545	117,694	115,343	104,749	115,298	122,813	109,139
6 Deposits	37,771	33,826	29,635	35,794	36,006	35,436	29,509	30,358	32,373	29,635
7 Other	63,824	79,856	79,504	83,751	81,688	79,907	75,240	84,940	90,440	79,504
8 All other foreigners	100,904	122,453	146,236	123,087	131,381	136,248	147,197	136,334	139,503	146,236
9 Claims of banks' domestic customers[3]	122,767	143,994	.	162,257	..	.	169,993	..	.	..
10 Deposits	58,519	77,657	.	94,591	.	.	101,683	...	.	.
11 Negotiable and readily transferable instruments[4]	44,161	51,207		50,301	.	..	50,291	...		...
12 Outstanding collections and other claims	20,087	15,130	...	17,365	...	...	18,019	..	...	..
MEMO										
13 Customer liability on acceptances	8,410	10,388	...	11,437	...	.	10,854	..	...	.
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	30,717	39,661	n.a.	36,210	38,213	45,342	38,181	39,076	37,395	n.a.

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.

Reporting banks include all types of depository institution as well as some brokers and dealers.

2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and from foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.

3. Assets held by reporting banks in the accounts of their domestic customers.

4. Principally negotiable time certificates of deposit, bankers acceptances, and commercial paper.

5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1993	1994	1995	1996	1997		
				Dec.	Mar.	June	Sept.
1 **Total**	**202,566**	**202,282**	**224,932**	**258,106**	**276,025**	**271,894**	**282,234**
By borrower							
2 Maturity of one year or less	172,662	170,411	178,857	211,859	223,721	211,140	219,343
3 Foreign public borrowers	17,828	15,435	14,995	15,411	19,876	17,979	21,535
4 All other foreigners	154,834	154,976	163,862	196,448	203,845	193,161	197,808
5 Maturity of more than one year	29,904	31,871	46,075	46,247	52,304	60,754	62,891
6 Foreign public borrowers	10,874	7,838	7,522	6,790	8,835	11,220	8,752
7 All other foreigners	19,030	24,033	38,553	39,457	43,469	49,534	54,139
By area							
Maturity of one year or less							
8 Europe	57,413	56,381	55,622	55,690	74,888	69,233	69,213
9 Canada	7,727	6,690	6,751	8,339	10,423	10,320	8,460
10 Latin America and Caribbean	60,490	59,583	72,504	103,254	96,892	87,059	99,902
11 Asia	41,418	40,567	40,296	38,078	36,478	38,434	36,030
12 Africa	1,820	1,379	1,295	1,316	1,451	1,899	2,157
13 All other[3]	3,794	5,811	2,389	5,182	3,589	4,195	3,581
Maturity of more than one year							
14 Europe	5,310	4,358	4,995	6,965	9,512	11,835	11,198
15 Canada	2,581	3,505	2,751	2,645	2,934	3,164	3,832
16 Latin America and Caribbean	14,025	15,717	27,681	24,943	26,797	31,001	34,873
17 Asia	5,606	5,323	7,941	9,392	10,773	12,510	10,394
18 Africa	1,935	1,583	1,421	1,361	1,204	1,264	1,236
19 All other[3]	447	1,385	1,286	941	1,084	980	1,358

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.

2. Maturity is time remaining until maturity.

3. Includes nonmonetary international and regional organizations.

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

Billions of dollars, end of period

Area or country	1993	1994	1995 Sept.	1995 Dec.	1996 Mar.	1996 June	1996 Sept.	1996 Dec.	1997 Mar.	1997 June	1997 Sept.
1 **Total**	**409.5**	**499.5**	**535.3**	**551.9**	**574.7**	**614.9**	**587.9**	**646.9**	**649.2**	**680.6[r]**	**714.2[r]**
2 G-10 countries and Switzerland	161.9	191.2	203.0	206.0	203.4	229.0	221.7	229.9	233.0	251.8	249.7[r]
3 Belgium and Luxembourg	7.4	7.2	11.0	13.6	11.0	11.4	11.3	11.7	14.1	9.4[r]	11.4[r]
4 France	12.0	19.1	18.0	19.4	17.9	18.0	17.4	16.6	19.7	17.9	20.2[r]
5 Germany	12.6	24.7	27.5	27.3	31.5	33.5	35.5	31.4	33.7	35.8	36.6
6 Italy	7.7	11.8	12.6	11.5	13.2	14.9	15.2	16.0	14.4	20.2	19.3
7 Netherlands	4.7	3.6	4.5	3.7	3.1	4.7	5.9	4.0	4.5	6.4	7.2
8 Sweden	2.7	2.7	2.9	2.7	3.3	2.7	3.0	2.6	3.4	3.6	4.1
9 Switzerland	5.9	5.1	6.6	6.7	5.2	6.3	6.3	5.3	6.0	5.4	4.8
10 United Kingdom	84.4	85.8	80.4	82.4	84.7	101.6	90.5	104.7	99.2	110.6	108.3[r]
11 Canada	6.9	10.0	12.9	10.3	10.8	12.2	14.8	14.0	16.3	15.7	15.1
12 Japan	17.6	21.1	26.6	28.5	22.7	23.6	21.7	23.7	21.7	26.8	22.6
13 Other industrialized countries	26.5	45.7	50.5	50.2	61.3	55.5	62.1	65.7	66.4	71.7	73.8
14 Austria	.7	1.1	1.2	.9	1.3	1.2	1.0	1.1	1.9	1.5	1.7
15 Denmark	1.0	1.3	1.8	2.6	3.4	3.3	1.7	1.5	1.7	2.8	3.7
16 Finland	.4	.9	.7	.8	.7	.6	.6	.8	.7	1.4	1.9
17 Greece	3.2	4.5	5.1	5.7	5.6	5.6	6.1	6.7	6.3	6.1	6.2
18 Norway	1.7	2.0	2.3	3.2	2.1	2.3	3.0	8.0	5.3	4.7	4.6
19 Portugal	.8	1.2	1.9	1.3	1.6	1.6	1.4	.9	1.0	1.1	1.4
20 Spain	9.9	13.6	13.3	11.6	17.5	13.6	16.1	13.2	14.4	15.4	13.9
21 Turkey	2.1	1.6	2.0	1.9	2.0	2.3	2.8	2.7	2.8	3.4	4.4
22 Other Western Europe	3.2	3.2	3.3	4.7	3.8	3.4	4.8	4.7	6.3	5.5	6.1
23 South Africa	1.1	1.0	1.3	1.2	1.7	2.0	1.7	2.0	1.9	1.9	1.9
24 Australia	2.3	15.4	17.4	16.4	21.7	19.6	22.8	24.0	24.4	27.8	28.1
25 OPEC[2]	17.6	24.1	22.7	22.1	21.2	20.1	19.2	19.7	21.8	22.3[r]	22.9[r]
26 Ecuador	.5	.5	.7	.7	.8	.9	.9	1.1	1.1	.9	1.2
27 Venezuela	5.1	3.7	3.0	2.7	2.9	2.3	2.3	2.4	1.9	2.1	2.2
28 Indonesia	3.3	3.8	4.4	4.8	4.7	4.9	5.4	5.2	4.9	5.6	6.5
29 Middle East countries	7.6	15.3	13.9	13.3	12.3	11.5	10.2	10.7	13.2	12.5[r]	11.8[r]
30 African countries	1.2	.9	.6	.6	.6	.5	.4	.4	.7	1.2	1.1
31 Non-OPEC developing countries	83.2	96.0	104.1	112.6	118.6	126.5	124.4	130.3	128.1	140.6[r]	136.9[r]
Latin America											
32 Argentina	7.7	11.2	10.9	12.9	12.7	14.1	15.0	14.3	14.3	16.4	17.1[r]
33 Brazil	12.0	8.4	13.6	13.7	18.3	21.7	17.8	20.7	22.0	27.3	26.1[r]
34 Chile	4.7	6.1	6.4	6.8	6.4	6.7	6.6	7.0	6.8	7.6	7.9
35 Colombia	2.1	2.6	2.9	2.9	2.9	2.8	3.1	4.1	3.7	3.3	3.4
36 Mexico	17.9	18.4	16.3	17.3	16.1	15.4	16.3	16.2	17.2	16.6	16.4[r]
37 Peru	.4	.5	.7	.8	.9	1.2	1.3	1.6	1.6	1.4	1.8
38 Other	3.1	2.7	2.6	2.8	3.1	3.0	3.0	3.3	3.4	3.4	3.6
Asia											
China											
39 Mainland	2.0	1.1	1.7	1.8	3.3	2.9	2.6	2.5	2.7	3.6	4.3
40 Taiwan	7.3	9.2	9.0	9.4	9.7	9.8	10.4	10.3	10.5	10.6	9.7
41 India	3.2	4.2	4.4	4.4	4.7	4.2	3.8	4.3	4.9	5.3	4.9
42 Israel	.5	.4	.5	.5	.5	.6	.5	.5	.6	.8	1.0
43 Korea (South)	6.7	16.2	18.0	19.1	19.3	21.7	21.9	21.5	14.6	16.3	16.2
44 Malaysia	4.4	3.1	4.3	4.4	5.2	5.3	5.5	6.0	6.5	6.4	5.6
45 Philippines	3.1	3.3	3.3	4.1	3.9	4.7	5.4	5.8	6.0	7.0	5.7
46 Thailand	3.1	2.1	3.9	4.9	5.2	5.4	4.8	5.7	6.8	7.3	6.2
47 Other Asia	3.1	4.7	3.7	4.5	4.3	4.8	4.1	4.1	4.3	4.7	4.5
Africa											
48 Egypt	.4	.3	.4	.4	.5	.5	.6	.7	.9	1.1	.9
49 Morocco	.7	.6	.9	.7	.7	.8	.7	.7	.6	.7[r]	.7
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.1	.0	.0	.0
51 Other Africa[3]	.8	.8	.8	.9	.8	.8	1.0	.9	.9	.9	.9
52 Eastern Europe	3.2	2.7	3.4	4.2	6.3	5.1	5.3	6.9	8.9	7.1	9.8[r]
53 Russia[4]	1.6	.8	.6	1.0	1.4	1.0	1.8	3.7	3.5	4.2	5.1[r]
54 Other	1.6	1.9	2.8	3.2	4.9	4.1	3.5	3.2	5.4	2.9	4.7
55 Offshore banking centers	73.5	72.9	87.5	99.2	101.3	106.1	105.2	134.7	131.3	129.6	140.3[r]
56 Bahamas	10.9	10.2	12.6	11.0	13.9	17.3	14.2	20.3	20.9	16.1	19.8
57 Bermuda	8.9	8.4	6.1	6.3	5.3	4.1	4.0	4.5	6.7	7.9	9.8
58 Cayman Islands and other British West Indies	18.4	21.4	25.1	32.4	28.8	26.1	32.0	37.2	32.8	35.1	45.7
59 Netherlands Antilles	2.8	1.6	5.7	10.3	11.1	13.2	11.7	26.1	19.9	15.8	21.7
60 Panama[5]	2.4	1.3	1.3	1.4	1.6	1.7	1.7	2.0	2.0	2.6	2.1[r]
61 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
62 Hong Kong, China	18.8	20.0	23.7	25.0	25.3	27.6	26.0	27.9	30.8	35.2	27.2
63 Singapore	11.2	10.1	13.3	13.1	15.4	15.9	15.5	16.7	17.9	16.7	14.1
64 Other[6]	.1	.1	.1	.1	.1	.1	.1	.1	.1	.3	.1
65 Miscellaneous and unallocated[7]	43.6	66.9	64.2	57.6	62.6	72.7	50.0	59.6	59.6	57.6	80.8[r]

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. Organization of Petroleum Exporting Countries, shown individually, other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).
3. Excludes Liberia. Beginning March 1994 includes Namibia.
4. As of December 1992, excludes other republics of the former Soviet Union.
5. Includes Canal Zone.
6. Foreign branch claims only.
7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of liability, and area or country	1993	1994	1995	1996			1997		
				June	Sept.	Dec.	Mar.	June	Sept.[p]
1 **Total**	**50,597**	**54,309**	**46,448**	**48,943**	**51,604**	**54,798**	**55,068**	**52,950**	**52,445**
2 Payable in dollars	38,728	38,298	33,903	35,338	36,374	38,956	39,114	37,398	37,485
3 Payable in foreign currencies	11,869	16,011	12,545	13,605	15,230	15,842	15,954	15,552	14,960
By type									
4 Financial liabilities	29,226	32,954	24,241	24,797	25,445	26,065	25,951	24,630	22,946
5 Payable in dollars	18,545	18,818	12,903	12,165	11,272	11,327	11,017	10,107	9,157
6 Payable in foreign currencies	10,681	14,136	11,338	12,632	14,173	14,738	14,934	14,523	13,789
7 Commercial liabilities	21,371	21,355	22,207	24,146	26,159	28,733	29,117	28,320	29,499
8 Trade payables	8,802	10,005	11,013	11,081	11,791	12,720	11,515	11,122	10,954
9 Advance receipts and other liabilities	12,569	11,350	11,194	13,065	14,368	16,013	17,602	17,198	18,545
10 Payable in dollars	20,183	19,480	21,000	23,173	25,102	27,629	28,097	27,291	28,328
11 Payable in foreign currencies	1,188	1,875	1,207	973	1,057	1,104	1,020	1,029	1,171
By area or country									
Financial liabilities									
12 Europe	18,810	21,703	15,622	16,387	16,086	16,195	16,399	16,327	15,026
13 Belgium and Luxembourg	175	495	369	498	547	632	769	238	89
14 France	2,539	1,727	999	1,011	1,220	1,091	1,205	1,280	1,334
15 Germany	975	1,961	1,974	1,850	2,276	1,834	1,589	1,765	1,730
16 Netherlands	534	552	466	444	519	556	507	466	507
17 Switzerland	634	688	895	1,156	830	699	694	591	645
18 United Kingdom	13,332	15,543	10,138	10,743	9,837	10,177	10,181	10,765	9,172
19 Canada	859	629	632	951	973	1,401	602	456	399
20 Latin America and Caribbean	3,359	2,034	1,783	969	1,169	1,668	1,876	1,279	1,061
21 Bahamas	1,148	101	59	31	50	236	293	124	10
22 Bermuda	0	80	147	28	25	50	27	55	64
23 Brazil	18	207	57	8	52	78	75	97	52
24 British West Indies	1,533	998	866	826	764	1,030	965	769	663
25 Mexico	17	0	12	11	13	17	16	15	76
26 Venezuela	5	5	2	1	1	1	1	1	1
27 Asia	5,956	8,403	5,988	6,351	6,969	6,423	6,370	5,984	5,975
28 Japan	4,887	7,314	5,436	6,051	6,602	5,869	5,794	5,435	5,492
29 Middle Eastern oil-exporting countries[1]	23	35	27	26	25	25	72	39	23
30 Africa	133	135	150	72	153	38	29	29	33
31 Oil-exporting countries[2]	123	123	122	61	121	0	0	0	0
32 All other[3]	109	50	66	67	95	340	675	555	452
Commercial liabilities									
33 Europe	6,827	6,773	7,700	7,916	8,680	9,767	9,551	8,711	9,364
34 Belgium and Luxembourg	239	241	331	326	427	479	643	738	705
35 France	655	728	481	678	657	680	680	709	783
36 Germany	684	604	767	839	949	1,002	1,047	852	951
37 Netherlands	688	722	500	617	668	766	553	290	453
38 Switzerland	375	327	413	516	405	624	481	430	401
39 United Kingdom	2,039	2,444	3,568	3,266	3,663	4,303	4,165	3,827	3,834
40 Canada	879	1,037	1,040	998	1,144	1,090	1,068	1,136	1,151
41 Latin America and Caribbean	1,658	1,857	1,740	2,301	2,386	2,574	2,563	2,501	2,226
42 Bahamas	21	19	1	35	33	63	43	33	38
43 Bermuda	350	345	205	509	355	297	479	397	180
44 Brazil	214	161	98	119	198	196	201	225	233
45 British West Indies	27	23	56	10	15	14	14	26	23
46 Mexico	481	574	416	475	446	665	633	594	562
47 Venezuela	123	276	221	283	341	328	318	304	322
48 Asia	10,980	10,741	10,421	11,389	12,227	13,422	13,968	13,926	14,686
49 Japan	4,314	4,555	3,315	3,943	4,149	4,614	4,502	4,460	4,587
50 Middle Eastern oil-exporting countries[1]	1,534	1,576	1,912	1,784	1,951	2,168	2,495	2,420	2,984
51 Africa	453	428	619	924	1,020	1,040	1,037	941	907
52 Oil-exporting countries[2]	167	256	254	462	490	532	479	423	504
53 Other[3]	574	519	687	618	702	840	930	1,105	1,165

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Comprises Algeria, Gabon, Libya, and Nigeria.
3. Includes nonmonetary international and regional organizations.

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

Millions of dollars, end of period

Type of claim, and area or country	1993	1994	1995	1996			1997		
				June	Sept.	Dec.	Mar.	June	Sept.p
1 **Total**	**49,159**	**57,888**	**52,509**	**60,195**	**59,092**	**63,642**	**64,911**	**66,127**	**67,266**
2 Payable in dollars	45,161	53,805	48,711	55,350	55,014	58,630	60,747	61,404	62,665
3 Payable in foreign currencies	3,998	4,083	3,798	4,845	4,078	5,012	4,164	4,723	4,601
By type									
4 Financial claims	27,771	33,897	27,398	35,251	34,200	35,268	37,356	38,578	38,513
5 Deposits	15,717	18,507	15,133	19,507	19,877	21,404	19,625	22,282	21,233
6 Payable in dollars	15,182	18,026	14,654	19,069	19,182	20,631	18,547	21,373	20,271
7 Payable in foreign currencies	535	481	479	438	695	773	1,078	909	962
8 Other financial claims	12,054	15,390	12,265	15,744	14,323	13,864	17,731	16,296	17,280
9 Payable in dollars	10,862	14,306	10,976	13,347	12,234	12,069	15,954	13,918	15,383
10 Payable in foreign currencies	1,192	1,084	1,289	2,397	2,089	1,795	1,777	2,378	1,897
11 Commercial claims	21,388	23,991	25,111	24,944	24,892	28,374	27,555	27,549	28,753
12 Trade receivables	18,425	21,158	22,998	22,353	22,454	25,751	24,801	24,858	25,148
13 Advance payments and other claims	2,963	2,833	2,113	2,591	2,438	2,623	2,754	2,691	3,605
14 Payable in dollars	19,117	21,473	23,081	22,934	23,598	25,930	26,246	26,113	27,011
15 Payable in foreign currencies	2,271	2,518	2,030	2,010	1,294	2,444	1,309	1,436	1,742
By area or country									
Financial claims									
16 Europe	7,299	7,936	7,609	10,498	9,777	9,282	9,885	10,765	12,325
17 Belgium and Luxembourg	134	86	193	151	126	185	119	203	360
18 France	826	800	803	679	733	694	760	680	1,112
19 Germany	526	540	436	296	272	276	324	281	352
20 Netherlands	502	429	517	488	520	493	567	519	764
21 Switzerland	530	523	498	461	432	474	570	447	448
22 United Kingdom	3,585	4,649	4,303	7,426	6,603	6,119	6,646	7,692	7,727
23 Canada	2,032	3,581	2,851	4,773	4,502	3,445	4,917	6,422	4,278
24 Latin America and Caribbean	16,224	19,536	14,500	17,644	17,241	19,577	19,742	18,725	19,168
25 Bahamas	1,336	2,424	1,965	2,168	1,746	1,452	1,894	2,064	2,477
26 Bermuda	125	27	81	84	113	140	157	188	189
27 Brazil	654	520	830	1,242	1,438	1,468	1,404	1,617	1,501
28 British West Indies	12,699	15,228	10,393	13,024	12,819	15,182	15,176	13,552	12,912
29 Mexico	872	723	554	392	413	457	517	498	508
30 Venezuela	161	35	32	23	20	31	22	21	15
31 Asia	1,657	1,871	1,579	1,571	1,834	2,221	2,068	1,934	2,015
32 Japan	892	953	871	852	1,001	1,035	831	766	999
33 Middle Eastern oil-exporting countries[1]	3	141	3	9	13	22	12	20	15
34 Africa	99	373	276	197	177	174	182	179	174
35 Oil-exporting countries[2]	1	0	5	5	13	14	14	15	16
36 All other[3]	460	600	583	568	669	569	562	553	553
Commercial claims									
37 Europe	9,105	9,540	9,824	9,842	9,288	10,443	9,863	9,603	10,478
38 Belgium and Luxembourg	184	213	231	239	213	226	364	327	331
39 France	1,947	1,881	1,830	1,659	1,532	1,644	1,514	1,377	1,640
40 Germany	1,018	1,027	1,070	1,335	1,250	1,337	1,364	1,229	1,393
41 Netherlands	423	311	452	481	424	562	582	613	573
42 Switzerland	432	557	520	602	594	642	418	389	381
43 United Kingdom	2,377	2,556	2,656	2,658	2,516	2,946	2,626	2,836	2,903
44 Canada	1,781	1,988	1,951	2,074	2,083	2,165	2,381	2,464	2,643
45 Latin America and Caribbean	3,274	4,117	4,364	4,347	4,409	5,276	5,067	5,241	5,012
46 Bahamas	11	9	30	28	14	35	40	29	22
47 Bermuda	182	234	272	264	290	275	159	197	128
48 Brazil	460	612	898	838	968	1,303	1,216	1,136	1,100
49 British West Indies	71	83	79	103	119	190	127	98	98
50 Mexico	990	1,243	993	1,021	936	1,128	1,102	1,140	1,222
51 Venezuela	293	348	285	313	316	357	330	451	418
52 Asia	6,014	6,982	7,312	6,939	7,289	8,376	8,348	8,460	8,572
53 Japan	2,275	2,655	1,870	1,877	1,919	2,003	2,065	2,079	2,046
54 Middle Eastern oil-exporting countries[1]	704	708	974	903	945	971	1,078	1,014	989
55 Africa	493	454	654	688	731	746	718	618	764
56 Oil-exporting countries[2]	72	67	87	83	142	166	100	81	207
57 Other[3]	721	910	1,006	1,054	1,092	1,368	1,178	1,163	1,284

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction, and area or country	1996	1997	1997	1997						
			Jan.– Dec.	June	July	Aug.	Sept.	Oct.[r]	Nov.	Dec.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	590,714	963,888	963,888	82,289	85,138	84,953	80,546	106,674	85,150	90,995
2 Foreign sales	578,203	897,864	897,864	72,211	74,715	76,820	75,428	105,668	80,133	85,684
3 **Net purchases, or sales (−)**	**12,511**	**66,024**	**66,024**	**10,078**	**10,423**	**8,133**	**5,118**	**1,006**	**5,017**	**5,311**
4 **Foreign countries**	**12,585**	**66,164**	**66,164**	**10,089**	**10,412**	**8,176**	**5,123**	**1,024**	**5,025**	**5,345**
5 Europe	5,367	59,041	59,041	5,659	6,108	4,391	5,296	5,910	5,318	5,832
6 France	−2,402	3,134	3,134	−605	1,187	461	241	−80	−65	299
7 Germany	1,104	9,075	9,075	858	1,080	584	374	538	857	788
8 Netherlands	1,415	3,833	3,833	117	88	−118	820	757	579	409
9 Switzerland	2,715	7,845	7,845	1,043	922	557	−405	848	1,043	1,474
10 United Kingdom	4,478	22,215	22,215	2,669	1,167	2,170	3,559	2,444	1,875	1,232
11 Canada	2,226	−1,174	−1,174	32	−489	−286	−560	−520	−344	−304
12 Latin America and Caribbean	5,816	5,251	5,251	2,140	3,968	2,456	813	−4,091	−627	−1,237
13 Middle East[1]	−1,600	173	173	163	−51	−64	32	79	16	21
14 Other Asia	918	2,061	2,061	2,247	686	1,545	−519	−508	888	1,071
15 Japan	−372	4,780	4,780	1,121	849	888	−313	229	709	551
16 Africa	−85	471	471	81	99	2	94	80	−36	7
17 Other countries	−57	341	341	−233	91	132	−33	74	−190	−45
18 **Nonmonetary international and regional organizations**	**−74**	**−140**	**−140**	**−11**	**11**	**−43**	**−5**	**−18**	**−8**	**−34**
BONDS[2]										
19 Foreign purchases	393,953	613,748	613,748	56,305	62,627	62,605	50,762	57,972	53,046	52,002
20 Foreign sales	268,487	477,745	477,745	44,245	46,045	48,283	41,297	44,446	48,783	42,996
21 **Net purchases, or sales (−)**	**125,466**	**136,003**	**136,003**	**12,060**	**16,582**	**14,322**	**9,465**	**13,526**	**4,263**	**9,006**
22 **Foreign countries**	**125,295**	**135,411**	**135,411**	**11,928**	**16,568**	**14,254**	**9,464**	**12,999**	**4,351**	**8,995**
23 Europe	77,570	73,877	73,877	8,181	10,182	7,586	5,843	3,098	2,799	4,263
24 France	4,460	3,301	3,301	102	522	275	300	142	546	−67
25 Germany	4,439	2,742	2,742	−94	1,606	34	638	120	165	−474
26 Netherlands	2,107	3,576	3,576	203	−79	602	135	369	185	425
27 Switzerland	1,170	547	547	176	−378	−304	−501	−109	1,212	593
28 United Kingdom	60,509	56,019	56,019	6,982	7,284	6,577	4,109	2,111	−200	2,897
29 Canada	4,486	6,264	6,264	−89	281	557	624	866	459	677
30 Latin America and Caribbean	17,737	34,821	34,821	1,757	3,283	2,110	1,265	3,712	3,884	7,220
31 Middle East[1]	1,679	1,656	1,656	16	−9	−44	−1	−183	199	142
32 Other Asia	23,762	17,023	17,023	1,901	2,700	3,916	1,591	5,634	−3,193	−3,520
33 Japan	14,173	9,360	9,360	1,683	1,885	2,996	−613	5,207	−2,883	−3,758
34 Africa	624	1,005	1,005	56	104	103	8	11	88	49
35 Other countries	−563	765	765	106	27	26	134	−139	115	164
36 **Nonmonetary international and regional organizations**	**171**	**592**	**592**	**132**	**14**	**68**	**1**	**527**	**−88**	**11**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	−59,268	−38,567	−38,567	−5,746	−7,532	−7,892	−170	−1,981	2,400	1,975
38 Foreign purchases	450,365	719,196	719,196	63,401	68,868	60,740	62,687	79,535	70,271	64,387
39 Foreign sales	509,633	757,763	757,763	69,147	76,400	68,632	62,857	81,516	67,871	62,412
40 Bonds, net purchases, or sales (−)	−51,369	−45,759	−45,759	−12,910	−11,337	−4,852	−7,963	−739	−4,261	−2,672
41 Foreign purchases	1,114,035	1,471,877	1,471,877	117,928	133,992	123,558	122,266	163,626	110,999	115,304
42 Foreign sales	1,165,404	1,517,636	1,517,636	130,838	145,329	128,410	130,229	164,365	115,260	117,976
43 **Net purchases, or sales (−), of stocks and bonds**	**−110,637**	**−84,326**	**−84,326**	**−18,656**	**−18,869**	**−12,744**	**−8,133**	**−2,720**	**−1,861**	**−697**
44 **Foreign countries**	**−109,766**	**−84,270**	**−84,270**	**−18,672**	**−18,906**	**−12,673**	**−8,127**	**−2,555**	**−1,813**	**−611**
45 Europe	−57,139	−26,295	−26,295	−2,133	−10,412	−4,590	−5,501	−4,388	−2,212	1,544
46 Canada	−7,685	−3,715	−3,715	−1,353	−1,815	−1,451	−1,153	409	557	−78
47 Latin America and Caribbean	−11,507	−24,485	−24,485	−8,544	−2,421	−207	−112	1,899	−2,123	−2,916
48 Asia	−27,831	−24,763	−24,763	−5,779	−3,938	−4,802	−707	892	1,683	1,123
49 Japan	−5,887	−9,997	−9,997	−4,944	−2,370	95	−183	1,828	2,260	1,861
50 Africa	−1,517	−3,090	−3,090	−596	−72	−703	−273	−1,027	−174	−74
51 Other countries	−4,087	−1,922	−1,922	−267	−248	−920	−381	−340	456	−210
52 **Nonmonetary international and regional organizations**	**−871**	**−56**	**−56**	**16**	**37**	**−71**	**−6**	**−165**	**−48**	**−86**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions[1]

Millions of dollars; net purchases, or sales (−) during period

Area or country	1996	1997	1997 Jan.–Dec.	1997 June	July	Aug.	Sept.	Oct.	Nov.	Dec.[p]
1 **Total estimated**	**232,241**	**183,644**	**183,644**	**22,844**	**2,949**	**23,966**	**16,045**	**16,530[r]**	**15,644**	**−9,589**
2 Foreign countries	234,083	183,196	183,196	21,894	2,681	24,161	15,659	16,766[r]	15,224	−7,999
3 Europe	118,781	146,154	146,154	8,163	12,032	19,029	20,022	22,916[r]	10,363	352
4 Belgium and Luxembourg	1,429	3,427	3,427	−37	298	92	138	357	384	161
5 Germany	17,980	22,471	22,471	1,096	6,428	4,050	2,714	4,847	5,255	3,052
6 Netherlands	−582	2,146	2,146	−408	378	882	−3	334	375	−1,125
7 Sweden	2,242	−464	−464	135	2	583	16	302	−67	−124
8 Switzerland	328	6,028	6,028	346	344	−291	109	690[r]	1,395	2,847
9 United Kingdom	65,658	98,989	98,989	3,048	2,745	13,130	13,874	18,593	5,845	−1,896
10 Other Europe and former U.S.S.R.	31,726	13,557	13,557	3,983	1,837	583	3,174	−2,207	−2,824	−2,563
11 Canada	2,331	−855	−855	1,373	719	−839	−414	−730	730	−2,182
12 Latin America and Caribbean	20,785	−2,687	−2,687	1,381	−5,358	1,063	−769	−1,580[r]	6,512	3,737
13 Venezuela	−69	559	559	635	57	25	−691	11	397	−36
14 Other Latin America and Caribbean	8,439	−586	−586	2,902	−1,266	−3,245	−2,880	−3,773[r]	−723	2,485
15 Netherlands Antilles	12,415	−2,660	−2,660	−2,156	−4,149	4,283	2,802	2,182[r]	6,838	1,288
16 Asia	89,735	38,065	38,065	8,474	−3,347	4,849	−4,614	−5,394[r]	−1,472	−10,859
17 Japan	41,366	20,359	20,359	5,972	2,612	−3,458	−2,782	4,160	−4,784	−7,860
18 Africa	1,083	1,523	1,523	341	194	218	461	45	−82	268
19 Other	1,368	996	996	2,162	−1,559	−159	973	1,509	−827	685
20 Nonmonetary international and regional organizations	−1,842	448	448	950	268	−195	386	−236[r]	420	−1,590
21 International	−1,390	552	552	1,068	14	−190	341	−74	451	−1,025
22 Latin American regional	−779	173	173	−145	70	−117	−21	78	−24	−131
MEMO										
23 Foreign countries	234,083	183,196	183,196	21,894	2,681	24,161	15,659	16,766[r]	15,224	−7,999
24 Official institutions	85,807	43,071	43,071	10,391	−2,413	8,235	3,091	−12,848	1,467	−311
25 Other foreign	148,276	140,125	140,125	11,503	5,094	15,926	12,568	29,614[r]	13,757	−7,688
Oil-exporting countries										
26 Middle East[2]	10,232	7,116	7,116	−1,735	−2,251	3,455	52	−3,877	3,175	−1,506
27 Africa[3]	1	−13	−13	0	0	−7	0	0	0	0

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

Country	Rate on Jan. 30, 1998 Percent	Month effective	Country	Rate on Jan. 30, 1998 Percent	Month effective
Austria	2.5	Apr. 1996	Germany	2.5	Apr. 1996
Belgium	2.75	Oct. 1997	Italy	5.5	Dec. 1997
Canada	5.0	Jan. 1998	Japan	.5	Sept. 1995
Denmark	3.5	Oct. 1997	Netherlands	2.5	Apr. 1996
France[2]	3.3	Oct. 1997	Switzerland	1.0	Sept. 1996

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1995	1996	1997	1997 Aug.	Sept.	Oct.	Nov.	Dec.	1998 Jan.	Feb.
1 Eurodollars	5.93	5.38	5.61	5.58	5.59	5.63	5.71	5.79	5.53	5.53
2 United Kingdom	6.63	5.99	6.81	7.12	7.19	7.24	7.52	7.60	7.49	7.46
3 Canada	7.14	4.49	3.59	3.67	3.66	3.83	4.02	4.61	4.68	5.02
4 Germany	4.43	3.21	3.24	3.19	3.24	3.51	3.68	3.67	3.51	3.45
5 Switzerland	2.94	1.92	1.58	1.39	1.36	1.73	1.91	1.56	1.27	.98
6 Netherlands	4.30	2.91	3.25	3.33	3.35	3.50	3.65	3.61	3.42	3.36
7 France	6.43	3.81	3.35	3.31	3.29	3.47	3.57	3.57	3.50	3.45
8 Italy	10.43	8.79	6.86	6.85	6.65	6.63	6.49	6.07	6.05	6.12
9 Belgium	4.73	3.19	3.40	3.55	3.55	3.76	3.72	3.61	3.47	3.53
10 Japan	1.20	.58	.58	.58	.55	.52	.53	.78	.77	.84

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar except as noted

Country/currency unit	1995	1996	1997	1997				1998	
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 Australia/dollar[2]	74.073	78.283	74.368	72.310	71.971	69.526	66.187	65.659	67.436
2 Austria/schilling	10.076	10.589	12.206	12.568	12.360	12.182	12.510	12.765	12.735
3 Belgium/franc	29.472	30.970	35.807	36.876	36.266	35.737	36.748	37.536	37.417
4 Canada/dollar	1.3725	1.3638	1.3849	1.3872	1.3869	1.4128	1.4271	1.4409	1.4334
5 China, P.R./yuan	8.3700	8.3389	8.3193	8.3171	8.3135	8.3109	8.3099	8.3094	8.3072
6 Denmark/krone	5.5999	5.8003	6.6092	6.8001	6.6922	6.5937	6.7752	6.9190	6.9089
7 Finland/markka	4.3763	4.5948	5.1956	5.3455	5.2674	5.2217	5.3789	5.5006	5.4999
8 France/franc	4.9864	5.1158	5.8393	6.0031	5.8954	5.8001	5.9542	6.0832	6.0744
9 Germany/deutsche mark	1.4321	1.5049	1.7348	1.7862	1.7575	1.7323	1.7788	1.8165	1.8123
10 Greece/drachma	231.68	240.82	273.28	281.69	276.84	271.87	279.93	287.24	286.70
11 Hong Kong/dollar	7.7357	7.7345	7.7431	7.7440	7.7373	7.7314	7.7456	7.7425	7.7412
12 India/rupee	32.418	35.506	36.365	36.476	36.302	37.289	39.400	39.391	39.008
13 Ireland/pound[2]	160.35	159.95	151.63	148.06	146.92	150.30	145.33	138.19	137.71
14 Italy/lira	1,629.45	1,542.76	1,703.81	1,743.22	1,721.09	1,697.08	1,743.86	1,787.87	1,788.28
15 Japan/yen	93.96	108.78	121.06	120.89	121.06	125.38	129.73	129.55	125.85
16 Malaysia/ringgit	2.5073	2.5154	2.8173	3.0254	3.2972	3.3791	3.7907	4.4093	3.8148
17 Netherlands/guilder	1.6044	1.6863	1.9525	2.0116	1.9800	1.9524	2.0051	2.0472	2.0432
18 New Zealand/dollar[2]	65.625	68.765	66.247	63.604	63.556	62.420	59.137	57.925	58.286
19 Norway/krone	6.3355	6.4594	7.0857	7.3008	7.0807	7.0588	7.2630	7.5007	7.5530
20 Portugal/escudo	149.88	154.28	175.44	181.49	179.07	176.84	181.91	185.80	185.54
21 Singapore/dollar	1.4171	1.4100	1.4857	1.5164	1.5597	1.5820	1.6518	1.7477	1.6509
22 South Africa/rand	3.6284	4.3011	4.6072	4.6890	4.7145	4.8394	4.8706	4.9417	4.9337
23 South Korea/won	772.69	805.00	950.77	912.50	929.42	1,035.22	1,494.04	1,707.30	1,628.42
24 Spain/peseta	124.64	126.68	146.53	150.75	148.32	146.30	150.46	153.93	153.61
25 Sri Lanka/rupee	51.047	55.289	59.026	59.713	59.723	60.132	61.591	62.281	62.363
26 Sweden/krona	7.1406	6.7082	7.6446	7.6887	7.5765	7.5589	7.7977	8.0193	8.0723
27 Switzerland/franc	1.1812	1.2361	1.4514	1.4702	1.4516	1.4069	1.4393	1.4748	1.4631
28 Taiwan/dollar	26.495	27.468	28.775	28.731	29.696	31.794	32.502	34.117	32.948
29 Thailand/baht	24.921	25.359	31.072	35.256	37.543	39.092	44.309	52.983	45.987
30 United Kingdom/pound[2]	157.85	156.07	163.76	160.13	163.30	168.89	165.97	163.50	164.08
MEMO									
31 United States/dollar[3]	84.25	87.34	96.38	98.29	97.07	96.37	98.82	100.52	99.93

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.

2. Value in U.S. cents.

3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

Guide to Statistical Releases and Special Tables

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin *Reference*

SPECIAL TABLES—Data Published Irregularly, with Latest Bulletin *Reference*

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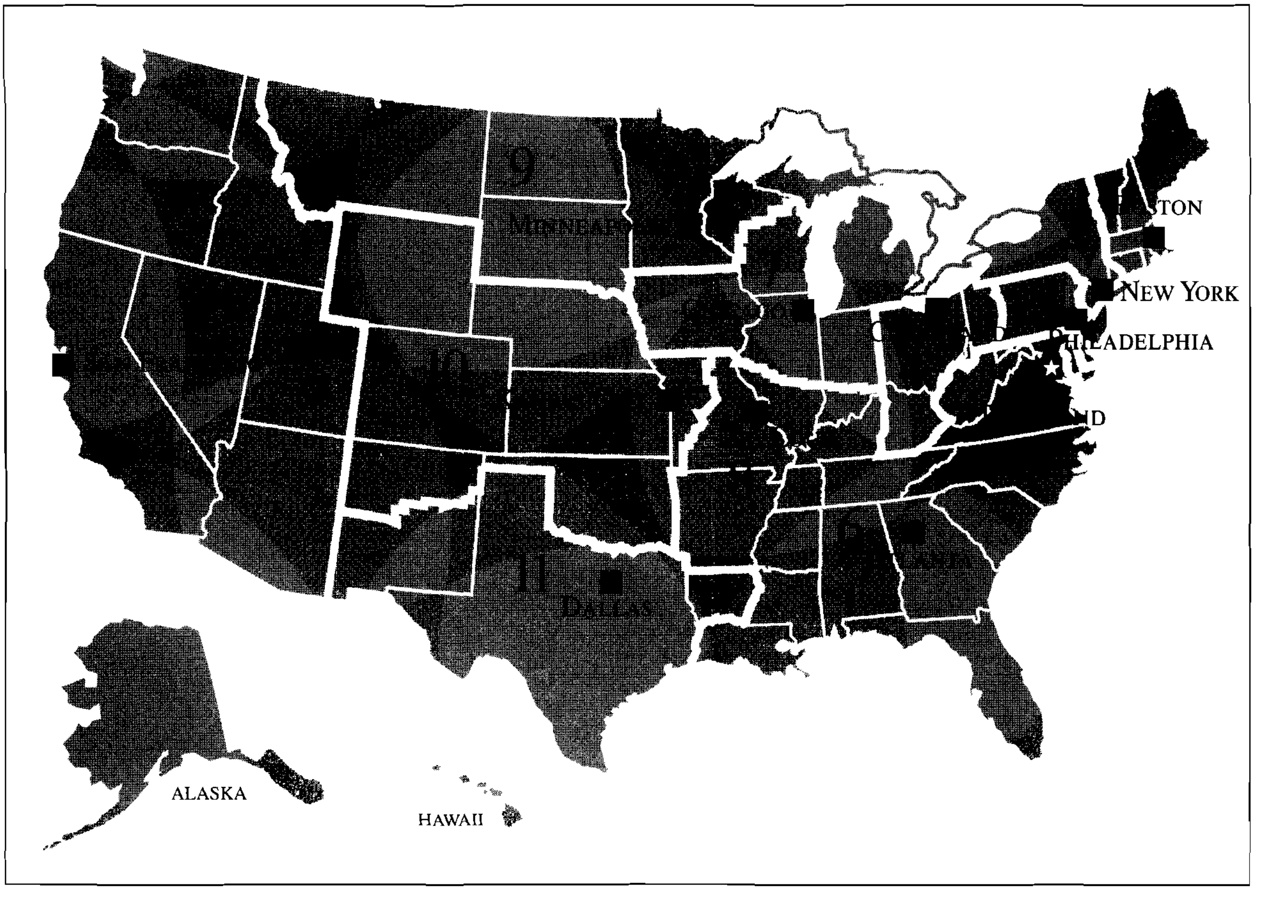

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• Federal Reserve Branch city

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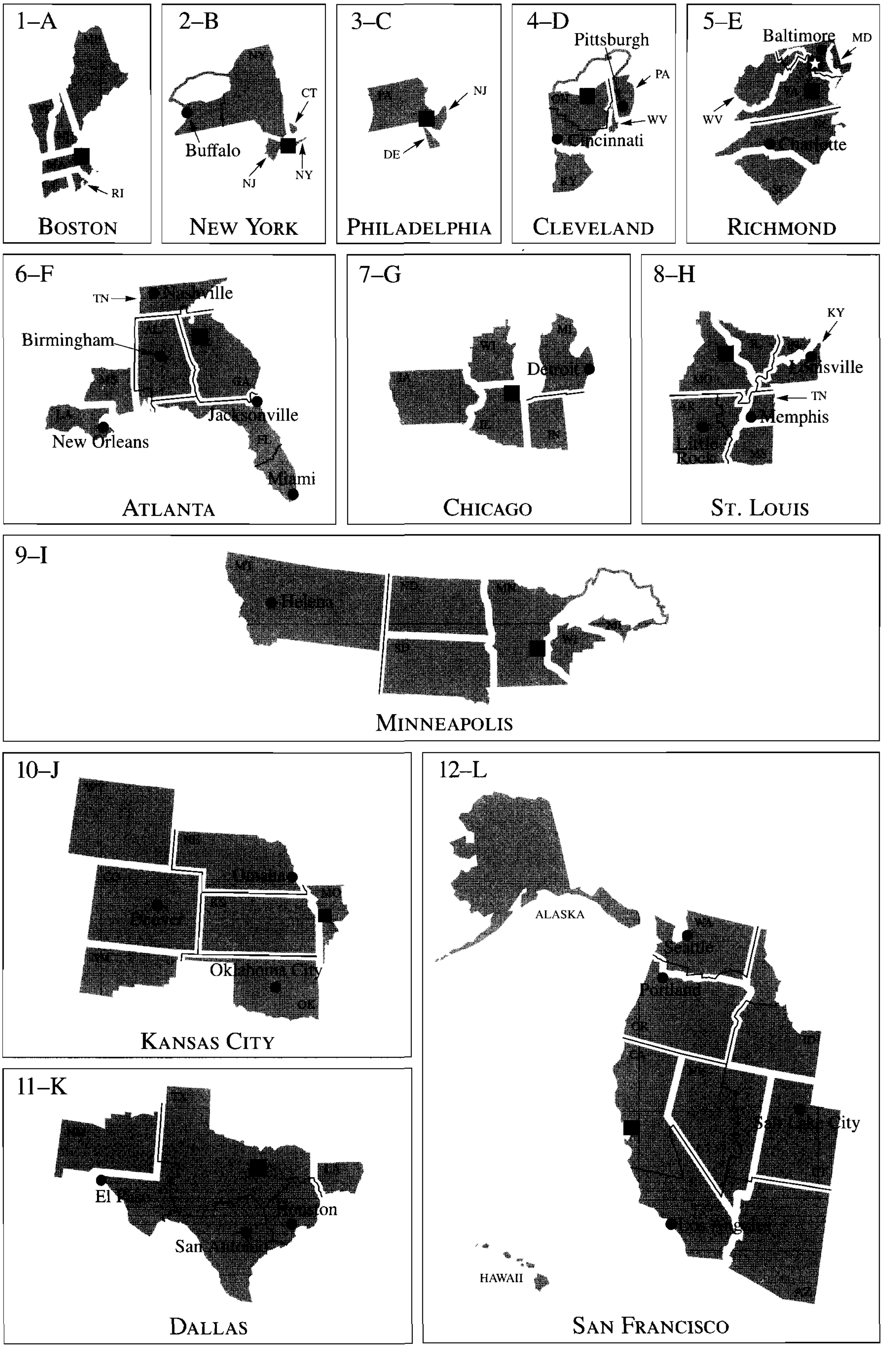
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