Volume 86 □ Number 8 □ August 2000

Federal Reserve BULLETIN

Board of Governors of the Federal Reserve System, Washington, D.C.

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Monetary Policy Report to the Congress

Report forwarded to the Congress on July 20, 2000

MONETARY POLICY AND THE ECONOMIC OUTLOOK

The impressive performance of the U.S. economy persisted in the first half of 2000 with economic activity expanding at a rapid pace. Overall rates of inflation were noticeably higher, largely as a result of steep increases in energy prices. The remarkable wave of new technologies and the associated surge in capital investment have continued to boost potential supply and to help contain price pressures at high levels of labor resource use. At the same time, rising productivity growth—working through its effects on wealth and consumption, as well as on investment spending—has been one of the important factors contributing to rapid increases in aggregate demand that have exceeded even the stepped-up increases in potential supply. Under such circumstances, and with the pool of available labor already at an unusually low level, the continued expansion of aggregate demand in excess of the growth in potential supply increasingly threatened to set off greater price pressures. Because price stability is essential to achieving maximum sustainable economic growth, heading off these pressures has been critical to extending the extraordinary performance of the U.S. economy.

To promote balance between aggregate demand and potential supply and to contain inflation pressures, the Federal Open Market Committee (FOMC) took additional firming actions this year, raising the benchmark federal funds rate 1 percentage point between February and May. The tighter stance of monetary policy, along with the ongoing strength of credit demands, has led to less accommodative financial conditions: On balance, since the beginning of the year, real interest rates have increased, equity prices have changed little after a sizable run-up in 1999, and lenders have become more cautious about extending credit, especially to marginal borrowers. Still, households and businesses have continued to borrow at a rapid pace, and the growth of M2 remained relatively robust, despite the rise in market interest rates. The favorable outlook for the U.S. economy has contributed to a further strengthening of the dollar, despite tighter monetary policy and rising interest rates in most other industrial countries.

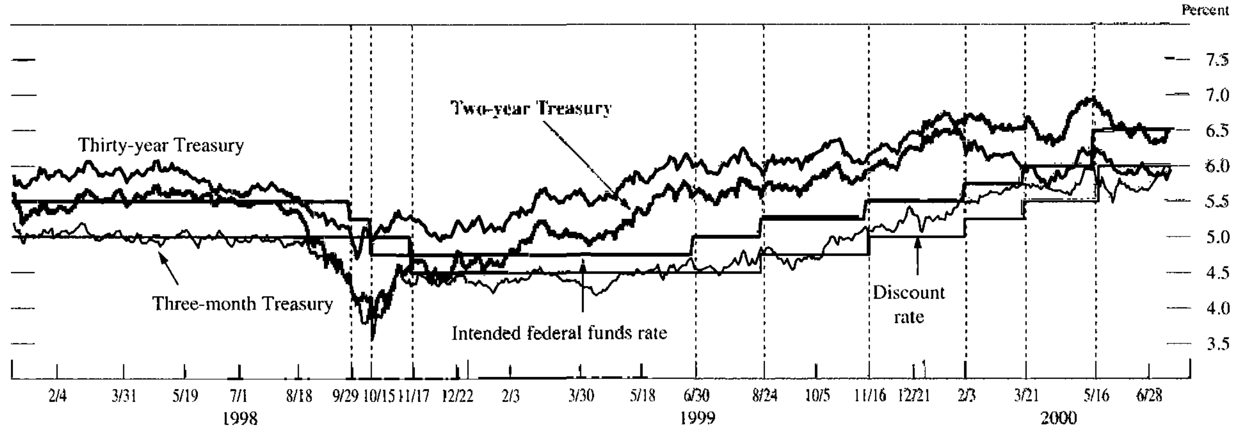
Perhaps partly reflecting firmer financial conditions, the incoming economic data since May have suggested some moderation in the growth of aggregate demand. Nonetheless, labor markets remained tight at the time of the FOMC meeting in June, and it was unclear whether the slowdown represented a decisive shift to more sustainable growth or just a pause. The Committee left the stance of policy unchanged but saw the balance of risks to the economic outlook as still weighted toward rising inflation.

Monetary Policy, Financial Markets, and the Economy over the First Half of 2000

When the FOMC convened for its first two meetings of the year, in February and March, economic conditions in the United States were pointing toward an increasingly taut labor market as a consequence of a persistent imbalance between the growth rates of aggregate demand and potential aggregate supply. Reflecting the underlying strength in spending and expectations of tighter monetary policy, market interest rates were rising, especially after the century date change passed without incident. But, at the same time, equity prices were still posting appreciable gains on net. Knowing that the two safety valves that had been keeping underlying inflation from picking up until then—the economy's ability to draw on the pool of available workers and to expand its trade deficit on reasonable terms—could not be counted on indefinitely, the FOMC voted for a further tightening in monetary policy at both its February and its March meetings, raising the target for the overnight federal funds rate 25 basis points on each occasion. In related actions, the Board of Governors also approved quarter-point increases in the discount rate in both February and March.

The FOMC considered larger policy moves at its first two meetings of 2000 but concluded that significant uncertainty about the outlook for the expansion of aggregate demand in relation to that of aggregate supply, including the timing and strength of the economy's response to earlier monetary policy tight-

Selected interest rates



NOTE. The data are daily. Vertical lines indicate the days on which the Federal Reserve announced a change in the intended funds rate. The dates on the horizontal axis are those on which either the FOMC held a scheduled meeting or a policy action was announced. Last observations are for July 17, 2000.

enings, warranted a more limited policy action. Still, noting that there had been few signs that the rise in interest rates over recent quarters had begun to bring demand in line with potential supply, the Committee decided in both instances that the balance of risks going forward was weighted mainly in the direction of rising inflation pressures. In particular, it was becoming increasingly clear that the Committee would need to move more aggressively at a later meeting if imbalances continued to build and inflation and inflation expectations, which had remained relatively subdued until then, began to pick up.[1]

Some readings between the March and May meetings of the FOMC on labor costs and prices suggested a possible increase of inflation pressures. Moreover, aggregate demand had continued to grow at a fast clip, and markets for labor and other resources were showing signs of further tightening. Financial market conditions had firmed in response to these developments; the substantial rise in private borrowing rates between March and May had been influenced by the buildup in expectations of more policy tightening as market participants recognized the need for higher short-term interest rates. Given all these circumstances, the FOMC decided in May to raise the target for the overnight federal funds rate 50 basis points, to 6½ percent. The Committee saw little risk in the more forceful action given the strong momentum of the economic expansion and widespread market expectations of such an action. Even after taking into account its latest action, however, the FOMC saw the strength in spending and pressures in labor markets as indicating that the balance of risks remained tilted toward rising inflation.

By the June FOMC meeting, the incoming data were suggesting that the expansion of aggregate demand might be moderating toward a more sustainable pace: Consumers had increased their outlays for goods modestly during the spring; home purchases and starts appeared to have softened; and readings on the labor market suggested that the pace of hiring might be cooling off. Moreover, much of the effects on demand of previous policy firmings, including the 50 basis point tightening in May, had not yet been fully realized. Financial market participants interpreted signs of economic slowing as suggesting that the Federal Reserve probably would be able to hold inflation in check without much additional policy firming. However, whether aggregate demand had moved decisively onto a more moderate expansion track was not yet clear, and labor resource utilization remained unusually elevated. Thus, although the FOMC decided to defer any policy action in June, it indicated that the balance of risks was still on the side of rising inflation in the foreseeable future.[2]

1. At its March and May meetings, the FOMC took a number of actions that were aimed at adjusting the implementation of monetary policy to actual and prospective reductions in the stock of Treasury debt securities. These actions are described in the discussion of U.S. financial markets.

2. At its June meeting, the FOMC did not establish ranges for growth of money and debt in 2000 and 2001. The legal requirement to establish and to announce such ranges had expired, and owing to uncertainties about the behavior of the velocities of debt and money, these ranges for many years have not provided useful benchmarks for the conduct of monetary policy. Nevertheless, the FOMC believes that the behavior of money and credit will continue to have value for gauging economic and financial conditions, and this report discusses recent developments in money and credit in some detail.

Economic Projections for 2000 and 2001

The members of the Board of Governors and the Federal Reserve Bank presidents expect the current economic expansion to continue through next year, but at a more moderate pace than the average over recent quarters. For 2000 as a whole, the central tendency of their forecasts for the rate of increase in real gross domestic product (GDP) is 4 percent to 4½ percent, measured as the change between the fourth quarter of 1999 and the fourth quarter of 2000. Over the four quarters of 2001, the central tendency forecasts of real GDP are in the 3¼ percent to 3¾ percent range. With this pace of expansion, the civilian unemployment rate should remain near its recent level of 4 percent. Even with the moderation in the pace of economic activity, the Committee members and nonvoting Bank presidents expect that inflation may be higher in 2001 than in 1999, and the Committee will need to be alert to the possibility that financial conditions may need to be adjusted further to balance aggregate demand and potential supply and to keep inflation low.

Considerable uncertainties attend estimates of potential supply—both the rate of growth and the level of the economy's ability to produce on a sustained non-inflationary basis. Business investment in new equipment and software has been exceptionally high, and given the rapid pace of technological change, firms will continue to exploit opportunities to implement more-efficient processes and to speed the flow of information across markets. In such an environment, a further pickup in productivity growth is a distinct possibility. However, a portion of the very rapid rise in measured productivity in recent quarters may be a result of the cyclical characteristics of this expansion rather than an indication of structural rates of increase consistent with holding the level of resource utilization unchanged. Current levels of labor resource utilization are already unusually high. To date, this has not led to escalating unit labor costs, but whether such a favorable performance in the labor market can be sustained is one of the important uncertainties in the outlook.

1. Economic projections for 2000 and 2001

Percent

Indicator	Federal Reserve governors and Reserve Bank presidents: Range	Federal Reserve governors and Reserve Bank presidents: Central tendency	Administration
	2000		
Change, fourth quarter to fourth quarter[1]			
Nominal GDP	6–7¼	6¼–6¾	6.0
Real GDP[2]	3¾–5	4–4½	3.9
PCE prices	2–2¾	2½–2¾	3.2[3]
Average level, fourth quarter			
Civilian unemployment rate	4–4¼	About 4	4.1
	2001		
Change, fourth quarter to fourth quarter[1]			
Nominal GDP	5–6¼	5½–6	5.3
Real GDP[2]	2½–4	3¼–3¾	3.2
PCE prices	1¾–3	2–2½	2.5[3]
Average level, fourth quarter			
Civilian unemployment rate	4–4½	4–4¼	4.2

1. Change from average for fourth quarter of previous year to average for fourth quarter of year indicated.
2. Chain-weighted.
3. Projection for the consumer price index.

On the demand side, the adjustments in financial markets that have accompanied expected and actual tighter monetary conditions may be beginning to moderate the rise in domestic demand. As that process evolves, the substantial impetus that household spending has received in recent years from rapid gains in equity wealth should subside. The higher cost of business borrowing and more-restrictive credit supply conditions probably will not exert substantial restraint on investment decisions, particularly as long as the costs and potential productivity payoffs of new equipment and software remain attractive. The slowing in domestic spending will not be fully reflected in a more moderate expansion of domestic production. Some of the slowing will be absorbed in smaller increases in imports of goods and services, and given continued recovery in economic activity abroad, domestic firms are expected to continue seeing a boost to demand and to production from rising exports.

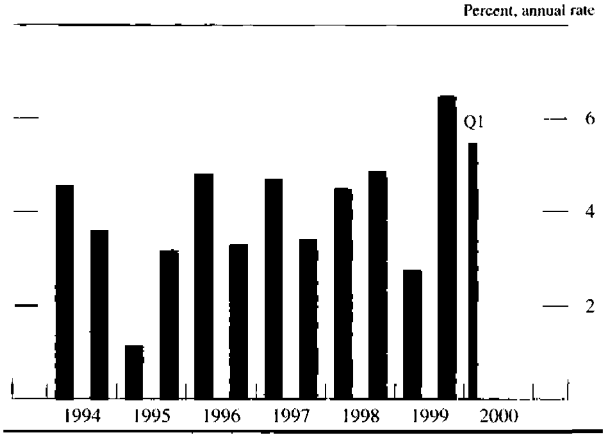
Regarding inflation, FOMC participants believe that the rise in consumer prices will be noticeably larger this year than in 1999 and that inflation will then drop back somewhat in 2001. The central tendency of their forecasts for the increase in the chain-type index for personal consumption expenditures is 2½ percent to 2¾ percent over the four quarters of 2000 and 2 percent to 2½ percent during 2001. Shaping the contour of this inflation forecast is the expectation that the direct and indirect effects of the boost to domestic inflation this year from the rise in the price of world crude oil will be partly reversed next year if, as futures markets suggest, crude oil prices retrace this year's run-up by next year. Nonetheless, these forecasts show consumer price inflation in 2001 to have moved above the rates that prevailed over the 1997–98 period. Such a trend, were it not to show signs of quickly stabilizing or reversing, would pose a considerable risk to the continuation of the extraordinary economic performance of recent years.

The economic forecasts of the FOMC are similar to those recently released by the Administration in its Mid-Session Review of the Budget. Compared with the forecasts available in February, the Administration raised its projections for the increase in real GDP in 2000 and 2001 to rates that lie at the low end of the current range of central tendencies of Federal Reserve policymakers. The Administration also expects that the unemployment rate will remain close to 4 percent. Like the FOMC, the Administration sees consumer price inflation rising this year and falling back in 2001. After accounting for the differences in the construction of the alternative measures of consumer prices, the Administration's projections of increases in the consumer price index (CPI) of 3.2 percent in 2000 and 2.5 percent in 2001 are broadly consistent with the Committee's expectations for the chain-type price index for personal consumption expenditures.

Economic and Financial Developments in 2000

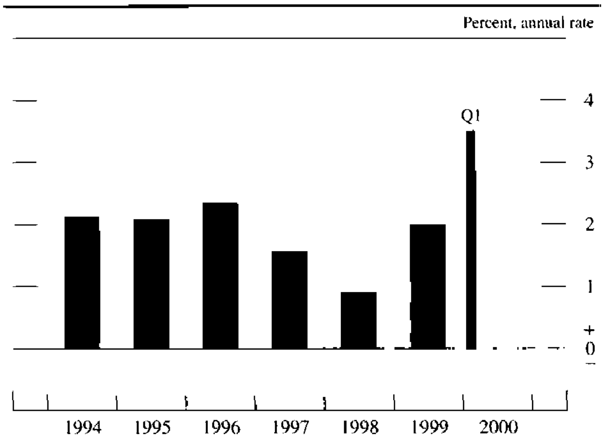
The expansion of U.S. economic activity maintained considerable momentum through the early months of 2000 despite the firming in credit markets that has occurred over the past year. Only recently has the pace of real activity shown signs of having moderated from the extremely rapid rate of increase that prevailed during the second half of 1999 and the first quarter of 2000. Real GDP increased at an annual rate of 5½ percent in the first quarter of 2000. Private domestic final sales, which had accelerated in the second half of 1999, were particularly robust, rising at an annual rate of almost 10 percent in the first quarter. Underlying that surge in domestic spending were many of the same factors that had contributed to the considerable strength of outlays in the second half of 1999. The ongoing influence of substantial increases in real income and wealth continued to fuel consumer spending, and business investment, which continues to be undergirded by the desire to take advantage of new, cost-saving technologies, was further buoyed by an acceleration in sales and profits late last year. Export demand posted a solid gain during the first quarter while imports rose even more rapidly to meet booming domestic demand. The available data, on balance, point to another solid increase in real GDP in the second quarter, although they suggest that private household and business fixed investment spending likely slowed noticeably from the extraordinary first-quarter pace. Through June, the expansion remained brisk enough to keep labor utilization near the very high levels reached at the end of 1999 and to raise the factory utilization rate to close to its long-run average by early spring.

Change in real GDP



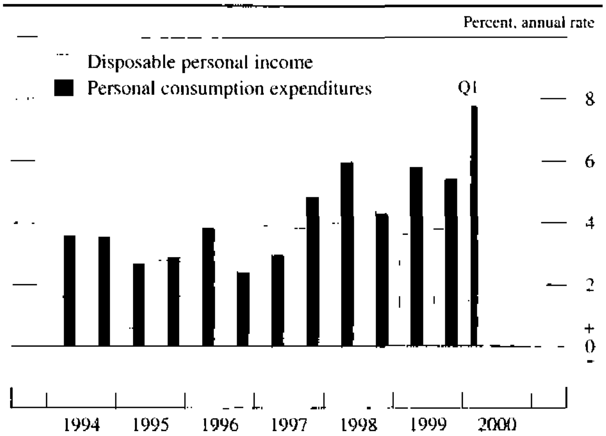
NOTE. In this chart and in subsequent charts that show the components of real GDP, changes are measured to the final quarter of the period indicated, from the final quarter of the previous period.

Change in PCE chain-type price index



Inflation rates over the first half of 2000 were elevated by an additional increase in the price of imported crude oil, which led to sharp hikes in retail energy prices early in the year and again around midyear. Apart from energy, consumer price inflation so far this year has been somewhat higher than during 1999, and some of that acceleration may be attributable to the indirect effects of higher energy costs on the prices of core goods and services. Sustained strong gains in worker productivity have kept increases in unit labor costs minimal despite the persistence of a historically low rate of unemployment.

Change in real income and consumption



The Household Sector

Consumer Spending

Consumer spending was exceptionally vigorous during the first quarter of 2000. Real personal consumption expenditures rose at an annual rate of 7¾ percent, the sharpest increase since early 1983. At that time, the economy was rebounding from a deep recession during which households had deferred discretionary purchases. In contrast, the first-quarter surge in consumption came on the heels of two years of very robust spending during which real outlays increased at an annual rate of more than 5 percent, and the personal saving rate dropped sharply.

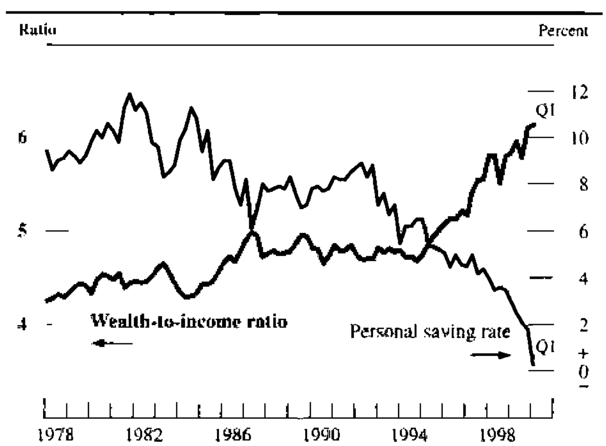
Outlays for durable goods, which rose at a very fast pace in 1998 and 1999, accelerated during the first quarter to an annual rate of more than 24 percent. Most notably, spending on motor vehicles, which had climbed to a new high in 1999, jumped even further in the first quarter of 2000 as unit sales of light motor vehicles soared to a record rate of 18.1 million units. In addition, households' spending on computing equipment and software rebounded after the turn of the year; some consumers apparently had postponed their purchases of these goods in late 1999 before the century date change. Outlays for nondurable goods posted a solid increase of 5¾ percent in the first quarter, marked by a sharp upturn in spending on clothing and shoes. Spending for consumer services also picked up in the first quarter, rising at an annual rate of 5½ percent. Spending was quite brisk for a number of non-energy consumer services, ranging from recreation and telephone use to brokerage fees. Also contributing to the acceleration was a rebound in outlays for energy services, which had declined in late 1999, when weather was unseasonably warm.

In recent months, the rise in consumer spending has moderated considerably from the phenomenal pace of the first quarter, with much of the slowdown in outlays for goods. At an annual rate of 17¼ million units in the second quarter, light motor vehicles sold at a rate well below their first-quarter pace. Nonetheless, that level of sales is still historically high, and with prices remaining damped and automakers continuing to use incentives, consumers' assessments of the motor vehicle market continue to be positive. The information on retail sales for the April-to-June period indicate that consumer expenditures for other goods rose markedly slower in the second quarter than in the first quarter, at a pace well below the average rate of increase during the preceding two years. In contrast, personal consumption expenditures for consumer services continued to rise relatively briskly in April and May.

Real disposable personal income increased at an annual rate of about 3 percent between December and May—slightly below the 1999 pace of 3¾ percent. However, the impetus to spending from the rapid rise in household net worth was still considerable, labor markets remained tight, and confidence was still high. As a result, households continued to allow their spending to outpace their flow of current income, and the personal saving rate, as measured in the national income and product accounts, dropped further, averaging less than 1 percent during the first five months of the year.

After having boosted the ratio of household net worth to disposable income to a record high in the first quarter, stock prices have fallen back, suggesting less impetus to consumer spending going forward. In addition, smaller employment gains and the pickup in

Wealth and saving



NOTE. The wealth-to-income ratio is the ratio of net worth of households to disposable personal income.

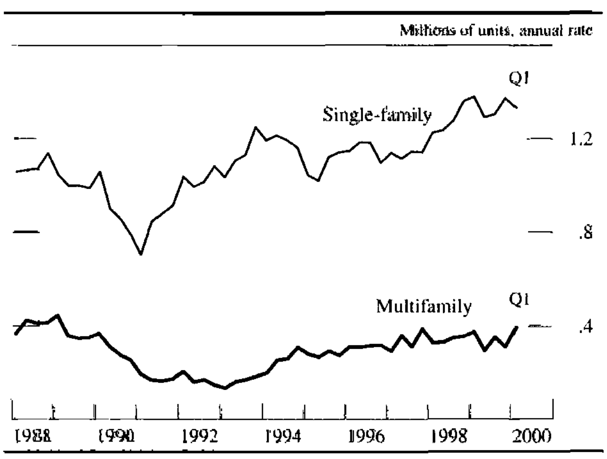
energy prices have moderated the rise in real income of late. Although these developments left some imprint on consumer attitudes in June, households remained relatively upbeat about their prospective financial situation, according to the results of the University of Michigan Survey Research Center (SRC) survey. However, they became a bit less positive about the outlook for business conditions and saw a somewhat greater likelihood of a rise in unemployment over the coming year.

Residential Investment

Housing activity stayed at a high level during the first half of this year. Homebuilders began the year with a considerable backlog of projects that had developed as the exceptionally strong demand of the previous year strained capacity. As a result, they maintained starts of new single-family homes at an annual rate of 1.33 million units, on average, through April—matching 1999's robust pace. Households' demand for single-family homes was supported early in the year by ongoing gains in jobs and income and the earlier run-up in wealth; those forces apparently were sufficient to offset the effects that higher mortgage interest rates had on the affordability of new homes. Sales of new homes were particularly robust, setting a new record by March; but sales of existing units slipped below their 1999 high. As a result of the continued strength in sales, the homeownership rate reached a new high in the first quarter.

By the spring, higher mortgage interest rates were leaving a clearer mark on the attitudes of both consumers and builders. The Michigan SRC survey reported that households' assessments of homebuying conditions dropped between April and June to the lowest level in more than nine years. Survey respondents noted that, besides higher financing costs, higher prices of homes were becoming a factor in their less positive assessment of market conditions. Purchases of existing homes were little changed, on balance, in April and May from the first-quarter average; however, because these sales are recorded at the time of closing, they tend to be a lagging indicator of demand. Sales of new homes—a more current indicator—fell back in April and May, and homebuilders reported that sales dropped further in June. Perhaps a sign that softer demand has begun to affect construction, starts of new single-family homes slipped to a rate of 1¼ million units in May. That level of new homebuilding, although noticeably slower than the robust pace that characterized the fall and winter period, is only a bit below the elevated level that prevailed throughout much of 1998, when single-family starts reached their highest level in twenty years. Starts of multifamily housing units, which also had stepped up sharply in the first quarter of the year, to an annual rate of 390,000 units, settled back to a 340,000 unit rate in April and May.

Private housing starts



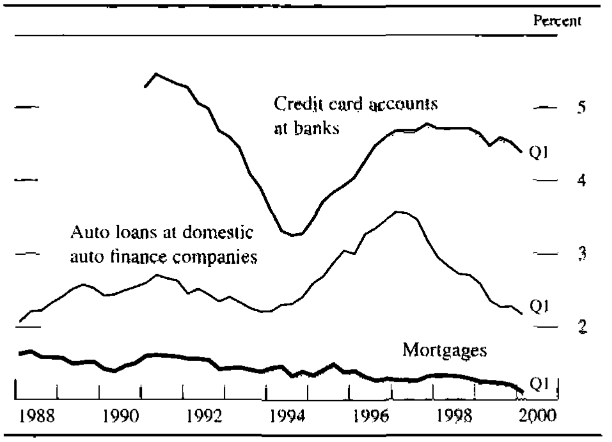
Household Finance

Fueled by robust spending, especially early in the year, the expansion of household debt remained brisk during the first half of 2000, although below the very strong 1999 growth rate. Apparently, a favorable outlook for income and employment, along with rising wealth, made households feel confident enough to continue to spend and take on debt. Despite rising mortgage and consumer loan rates, household debt increased at an annual rate of nearly 8 percent in the first quarter, and preliminary data point to a similar increase in the second quarter.

Mortgage debt expanded at an annual rate of 7 percent in the first quarter, boosted by the high level of housing activity. Household debt not secured by real estate—including credit card balances and auto loans—posted an impressive 10 percent gain in the first quarter to help finance a large expansion in outlays for consumer durables, especially motor vehicles. The moderation in the growth of household debt this year has been driven primarily by its mortgage component: Preliminary data for the second quarter suggest that, although consumer credit likely decelerated from the first quarter, it still grew faster than in 1999.

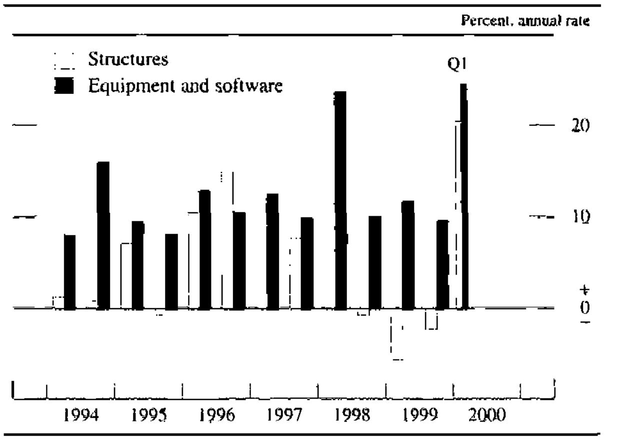
Debt in margin accounts, which is largely a household liability and is not included in reported measures of credit market debt, has declined, on net, in recent

Delinquency rates on household loans



NOTE. Data on credit card delinquencies are from bank Call Reports; data on auto loan delinquencies are from the Big Three automakers; data on mortgage delinquencies are from the Mortgage Bankers Association.

Change in real business fixed investment



months, following a surge from late in the third quarter of 1999 through the end of March 2000. There has been no evidence that recent downdrafts in share prices this year caused serious repayment problems at the aggregate level that might pose broader systemic concerns.

The combination of rapid debt growth and rising interest rates has pushed the household debt-service burden to levels not reached since the late 1980s. Nonetheless, with household income and net worth both having grown rapidly, and employment prospects favorable, very few signs of worsening credit problems in the household sector have emerged, and commercial banks have reported in recent Federal Reserve surveys that they remain favorably disposed to make consumer installment and mortgage loans. Indeed, financial indicators of the household sector have remained mostly positive: The rate of personal bankruptcy filings fell in the first quarter to its lowest level since 1996; delinquency rates on home mortgages and auto loans remained low; and the delinquency rate on credit cards edged down further, although it remained in the higher range that has prevailed since the mid-1990s. However, delinquency rates may be held down, to some extent, by the surge in new loan originations in recent quarters because newly originated loans are less likely to be delinquent than seasoned ones.

The Business Sector

Fixed Investment

The boom in capital spending extended into the first half of 2000 with few indications that businesses' desire to take advantage of more-efficient technologies is diminishing. Real business fixed investment surged at an annual rate of almost 24 percent in the first quarter of the year, rebounding sharply from its lull at the end of 1999, when firms apparently postponed some projects because of the century date change. In recent months, the trends in new orders and shipments of nondefense capital goods suggest that demand has remained solid.

Sustained high rates of investment spending have been a key feature shaping the current economic expansion. Business spending on new equipment and software has been propelled importantly by ongoing advances in computer and information technologies that can be applied to a widening range of business processes. The ability of firms to take advantage of these emerging developments has been supported by the strength of domestic demand and by generally favorable conditions in credit and equity markets. In addition, because these high-technology goods can be produced increasingly efficiently, their prices have continued to decline steeply, providing additional incentive for rapid investment. The result has been a significant rise in the stock of capital in use by businesses and an acceleration in the flow of services from that capital as more-advanced vintages of equipment replace older ones. The payoff from the prolonged period during which firms have upgraded their plant and equipment has increasingly shown through in the economy's improved productivity performance.

Real outlays for business equipment and software shot up at an annual rate of nearly 25 percent in the first quarter of this year. That jump followed a modest increase in the final quarter of 1999 and put spending for business equipment and software back on the double-digit uptrend that has prevailed throughout the current economic recovery. Concerns about potential problems with the century date change had the most noticeable effect on the patterns of spending for computers and peripherals and for communications equipment in the fourth and first quarters; expenditures for software were also affected, although less so. For these categories of goods overall, the impressive resurgence in business purchases early this year left little doubt that the underlying strength in demand for high-tech capital goods had been only temporarily interrupted by the century date change. Indeed, nominal shipments of office and computing equipment and of communication devices registered sizable increases over the April–May period.

In the first quarter, business spending on computers and peripheral equipment was up almost 40 percent from a year earlier—a pace in line with the trend of the current expansion. Outlays for communications equipment, however, accelerated; the first-quarter surge brought the year-over-year increase in spending to 35 percent, twice the pace that prevailed a year earlier. Expanding Internet usage has been driving the need for new network architectures. In addition, cable companies have been investing heavily in preparation for their planned entry into the markets for residential and commercial telephony and broadband Internet services.

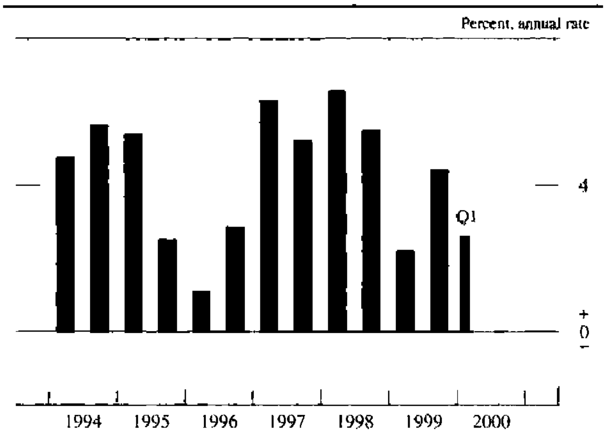
Demand for business equipment outside of the high-tech area was also strong at the beginning of the year. In the first quarter, outlays for industrial equipment rose at a brisk pace for a third consecutive quarter as the recovery of the manufacturing sector from the effects of the Asian crisis gained momentum. In addition, investment in farm and construction machinery, which had fallen steadily during most of 1999, turned up, and shipments of civilian aircraft to domestic customers increased. More recent data show a further rise in the backlog of unfilled orders placed with domestic firms for equipment and machinery (other than high-tech items and transportation equipment), suggesting that demand for these items has been well maintained. However, business purchases of motor vehicles are likely to drop back in the second quarter from the very high level recorded at the beginning of the year. In particular, demand for heavy trucks appears to have been adversely affected by higher costs of fuel and shortages of drivers.

Real investment in private nonresidential structures jumped at an annual rate of more than 20 percent in the first quarter of the year after having declined in 1999. Both last year's weakness and this year's sudden and widespread revival are difficult to explain fully. Nonetheless, the higher levels of spending on office buildings, other commercial facilities, and industrial buildings recorded early this year would seem to accord well with the overall strength in aggregate demand. However, the fundamentals in this sector of the economy are mixed. Available information suggests that property values for offices, retail space, and warehouses have been rising more slowly than they were several years ago. However, office vacancy rates have come down, which suggests that, at least at an aggregate level, the office sector is not overbuilt. The vacancy rate for industrial buildings has also fallen, but in only a few industries, such as semiconductors and other electronic components, are capacity pressures sufficiently intense to induce significant expansion of production facilities.

Inventory Investment

The ratio of inventories to sales in many nonfarm industries moved lower early this year. Those firms that had accumulated some additional stocks toward the end of 1999 as a precaution against disruptions related to the century date change seemed to have little difficulty working off those inventories after the smooth transition to the new year. Moreover, the first-quarter surge in final demand may have, to some extent, exceeded businesses' expectations. In current-cost terms, non-auto manufacturing and trade establishments built inventories in April and May at a somewhat faster rate than in the first quarter but still roughly in line with the rise in their sales. As a result, the ratio of inventories to sales, at current cost, for these businesses was roughly unchanged from the first quarter. Overall, the ongoing downtrend in the ratios of inventories to sales during the past several years suggests that businesses increasingly are taking

Change in real nonfarm business inventories



advantage of new technologies and software to implement better inventory management.

The swing in inventory investment in the motor vehicle industry has been more pronounced recently. Dealer stocks of new cars and light trucks were drawn down during the first quarter as sales climbed to record levels. Accordingly, auto and truck makers kept assemblies at a high level through June in order to maintain ready supplies of popular models. Even though demand appears to have softened and inventories of a few models have backed up, scheduled assemblies for the third quarter are above the elevated level of the first half.

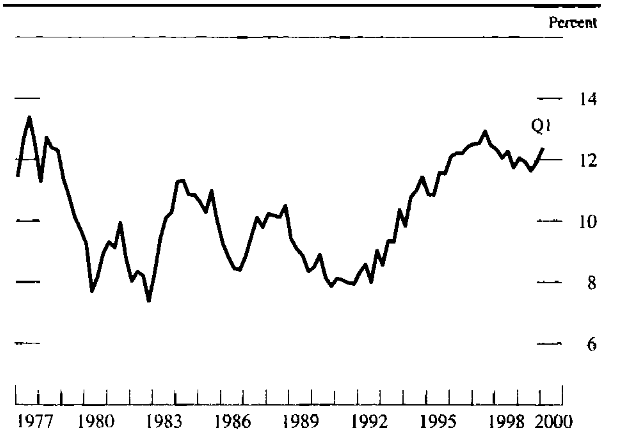
Business Finance

The economic profits of nonfinancial U.S. corporations posted another solid increase in the first quarter. The profits that nonfinancial corporations earned on their domestic operations were 10 percent above the level of a year earlier; the rise lifted the share of profits in this sector's nominal output close to its 1997 peak. Nonetheless, with investment expanding rapidly, businesses' external financing requirements, measured as the difference between capital expenditures and internally generated funds, stayed at a high level in the first half of this year. Businesses' credit demands were also supported by cash-financed merger and acquisition activity. Total debt of nonfinancial businesses increased at a 10½ percent clip in the first quarter, close to the brisk pace of 1999, and available information suggests that borrowing remained strong into the second quarter.

On balance, businesses have altered the composition of their funding this year to rely more on shorter-term sources of credit and less on the bond market, although the funding mix has fluctuated widely in response to changing market conditions. After the passing of year-end, corporate borrowers returned to the bond market in volume in February and March, but subsequent volatility in the capital market in April and May prompted a pullback. In addition, corporate bond investors have been less receptive to smaller, less liquid offerings, as has been true for some time.

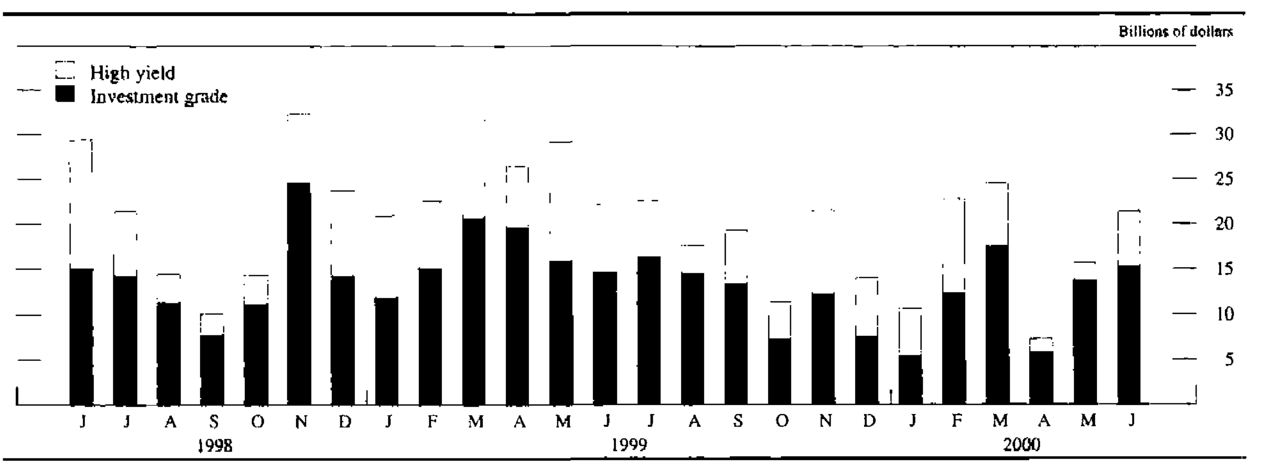
In the investment-grade market, bond issuers have responded to investors' concerns about the interest rate and credit outlook by shortening the maturities of their offerings and by issuing more floating-rate securities. In the below-investment-grade market, many of the borrowers who did tap the bond market in

Before-tax profits of nonfinancial corporations as a share of GDP



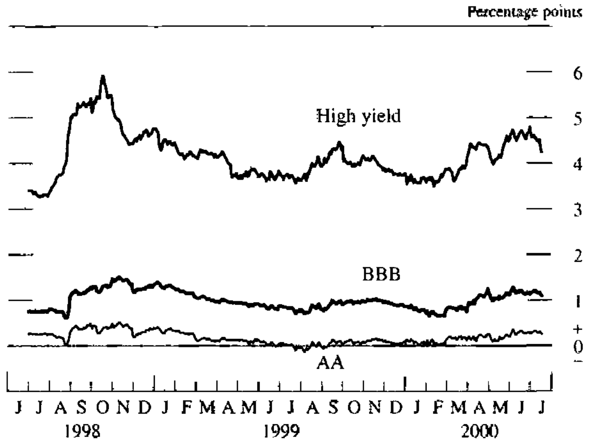
NOTE. Profits from domestic operations, with inventory valuation and capital consumption adjustments, divided by gross domestic product of nonfinancial corporate sector.

Gross corporate bond issuance



NOTE. Excludes unrated issues and issues sold abroad.

Spreads of corporate bond yields
over the ten-year swap rate

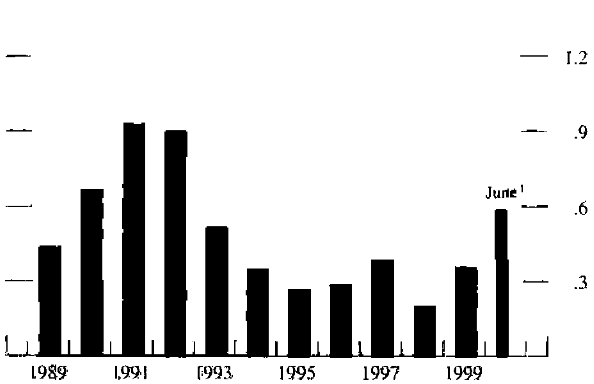


NOTE. The data are daily. The spreads compare the yields on the Merrill Lynch AA, BBB, and 175 indexes with the ten-year swap rate from Bloomberg. Last observations are for July 17, 2000.

February and March did so by issuing convertible bonds and other equity-related debt instruments. Subsequently, amid increased equity market volatility and growing investor uncertainty about the outlook for prospective borrowers, credit spreads in the corporate bond market widened, and issuance in the below-investment-grade market dropped sharply in April and May. Conditions in the corporate bond market calmed in late May and June, and issuance recovered to close to its first-quarter pace.

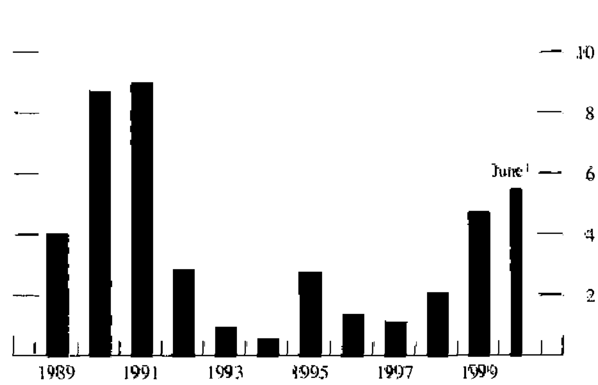
As the bond market became less hospitable in the spring, many businesses evidently turned to banks and to the commercial paper market for financing. Partly as a result, commercial and industrial loans at

Ratio of liabilities of failed nonfinancial firms
to liabilities of all nonfinancial firms



1. Year to date.
SOURCE. Dun & Bradstreet.

Default rates on outstanding junk bonds



1. Year to date.
SOURCE. Moody's Investors Service.

banks have expanded briskly, even as a larger percentage of banks have reported in Federal Reserve surveys that they have been tightening standards and terms on such loans.

Underscoring lenders' concerns about the creditworthiness of borrowers, the ratio of liabilities of failed businesses to total liabilities has increased further so far this year, and the default rate on outstanding junk bonds has risen further from the relatively elevated level reached in 1999. Through midyear, Moody's Investors Service has downgraded, on net, more debt in the nonfinancial business sector than it has upgraded, although it has placed more debt on watch for future upgrades than downgrades.

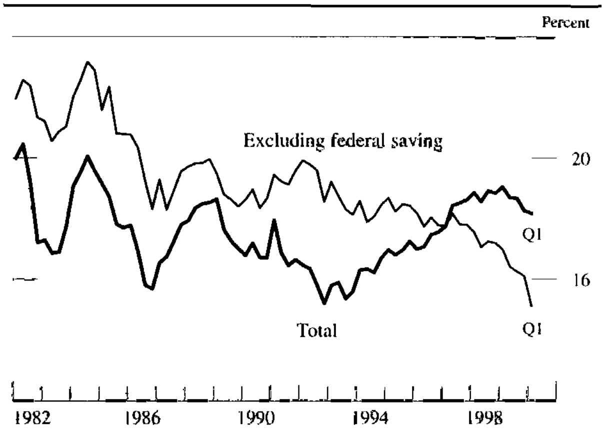
Commercial mortgage borrowing has also expanded at a robust pace over the first half of 2000, as investment in office and other commercial building strengthened. Extending last year's trend, borrowers have tapped banks and life insurance companies as the financing sources of choice. Banks, in particular, have reported stronger demand for commercial real estate loans this year even as they have tightened standards a bit for approving such loans. In the market for commercial mortgage-backed securities, yields have edged higher since the beginning of the year.

The Government Sector

Federal Government

The incoming information regarding the federal budget suggests that the surplus in the current fiscal year will surpass last year's by a considerable amount. Over the first eight months of fiscal year 2000—the

National saving as a share of nominal GNP

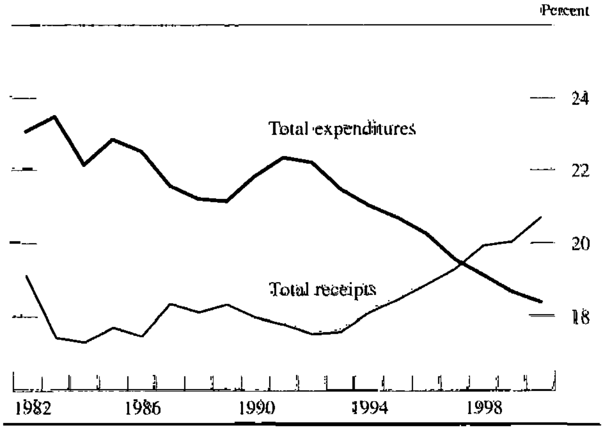


NOTE. National saving comprises the gross saving of households, businesses, and governments.

period from October to May—the unified budget recorded a surplus of about $120 billion, compared with $41 billion during the comparable period of fiscal 1999. The Office of Management and Budget and the Congressional Budget Office are now forecasting that, when the fiscal year closes, the unified surplus will be around $225 billion to $230 billion, $100 billion higher than in the preceding year. That outcome would likely place the surplus at more than 2¼ percent of GDP, which would exceed the most recent high of 1.9 percent, which occurred in 1951.

The swing in the federal budget from deficit to surplus has been an important factor in maintaining national saving. The rise in federal saving as a percentage of gross national product from −3.5 percent in 1992 to 3.1 percent in the first quarter of this year has been sufficient to offset the drop in personal saving that occurred over the same period. As a result, gross saving by households, businesses, and governments has stayed above 18 percent of GNP since 1997, compared with 16½ percent over the preceding seven years. The deeper pool of national saving, along with the continued willingness of foreign investors to finance our current account deficit, remains an important factor in containing increases in the cost of capital and sustaining the rapid expansion of domestic investment. With longer-run projections showing a rising federal government surplus over the next decade, this source of national saving could continue to expand.

Federal receipts and expenditures as a share of nominal GDP



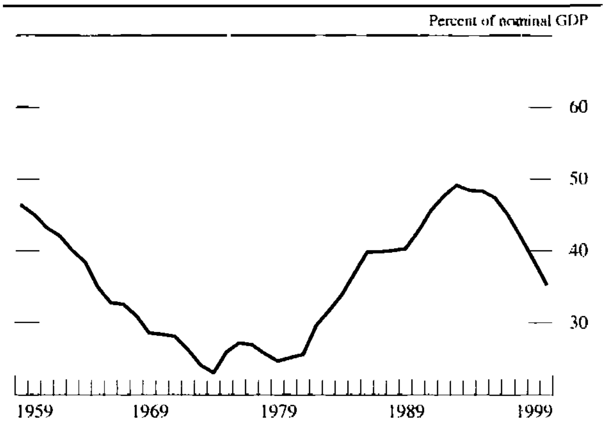
NOTE. Data on receipts and expenditures are from the unified budget. Values for 2000 are current services estimates from the Mid-Session Review of the Budget by the Office of Management and Budget.

The recent good news on the federal budget has been primarily on the receipts side of the ledger. Nonwithheld tax receipts were very robust this spring. Both final payments on personal income tax liabilities for 1999 and final corporate tax payments for 1999 were up substantially. So far this year, the withheld tax and social insurance contributions on this year's earnings of individuals have also been strong. As a result, federal receipts during the first eight months of the fiscal year were almost 12 percent higher than they were during the year-earlier period.

While receipts have accelerated, federal expenditures have been rising only a little faster than during fiscal 1999 and continue to decline as a share of nominal GDP. Nominal outlays for the first eight months of the current fiscal year were 5¼ percent above the year-earlier period. Increases in discretionary spending have picked up a bit so far this year. In particular, defense spending has been running higher in the wake of the increase in budget authority enacted last year. The Congress has also boosted agricultural subsidies in response to the weakness in farm income. While nondiscretionary spending continues to be held down by declines in net interest payments, categories such as Medicaid and other health programs have been rising more rapidly of late.

As measured by the national income and product accounts, real federal expenditures for consumption and gross investment dropped sharply early this year after having surged in the fourth quarter of 1999. These wide quarter-to-quarter swings in federal spending appear to have occurred because the Department of Defense speeded up its payments to vendors before the century date change; actual deliveries of defense goods and services were likely smoother. On average, real defense spending in the fourth and first quarters was up moderately from the average level in fiscal 1999. Real nondefense outlays continued to rise slowly.

Federal government debt held by the public



NOTE. The data are annual and extend through 2000. Federal debt held by private investors is gross federal debt less debt held by federal government accounts and the Federal Reserve System. The value for 2000 is an estimate based on the Administration's June 26 Mid-Session Review of the Budget.

With current budget surpluses coming in above expectations and large surpluses projected to continue for the foreseeable future, the federal government has taken additional steps aimed at preserving a high level of liquidity in the market for its securities. Expanding on efforts to concentrate its declining debt issuance in fewer highly liquid securities, the Treasury announced in February its intention to issue only two new five- and ten-year notes and only one new thirty-year bond each year. The auctions of five- and ten-year notes will remain quarterly, alternating between new issues and smaller reopenings, and the bond auctions will be semiannual, also alternating between new and smaller reopened offerings. The Treasury also announced that it was reducing the frequency of its one-year bill auctions from monthly to quarterly and cutting the size of the monthly two-year note auctions. In addition, the Treasury eliminated the April auction of the thirty-year inflation-indexed bond and indicated that the size of the ten-year inflation-indexed note offerings would be modestly reduced. Meanwhile, anticipation of even larger surpluses in the wake of the surprising strength of incoming tax receipts so far in 2000 led the Treasury to announce, in May, that it was again cutting the size of the monthly two-year note auctions. The Treasury also noted that it is considering additional changes in its auction schedule, including the possible elimination of the one-year bill auctions and a reduction in the frequency of its two-year note auctions.

Early in the year, the Treasury unveiled the details of its previously announced reverse-auction, or debt buyback, program, whereby it intends to retire seasoned, less liquid, debt securities with surplus cash, enabling it to issue more "on-the-run" securities. The Treasury noted that it would buy back as much as $30 billion this year. The first operation took place in March, and in May the Treasury announced a schedule of two operations per month through the end of July of this year. Through midyear, the Treasury has conducted eight buyback operations, redeeming a total of $15 billion. Because an important goal of the buyback program is to help forestall further increases in the average maturity of the Treasury's publicly held debt, the entire amount redeemed so far has corresponded to securities with remaining maturities at the long end of the yield curve (at least fifteen years).

State and Local Governments

In the state and local sector, real consumption and investment expenditures registered another strong quarter at the beginning of this year. In part, the unseasonably good weather appears to have accommodated more construction spending than usually occurs over the winter. However, some of the recent rise is an extension of the step-up in spending that emerged last year, when real outlays rose 5 percent after having averaged around 3 percent for the preceding three years. Higher federal grants for highway construction have contributed to the pickup in spending. In addition, many of these jurisdictions have experienced solid improvements in their fiscal conditions, which may be allowing them to undertake new spending initiatives.

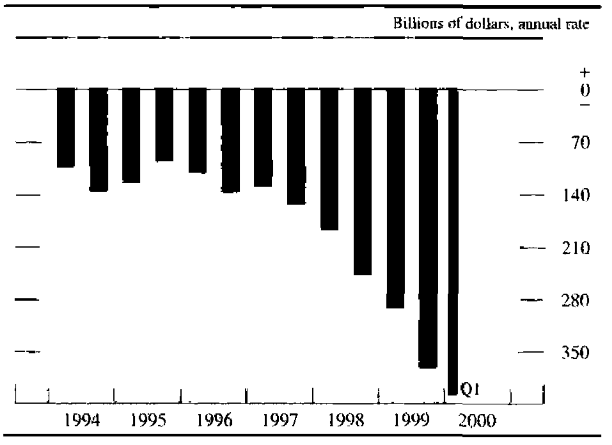
The improving fiscal outlook for state and local governments has affected both the issuance and the quality of state and local debt. Borrowing by states and municipalities expanded sluggishly in the first half of this year. In addition to the favorable budgetary picture, rising interest rates have reduced the demand for new capital financing and substantially limited refunding issuance. Credit upgrades have outnumbered downgrades by a substantial margin in the state and local sector.

The External Sector

Trade and Current Account

The deficits in U.S. external balances have continued to get even larger this year. The current account deficit reached an annual rate of $409 billion in the first quarter of 2000, or 4¼ percent of GDP, com-

U.S. current account



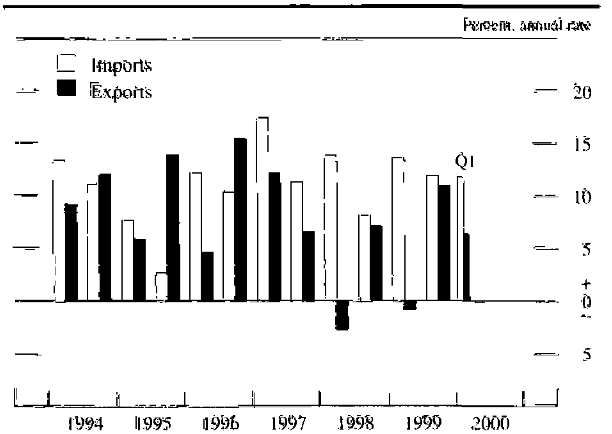
pared with $372 billion and 4 percent in the second half of 1999. Net payments of investment income were a bit less in the first quarter than in the second half of last year owing to a sizable increase in income receipts from direct investment abroad. Most of the expansion in the current account deficit occurred in trade in goods and services. In the first quarter, the deficit in trade in goods and services widened to an annual rate of $345 billion, a considerable expansion from the deficit of $298 billion recorded in the second half of 1999. Trade data for April suggest that the deficit may have increased further in the second quarter.

U.S. exports of real goods and services rose at an annual rate of 6¼ percent in the first quarter, following a strong increase in exports in the second half of last year. The pickup in economic activity abroad that began in 1999 continued to support export demand and partly offset negative effects on price competitiveness of U.S. products from the dollar's past appreciation. By market destination, U.S. exports to Canada, Mexico, and Europe increased the most. By product group, export expansion was concentrated in capital equipment, industrial supplies, and consumer goods. Preliminary data for April suggest that growth of real exports remained strong.

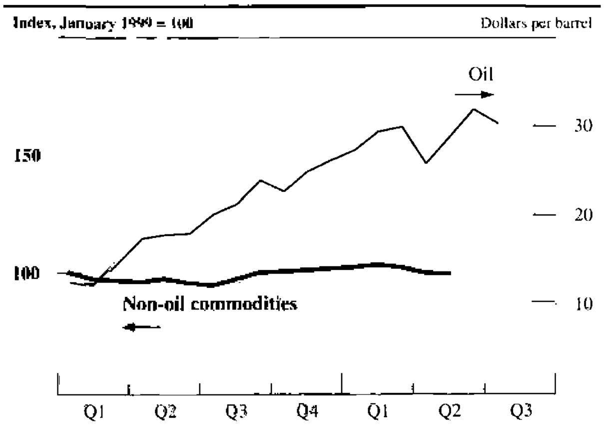
The quantity of imported goods and services continued to expand rapidly in the first quarter. The increase in imports, at an annual rate of 11¾ percent, was the same in the first quarter as in the second half of 1999 and reflected both the continuing strength of U.S. domestic demand and the effects of past dollar appreciation on price competitiveness. Imports of consumer goods, automotive products, semiconductors, telecommunications equipment, and other machinery were particularly robust. Data for April suggest that the second quarter got off to a strong start. The price of non-oil goods imports rose at an annual rate of 1¾ percent in the first quarter, the second consecutive quarter of sizable price increases following four years of price declines; non-oil import prices in the second quarter posted only moderate increases.

A number of developments affecting world oil demand and supply led to a further step-up in the spot price of West Texas intermediate (WTI) crude this year, along with considerable volatility. In the wake of the plunge of world oil prices during 1998, the Organization of Petroleum Exporting Countries (OPEC) agreed in early 1999 to production restraints that, by late in the year, restored prices to their 1997 level of about $20 per barrel. Subsequently, continued recovery of world demand, combined with some

Change in real imports and exports of goods and services



Prices for oil and other commodities



NOTE. The oil price is the spot price of West Texas intermediate crude oil. The price for non-oil commodities is a weighted average of thirty-nine non-fuel primary-commodity prices from the International Monetary Fund. The data are monthly. The last observation for non-oil commodities is May; for oil, July average through July 12, 2000.

supply disruptions, caused the WTI spot price to spike above $34 per barrel during March of this year, the highest level since the Gulf War more than nine years earlier. Oil prices dropped back temporarily in April, but in May and June the price of crude oil moved back up again, as demand was boosted further by strong global economic activity and by rebuilding of oil stocks. In late June, despite an announcement by OPEC that it would boost production, the WTI spot price reached a new high of almost $35 per barrel, but by early July the price had settled back to about $30 per barrel.

Financial Account

Capital flows in the first quarter of 2000 continued to reflect the relatively strong performance of the U.S. economy and transactions associated with global corporate mergers. Foreign private purchases of U.S. securities remained brisk—well above the record pace set last year. In addition, the mix of U.S. securities purchased by foreigners in the first quarter showed a continuation of last year's trend toward smaller holdings of U.S. Treasury securities and larger holdings of U.S. agency and corporate securities. Private-sector foreigners sold more than $9 billion in Treasury securities in the first quarter while purchasing more than $26 billion in agency bonds. Despite a mixed performance of U.S. stock prices, foreign portfolio purchases of U.S. equities exceeded $60 billion in the first quarter, more than half of the record annual total set last year. U.S. purchases of foreign securities remained strong in the first quarter of 2000.

Foreign direct investment flows into the United States were robust in the first quarter of this year as well. As in the past two years, direct investment inflows have been elevated by the extraordinary level of cross-border merger and acquisition activity. Portfolio flows have also been affected by this activity. For example, in recent years, many of the largest acquisitions have been financed by swaps of equity in the foreign acquiring firm for equity in the U.S. firm being acquired. The Bureau of Economic Analysis estimates that U.S. residents acquired $123 billion of foreign equities in this way last year. Separate data on market transactions indicate that U.S. residents made net purchases of Japanese equities but sold European equities. The latter sales likely reflect a rebalancing of portfolios after stock swaps. U.S. direct investment in foreign economies has also remained strong, exceeding $30 billion in the first quarter of 2000. Again, a significant portion of this investment was associated with cross-border merger activity.

Capital inflows from foreign official sources in the first quarter of this year were sizable—$20 billion, compared with $43 billion for all of 1999. As was the case last year, the increase in foreign official reserves in the United States in the first quarter was concentrated in a relatively few countries. Partial data for the second quarter of 2000 show a small official outflow.

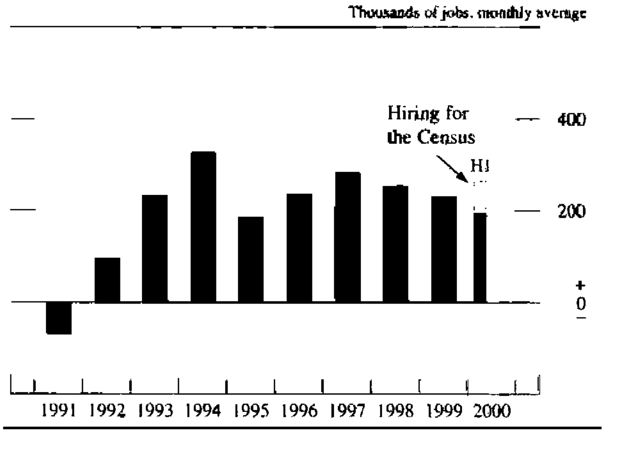
The Labor Market

Employment and Labor Supply

The labor market in early 2000 continued to be characterized by substantial job creation, a historically low level of unemployment, and sizable advances in productivity that have held labor costs in check. The rise in overall nonfarm payroll employment, which totaled more than 1½ million over the first half of the year, was swelled by the federal government's hiring of intermittent workers to conduct the decennial census. Apart from that temporary boost, which accounted for about one-fourth of the net gain in jobs between December and June, nonfarm payroll employment increased an average of 190,000 per month, somewhat below the robust pace of the preceding four years.

Monthly changes in private payrolls were uneven at times during the first half the year, but, on balance, the pace of hiring, while still solid, appears to have moderated between the first and second quarters. In some industries, such as construction, the pattern appears to have been exaggerated by unseasonably high levels of activity during the winter that acceler-

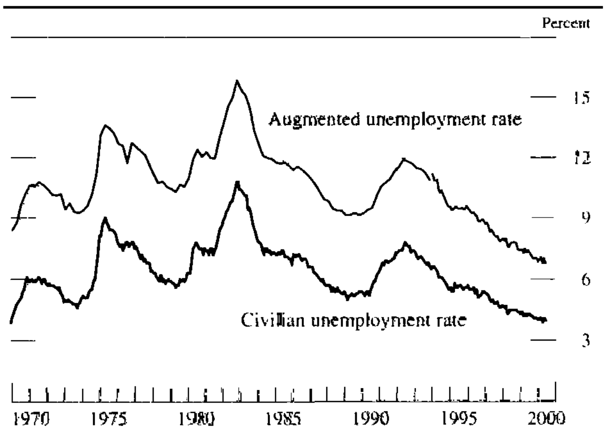
Net change in total nonfarm payroll employment



ated hiring that typically would have occurred in the spring. After a robust first quarter, construction employment declined between April and June; on average, hiring in this industry over the first half of the year was only a bit slower than the rapid pace that prevailed from 1996 to 1999. However, employment gains in the services industry, particularly in business and health services, were smaller in the second quarter than in the first while job cutbacks occurred in finance, insurance, and real estate after four and one-half years of steady expansion. Nonetheless, strong domestic demand for consumer durables and business equipment, along with support for exports from the pickup in economic activity abroad, led to a leveling off in manufacturing employment over the first half of 2000 after almost two years of decline. And, with consumer spending brisk, employment at retail establishments, although fluctuating widely from month to month, remained generally on a solid uptrend over the first half.

The supply of labor increased slowly in recent years relative to the demand for workers. The labor force participation rate was unchanged, on average, at 67.1 percent from 1997 to 1999; that level was just 0.6 percentage point higher than at the beginning of the expansion in 1990. The stability of the participation rate over the 1997–99 period was somewhat surprising because the incentives to enter the workforce seemed powerful: Hiring was strong, real wages were rising more rapidly than earlier in the expansion, and individuals perceived that jobs were plentiful. However, the robust demand for new workers instead led to a substantial decline in unemployment, and the civilian jobless rate fell from 5¼ percent at

Measures of labor utilization



NOTE. The augmented unemployment rate is the number of unemployed plus those who are not in the labor force and want a job, divided by the civilian labor force plus those who are not in the labor force and want a job. The break in data at January 1994 marks the introduction of a redesigned survey; data from that point on are not directly comparable with those of earlier periods.

the beginning of 1997 to just over 4 percent at the end of 1999.

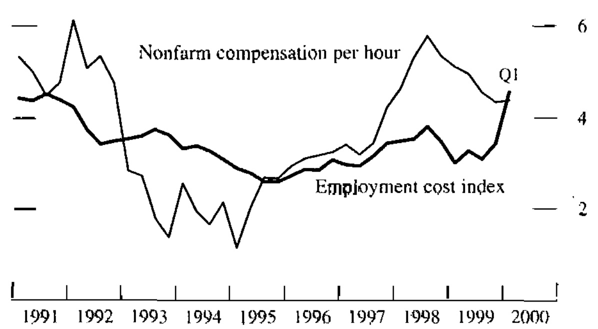
This year, the labor force participation rate ratcheted up sharply over the first four months of the year before dropping back in recent months as employment slowed. The spike in participation early this year may have been a response to ready availability of job opportunities, but Census hiring may also have temporarily attracted some individuals into the workforce. On net, growth of labor demand and supply have been more balanced so far this year, and the unemployment rate has held near its thirty-year low of 4 percent. At midyear, very few signs of a significant easing in labor market pressures have surfaced. Employers responding to various private surveys of business conditions report that they have been unable to hire as many workers as they would like because skilled workers are in short supply and competition from other firms is keen. Those concerns about hiring have persisted even as new claims for unemployment insurance have drifted up from very low levels in the past several months, suggesting that some employers may be making workforce adjustments in response to slower economic activity.

Labor Costs and Productivity

Reports by businesses that workers are in short supply and that they are under pressure to increase compensation to be competitive in hiring and retaining employees became more intense early this year. However, the available statistical indicators are providing somewhat mixed and inconsistent signals of whether a broad acceleration in wage and benefit costs is emerging. Hourly compensation, as measured by the employment cost index (ECI) for private nonfarm businesses, increased sharply during the first quarter to a level more than 4½ percent above a year earlier. Before that jump, year-over-year changes in the ECI compensation series had remained close to 3½ percent for three years. However, an alternative measure of compensation per hour, calculated as part of the productivity and cost series, which has shown higher rates of increase than the ECI in recent years, slowed in the first quarter of this year. For the nonfarm business sector, compensation per hour in the first quarter was 4¼ percent higher than a year earlier; in the first quarter of 1999, the four-quarter change was 5¼ percent.[3]

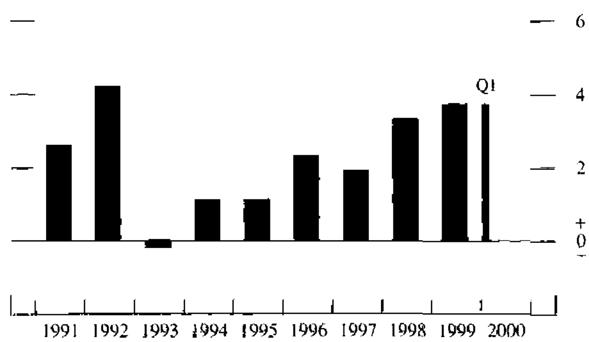
3. The figures for compensation per hour in the nonfinancial corporate sector are similar: an increase of about 4 percent for the year ending in the first quarter of this year compared with almost 5½ percent for the year ending in the first quarter of 1999.

Measures of the change in hourly compensation



NOTE. The ECI is for private industry excluding farm and household workers. Nonfarm compensation per hour is for the nonfarm business sector.

Change in output per hour for the nonfarm business sector



NOTE. The value for 2000:Q1 is the percent change from a year earlier.

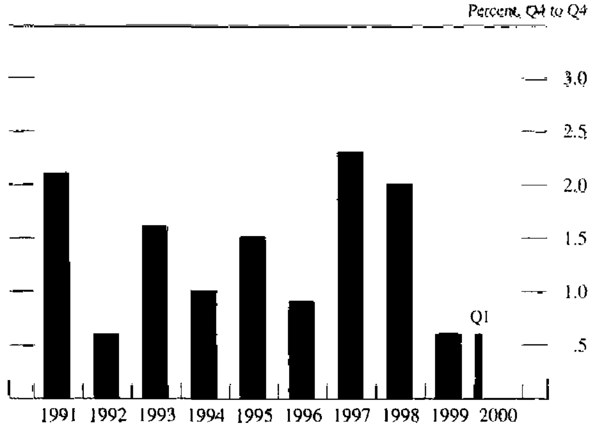
Part of the acceleration in the ECI in the first quarter was the result of a sharp step-up in the wage and salary component of compensation change. While higher rates of straight-time pay were widespread across industry and occupational groups, the most striking increase occurred in the finance, insurance, and real estate industry where the year-over-year change in wages and salaries jumped from about 4 percent for the period ending in December 1999 to almost 8½ percent for the period ending in March of this year. The sudden spike in wages in that sector could be related to commissions that are tied directly to activity levels in the industry and, thus, would not represent a lasting influence on wage inflation. For other industries, wages and salaries accelerated moderately, which might appear plausible in light of reports that employers are experiencing shortages of some types of skilled workers. However, the uptrend in wage inflation that surfaced in the first-quarter ECI has not been so readily apparent in the monthly data on average hourly earnings of production or nonsupervisory workers, which are available through June. Although average hourly earnings increased at an annual rate of 4 percent between December and June, the June level of hourly wages stood 3¾ percent higher than a year earlier, the same as the increase between June 1998 and June 1999.

While employers in many industries appear to have kept wage increases moderate, they may be facing greater pressures from rising costs of employee benefits. The ECI measure of benefit costs rose close to 3½ percent during 1999, a percentage point faster than during 1998; these costs accelerated sharply further in the first quarter of this year to a level 5½ percent above a year earlier. Much of last year's pickup in benefit costs was associated with faster rates of increase in employer contributions to health insurance, and the first-quarter ECI figures indicated another step-up in this component of costs. Private survey information and available measures of prices in the health care industry suggest that the upturn in the employer costs of health care benefits is associated with both higher costs of health care and employers' willingness to offer attractive benefit packages in order to compete for workers in a tight labor market. Indeed, employers have been reporting that they are enhancing compensation packages with a variety of benefits in order to hire and retain employees. Some of these offerings are included in the ECI; for instance, the ECI report for the first quarter noted a pickup in supplemental forms of pay, such as overtime and nonproduction bonuses, and in paid leave. However, other benefits cited by employers, including stock options, hiring and retention bonuses, and discounts on store purchases, are not measured in the ECI.[4] The productivity and costs measure of hourly compensation may capture more of the non-wage costs that employers incur, but even for that series, the best estimates of employer compensation costs are available only after business reports for unemployment insurance and tax records are tabulated and folded into the annual revisions of the national income and product accounts.

Because businesses have realized sizable gains in worker productivity, compensation increases have

4. Beginning with publication of the ECI for June 2000, the Bureau of Labor Statistics plans to expand the definition of nonproduction bonuses in the ECI to include hiring and retention bonuses. These payments are already included in the wage and salary measure underlying the data on compensation per hour calculated for the productivity and cost series.

Change in unit labor costs for the nonfarm business sector



NOTE. The value for 2000:Q1 is the percent change from a year earlier.

not generated significant pressure on overall costs of production. Output per hour in the nonfarm business sector posted another solid advance in the first quarter, rising to a level 3¾ percent above a year earlier and offsetting much of the rise in hourly compensation over the period. For nonfinancial corporations, the subset of the nonfarm business sector that excludes types of businesses for which output is measured less directly, the 4 percent year-over-year increase in productivity held unit labor costs unchanged.

With the further robust increases in labor productivity recently, the average rise in output per hour in the nonfarm business sector since early 1997 has stepped up further to 3 percent from the 2 percent pace of the 1995–97 period. What has been particularly impressive is that the acceleration of productivity in the past several years has exceeded the pickup in output growth over the period and, thus, does not appear to be simply a cyclical response to more rapidly rising demand. Rather, businesses are likely realizing substantial and lasting payoffs from their investment in equipment and processes that embody the technological advances of the past several years.

Prices

Rates of increase in the broader measures of prices moved up further in early 2000. After having accelerated from 1 percent during 1998 to 1½ percent last year, the chain-type price index for GDP—prices of goods and services that are *produced* domestically—increased at an annual rate of 3 percent in the first quarter of this year. The upswing in inflation for

2. Alternative measures of price change

Percent, annual rate

Price measure	1997:Q4 to 1998:Q4	1998:Q4 to 1999:Q4	1999:Q4 to 2000:Q1
Chain-type			
Gross domestic product	1.0	1.6	3.0
Gross domestic purchases	.7	1.9	3.5
Personal consumption expenditures	.9	2.0	3.5
Excluding food and energy	1.3	1.5	2.2
Fixed-weight			
Consumer price index	1.5	2.6	4.0
Excluding food and energy	2.4	2.1	2.3

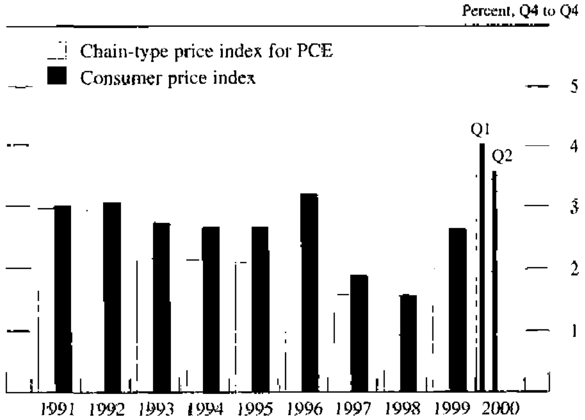
NOTE. A fixed-weight index uses quantity weights from the base year to aggregate prices from each distinct item category. A chain-type index is the geometric average of two fixed-weight indexes and allows the weights to change each year. Changes are based on quarterly averages.

goods and services *purchased* by consumers, businesses, and governments has been somewhat greater: The chain-type price index for gross domestic purchases rose at an annual rate of 3½ percent in the first quarter after having increased about 2 percent during 1999 and just ¾ percent during 1998.

The pass-through of the steep rise in the cost of imported crude oil that began in early 1999 and continued into the first half of this year has been the principal factor in the acceleration of the prices of goods and services purchased. The effect of higher energy costs on domestic prices has been most apparent in indexes of prices paid by consumers. After having risen 12 percent during 1999, the chain-type price index for energy items in the price index for personal consumption expenditures (PCE) jumped at an annual rate of 35 percent in the first quarter of 2000; the first-quarter rise in the energy component of the CPI was similar.

Swings in energy prices continued to have a noticeable effect on overall measures of consumer prices

Change in consumer prices



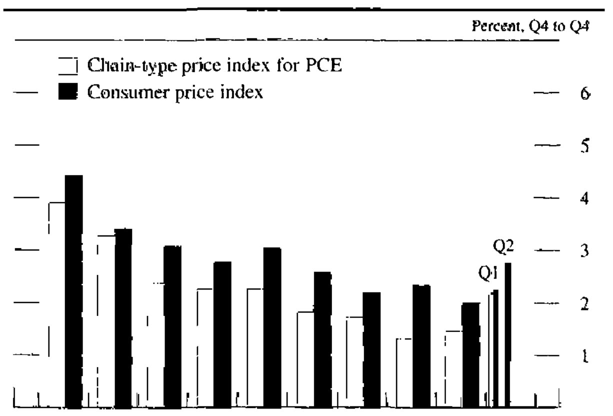
NOTE. Consumer price index for all urban consumers. Values for 2000:Q1 and Q2 are percent changes from the previous quarter at an annual rate.

in the second quarter. After world oil prices dropped back temporarily in the spring, the domestic price of motor fuel dropped in April and May, and consumer prices for energy, as measured by the CPI, retraced some of the first-quarter increase. As a result, the overall CPI was little changed over the two months. However, with prices of crude oil having climbed again, the bounceback in prices of motor fuel led to a sharp increase in the CPI for energy in June. In addition, with strong demand pressing against available supplies, consumer prices of natural gas continued to rise rapidly in the second quarter. In contrast to the steep rise in energy prices, the CPI for food has risen slightly less than other non-energy prices so far this year.

Higher petroleum costs also fed through into higher producer costs for a number of intermediate materials. Rising prices for inputs such as chemicals and paints contributed importantly to the acceleration in the producer price index for intermediate materials excluding food and energy from about 1¾ percent during 1999 to an annual rate of 3½ percent over the first half of this year. Upward pressure on input prices was also apparent for construction materials, although these have eased more recently. Prices of imported industrial supplies also picked up early this year owing to higher costs of petroleum inputs.

Core consumer price inflation has also been running a little higher so far this year. The chain-type price index for personal consumption expenditures other than food and energy increased at an annual rate of 2¼ percent in the first quarter compared with an increase of 1½ percent during 1999. Based on the monthly estimates of PCE prices in April and May, core PCE price inflation looks to have been just a little below its first-quarter rate. After having risen just over 2 percent between the fourth quarter of 1998 and the fourth quarter of 1999, the CPI excluding food and energy increased at an annual rate of 2¼ percent in the first quarter of 2000 and at a 2¾ percent rate in the second quarter. In part, the rise in core inflation likely reflects the indirect effects of higher energy costs on the prices of a variety of goods and services, although these effects are difficult to quantify with precision. Moreover, prices of non-oil imported goods, which had been declining from late 1995 through the middle of last year, continued to trend up early this year.

Change in consumer prices excluding food and energy



NOTE. Consumer price index for all urban consumers. Values for 2000:Q1 and Q2 are percent changes from the previous quarter at an annual rate.

The pickup in core inflation, as measured by the CPI, has occurred for both consumer goods and services. Although price increases for nondurable goods excluding food and energy moderated, prices of consumer durables, which had fallen between 1996 and 1999, were little changed, on balance, over the first half of this year. The CPI continued to register steep declines for household electronic goods and computers, but prices of other types of consumer durables have increased, on net, so far this year. The rate of increase in the prices of non-energy consumer services has also been somewhat faster; the CPI for these items increased at an annual rate of 3½ percent during the first two quarters of this year compared with a rise of 2¾ percent in 1999. Larger increases in the CPI measures of rent and of medical services have contributed importantly to this acceleration. Another factor has been a steeper rise in airfares, which have been boosted in part to cover the higher cost of fuel.

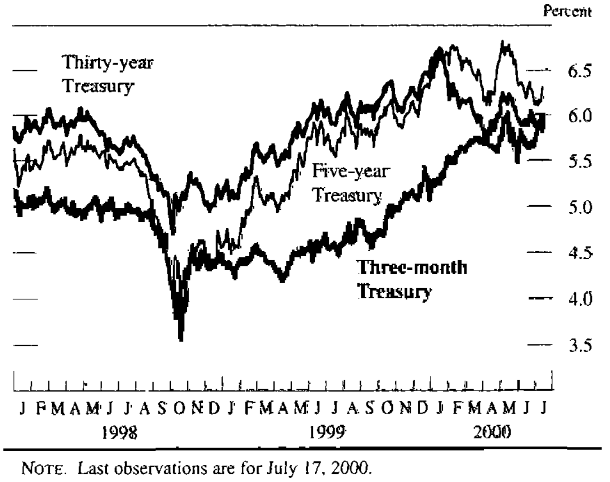
In addition to slightly higher core consumer price inflation, the national income and product accounts measure of prices for private fixed investment goods shows that the downtrend in prices for business fixed investment items has been interrupted. Most notably, declines in the prices of computing equipment became much smaller in the final quarter of last year and the first quarter of this year. A series of disruptions to the supply of component inputs to computing equipment has combined with exceptionally strong demand to cut the rate of price decline for computers, as measured by the chain-type price index, to an annual rate of 12 percent late last year and early this year—half the pace of the preceding three and one-half years. At the same time, prices of other types of equipment and software continued to be little changed, and the chain-type index for nonresidential structures investment remained on a moderate uptrend. In contrast, the further upward pressure on construction costs at the beginning of the year continued to push the price index for residential construction higher; after having accelerated from 3 percent to 3½ percent between 1998 and 1999, this index increased at an annual rate of 4¼ percent in the first quarter of 2000.

Although actual inflation moved a bit higher over the first half of 2000, inflation expectations have been little changed. Households responding to the Michigan SRC survey in June were sensitive to the adverse effect of higher energy prices on their real income but seemed to believe that the inflationary shock would be short-lived. The median of their expected change in CPI inflation over the coming twelve months was 2.9 percent. Moreover, they remained optimistic that inflation would remain at about that rate over the longer run, reporting a 2.8 percent median of expected inflation during the next five to ten years. In both instances, their expectations are essentially the same as at the end of 1999, although the year-ahead expectations are above the lower levels that had prevailed in 1997 and early 1998.

U.S. Financial Markets

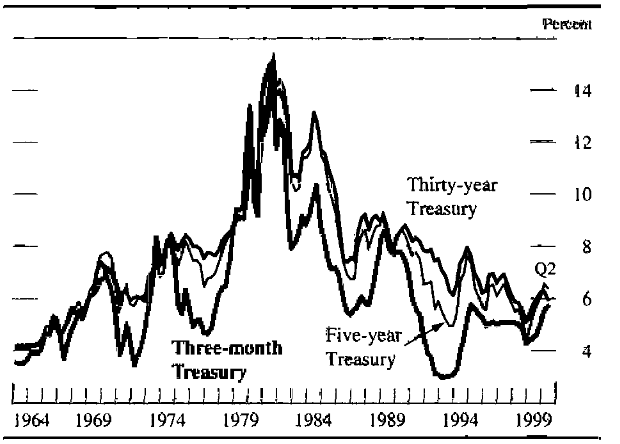
Conditions in markets for private credit firmed on balance since the end of 1999. Against a backdrop of continued economic vitality in the United States and a tighter monetary policy stance, private borrowing rates are higher, on net, particularly those charged to riskier borrowers. In addition, banks have tightened terms and standards on most types of loans. Higher real interest rates—as measured based on inflation expectations derived from surveys and from yields on the Treasury's inflation-indexed securities—account for the bulk of the increase in interest rates

Selected Treasury rates, daily data



NOTE. Last observations are for July 17, 2000.

Selected Treasury rates, quarterly data



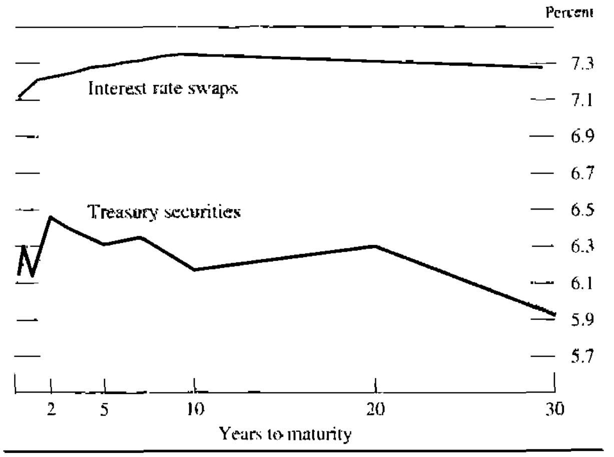
NOTE. The twenty-year Treasury bond rate is shown until the first issuance of the thirty-year Treasury bond in February 1977. Last observations are for 2000:Q2.

this year, with short-term real rates having increased the most. Rising market interest rates and heightened uncertainties about corporate prospects, especially with regard to the high-tech sector, have occasionally dampened flows in the corporate bond market and have weighed on the equity market, which has, at times, experienced considerable volatility. Through mid-July, the broad-based Wilshire 5000 equity index was up approximately 3 percent for the year.

Interest Rates

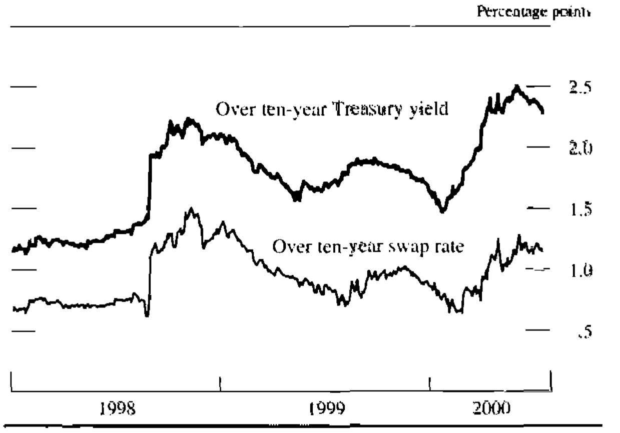
As the year began, with worries related to the century date change out of the way, participants in the fixed-income market turned their attention to the signs of continued strength in domestic labor and product markets, and they quickly priced in the possibility of a more aggressive tightening of monetary policy. Both private and Treasury yields rose considerably. In the latter part of January, however, Treasury yields plummeted, especially those on longer-dated securities, as the announced details of the Treasury's debt buyback program and upwardly revised forecasts of federal budget surpluses led investors to focus increasingly on the prospects for a diminishing supply of Treasury securities. A rise in both nominal and inflation-indexed Treasury yields in response to strong economic data and tighter monetary policy in April and May was partly offset by supply factors and by occasional safe haven flows from the volatile equity market. Since late May, market interest rates have declined as market participants have interpreted the incoming economic data as evidence that mone-

Selected yield curves, July 17, 2000



SOURCE. Swap rates are from the International Swaps and Derivatives Association, as reported by Reuters.

Spread of BBB corporate yields



NOTE. Last observations are for July 17, 2000. The data are daily.

tary policy might not have to be tightened as much as had been previously expected. On balance, while Treasury bill rates and yields on shorter-dated notes have risen 15 to 80 basis points since the beginning of the year, intermediate- and long-term Treasury yields have declined 5 to 55 basis points. In the corporate debt market, by contrast, bond yields have risen 10 to 70 basis points so far this year.

Forecasts of steep declines in the supply of longer-dated Treasuries have combined with tighter monetary policy conditions to produce an inverted Treasury yield curve, starting with the two-year maturity. In contrast, yield curves elsewhere in the U.S. fixed-income market generally have not inverted. In the interest rate swap market, for instance, the yield curve has remained flat to upward sloping for maturities as long as ten years, and the same has been true for yield curves for the most actively traded corporate bonds.[5] Nonetheless, private yield curves are flatter than usual, suggesting that, although supply considerations have played a potentially important role in the inversion of the Treasury yield curve this year, investors' forecasts of future economic conditions have also been a contributing factor. In particular, private yield curves are consistent with forecasts of a moderation in economic growth and expectations that the economy will be on a sustainable, non-inflationary track, with little further monetary policy tightening.

The disconnect between longer-term Treasury and private yields as a consequence of supply factors in the Treasury market is distorting readings from yield spreads. For instance, taken at face value, the spread of BBB corporate yields over the yield on the ten-year Treasury note would suggest that conditions in the corporate bond market so far in 2000 are worse than those during the financial market turmoil of 1998. In contrast, the spread of the BBB yield over the ten-year swap rate paints a very different picture, with spreads up this year but below their peaks in 1998. Although the swap market is still not as liquid as the Treasury securities market, and swap rates are occasionally subject to supply-driven distortions, such distortions have been less pronounced and more short-lived than those affecting the Treasury securities market of late, making swap rates a better benchmark for judging the behavior of other corporate yields.

Aware that distortions to Treasury yields are likely to become more pronounced as more federal debt is paid down, market participants have had to look for alternatives to the pricing and hedging roles traditionally played by Treasuries in U.S. financial markets. In addition to interest rate swaps, which have featured prominently in the list of alternatives to Treasuries, debt securities issued by the three government-sponsored housing agencies—Fannie Mae, Freddie Mac, and the Federal Home Loan Banks—have been used in both pricing and hedging. The three housing agencies have continued to issue a substantial volume of debt this year in an attempt to capture benchmark status, and the introduction in March of futures and

5. A typical interest rate swap is an agreement between two parties to exchange fixed and variable interest rate payments on a notional principal amount over a predetermined period ranging from one to thirty years. The notional amount itself is never exchanged. Typically, the variable interest rate is the London Interbank Offered Rate (LIBOR), and the fixed interest rate—called the swap rate—is determined in the swap market. The overall credit quality of market participants is high, typically A or above; those entities with credit ratings of BBB or lower are generally either rejected or required to adopt credit-enhancing mechanisms, typically by posting collateral.

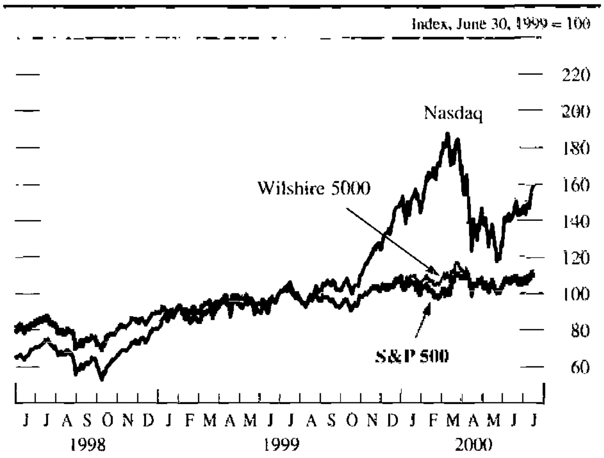
options contracts based on five- and ten-year notes issued by Fannie Mae and Freddie Mac may help enhance the liquidity of the agency securities market. Nonetheless, the market for agency debt has been affected by some uncertainty this year regarding the agencies' special relationship with the government. Both the Treasury and the Federal Reserve have suggested that it would be appropriate for the Congress to consider whether the special standing of these institutions continues to promote the public interest, and pending legislation would, among other things, restructure the oversight of these agencies and reexamine their lines of credit with the U.S. Treasury.

The implementation of monetary policy, too, has had to adapt to the anticipated paydowns of marketable federal debt. Recognizing that there may be limitations on its ability to rely as much as previously on transactions in Treasury securities to meet the reserve needs of depositories and to expand the supply of currency, the FOMC decided at its March 2000 meeting to facilitate until its first meeting in 2001 the Trading Desk's ability to continue to accept a broader range of collateral in its repurchase transactions. The initial approvals to help expand the collateral pool were granted in August 1999 as part of the Federal Reserve's efforts to better manage possible disruptions to financial markets related to the century date change.

At the March 2000 meeting, the Committee also initiated a study to consider alternative asset classes and selection criteria that could be appropriate for the System Open Market Account (SOMA) should the size of the Treasury securities market continue to decline. For the period before the completion and review of such a study, the Committee discussed, at its May meeting, some changes in the management of the System's portfolio of Treasury securities in an environment of decreasing Treasury debt. The changes aim to prevent the System from coming to hold high and rising proportions of new Treasury debt issues. They will also help the SOMA to limit any further lengthening of the average maturity of its portfolio while continuing to meet long-run reserve needs to the greatest extent possible through outright purchases of Treasury securities.[6] The SOMA will cap the rollover of its existing holdings at Treasury auctions and will engage in secondary market purchases according to a schedule that effectively will result in a greater percentage of holdings of shorter-term security issues than of longer-dated ones. The schedule ranges from 35 percent of an individual issue for Treasury bills to 15 percent for longer-term bonds. These changes were announced to the public on July 5, replacing a procedure in which all maturing holdings were rolled over and in which coupon purchases were spread evenly across the yield curve.

6. The FOMC prefers a portfolio with a short average maturity because the higher turnover rate of such a portfolio gives it greater flexibility to redeem securities in times of financial market stress, which may require substantial decreases in the securities portfolio over a relatively short period, such as during an acute banking crisis that involves heavy lending through the discount window.

Major stock price indexes



NOTE. The data are daily. Last observations are for July 17, 2000.

Equity Prices

Major equity indexes have posted small gains so far this year amid considerable volatility. Fluctuations in technology stocks have been particularly pronounced: After having reached a record high in March—24 percent above its 1999 year-end value—the Nasdaq composite index, which is heavily weighted toward technology shares, swung widely and by mid-July was up 5 percent for the year. Given its surge in the second half of 1999, the mid-July level of the Nasdaq was about 60 percent above its mid-1999 reading. The broader S&P 500 and Wilshire 5000 indexes have risen close to 3 percent since the beginning of the year and are up about 10 percent and 13 percent, respectively, from mid-1999.

Corporate earnings reports have, for the most part, exceeded expectations, and projections of future earnings continue to be revised higher. However, the increase in interest rates since the beginning of the year likely has restrained the rise in equity prices. In addition, growing unease about the lofty valuations reached by technology shares and rising default rates in the corporate sector may have given some investors a better appreciation of the risks of holding stocks in general. Reflecting the uncertainty about the future course of the equity market, expected and actual volatilities of stock returns rose substantially in the spring. At that time, volatility implied by options on the Nasdaq 100 index surpassed even the elevated levels reached during the financial market turmoil of 1998.

Higher volatility and greater investor caution had a marked effect on public equity offerings. The pace of initial public offerings has fallen off considerably in recent months from its brisk first-quarter rate, with some offerings being canceled or postponed and others being priced well short of earlier expectations. On the other hand, households' enthusiasm for equity mutual funds, especially those funds that invest in the technology and international sectors, remains relatively high, although it appears to have faded some after the run-up in stock market volatility in the spring. Following a first-quarter surge, net inflows to stock funds moderated substantially in the second quarter but still were above last year's average pace.

Debt and the Monetary Aggregates

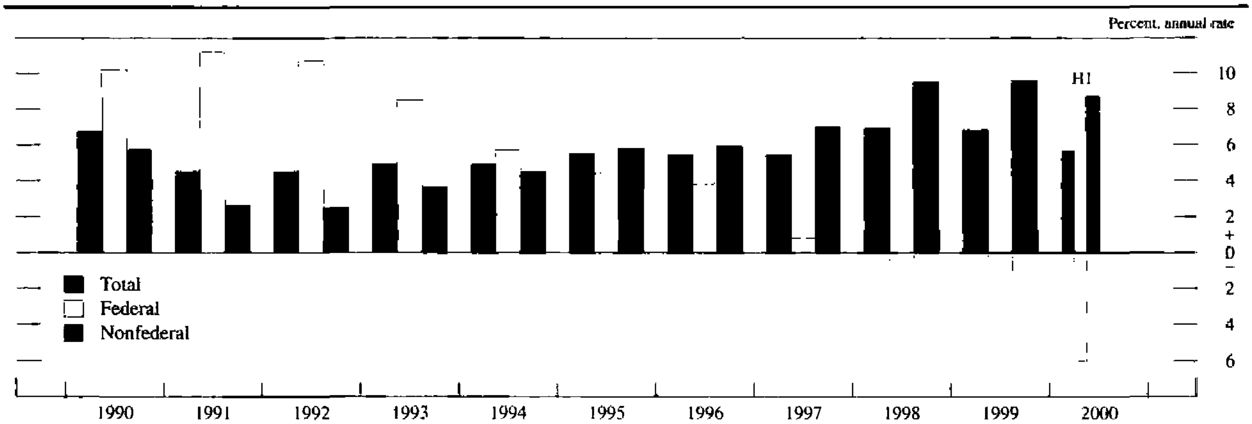
Debt and Depository Intermediation

The total debt of the U.S. household, government, and nonfinancial business sectors is estimated to have increased at close to a 5½ percent annual rate in the first half of 2000. Outside the federal government sector, debt expanded at an annual rate of roughly 9½ percent, buoyed by strength in household and business borrowing. Continued declines in federal debt have helped to ease the pressure on available savings and have facilitated the rapid expansion of nonfederal debt outstanding: The federal government paid down $218 billion of debt over the first half of 2000, compared with paydowns of $56 billion and $101 billion in the first six months of calendar years 1998 and 1999 respectively.

Depository institutions have continued to play an important role in meeting the strong demands for credit by businesses and households. Adjusted for mark-to-market accounting rules, credit extended by commercial banks rose 11½ percent in the first half of 2000. This advance was paced by a brisk expansion of loans, which grew at an annual rate of nearly 13 percent over this period. Bank credit increased in part because some businesses sought bank loans as an alternative to a less receptive corporate bond market. In addition, the underlying strength of household spending helped boost the demand for consumer and mortgage loans. Banks' holdings of consumer and mortgage loans were also supported by a slower pace of securitizations this year. In the housing sector, for instance, the rising interest rate environment has kept the demand for adjustable-rate mortgages relatively elevated, and banks tend to hold these securities on their books rather than securitize them.

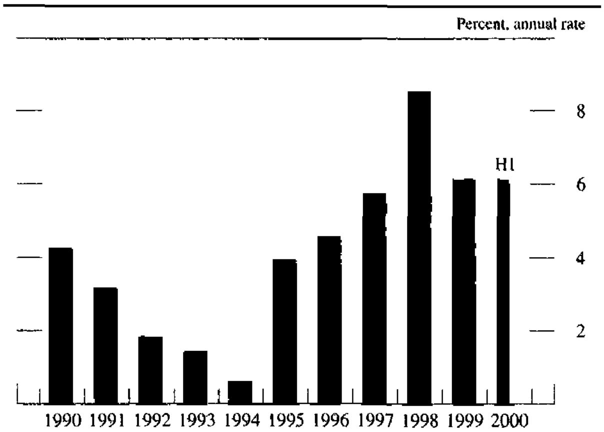
Banks have tightened terms and standards on loans further this year, especially in the business sector, where some lenders have expressed concerns about a more uncertain corporate outlook. Bank regulators have noted that depository institutions need to take particular care in evaluating lending risks to account for possible changes in the overall macroeconomic environment and in conditions in securities markets.

Growth of domestic nonfinancial debt



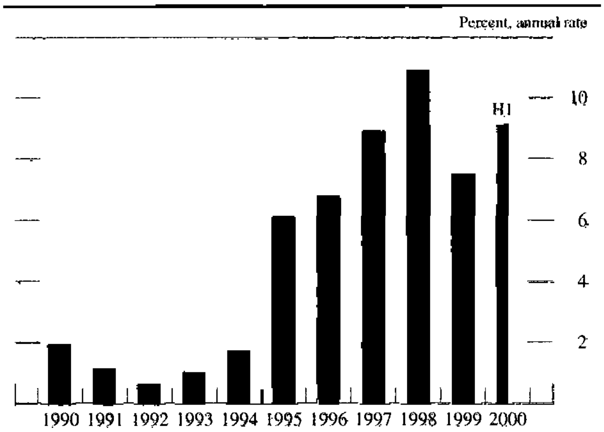
NOTE. Total debt consists of the outstanding credit market debt of the U.S. government, state and local governments, households and nonprofit organizations, nonfinancial businesses, and farms. Annual growth rates are computed from average for fourth quarter of preceding year to average for fourth quarter of year indicated. Growth in the first half of 2000 is computed from average for fourth quarter of 1999 to average for the second quarter of 2000 and expressed at an annual rate. The growth rate for 2000:H1 is currently based on partially estimated data.

M2 growth rate



NOTE. M2 consists of currency, travelers checks, demand deposits, other checkable deposits, savings deposits (including money market deposit accounts), small-denomination time deposits, and balances in retail money market funds. See note to the domestic nonfinancial debt chart for details on the computation of growth rates.

M3 growth rate

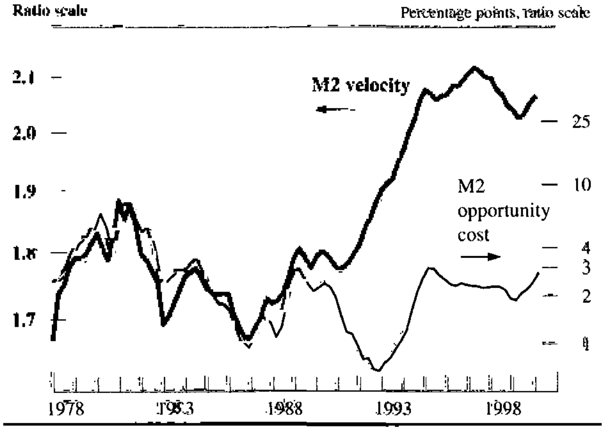


NOTE. M3 consists of M2 plus large-denomination time deposits, balances on institutional money market funds, RP liabilities (overnight and term), and eurodollars (overnight and term). See note to the domestic nonfinancial debt chart for details on the computation of growth rates.

The Monetary Aggregates

Growth of the monetary aggregates over the first half of 2000 has been buffeted by several special factors. The unwinding of the buildups in liquidity that occurred in late 1999 before the century date change depressed growth in the aggregates early this year. Subsequently, M2 rebounded sharply in anticipation of outsized tax payments in the spring and then ran off as those payments cleared. On net, despite the cumulative firming of monetary policy since June 1999, M2 expanded at a relatively robust, 6 percent, annual rate during the first half of 2000—the same pace as in 1999—supported by the rapid expansion of nominal spending and income.

M2 velocity and the opportunity cost of holding M2



NOTE. The data are quarterly and are through 2000:Q1. The velocity of M2 is the ratio of nominal gross domestic product to the stock of M2. The opportunity cost of M2 is a two-quarter moving average of the difference between the three-month Treasury bill rate and the weighted-average return on assets included in M2.

M2 velocity—the ratio of nominal income to M2—has increased over the first half of this year, consistent with its historical relationship with the interest forgone ("opportunity cost") from holding M2. As usual, rates offered on many of the components of M2 have not tracked the upward movement in market interest rates, and the opportunity cost of holding M2 has risen. In response, investors have reallocated some of their funds within M2 toward those components whose rates adjust more quickly—such as small time deposits—and have restrained flows into M2 in favor of longer-term mutual funds and direct holdings of market instruments.

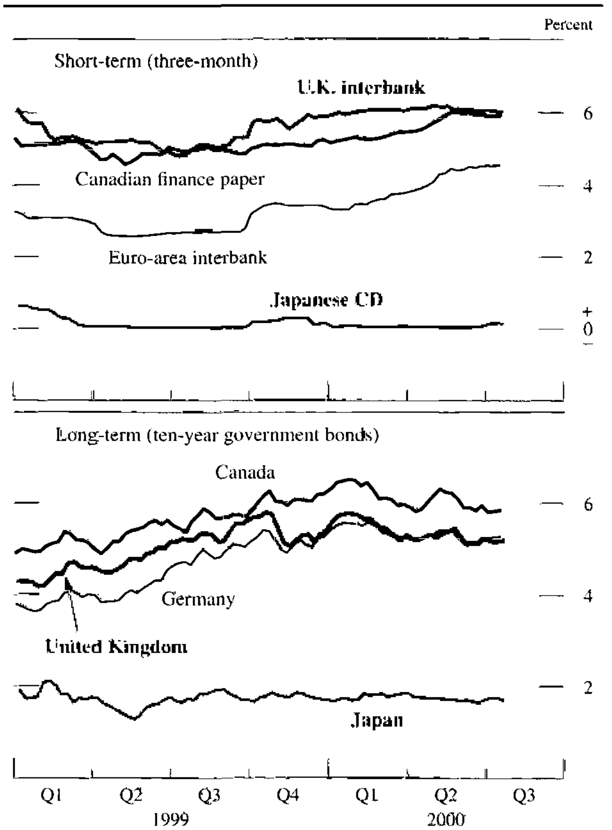
M3 expanded at an annual rate of 9 percent in the first half of 2000, up from 7½ percent for all of 1999. The robust expansion of bank credit underlies much of the acceleration in M3 this year. Depository institutions have issued large time deposits and other managed liabilities in volume to help fund the expansion of their loan and securities portfolios. In contrast, flows to institutional money funds slowed from the rapid pace of late 1999 after the heightened preference for liquid assets ahead of the century date change ebbed.

As has been the case since 1994, depository institutions have continued to implement new retail sweep programs over the first half of 2000 in order to avoid having to hold non-interest-bearing reserve balances with the Federal Reserve System. As a result, required reserve balances are still declining gradually, adding to concerns that, under current procedures, low balances might adversely affect the implementation of monetary policy by eventually leading to increased volatility in the federal funds market. The pending legislation that would allow the Federal Reserve to pay interest on balances held at Reserve Banks would likely lead to a partial unwinding over time of the ongoing trend in retail sweep programs.

International Developments

In the first half of 2000, economic activity in foreign economies continued the strong overall performance that was registered last year. With a few exceptions, most emerging-market countries continued to show signs of solid recoveries from earlier recessions, supported by favorable financial market conditions. Average real GDP in the foreign industrial countries accelerated noticeably in the first half of this year after a mild slowdown in late 1999. The pickup reflected in large part better performance of Japanese domestic demand (although its sustainability has been questioned) and further robust increases in Europe and Canada. In many countries, economic slack diminished, heightening concern about inflation risks.

Foreign interest rates



NOTE. The data are weekly. Last observations are for the week ending July 12, 2000.

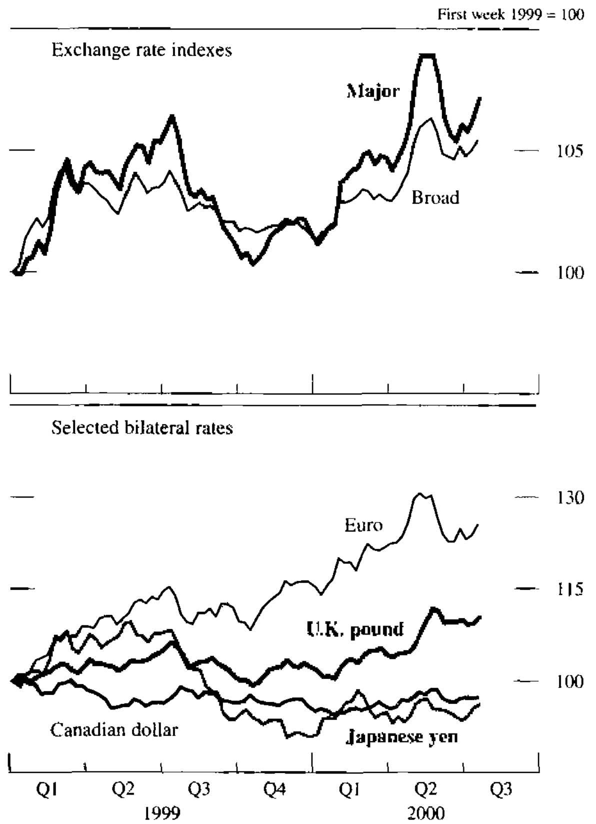
Higher oil prices bumped up broad measures of inflation almost everywhere, but measures of core inflation edged up only modestly, if at all.

Monetary conditions generally were tightened in foreign industrial countries, as authorities removed stimulus by raising official rates. Yield curves in several key industrial countries tended to flatten, as interest rates on foreign long-term government securities declined on balance after January, reversing an upward trend seen since the second quarter of 1999. Yields on Japanese government long-term bonds edged upward slightly, but at midyear still were only about 1¾ percent.

Concerns in financial markets at the end of last year about potential disruptions during the century date change dissipated quickly, and global markets in the early months of this year returned to the comparatively placid conditions seen during most of 1999. Starting in mid-March, however, global financial markets were jolted by several episodes of increased volatility set off typically by sudden downdrafts in U.S. Nasdaq prices. At that time, measures of market risk for some emerging-market countries widened, but they later retraced most of these increases. The performances of broad stock market indexes in the industrial countries were mixed, but they generally tended to reflect their respective cyclical positions. Stocks in Canada, France, and Italy, for example, continued to make good gains, German stocks did less well, and U.K. stocks slipped. Japanese shares also were down substantially, even though the domestic economy showed some signs of firmer activity. In general, price volatility of foreign high-tech stocks or stock indexes weighted toward technology-intensive sectors was quite high and exceeded that of corresponding broader indexes.

The dollar continued to strengthen during most of the first half of the year. It appeared to be supported mainly by continuing positive news on the performance of the U.S. economy, higher U.S. short-term interest rates, and for much of the first half, expectations of further tightening of monetary policy. Early in the year, the attraction of high rates of return on U.S. equities may have been an additional supporting factor, but the dollar maintained its upward trend even after U.S. stock prices leveled off near the end of the first quarter and then declined for a while. In June, the dollar eased back a bit against the currencies of some industrial countries amid signs that U.S. growth was slowing. Nevertheless, for the year so far, the dollar is up on balance about 5¾ percent against the major currencies; against a broader index of trading-partner currencies, the dollar has appreciated about 3¾ percent on balance.

Nominal U.S. dollar exchange rates



NOTE. The data are weekly. Indexes in the upper panel are trade-weighted averages of the exchange value of the dollar against major currencies and against the currencies of a broad group of important U.S. trading partners. Last observations are for the week ending July 12, 2000.

The dollar has experienced a particularly large swing against the euro. The euro started this year already down more than 13 percent from its value against the dollar at the time when the new European currency was introduced in January 1999, and it continued to depreciate during most of the first half of 2000, reaching a record low in May. During this period, the euro seemed to be especially sensitive to news and public commentary by officials about the strength of the expansion in the euro area, the pace of economic reform, and the appropriate macroeconomic policy mix. Despite a modest recovery in recent weeks, the euro still is down against the dollar almost 7 percent on balance for the year so far and about 3¾ percent on a trade-weighted basis.

The euro's persistent weakness posed a challenge for authorities at the European Central Bank as they sought to implement a policy stance consistent with their official inflation objective (2 percent or less for harmonized consumer prices) without threatening the euro area's economic expansion. Supported in part by euro depreciation, economic growth in the euro area in the first half of 2000 was somewhat stronger than the brisk 3 percent pace recorded last year. Investment was robust, and indexes of both business and consumer sentiment registered record highs. The average unemployment rate in the area continued to move down to nearly 9 percent, almost a full percentage point lower than a year earlier. At the end of the first half, the euro-area broad measure of inflation, partly affected by higher oil prices, was above 2 percent, while core inflation had edged up to 1¼ percent. Variations in the pace of economic expansion and the intensity of inflation pressures across the region added to the complexity of the situation confronting ECB policymakers even though Germany and Italy, two countries that had lagged the euro-area average expansion of activity in recent years, showed signs that they were beginning to move ahead more rapidly. After having raised its refinancing rate 50 basis points in November 1999, the ECB followed with three 25-point increases in the first quarter and another 50-point increase in June. The ECB pointed to price pressures and rapid expansion of monetary aggregates as important considerations behind the moves.

Compared with its fluctuations against the euro, the dollar's value was more stable against the Japanese yen during the first half of 2000. In late 1999, private domestic demand in Japan slumped badly, even though the Bank of Japan continued to hold its key policy rate at essentially zero. Several times during the first half of this year, the yen experienced strong upward pressure, often associated with market perceptions that activity was reviving and with speculation that the Bank of Japan soon might abandon its zero-interest-rate policy. This upward pressure was resisted vigorously by Japanese authorities on several occasions with sales of yen in foreign exchange markets. The Bank of Japan continued to hold overnight interest rates near zero through the first half of 2000.

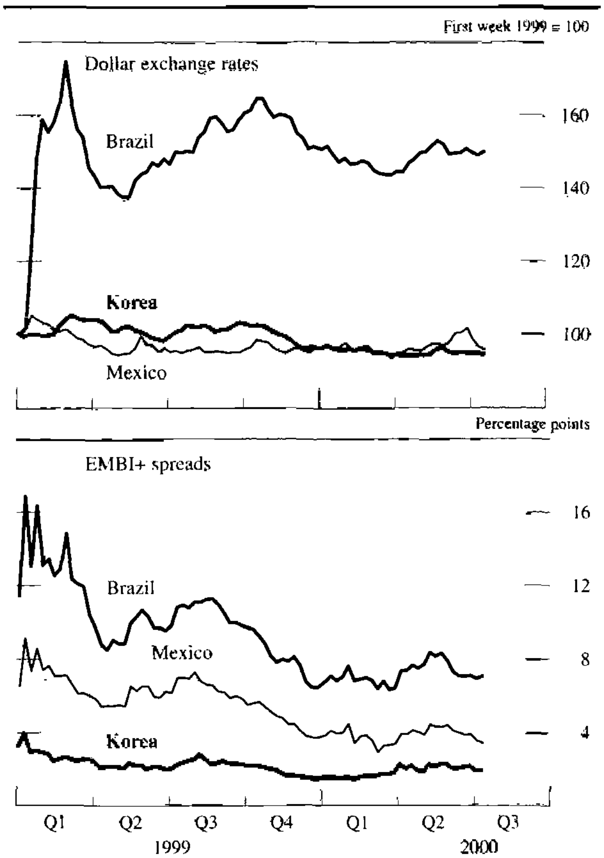
The Japanese economy, in fact, did show signs of stronger performance in the first half. GDP rose at an annual rate of 10 percent in the first quarter, with particular strength in private consumption and investment. Industrial production, which had made solid gains last year, continued to expand at a healthy pace, and surveys indicated that business confidence had picked up. Demand from the household sector was less robust, however, as consumer confidence was held back by historically high unemployment. A large and growing outstanding stock of public debt (estimated at more than 110 percent of GDP) cast increasing doubt about the extent to which authorities might be willing to use additional fiscal stimulus to boost demand. Even though some additional government expenditure for coming quarters was approved in late 1999, government spending did not supply stimulus in the first quarter. With core consumer prices moving down at an annual rate that reached almost 1 percent at midyear, deflation also remained a concern.

Economic activity in Canada so far this year slowed a bit from its very strong performance in the second half of 1999, but it still was quite robust, generating strong gains in employment and reducing the remaining slack in the economy. The expansion was supported by both domestic demand and spillovers from the U.S. economy. Higher energy prices pushed headline inflation to near the top of the Bank of Canada's 1 percent to 3 percent target range; core inflation remained just below 1½ percent. The Canadian dollar weakened somewhat against the U.S. dollar in the first half of the year even though the Bank of Canada raised policy interest rates 100 basis points, matching increases in U.S. rates. In the United Kingdom, the Bank of England continued a round of tightening that started in mid-1999 by raising official rates 25 basis points twice in the first quarter. After March, indications that the economy was slowing and that inflation pressures might be ebbing under the effect of the tighter monetary stance and strength of sterling—especially against the euro—allowed the Bank to hold rates constant. In recent months, sterling has depreciated on balance as official interest rates have been raised in other major industrial countries.

In developing countries, the strong recovery of economic activity last year in both developing Asia and Latin America generally continued into the first half of 2000. However, after a fairly placid period that extended into the first few months of this year, financial market conditions in some developing countries became more unsettled in the April–May period. In some countries, exchange rates and equity prices weakened and risk spreads widened, as increased political uncertainty interacted with heightened financial market volatility and rising interest rates in the industrial countries. In general, financial markets now appear to be identifying and distinguishing those emerging-market countries with problems more effectively than they did several years ago.

In emerging Asia, the strong bounceback of activity last year from the crisis-related declines of 1998 continued into the first half of this year. Korea, which recorded the strongest recovery in the region last year with real GDP rising at double-digit rates in every quarter, has seen some moderation so far in 2000. However, with inventories still being rebuilt, unemployment declining rapidly, and inflation showing no signs of accelerating, macroeconomic conditions

Emerging markets



NOTE. The data are weekly. EMBI+ (J.P. Morgan emerging market bond index) spreads are stripped Brady-bond yield spreads over U.S. Treasuries. Last observations are for the week ending July 12, 2000.

remained generally favorable, and the won came under upward pressure periodically in the first half of this year. Nonetheless, the acute financial difficulties of Hyundai, Korea's largest industrial conglomerate, highlighted the lingering effect on the corporate and financial sectors of the earlier crisis and the need for further restructuring. Economic activity in other Asian developing countries that experienced difficulties in 1997 and 1998 (Thailand, Indonesia, Malaysia, Singapore, and the Philippines) also continued to firm this year, but at varying rates. Nonetheless, financial market conditions have deteriorated in recent months for some countries in the region. In Indonesia and the Philippines, declines in equity prices and weakness in exchange rates appear to have stemmed from heightened market concerns over political instability and prospects for economic reform. Output in China increased at near double-digit annual rates in the second half of last year and remained strong in the first half of this year, boosted mainly by surging exports. In Hong Kong, real GDP rose at an annual rate of more than 20 percent in the first quarter of this year after a strong second half in 1999. Higher consumer confidence appears to have boosted private consumption, and trade flows through Hong Kong, especially to and from China, have increased.

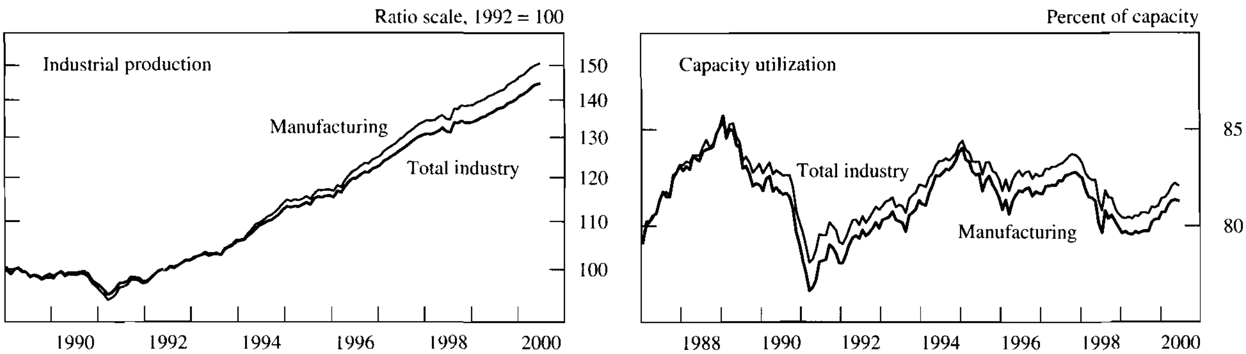
The general recovery seen last year in Latin America from effects of the emerging-market financial crisis extended into the first part of this year. In Brazil, inflation was remarkably well contained, and interest rates were lowered, but unemployment has remained high. An improved financial situation allowed the Brazilian government to repay most of the funds obtained under its December 1998 international support package. However, Brazilian financial markets showed continued volatility this year, especially at times of heightened market concerns over the status of fiscal reforms, and risk premiums widened in the first half of 2000 on balance. In Mexico, activity has been strong so far this year. In the first quarter, real GDP surged at an annual rate of 11 percent, boosted by strong exports to the United States, soaring private investment, and increased consumer spending. Mexican equity prices and the peso encountered some downward pressure in the approach of the July 2 national election, but once the election was perceived to be fair and the transition of power was under way, both recovered substantially. In Argentina, the pace of recovery appears to have slackened in the early part of this year, as the government's fiscal position and, in particular, its ability to meet the targets of its International Monetary Fund program remained a focus of market concern. Heightened political uncertainty in Venezuela, Peru, Colombia, and Ecuador sparked financial market pressures in recent months in those countries, too. In January, authorities in Ecuador announced a program of "dollarization," in which the domestic currency would be entirely replaced by U.S. dollars. The program, now in the process of implementation, appears to have helped stabilize financial conditions there. □

Industrial Production and Capacity Utilization for June 2000

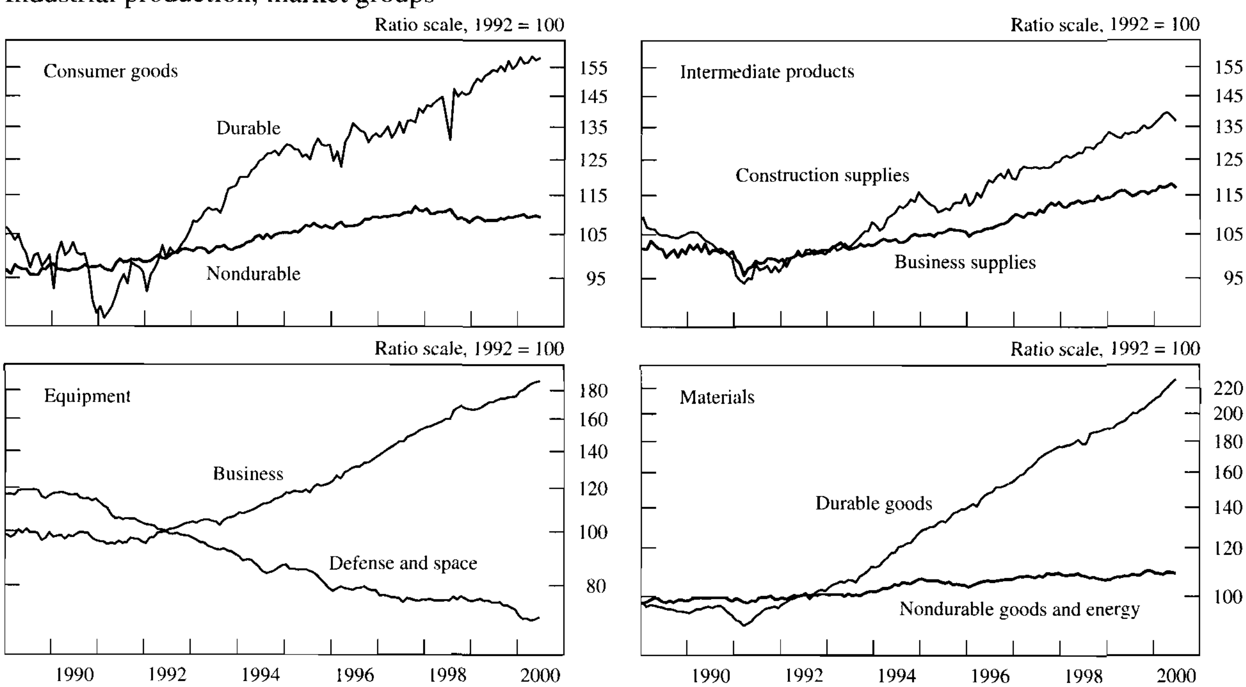
Released for publication July 14

Industrial production rose 0.2 percent in June, after gains of 0.5 percent in May and 0.8 percent in April. At 144.6 percent of its 1992 average, industrial production in June was 5.8 percent higher than in June 1999. For the second quarter as a whole, the total index increased at an annual rate of 7.0 percent, up from a first-quarter pace of 6.5 percent. The output of mines and utilities picked up in the second quarter, while the growth of manufacturing output remained close to an annual rate of 7.0 percent for a third consecutive quarter. The strength in manufacturing this year has principally come from the high-technology industries (computers, semiconductors, and communications equipment); excluding those industries, manufacturing has increased at an annual rate of only 1.0 percent since the fourth quarter of last

Industrial production and capacity utilization



Industrial production, market groups



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

Industrial production and capacity utilization, August 2000

Category	Industrial production, index, 1992=100								
	2000				Percentage change				
					2000[1]				June 1999 to June 2000
	Mar.[r]	Apr.[r]	May[r]	June[p]	Mar.[r]	Apr.[r]	May[r]	June[p]	
Total	**142.4**	**143.5**	**144.3**	**144.6**	**.6**	**.8**	**.5**	**.2**	**5.8**
Previous estimate	142.6	143.6	144.2	...	.7	.7	.4	...	...
Major market groups									
Products, total[2]	130.3	131.1	131.3	131.2	.2	.6	.2	-.1	3.5
Consumer goods	118.0	118.6	118.6	118.4	-.6	.5	.0	-.1	1.3
Business equipment	183.0	185.1	186.2	187.0	1.4	1.1	.6	.4	9.2
Construction supplies	139.0	139.5	138.3	137.0	1.0	.4	-.9	-1.0	3.3
Materials	163.1	164.9	166.6	167.8	1.2	1.1	1.0	.7	9.6
Major industry groups									
Manufacturing	148.4	149.3	150.0	150.5	.8	.6	.4	.3	6.4
Durable	184.6	186.7	188.4	189.7	1.5	1.1	.9	.7	10.2
Nondurable	113.6	113.6	113.4	113.2	-.2	.0	-.2	-.2	1.6
Mining	101.3	101.5	101.3	102.4	1.3	.2	-.2	1.1	5.5
Utilities	110.8	114.8	117.7	114.7	-3.9	3.6	2.5	-2.5	-2.3

Category	Capacity utilization, percent								MEMO Capacity, percentage change, June 1999 to June 2000
	Average, 1967–99	Low, 1982	High, 1988–89	1999	2000				
				June	Mar.[r]	Apr.[r]	May[r]	June[p]	
Total	***82.0***	***71.1***	***85.4***	***80.5***	**81.7**	**82.1**	**82.2**	**82.1**	**3.8**
Previous estimate	...	...	...	..	81.8	82.1	82.1	...	...
Manufacturing	81.1	69.0	85.7	79.6	81.1	81.3	81.3	81.3	4.2
Advanced processing	80.5	70.4	84.2	78.6	80.2	80.5	80.8	80.9	5.4
Primary processing	82.4	66.2	88.9	82.7	83.7	83.8	83.3	82.8	1.7
Mining	87.3	80.3	88.0	80.7	84.7	85.0	84.9	85.9	-.9
Utilities	87.5	75.9	92.6	92.1	86.1	89.1	91.3	88.9	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.

year. The rate of capacity utilization for total industry edged down in June to 82.1 percent, a level about even with the 1967–99 average.

MARKET GROUPS

The output of consumer goods edged down 0.1 percent in June; an increase of 0.5 percent in the production of durable consumer goods was more than offset by a decline in the production of nondurables. The gain in the production of durable consumer goods was the result of a 1.7 percent rebound in the output of automotive products. In contrast, the output of other consumer durable goods decreased 0.5 percent, as the production of goods for the home, such as appliances, furniture, and carpeting, fell again. The decline in nondurable consumer goods was concentrated in energy products; the demand for electricity by households, which had shot up in April and May, fell back. The production of nondurable non-energy consumer goods edged up 0.1 percent, with solid gains in the production of consumer chemicals and paper products nearly offset by a decline in the output of clothing.

The production of business equipment, which had increased more than 1¼ percent per month from January to April, increased only 0.4 percent in June after a 0.6 percent advance in May. The production of high-technology equipment continued to rise strongly in June: The production of information processing and related equipment increased 1.3 percent on the strength of advances in the output of communications equipment and computers. The production index for the other equipment category also turned up sharply because of a jump in the output of farm machinery and equipment. However, the output of transit equipment fell again in June because of a continued decline in the production of commercial aircraft and a reduction in the production of medium and heavy trucks. In addition, the production of industrial equipment fell back 0.4 percent, largely reversing the gains in

April and May; most of the decrease reflected a decline in the output of construction machinery.

The production index for construction supplies fell 1.0 percent in June after having decreased 0.9 percent in May; for both months, declines in underlying industries were widespread. Since peaking in April, the index for construction supplies has retraced more than half of the increase posted earlier in the year. The output of materials was up 0.7 percent in June, a gain somewhat smaller than the average for the preceding three months. The output of durable goods materials rose 1.2 percent, with another strong increase in the production of parts for equipment and for consumer goods; however, the output of basic metals fell again in June. The production of nondurable goods materials dropped 0.5 percent, and the output of energy materials was unchanged.

Industry Groups

Manufacturing output rose 0.3 percent in June, after having advanced an average of 0.6 percent per month since the end of last year. The production of durable goods rose further, and the production of nondurable goods declined again. Among durable goods, continued increases in the production of high-technology goods accounted for most of the overall gain; however, output in some industries, such as primary metals and construction-related industries, has weakened recently. The output of nondurables slipped another 0.2 percent, a move led by decreases in petroleum refining and in the production of apparel and paper.

The factory operating rate, at 81.3 percent, was unchanged. The utilization rate for primary-processing industries decreased to 82.8 percent, and that for advanced-processing industries edged up, to 80.9 percent.

The output of utilities fell back 2.5 percent following sharp gains in the preceding two months; the operating rate at utilities fell to 88.9 percent. Production at mines increased 1.1 percent after having fallen 0.2 percent in May; the utilization rate at mines rose to 85.9 percent. □

Statements to the Congress

Statement by Laurence H. Meyer, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Capital Markets, Securities and Government Sponsored Enterprises of the Committee on Banking and Financial Services, U.S. House of Representatives, June 7, 2000 (Governor Meyer presented identical testimony before the Subcommittee on Financial Institutions and the Subcommittee on Securities of the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, June 13, 2000.)

I appreciate the opportunity to explain the rules recently proposed by the Federal Reserve Board and the Department of the Treasury to allow financial holding companies to engage in merchant banking activities under the Gramm–Leach–Bliley (GLB) Act. I want to stress that part of what I'm about to discuss is only a proposal and that the rest is a rule that has been adopted only on an interim basis. The Board and the Treasury have requested comment from the public on both parts, and both are subject to review and modification in light of those comments. Our experience has been that public comments are generally very helpful, and we value the insight and information they provide from practitioners, analysts, other policymakers, and informed members of the public. The public comment period ended on May 22, and the Board and the Treasury are analyzing those comments now.

As I'm sure you can appreciate, because we are in this evaluation phase, I do not know what final rules will be adopted. The staff is in the process of reviewing and analyzing the comments, and both Treasury officials and members of the Board are reserving judgment until we see both a summary of the full comments and the staff's analysis. At that time, the Board will review the proposal and the interim rule in light of the comments, and both are subject to revision. In addition, the Federal Financial Institutions Examination Council will be discussing bank capital requirements on equity investments, a discussion that will, of course, be considered in the Board's final decision on holding company capital requirements on these assets. With these caveats in mind, the Board nonetheless believes it would be useful not only to describe what the Board and the Treasury proposed but also to summarize the information and analysis we reviewed in developing our proposals.

Our initial proposal was based on a considerable amount of information and experience regarding the current equity investment activities of securities firms and large banking organizations. It would allow merchant banking to continue to develop along the lines already evident in the industry and in the manner intended by the Congress. At the same time, the rule and proposal attempt to address the boundaries between merchant banking and the mixing of banking and commerce. And most important, the rule seeks responsibly to come to grips with the very real safety and soundness risks to an insured depository institution affiliate of both a financial holding company that engages in merchant banking and a bank holding company that invests in equities using existing authorities.

SUMMARY OF THE INTERIM RULE AND CAPITAL PROPOSAL

Let me first briefly explain what the Board and the Treasury have proposed. For the sake of brevity, I will sacrifice some detail. The notice published by the Board and the Treasury in the *Federal Register* explains the proposal in great detail.[1]

The GLB Act allows financial holding companies—which are bank holding companies whose depository institutions meet specified capital, management, and, for insured institutions, Community Reinvestment Act requirements—to acquire shares, assets, or ownership interests in any type of nonfinancial company. Merchant banking authority represents a broad exception to the central prohibition in the Bank Holding Company Act against the ownership of interests in nonfinancial firms. Moreover, this new merchant banking authority is in addition to—and does not replace—the authority that bank holding companies have under other provisions of the Bank Holding Company Act to engage in equity investment activities.

The merchant banking authority included in the GLB Act helped ensure a so-called two-way street

1. 65 *Federal Register* 16,460, 16,480 (March 28, 2000).

for securities firms that wish to affiliate with a bank without being required to divest traditional business lines. Before the GLB Act, securities firms could not affiliate with a bank without terminating their merchant banking activities.

The GLB Act specifically authorizes the Board and the Secretary of the Treasury to issue regulations implementing this new authority, including limitations that we jointly deem appropriate to protect depository institutions. The interim rule and capital proposal are the result of extensive discussions between Board and Treasury officials.

Before making our proposal, the staff reviewed existing research and the staffs of the two agencies jointly conducted interviews at several major securities firms and bank holding companies to gather information on how the merchant banking business is conducted. We also called on our experience in supervising the more restricted investment authorities exercised by both member banks and bank holding companies, including authority to make investments through small business investment companies, authority to make investments overseas, and holding company authority to make investments in up to 5 percent of the voting shares and up to 25 percent of the total equity of any company. Our proposal incorporates many of the best practices employed by merchant banking professionals and banking organizations and, we believe, would allow securities firms to become financial holding companies while continuing to conduct their merchant banking activities.

The proposal is in two parts. The first is an interim rule that contains the framework for defining and conducting merchant banking activities. The second is the capital proposal.

Interim Rule

The interim rule is designed to implement the provisions of the GLB Act that were enacted to prevent merchant banking activities from being no different than a mixture of banking and commerce. It also supports the important objective of encouraging the safe and sound exercise of this new merchant banking authority. The interim rule

- Provides guidance on the GLB Act's requirement that merchant banking investments be held only for a period long enough to enable the sale or disposition of each investment on a reasonable basis. Generally, the rule permits a ten-year holding period for direct investments and a fifteen-year holding period for investments in private equity funds. The Board may approve a longer holding period on a case-by-case basis.
- Implements the GLB Act's restrictions on the routine management or operation of a portfolio company by a financial holding company. The interim rule contains several safe harbors and examples of routine management and explains the types of special circumstances in which routine management is permissible.
- Establishes recordkeeping and reporting requirements designed to enhance the ability of the financial holding company and the Board to monitor the risks and exposures of merchant banking investments and compliance by the financial holding company with the act's limitations on holding periods and routine management. These recordkeeping and reporting requirements are general in design and largely could be met by the types of records and reports ordinarily kept by companies engaged in merchant banking activities.
- Implements the restrictions in the GLB Act on the ability of a depository institution controlled by a financial holding company to cross-market its products or services with a portfolio company it holds under its merchant banking authority.
- Adopts the presumption established by the GLB Act for applying the limits contained in section 23A of the Federal Reserve Act on transactions between a depository institution and its affiliates to transactions between a depository institution and a portfolio company controlled by the same financial holding company.

As a transition measure, the interim rule also establishes two caps on the amount of merchant banking investments that a financial holding company may hold. The caps are high and apply only to investments made under the new merchant banking authority. The first is that the total amount of a financial holding company's merchant banking investments may not exceed the lesser of 30 percent of the financial holding company's tier 1 capital, or $6 billion. The second cap applies to merchant banking investments other than investments made by the financial holding company in private equity funds and is the lesser of 20 percent of tier 1 capital, or $4 billion.

These caps do not apply to or limit in any way the investments made by a financial holding company under its other authorities, such as through small business investment companies. Moreover, these caps are really thresholds. The rule provides that a financial holding company may exceed these amounts with approval from the Board.

This approach allows the Board to monitor the risk-management systems and exposure of financial holding companies that devote a significant amount of resources to merchant banking. We view the caps as a safe and sound way to allow merchant banking activities to begin and fully expect to revisit the need for caps as we review the interim rule and the capital proposal.

Capital Proposal

Perhaps the most important, but also most controversial, aspect of the proposal is the appropriate capital treatment of equity investments for regulatory purposes. This part has been proposed for comment but, unlike the portion I just described, has not been adopted.

Our capital proposal would require bank holding companies to maintain in equity form at least 50 cents of capital for every dollar the consolidated bank holding company invests in merchant banking-type investments. Under existing capital rules, a bank holding company could hold only 4 cents of its own equity capital—that is borrow 96 cents—for every dollar invested in equity securities.

The proposed capital treatment would apply at the holding company level on a consolidated basis to the carrying value of investments made using the new merchant banking authority as well as to investments made in nonfinancial companies using other merchant banking-like investment authority.

It is to this issue of the capital charge, our reasons for proposing it, and its implications that I now turn.

Safety and Soundness

While safety and soundness sensitivities are reflected in several components of the proposed regulation, an important aspect of the proposal to address potential safety and soundness concerns is the new capital requirement. The Board's concern about the safety and soundness of banking organizations, of course, has to be balanced against other goals of the GLB Act, and we sought to do so. Nonetheless, this aspect of the proposal elicited the most comment and criticism. I believe, however, there can be little doubt about either the importance of safety and soundness or the Board's authority and responsibility in this area. We note that, in its consideration of the financial modernization legislation, the Congress considered the appropriateness of capital standards at the holding company level and did not limit the Board's authority to develop appropriate capital requirements for bank holding and financial holding companies.

Participation in the Equity Market by Banking Organizations

Before the enactment of the GLB Act, banking organizations were permitted to invest in equities to a limited extent. For example, the Small Business Investment Act of 1958 permits banks, and the Bank Holding Company Act permits their holding companies, to invest in certain *small* companies through their ownership of Small Business Investment Companies (SBICs). Banking organizations also have been authorized to match competition abroad by investing in *foreign* companies through their Edge Act affiliates and subsidiaries, and, under the Bank Holding Company Act of 1956, bank holding companies can invest in up to 5 percent of the voting shares (and up to 25 percent of the total equity) of *any* company. All of these authorizations, however, have involved limits in one form or another: on size or location of the individual portfolio companies, on the proportion of each portfolio company acquired, or on aggregate holdings.

The bulk of activity using these authorities has involved private equity investments. The private equity market is one in which transactions occur largely in unregistered shares in private and public companies. The market has grown quite rapidly in recent years and in 1999 is estimated to have had at least $400 billion outstanding. The *venture capital* component, the equity financing of new firms, had outstandings of at least $125 billion. It focuses on seed capital for the creation of new companies or equity needed for the continuation or growth of small firms. The *non-venture private equity* sector, the equity financing of middle-market firms and leveraged buyouts, is considerably larger, with outstandings of about $275 billion. The contribution of a broad and deep private equity market to economic growth is considerable and its existence is critical to our nation's continued economic vibrancy.

Holding of Equities by Banking Organizations

Banking organizations play a modest, but not insignificant, role in the private equities market. Most banking organizations in fact do not make use of their existing authorities and, thus, do not participate in either the public or the private equities market. This may reflect the lack of expertise required to participate in such finance at most banking organizations, more traditional banking strategies, or the restrictions and limits placed on their participation prior to the passage of the GLB Act.

Most of the equity participation by banking organizations is concentrated in a small number of large banking organizations, whose activities are focused on the private equity market and, in some cases, whose holdings account for a significant proportion of their capital and earnings. In keeping with the small number of banking organization participants, their share of the market is small—about 9 percent to 10 percent of the private equities outstanding. Despite their limited market share, the ten U.S. banking organizations with the largest commitment to equity investments have about doubled their holdings in the past five or so years, with aggregate investments currently exceeding $30 billion at carrying values. These holdings account for an estimated 90 percent of holdings by all banking organizations of private equities in nonfinancial firms. Seven of the ten largest holders each held equities with carrying values in excess of $1 billion at the end of 1999; two held more than $8 billion. Carrying values at the largest holders were equal to 10 percent to 35 percent of their tier 1 capital, and both realized and unrealized gains on these holdings accounted for a growing share of their earnings. Clearly at some large banking organizations, holdings of stock—mainly private equities—already were large and rising before merchant banking was authorized by the GLB Act. As supervisors, equity investment by banking organizations had clearly gotten our attention well before last November.

Larger banking organizations generally employ all of the various legal authorities available to them in making equity investments. In making investments in private equity funds and direct investments, banking organizations generally use Bank Holding Company Act authorities, and several institutions have made substantial international equity investments through their Edge Act affiliates. SBICs are also used substantially by larger banking organizations and by some regional and smaller institutions. There are roughly 100 SBICs affiliated with about sixty banking organizations. Although they account for only a third of all SBICs, they represent more than 60 percent of SBIC investments, about $5.25 billion out of a total of $8.75 billion. All SBICs—bank-related and others—account for about 7 percent of the venture capital market and about 2 percent of the total private equity market.

The large banking organizations active in private equity investments have considerable experience and diversified portfolios. They have, by and large, been successful—with some reporting annual rates of return in excess of 25 percent to 35 percent in recent years. For the most part, they also have been conservative in recognizing gains on their investments, discounting market valuations on traded equities to reflect liquidation realities and often recognizing increases in value on nontraded equities only by actual sales or other events. No large *aggregate* losses have been reported on the equity holdings of these banking organizations in recent years. Of course, the past several years have also seen the longest economic expansion and largest and longest bull market in our history. Even in such an environment, however, the unusual returns have been dominated by a small number of great successes, the so-called home runs of the private equity business.

The attraction of banking organizations to the high returns and the growing buoyancy in stock prices—especially for IPOs (initial public offerings)—has matched the growth in the entire private equity market. More private equity financing, especially venture capital financing, was accomplished in the past three years than in the previous thirty. In the fourth quarter of last year and the first quarter of 2000, almost as much venture capital was invested as in total over the previous four quarters ending in September.

Risk and Equity Holdings

Even with rising valuations, private equity is still the most expensive form of finance available. Investors in private equity securities demand high expected returns, ranging from 15 percent to 25 percent for mature firms seeking expansion capital to 60 percent to 80 percent for early stage ventures. The high hurdle rates for venture capital finance reflect the fact that the loss rates on individual deals are so high. A review of venture capital investments over the past four decades suggests that a fourth to a third of the deals resulted in absolute losses, which is why we do not see 60 percent to 80 percent returns on venture capital portfolios. The high risks that such loss rates imply are both the cause of the high issuer cost and the flip side of high average returns on a portfolio of venture capital equities. In both cases they represent risk compensation.

High returns on aggregate venture capital investments rely on those "home runs" I referred to earlier to offset the "strikeouts," if I may use an analogy. Generally, about 20 percent of investments have been "home runs" with extraordinary returns that offset the losses and mediocre returns of other investments. Evidence from 1,000 private equity partnerships developed by the firm Venture Economics suggests that over the entire period since 1969, investors received an average return of about a 20 percent annual rate but that these returns were boosted by the explosive IPO market in the late 1990s, facilitating exit from a record number of investments by the partnerships. As with individual investments, "home runs" offset a substantial portion of "strikeouts." Median returns have averaged closer to 10 percent, and roughly one-fifth of the individual venture capital partnerships have resulted in capital losses.

Returns to such partnerships have varied widely over the years. Investors in more than 200 venture capital partnerships formed in the early 1980s, when the market was expanding rapidly, have received only about a 5 percent to 8 percent annual return on these investments. Nearly a quarter of these partnerships resulted in losses to investors. In a survey, large long-term institutional private equity investors reported that they generally expect a long-run rate of return on *private* equities of at least 15 percent, as compared with 11 percent to 12 percent for *public* equities, but some report that they expect the standard deviation of returns to be about *twice* as high—32 percent versus 16 percent. A "standard deviation" is a common statistical measure of variation, and measures of variation are used by economists as indicators of the degree of risk in an investment.

Any return (or losses) that banking organizations capture per dollar of portfolio equities held are multiplied significantly relative to their own investment in this part of their business—both absolutely and relative to independent firms. That is, of course, the result of the higher degree of leverage at banking organizations. Independent venture capital operations are generally unable to leverage their holdings to any significant degree.

Banking Organization Capital and Risk Absorption

As in all businesses, the primary role of the capital of an organization is to absorb risk, that is, loss. Without equity capital, businesses would not be able to borrow funds to finance any assets, let alone risky assets, because losses would then fall on the creditors who do not participate in the successes—the profits—of the firm. Insured depository institutions and bank holding companies, however, are required to hold as little as 4 cents of equity for every dollar of *risk* assets, although the average amount of equity actually held by all banks is about 9½ percent of risk assets. The largest U.S. banks and bank holding companies have an equity to risk asset ratio (tier 1 ratio) of 7 percent to 9 percent. If assets contract in value by these amounts, the entity is insolvent; indeed, the Congress requires the agencies to begin steps to close a bank when it becomes "critically undercapitalized," as defined by the Congress, which is when the tangible equity capital to total asset ratio of the bank falls to 2 percent.

A dollar contraction in asset values produces a dollar contraction in equity capital. Clearly, banking organizations have very little tolerance for risk—that is, loss—because they hold such modest equity. Small declines in asset values would eliminate large proportions of their small equity base.

The risk of equity investments with modest equity capital backing is even greater when one considers that, under generally accepted accounting principles, a firm engaged in equity investment is permitted to count as income a substantial portion of the increase in the value of its equity investments, even if the firm has not realized this profit by selling the securities. This increase in value—even though unrealized and subject to decline—is then permitted to count as capital for the firm and can be used to support growth of the firm. In effect, under our current capital rules, a banking organization could leverage these paper gains twenty-five times.

From an economic point of view, banks have been able to operate with a high degree of leverage because their creditors, depositors and others are comforted by the safety net—government guarantees of certain deposit liabilities and access to the discount window and payments and settlement systems—as well as by supervision and regulation, which is intended to ensure the safe and sound operation of the bank. In the late 1980s and early 1990s, a large number of banks did in fact become insolvent because of credit losses, but historically a level of leverage that would be unacceptable in most other financial businesses has proved to be viable for banking organizations with *traditional* banking assets.

Risk and Capital

Commenters do not generally disagree with the observation that venture capital equity assets are riskier than the average banking organization asset. Nor have they generally disagreed with one of the very few, apparently immutable, laws of finance that, in the long run, the higher the nominal rate of return the greater the inherent risk of the asset. By greater risk, I mean the greater the variability of returns, and thus the larger probability of loss, for a portfolio of such assets. The thrust of the evidence the Board reviewed in developing its capital proposal, which I have described above, suggested that private equity investments carry risks that greatly exceed those of average banking organization assets. Moreover, the Board was concerned that the level of this higher risk has become increasingly inconsistent with the minimum requirements of the current Basel Capital Accord, particularly as the amount of such investments has risen sharply in an environment of substantially rising equity valuations. Our review of the merchant banking authority brought this general issue to the fore for equity assets purchased under *all* authorities, not just the new merchant banking authority.

As part of our review, supervisors and economists from both the Federal Reserve and the Treasury, with whom we share rulemaking authority on merchant banking, met with banking organizations and securities firms active in the private equity business to review best practices. These interviews indicated that *both* sets of firms allocated very high levels of internal or economic capital to their private equity business—between 25 and 100 percent, with the median above 50 percent. That is to say, the practitioners' own experience and the resultant policy they followed internally was to assume that the risks were such that they should presume they might lose all or a significant share of their investment and should prepare for that eventuality. That practice seemed consistent with the evidence we reviewed, particularly given the current valuations placed on equities relative to historical norms.

That practice was also consistent with the experience of those firms that provide the dominant volume of the private equity market investment. At least 75 percent of the private equity funding is provided by independent firms that manage limited partnerships, raising funds from pension funds, endowments, foundations, corporations, and wealthy individuals. Their equity holdings are essentially balanced dollar-for-dollar with the owner–investor's own *equity* investment, with virtually no debt financing.

We also looked at the practice of other government agencies. The Small Business Administration limits the *subsidized* borrowing of nonbank SBICs from it to three times equity. In addition, the Securities and Exchange Commission's net capital rule for securities broker–dealers generally requires the firm to deduct from its regulatory capital 100 percent of the carrying value of the firm's private equity investments, a rule that induces these firms to shift their holdings to nonregulated affiliates.

In view of their similarity, the Board did not distinguish in its proposal the risk of a venture capital investment made under the new merchant banking authority from that made under other authorities. By and large, the nature of most major banking organizations' existing equity investments are similar to those made by nonbank venture capitalists and are similar to those likely to be made under merchant banking powers. The high average returns to these investments—by suggesting their riskiness (recall the iron law that high return *means* high risk)—also suggested that we seek comment on the need for a higher commitment of equity capital for all portfolio equity assets at banking organizations.

Consequently, we proposed a 50 percent capital requirement on portfolio equity investments held under any authority at any location in a bank holding company. This proposal is subject to review in light of public comments.

Comments about the Capital Proposal

Indeed, as mentioned at the outset, the Board is now reviewing and evaluating the comments on its proposals. My colleagues and I have not seen all of the comments or heard the staff's evaluation of them. We are not committed to any conclusion or decision at this time. Nonetheless, the objectives of the subcommittee, as I understand them, would not be met if I did not try to highlight the major issues as they seem to be unfolding. Please keep in mind the caveats I just noted as I try to do so.

Rating Agencies

Each of the two major rating agencies—Standard & Poor's and Moody's—has issued reports discussing banking organizations' private equity activities since the Board published its capital proposal. Standard & Poor's concluded that the proposed 50 percent equity support appeared to be about right "if the bank's portfolio is mature and diversified; less diversified portfolios could need up to 100 percent." It also noted that the heavy regulatory claim on capital for banking organizations active in private equity markets would have "no rating implications" "because Standard & Poor's ha[s] historically allocated this level of capital" to the equity investment activities of banking organizations.

Moody's noted that venture capital activities are "capital-intensive" and that it believed "that it is prudent for venture capital activities to be funded with a high equity component. . . . If the bank is taking on significant fixed income obligations to fund an equity investment, we have further concerns." It concluded that "Moody's sees the recent Treasury and Fed proposal requiring U.S. banks to set aside capital equal to 50 percent of a bank's venture capital investments . . . as being supportive of bank ratings."

Economic vs. Regulatory Capital

In reviewing the capital proposal, the Board will have to consider a critical comment raised regarding the distinction between regulatory and economic capital. All parties generally agree, as I have noted, that private equity is a risky asset. There is, as I also noted, substantial evidence that, in general, both the firms engaged in private equity investing and the rating agencies internally or analytically allocate at least as much capital to such assets as the Board has proposed. That is, the economic capital applied to these assets for internal risk and other purposes already exceeds the regulatory capital by a wide margin, a margin that is not exceeded by our proposal.

However, commenters have argued that there would be considerably less difficulty with the proposed *regulatory* capital treatment for equities if the authorities permitted a *regulatory* capital treatment for the *rest* of a banking organization's assets that was consistent with the "real" or *economic* risk on those assets. This argument rests on the assumption that the *regulatory* capital on a significant volume of banking organization assets exceeds their *economic* charge and that, therefore, the *sum* of a higher *regulatory* capital on equities and the existing *regulatory* capital on all other assets would exceed the total *economic* capital on all the assets. The commenters that have raised this issue have argued that the Federal Reserve has engaged in "cherry picking"—picking out the risky assets for higher capital charge without providing relief for the lower-risk assets. They have urged the Board to wait until there is broader reform in the Basel Accord that would presumably address these concerns. The reforms under way in the accord are, in fact, seeking to make bank regulatory capital charges more risk-sensitive and consistent with the "true" underlying economic risk at individual institutions. The U.S. banking agencies are aggressively promoting these efforts in discussions with other G-10 countries at Basel.

I remind you again that the Board has not discussed this particular comment yet, although similar issues have been raised in other discussions of capital more broadly. It may be better, as some commenters suggest, to deal with *all* the capital issues at one time. However, we face a practical problem. Private equity holdings are large and growing rapidly now, and the restraints on further growth are being relaxed. Meanwhile, practical reform of the Basel Accord is at least three years in the future.

As the subcommittee knows, policymaking requires tradeoffs, and we are going to have to balance the facts and considerations I have just noted. In doing so, however, we must also consider another variable in our deliberations, namely the undermining of the *regulatory* capital structure through so-called capital arbitrage.

Essentially, the regulatory capital framework now groups or "buckets" all banking assets into four risk categories for determining their capital charge—with most falling in the full-weight category that gets the 4 percent minimum tier 1 charge mentioned earlier. Banking organizations in recent years, however, have developed methods to move off their balance sheets those assets whose *economic* risk—as determined by the market—implies an economic capital charge that is less than the regulatory capital requirement. That is, they have avoided a one-size-fits-all average regulatory capital requirement whenever that charge is above the market's risk evaluation on a specific set of assets, retaining those assets whose economic capital is equal to or higher than the regulatory requirement.

The Federal Reserve and the other banking agencies have not sought to block these transactions. Rather we have all recognized the market reality that the current regulatory capital requirements imply that banking organizations have two choices. The first is to simply stop extending certain low-risk credit because the regulatory capital requirement is too high. The second choice is to extend such credits coupled with market transactions that, by equilibrating the amount of capital required with that consistent with the real economic risk, permit the credit extension to be both safe and profitable. We have, in short, permitted capital arbitrage whenever the banking organization can meet the market test.

Capital arbitrage means, however, that the resultant *regulatory* capital ratios for some banking organizations are biased upward. That is, the average retained assets are, on average, more risky, and thus the same capital ratio as before does not represent the same degree of capital strength. Put differently, banking organizations engaging in capital arbitrage have already removed from their balance sheets a large number of those assets whose economic capital charge is less than their regulatory capital requirement. These banking organizations, that is to say, have already engaged in a form of cherry picking to *lower* their capital charges and thus have fewer low-risk on-balance-sheet assets subject to full capital charge. It is difficult to estimate the capital "savings" made by these institutions from capital arbitrage and compare it to the potential "cost" of higher regulatory capital on equities. The measured value of the latter may exceed the former. Nonetheless, capital arbitrage is surely one of the variables we will consider in the final decisionmaking process.

A related issue in interpreting distinctions between economic and regulatory capital is banking organizations' desire for *excess* regulatory capital. It appears clear that banking organizations want to hold a level of capital above the regulatory minimums, in part to ensure that they can retain the imprimatur of being classified as "well-capitalized" in the event of losses, and in part to receive higher ratings from the rating agencies and a lower cost of funds from the market. Thus, commenters were not assuaged by the observation that even after the imposition of the proposed capital charge on equities, all the banking organizations with significant equity holdings that are now "well-capitalized" on a regulatory basis would remain so, and would have the ability to acquire additional equities and still remain "well-capitalized." Their focus and concern is the reduction in the margin by which they would be "well-capitalized."

Congressional Intent

Several commenters have argued that the Board's proposals are inconsistent with several stated congressional objectives: (1) facilitating small business venture capital equity finance, especially through SBICs; (2) permitting securities firms to become financial holding companies (the "two-way street"); and (3) the desire to avoid imposing bank-like regulation on the nonbanking activities of financial holding companies ("Fed-lite").

As noted earlier, the Small Business Investment Act and the Bank Holding Company Act permit banks and bank holding companies to invest in and operate SBICs with the special objective of easing access to venture capital by smaller firms. Some commenters have argued that higher capital requirements may blunt this effort. The Board must evaluate the potential impact of its capital proposal on the financing of small businesses through SBICs. An important question is whether a higher *regulatory* capital charge would, in fact, significantly reduce the commitment of banking organizations to SBIC finance. Banks tell us they already have an *internal* capital hurdle at least as high as the proposed regulatory charge, and in applying the charge we understand they make no distinction about the authority under which, or where in the organization, the shares are held. Moreover, a reduction in their investments—if it did occur—might not be a significant factor in total venture capital finance for small businesses because banking organization-related SBICs account for only about 6 percent of all venture capital finance. Nonetheless, the comments require that we review the SBIC issue again.

Any observer of the negotiations leading to enactment of the GLB Act is aware of the importance placed on both the "two-way street" and "Fed lite." Some commenters argued that the proposed capital charge will make it difficult for securities firms to become financial holding companies by requiring that, as soon as they acquire a bank, they meet higher regulatory capital requirements on the equity investments already held by the firm. In developing the proposal, however, we tried to carefully evaluate this issue, including whether the internal capital charges securities firms told our staff they used represent a calculation of the risks associated with equity investment activities or are just used for internal management decisionmaking purposes but not for risk management. We will review this issue again in light of the comments.

An area in which commenters have suggested that we may not have been consistent with our commitment to "Fed-lite" is the quantitative limit or cap on aggregate holdings of equities by banking organizations. Our thinking, admittedly similar to our historical stance, is to be cautious in new activities until we have become more comfortable with how banking organizations manage their positions. We followed such an approach with section 20 affiliates. Recall that merchant banking activities have been authorized to begin while the capital rule is simply proposed. Thus, financial holding companies—two-thirds of which are below $1 billion in consolidated assets—could begin to acquire potentially large amounts of risky assets before being required to hold an appropriate amount of additional capital to support these investments. Moreover, we chose a cap that we felt was unlikely to bind on any present participant any time soon and that, in any event, we could relieve on a case-by-case basis if appropriate. Our objective in the proposal was to err on the side of caution, particularly for new participants, and to consider eliminating the cap in connection with the development of a final capital rule.

The commenters raised important questions, and the Board will carefully evaluate them and modify its proposal and interim rule where necessary and in the public interest.

Statement by Patrick M. Parkinson, Associate Director, Division of Research and Statistics, Board of Governors of the Federal Reserve System, before the Subcommittee on Risk Management, Research, and Specialty Crops of the Committee on Agriculture, U.S. House of Representatives, June 14, 2000

I am pleased to be here to present the Federal Reserve Board's views on legislation to modernize the Commodity Exchange Act (CEA). The Board continues to believe that such legislation is essential. To be sure, the Commodity Futures Trading Commission (CFTC) has recently proposed issuing regulatory exemptions that would reduce legal uncertainty about the enforceability of over-the-counter (OTC) derivatives transactions and would conform the regulation of futures exchanges to the realities of today's marketplace. These administrative actions by no means obviate the need for legislation, however. The greatest legal uncertainty affecting OTC derivatives is in the area of securities-based transactions, to which the CFTC's exemptive authority does not extend. Furthermore, as events during the past few years have clearly demonstrated, regulatory exemptions carry the risk of amendment by future commissions. If our derivatives markets are to remain innovative and competitive internationally, they need the legal and regulatory certainty that only legislation can provide.

The Board commends this committee for introducing comprehensive legislation (H.R. 4541) that addresses these critical issues. In my remarks today I shall focus on the three principal areas that the legislation covers: (1) OTC derivatives; (2) regulatory relief for U.S. futures exchanges; and (3) repeal of the Shad–Johnson restrictions on the trading of single-stock futures.

OTC Derivatives

In its November 1999 report, *Over-the-Counter Derivatives and the Commodity Exchange Act,* the President's Working Group on Financial Markets (PWG) concluded that OTC derivatives transactions should be subject to the CEA only if necessary to achieve the public policy objectives of the act—deterring market manipulation and protecting investors against fraud and other unfair practices. In the case of financial derivatives transactions involving professional counterparties, the PWG concluded that regulation was unnecessary for these purposes because financial derivatives generally are not readily susceptible to manipulation and because professional counterparties can protect themselves against fraud and unfair practices. Consequently, the PWG recommended that financial OTC derivatives transactions between professional counterparties be excluded from coverage of the CEA. Furthermore, it recommended that these transactions between professional counterparties be excluded even if they are executed through electronic trading systems. Finally, the PWG recommended that transactions that were otherwise excluded from the CEA should not fall within the ambit of the act simply because they are cleared. The PWG concluded that clearing should be subject to government oversight but that such oversight need not be provided by the CFTC. Instead, for many types of derivatives, oversight could be provided by the Securities and Exchange Commission (SEC), the Office of the Comptroller of the Currency (OCC), the Federal Reserve, or a foreign financial regulator that the appropriate U.S. regulator determines to have satisfied its standards.

The provisions of H.R. 4541 that address OTC derivatives are generally consistent with the PWG's conclusions and recommendations. However, the Board is troubled by a provision that might leave uncertainty about whether some electronic trading systems for financial contracts between professional counterparties were subject to the CEA. Specifically, restricting exclusions for transactions conducted on electronic trading facilities to "bona fide" principal-to-principal transactions is unnecessary and undesirable. This restriction could be construed to preclude a counterparty from entering into "back-to-back" principal-to-principal transactions, that is, from using an excluded electronic trading system to hedge transactions executed outside the trading system. We can identify no public policy reason for precluding such back-to-back transactions. Doing so would discourage the use of electronic trading systems and thereby inhibit realization of the improvements in market efficiency and transparency that such systems promise to deliver.

In addition, H.R. 4541 does not require government oversight of clearing organizations for OTC derivatives, contrary to the recommendation of the

PWG. The Board continues to believe that such oversight is appropriate and that alternatives to CFTC oversight should be provided. In this regard, the Board recommends incorporating into legislation the provisions of H.R. 1161 (the bill that House Banking Committee Chairman James A. Leach introduced in April), which would enhance the Federal Reserve's authority to oversee clearing organizations that choose to be regulated as uninsured state member banks and would clarify the treatment of bank clearing organizations (including those overseen by the OCC) in bankruptcy.

Regulatory Relief for U.S. Futures Exchanges

The PWG did not make specific recommendations about the regulation of traditional exchange-traded futures markets that use open outcry trading or that allow trading by retail investors. Nevertheless, it called for the CFTC to review the existing regulatory structures, particularly those applicable to financial futures, to ensure that they remain appropriate in light of the objectives of the CEA. In February, the CFTC published a report by a staff task force that provided a comprehensive review of its regulatory framework and proposed sweeping changes to the existing regulatory structure. We understand that the regulatory relief provisions of H.R. 4145 are intended to codify these proposals.

Using the same approach as the PWG, the CFTC has evaluated the regulation of futures exchanges in light of the public policy objectives of deterring market manipulation and protecting investors. When contracts are not readily susceptible to manipulation and access to the exchange is limited to sophisticated counterparties, the CFTC has proposed alternative regulatory structures that would eliminate unnecessary regulatory burden and allow domestic exchanges to compete more effectively with exchanges abroad and with the OTC markets. More generally, the CFTC proposes to transform itself from a frontline regulator, promulgating relatively rigid rules for exchanges, to an oversight agency, assessing exchanges' compliance with more flexible core principles of regulation.

The Board supports the general approach to regulation that was outlined in the CFTC's proposals. For some time the Board has been arguing that the regulatory framework for futures trading, which was designed for the trading of grain futures by the general public, is not appropriate for the trading of financial futures by large institutions. The CFTC's proposals recognize that the current "one-size-fits-all" approach to regulation of futures exchanges is inappropriate, and they generally incorporate sound judgments regarding the degree of regulation needed to achieve the CEA's purposes.

Furthermore, the Board generally supports codification of the CFTC's proposals so as to provide the exchanges with greater certainty regarding future regulation. However, the Treasury Department is concerned that the exempt board of trade provisions might have unintended consequences that could reduce the effectiveness of the existing regulatory framework for the trading of government securities. It may be prudent, therefore, to limit the codification of the exempt board of trade provisions, at least so that markets currently regulated under the Government Securities Act of 1986 are not affected. This would allow the CFTC to address any unintended consequences for the regulation of government securities by changing the terms of its exemptions.

Single-Stock Futures

The PWG concluded that the current prohibition on single-stock futures (part of the Shad–Johnson Accord) can be repealed if issues about the integrity of the underlying securities markets and regulatory arbitrage are resolved. The Board believes that these issues can, and should, be resolved through negotiations between the CFTC and the SEC. The Congress should continue to urge the two agencies to settle their remaining differences so that investors have the opportunity to trade single-stock futures, both on futures exchanges and on securities exchanges.

If it would facilitate repeal of the prohibition, the Board is willing to accept regulatory authority over levels of margin on single-stock futures, as provided in H.R. 4541, so long as the Board can delegate that authority to the CFTC, the SEC, or an Intermarket Margin Board consisting of representatives of the three agencies. The Board understands that the purpose of such authority would be to preserve the financial integrity of the contract market and thereby prevent systemic risk and to ensure that levels of margins on single-stock futures and options are consistent. The Board would note that, for purposes of preserving financial integrity and preventing systemic risk, margin levels on futures and options should be considered consistent, even if they are not identical, if they provide similar levels of protection against defaults by counterparties, taking into account any differences in (1) the price volatility of the contracts, (2) the frequency with which margin calls are made, or (3) the period of time within which margin calls must be met.

CONCLUSION

In conclusion, the Board continues to believe that legislation modernizing the Commodity Exchange Act is essential. The Board appreciates this committee's efforts to foster the consensus necessary to enact legislation. Although some difficult issues remain unresolved, H.R. 4541 represents significant progress toward that goal.

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Agriculture, Nutrition, and Forestry and the Committee on Banking, Housing, and Urban Affairs, U. S. Senate, June 21, 2000

I am pleased to be here to present the Federal Reserve Board's views on the Commodity Futures Modernization Act of 2000 (S. 2697). My testimony today will be largely identical to testimony that my colleague Patrick Parkinson delivered on behalf of the Board last week to the House Subcommittee on Risk Management, Research, and Specialty Crops.[1] The Board continues to believe that such legislation modernizing the Commodity Exchange Act (CEA) is essential. To be sure, the Commodity Futures Trading Commission (CFTC) has recently proposed issuing regulatory exemptions that would reduce legal uncertainty about the enforceability of over-the-counter (OTC) derivatives transactions and would conform the regulation of futures exchanges to the realities of today's marketplace. These administrative actions by no means obviate the need for legislation, however. The greatest legal uncertainty affecting OTC derivatives is in the area of securities-based transactions, to which the CFTC's exemptive authority does not extend. Furthermore, as events during the past few years have clearly demonstrated, regulatory exemptions carry the risk of amendment by future commissions. If our derivatives markets are to remain innovative and competitive internationally, they need the legal and regulatory certainty that only legislation can provide.

In my remarks today I shall focus on three of the areas that the legislation covers: (1) OTC derivatives; (2) regulatory relief for U.S. futures exchanges; and (3) repeal of the Shad–Johnson restrictions on the trading of single-stock futures.

1. See "Statement by Patrick M. Parkinson, Associate Director, Division of Research and Statistics, Board of Governors of the Federal Reserve System, before the Subcommittee on Risk Management, Research, and Specialty Crops, Committee on Agriculture, U.S. House of Representatives, June 14, 2000," pp. 577–579 in this issue.

OTC DERIVATIVES

In its November 1999 report, *Over-the-Counter Derivatives and the Commodity Exchange Act*, the President's Working Group on Financial Markets (PWG) concluded that OTC derivatives transactions should be subject to the CEA only if necessary to achieve the public policy objectives of the act—deterring market manipulation and protecting investors against fraud and other unfair practices. In the case of financial derivatives transactions involving professional counterparties, the PWG concluded that regulation was unnecessary for these purposes because financial derivatives generally are not readily susceptible to manipulation and because professional counterparties can protect themselves against fraud and unfair practices. Consequently, the PWG recommended that financial OTC derivatives transactions between professional counterparties be excluded from coverage of the CEA. Furthermore, it recommended that these transactions between professional counterparties be excluded even if they are executed through electronic trading systems. Finally, the PWG recommended that transactions that were otherwise excluded from the CEA should not fall within the ambit of the act simply because they are cleared. The PWG concluded that clearing should be subject to government oversight but that such oversight need not be provided by the CFTC. Instead, for many types of derivatives, oversight could be provided by the Securities and Exchange Commission (SEC), the Office of the Comptroller of the Currency, the Federal Reserve, or a foreign financial regulator that the appropriate U.S. regulator determines to have satisfied its standards.

The provisions of S. 2697 that address OTC derivatives are generally consistent with the PWG's conclusions and recommendations. The Federal Reserve Board is troubled, however, by a provision that might leave uncertainty about whether some electronic trading systems for financial contracts between professional counterparties were subject to the CEA. Specifically, restricting exclusions for transactions conducted on electronic trading facilities to "bona fide" principal-to-principal transactions is unnecessary and undesirable. This restriction could be construed to preclude a counterparty from entering into "back-to-back" principal-to-principal transactions, that is, from using an excluded electronic trading system to hedge transactions executed outside the trading system. We can identify no public policy reason for precluding such back-to-back transactions. Doing so would discourage the use of electronic trading systems and thereby inhibit realization of the improvements in market efficiency and transparency that such systems promise to deliver.

REGULATORY RELIEF FOR U.S. FUTURES EXCHANGES

The PWG did not make specific recommendations about the regulation of traditional exchange-traded futures markets that use open outcry trading or that allow trading by retail investors. Nevertheless, it called for the CFTC to review the existing regulatory structures, particularly those applicable to financial futures, to ensure that they remain appropriate in light of the objectives of the CEA. In February, the CFTC published a report by a staff task force that provided a comprehensive review of its regulatory framework and proposed sweeping changes to the existing regulatory structure. We understand that the regulatory relief provisions of S. 2697 are intended to codify these proposals.

Using the same approach as the PWG, the CFTC has evaluated the regulation of futures exchanges in light of the public policy objectives of deterring market manipulation and protecting investors. When contracts are not readily susceptible to manipulation and access to the exchange is limited to sophisticated counterparties, the CFTC has proposed alternative regulatory structures that would eliminate unnecessary regulatory burden and allow domestic exchanges to compete more effectively with exchanges abroad and with the OTC markets. More generally, the CFTC proposes to transform itself from a frontline regulator, promulgating relatively rigid rules for exchanges, to an oversight agency, assessing exchanges' compliance with more flexible core principles of regulation.

The Federal Reserve Board supports the general approach to regulation that was outlined in the CFTC's proposals. For some time the Board has been arguing that the regulatory framework for futures trading, which was designed for the trading of grain futures by the general public, is not appropriate for the trading of financial futures by large institutions. The CFTC's proposals recognize that the current "one-size-fits-all" approach to regulation of futures exchanges is inappropriate, and they generally incorporate sound judgments regarding the degree of regulation needed to achieve the CEA's purposes.

Furthermore, the Board generally supports codification of the CFTC's proposals so as to provide the exchanges with greater certainty regarding future regulation. However, the Treasury Department is concerned that the exempt board of trade provisions might have unintended consequences that could reduce the effectiveness of the existing regulatory framework for the trading of government securities. To facilitate expeditious passage of legislation, it thus may be prudent to limit the codification of the exempt board of trade provisions, at least so that markets currently regulated under the Government Securities Act of 1986 are not affected. In such a scenario, the CFTC could address any unintended consequences for the regulation of government securities by changing the terms of its exemptions.

SINGLE-STOCK FUTURES

The PWG concluded that the current prohibition on single-stock futures (part of the Shad–Johnson Accord) can be repealed if issues about the integrity of the underlying securities markets and regulatory arbitrage are resolved. The Board believes that S. 2697 provides an appropriate framework for resolving these issues. Such instruments should be allowed to trade on futures exchanges or on securities exchanges, with primary regulatory authority assigned to the CFTC or the SEC respectively. However, the bill recognizes that the SEC should have authority over some aspects of trading of these products on futures exchanges. The scope of the SEC's authority can, and should, be resolved through negotiations between the CFTC and the SEC. The Congress should continue to urge the two agencies to settle their remaining differences so that investors have the opportunity to trade single-stock futures.

If it would facilitate repeal of the prohibition, the Federal Reserve Board is willing to accept regulatory authority over levels of margin on single-stock futures, as provided in S. 2697, so long as the Board can delegate that authority to the CFTC, the SEC, or an Intermarket Margin Board consisting of representatives of the three agencies. The Board understands that the purpose of such authority would be to preserve the financial integrity of the contract market and thereby prevent systemic risk and to ensure that levels of margins on single-stock futures and options are consistent. The Board would note that, for purposes of preserving financial integrity and preventing systemic risk, margin levels on futures and options should be considered consistent, even if they are not identical, if they provide similar levels of protection against defaults by counterparties, taking into account any differences in (1) the price volatility of the contracts, (2) the frequency with which margin calls are made, or (3) the period of time within which margin calls must be met.

CONCLUSION

This bill reflects a remarkable consensus on the need for legal certainty for OTC derivatives and regulatory relief for U.S. futures exchanges, issues that have long eluded resolution. These provisions are vitally important to the soundness and competitiveness of our derivatives markets in what is an increasingly integrated and intensely competitive global economy. The Federal Reserve Board trusts that remaining differences regarding single-stock futures and the potential application of the securities laws to OTC derivatives can be resolved quickly and that this important piece of legislation can be expedited through this Congress. □

Announcements

FEDERAL OPEN MARKET COMMITTEE DIRECTIVE

The Federal Open Market Committee at its meeting on June 28, 2000, decided to maintain the existing stance of monetary policy, keeping its target for the federal funds rate at 6½ percent.

Recent data suggest that the expansion of aggregate demand may be moderating toward a pace closer to the rate of growth of the economy's potential to produce. Although core measures of prices are rising slightly faster than a year ago, continuing rapid advances in productivity have been containing costs and holding down underlying price pressures.

Nonetheless, signs that growth in demand is moving to a sustainable pace are still tentative and preliminary, and the utilization of the pool of available workers remains at an unusually high level.

In these circumstances, and against the background of its long-term goals of price stability and sustainable economic growth and of the information currently available, the Committee believes the risks continue to be weighted mainly toward conditions that may generate heightened inflation pressures in the foreseeable future.

CHAIRMAN ALAN GREENSPAN SWORN IN FOR FOURTH FOUR-YEAR TERM

Alan Greenspan took the oath of office on June 20, 2000, as Chairman of the Board of Governors of the Federal Reserve System for a fourth four-year term. On January 4, 2000, President Clinton announced the renomination of Dr. Greenspan as Board Chairman. The appointment was confirmed by the Senate on February 3, 2000, and the oath of office was administered in Dr. Greenspan's office by Vice Chairman Roger W. Ferguson, Jr. Dr. Greenspan originally took office on August 11, 1987. The text of President Clinton's January 2000 announcement follows:

THE PRESIDENT:—You're supposed to stand over here today. This is the only time I'm interfering with the independence of the Fed. (Laughter.) You have to come over here.

Good morning. Ladies and gentlemen, the United States is enjoying an extraordinary amount of economic success, for which we are all grateful. It seems clear that it is the result of a convergence of a number of forces: a great entrepreneurial spirit; stunning technological innovations; well-managed businesses; hardworking and productive men and women in our work force; expanding markets for our goods and services; a complete commitment to fiscal discipline; and of course, a Federal Reserve that has made independent, professional, and provably wise judgments about our monetary policy.

Since I took office seven years ago, one of the hallmarks of our economic strategy has been a respect for the independence and the integrity of the Federal Reserve. I have always believed the best way for the Executive Branch to work with the Fed is to let the Chairman and the members do their jobs independently, while we do our job—to promote fiscal discipline, to open markets, to invest in people and technologies.

That has given us strong economic growth with low inflation and low unemployment. Thanks to the hard work of the American people, we now enjoy the longest peacetime expansion in our history. In February, it will become the longest economic expansion ever. With productivity high, inflation low and real wages rising, it is more than the stock markets which have boomed. This has helped ordinary people all over America.

We have a 30-year low in unemployment, a 32-year low in welfare, a 20-year low in poverty rates, the lowest African-American and Hispanic unemployment rates ever recorded, the lowest female unemployment rate in 40 years, the lowest single-parent household poverty in 46 years.

Clearly, wise leadership from the Fed has played a very large role in our strong economy. That is why, today, I am pleased to announce my decision to renominate Alan Greenspan as Chairman of the Federal Reserve Board. For the past 12 years, Chairman Greenspan has guided the Federal Reserve with a rare combination of technical expertise, sophisticated analysis, and old-fashioned common sense. His wise and steady leadership has inspired confidence, not only here in America, but all around the world.

I believe the productive, but appropriate relationship that our administration has enjoyed with the Fed has helped America play a critical and leading role in dealing with the Asian financial crisis and many of the other things that we have faced over the last seven years.

Chairman Greenspan's leadership has always been crucial to these successes. With his help, we were able, also, last year to enact historic financial reform legislation, repealing Glass–Steagall and modernizing our financial systems for the 21st century. He was also, I think it's worth noting, one of the very first in his profession to recognize the power and impact of new technologies on the new economy, how they changed all the rules and all the possibilities. In fact, his devotion to new technologies has been so significant, I've been thinking of taking Alan.com public; then, we can pay the debt off even before 2015.

On a more serious note, let me say again—this Chairman's leadership has been good not just for the American economy and the mavens of finance on Wall Street, it has been good for ordinary Americans. Even though my staff makes sure that I never give Chairman Greenspan advice, they have not been able to stop me from asking him for his advice. So I would also like to thank him for the many conversations we've had over the last seven years in our ongoing attempt to understand this amazing and ever-changing economy.

Finally, I would like to thank him for his willingness to serve another term. After these years of distinguished public service and at a pinnacle of success, he could be forgiven if he were willing to walk away to a more leisurely and, doubtless, more financially lucrative life. His continued devotion to public service should be a cause of celebration in this country and around the world, and it's something for which I am very grateful.

Mr. Chairman?

CHAIRMAN GREENSPAN:—Mr. President, I first wish to express my deep appreciation to you for the confidence that you've shown in me over the years. And I look forward to Senate consideration.

The Federal Reserve has been a remarkable institution with which to work, and, as I've indicated to you inside, I must say I've enjoyed every minute of it. It's really been an extraordinary challenge, and especially for an economist who likes to get into the nitty-gritty of every statistic you've ever seen.

My colleagues and I have been very appreciative of your support of the Fed over the years, and your commitment to fiscal discipline, which, as you know, and indeed have indicated, has been instrumental in achieving what in a few weeks, as you pointed out, will be the longest economic expansion in the nation's history.

Your economic policy staff has been exceptional, in my view. I've especially enjoyed working with Lloyd Bentsen, Bob Rubin, and now Larry Summers. These are all superb human beings, as well as first-rate professionals. The same goes for the rest of your economic advisors, Mr. President—Gene Sperling, and Martin Baily and his colleagues.

Again, Mr. President, thank you. I look forward to working with you in the future. And I must say you have been a good friend to America's central bank. Thank you, sir.

THE PRESIDENT:—Thank you.

Proposed Actions

The Federal Reserve Board on June 23, 2000, published proposed revisions to the Regulation E (Electronic Fund Transfers) Official Staff Commentary, which applies and interprets the requirements of the regulation. Comments are due by August 31, 2000.

The proposed revisions provide guidance on electronic check conversion transactions that occur, for example, when a check is scanned at point of sale for information to initiate an electronic debit from a consumer's account. Additional guidance is provided on electronic authorizations permitting recurring debits from a consumer's account, as well as other issues. The commentary is intended to help financial institutions comply with Regulation E when they offer electronic fund transfer services to consumers.

Issuance of Guidance on Equity Investment and Merchant Banking

The Federal Reserve Board on June 22, 2000, issued examination guidance identifying sound practices for equity investment and merchant banking.

The guidance, contained in a supervisory letter—SR 00-09 (SPE)—sent to Federal Reserve bank examiners and supervisors, as well as banking organizations supervised by the Federal Reserve, codifies and supplements existing supervisory practices.

"While equity investments in non-financial companies can contribute substantially to earnings, such investments, like other rapidly growing and highly profitable business lines, can entail significant market, liquidity and other risks," wrote Richard Spillenkothen, director of the Board's Division of Banking Supervision and Regulation.

"Sound investment and risk management practices and strong capital positions are critical elements in the prudent conduct of these activities," he wrote.

The guidance advises supervisors to encourage banking institutions to make appropriate public disclosures relevant to their equity investments, including accounting techniques and valuation methods used, realized and unrealized gains and losses, and insights regarding the potential performance of investments under alternative market conditions.

Merchant banking and equity investment have emerged as an increasingly important source of earnings at some institutions, and the Gramm-Leach-Bliley Act enacted in November provides additional merchant banking authority for financial holding companies.

Supervisory letters are the Federal Reserve's primary means of communicating key policy directives to its examiners, supervisory staff, and the banking industry. Supervisory letters can be viewed on the Board's web site at www.federalreserve.gov/boarddocs/srletters.

Interagency Request for Comment on Proposed Standards for Customer Information Security

The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision jointly requested on June 21, 2000, comment on a proposed rule establishing standards for safeguarding confidential customer information. The proposed rule would implement section 501 (b) of the Gramm–Leach–Bliley Act (GLBA). Comments will be accepted until August 25, 2000.

The law requires the agencies to establish standards for financial institutions relating to administrative, technical, and physical safeguards for customer records and information. These safeguards are intended to ensure the security and confidentiality of customer records and information, protect against any anticipated threats or hazards to the security or integrity of these records, and protect against unauthorized access to or use of these records or information that would result in substantial harm or inconvenience to a customer.

The proposed rule would provide that financial institutions establish an information security program that would require them to (1) identify and assess the risks that may threaten customer information; (2) develop a written plan containing policies and procedures to manage and control these risks; (3) implement and test the plan; and (4) adjust the plan on a continuing basis to account for changes in technology, the sensitivity of customer information, and internal or external threats to information security.

The proposed rule outlines specific factors that banks should consider in implementing a security program. Among other factors, banks should evaluate their controls on access to customer information and their policies for encrypting customer information while it is being transmitted or stored on networks to which unauthorized persons may have access.

Financial institutions should test, on a regular basis, key controls, systems, and procedures to confirm that they meet the objectives of their security programs. The proposed guidelines suggest that tests should be conducted by independent third parties or by staff independent of those who develop or maintain the security program. The agencies seek comment on the need for specific types of tests, such as penetration or intrusion detection tests.

The proposed rule also outlines responsibilities of directors and management of financial institutions in overseeing the protection of customer information. An institution's board of directors should approve written information on security policies and programs, and oversee management's efforts to develop, implement, and maintain an effective information security program. Management should evaluate the effect of changing business arrangements, such as mergers and joint ventures, document compliance with the security standards, and report to the board on the overall status of the program.

The agencies seek comments on various aspects of the proposal, including its effect on community banks that operate with more limited resources and that may have a different risk profile than larger banks. Comments are also sought on whether the final standards should be guidelines or regulations.

Agencies Issue Revised Suspicious Activity Report Form

The five federal financial institutions supervisory agencies—the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision, together with the Financial Crimes Enforcement Network (FinCEN)—issued on June 19, 2000, a newly revised Suspicious Activity Report (SAR) form.

Beginning immediately, financial institutions and organizations that are currently required to report suspicious activity pursuant to the existing regulations of the federal financial institutions supervisory agencies and FinCEN may use the new SAR form to make these reports. Financial institutions and organizations may continue to use the existing SAR form while their procedures and systems are updated to make use of the new SAR form. However, no versions of the SAR form—other than the new SAR form that is being issued—will be accepted after December 31, 2000.

The revisions to the SAR form reflect comments from filers and users on how to make the SAR form easier to complete and to provide more useful and timely information. Consistent with this goal, several revisions have been made to the new SAR form being issued. In addition to modifying the layout of the SAR form for easier use, the agencies have made the following changes:

- Added a check box for "Computer Intrusion" to Part III, "Suspicious Activity Information," in recognition of the need to obtain more specific information with regard to computer-related suspicious activity. Along with the addition of the check box in Part III, a specific definition of "Computer Intrusion" has been added to the "When to Make a Report" instructions at number 2
- Deleted the two sections requiring witness and preparer information and have replaced these sections with Part IV, "Contact for Assistance"

• Replaced the requirements to provide the name and address of any law-enforcement authorities contacted with regard to the suspicious activity being reported with Part III, "Suspicious Activity Information," items 40 through 44, to include check boxes for the law-enforcement agencies contacted and to list the names and telephone numbers of law-enforcement personnel contacted

• Deleted the requirement to identify whether an SAR is an "Initial Report," "Corrected Report," or "Supplemental Report." Instead, filers will be required only to identify when an SAR is being filed to correct a prior SAR. Specific instructions on filing an SAR to correct a prior report have been added in the "How to Make a Report" instructions at number 3.

Along with the issuance of the new SAR form, guidance for completing SAR forms has been prepared and is being distributed with the new SAR form. The guidance provides valuable information on the preparation and filing of SAR forms.

In addition to the new SAR form, new software has been developed and is available to assist in the preparation and filing of SAR forms. The new SAR software and new SAR form are available on the web sites of the federal financial institutions supervisory agencies and FinCEN. The web site addresses are (1) the Board of Governors of the Federal Reserve System: www.federalreserve.gov; (2) the Federal Deposit Insurance Corporation: www.fdic.gov; (3) the National Credit Union Administration: www.ncua.gov; (4) the Office of the Comptroller of the Currency: www.occ.treas.gov; (5) the Office of Thrift Supervision: www.ots.treas.gov; and (6) FinCEN: www.treas.gov/fincen. Each of these web sites will have available the new SAR form, the guidance for the SAR form, and the new SAR software or instructions on how to obtain these materials from other web sites.

With the issuance of the new SAR form and SAR software, financial institutions and organizations will be able to file the new form with the following procedures:

• Using the new SAR software to complete the SAR form, saving it on a diskette, and mailing it to the Detroit Computing Center, as set forth in the SAR instructions

• Using the new SAR software to complete the SAR form, printing a paper version of the completed SAR form, and mailing it to the Detroit Computing Center, as set forth in the SAR instructions

• Producing a magnetic tape of SAR forms (using revised specifications obtained from the Detroit Computing Center) and mailing them to the Detroit Computing Center

• Completing (if none of the above options is available) the paper version of the SAR and mailing it to the Detroit Computing Center, as set forth in the SAR instructions.

For any questions about the newly issued SAR form, financial institutions and organizations should contact their primary federal regulator or FinCEN.

ENFORCEMENT ACTIONS

The Federal Reserve Board on June 23, 2000, announced the issuance of an order of prohibition against Lawrence Michaelessi, a former employee and institution-affiliated party of the Rochester Branch of The Bank of New York, New York, New York.

Mr. Michaelessi, without admitting to any allegations, consented to the issuance of the order based on his apparent unsafe and unsound practices and violations of law in connection with his embezzlement of funds from The Bank of New York.

The Federal Reserve Board on June 23, 2000, announced the execution of a written agreement by and among Banco Bilbao Vizcaya Argentaria, S.A., Madrid, Spain; Banco Bilbao Vizcaya, S.A. Miami Agency, Miami, Florida; Banco Bilbao Vizcaya, S.A. New York Branch, New York, New York; the Federal Reserve Bank of Atlanta; the Federal Reserve Bank of New York; the New York State Banking Department; and the State of Florida Department of Banking and Finance.

PUBLICATION OF THE JUNE 2000 UPDATE TO THE *BANK HOLDING COMPANY SUPERVISION MANUAL*

The June 2000 update to the *Bank Holding Company Supervision Manual*, Supplement No. 18, has been published and is now available. The *Manual* comprises the Federal Reserve System's bank holding company supervisory and inspection guidance. The supplement includes new or revised supervisory information and examiner guidance on the following topics:

1. *Financial Holding Companies (FHCs).* New supervisory guidance is provided for U.S. bank holding companies (BHCs) and qualifying foreign banks that desire to become FHCs, as authorized by the Gramm–Leach–Bliley

Act (GLB Act). This section includes acquisition, control, and other requirements with respect to engaging in activities that the Board deems "financial in nature." See SR letter 00–01. The general and more detailed sections include the following:

- Written declaration requirements for becoming an FHC
- "Well managed" and "well capitalized" standards and resources required for certification as an FHC
- Activities deemed to be "financial in nature" under section 4(k)(4) of the BHC Act and therefore permissible for FHCs—these include activities previously determined to be closely related to banking, either by regulation or order issued under section 4(c)(8), activities that are usual in conducting banking or other services abroad under section 4(c)(13) or by interpretation in section 211.5(d) of Regulation K, and activities determined by statute to be financial in nature
- Divestiture requirements with respect to impermissible activities that are acquired together with permissible activities
- Applicable notice procedures.

2. *Retained Interests.* Retained interests arise from assets sold to a securitization vehicle that, in turn, issues bonds to investors. Supervisory concerns exist about the methods and models that are used to value these interests and the difficulties involved in managing the risk of such volatile assets. Generally accepted accounting principles (GAAP) require recognition of an immediate gain (or loss) on the sale of assets by recording its retained interest at fair value. The fair value of retained interests should be supported by verifiable documentation. See SR letter 99–37.

3. *Credit Derivatives.* Supervisory guidance is provided on the risk-based capital treatment for credit derivatives that are used to synthetically replicate collateralized loan obligations (CLOs). The capital treatment for three different synthetic CLO transactions is discussed: (1) when the entire amount of the referenced portfolio is hedged, (2) when a high-quality senior risk position in the reference portfolio is retained, or (3) when a first-loss position is retained. Minimum conditions are included for sponsoring institutions wishing to obtain the synthetic securitization capital treatment for type two transactions. See SR letter 99–32.

4. *Nonbanking Activities of Bank Holding Companies.* General and more detailed sections describe nonbanking activities approved for BHCs that are not FHCs, under section 4(a)(2) or under section 4(c)(8) of the BHC Act pursuant to the Board's Regulation Y or Board order. The GLB Act prohibits the approval of any new nonbanking activities under these provisions by regulation or order. The general section describes the current sixty-day notice procedure for BHCs, as well as changes resulting from the GLB Act. New nonbanking activity summaries are provided for activities that were approved for BHCs by Board order before the passage of the GLB Act. They are (1) operating a securities exchange and (2) acting as a certification authority for digital signatures.

5. *Nonbank Banks.* Section 4(f) of the BHC Act was amended by section 107 of the GLB Act. Cross marketing, growth, and certain activity limitations and other provisions were eliminated to allow BHCs to affiliate with securities firms and insurance companies. The general overdraft prohibitions of section 4(f)(3) of the BHC Act are discussed for controlled subsidiary banks of grandfathered holding companies of nonbank banks (those existing on March 5, 1987), including when certain overdrafts are permissible.

A more detailed summary of changes is included with the update package. The *Manual* and updates, including pricing information, are available from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551 (or charge by facsimile: 202-728-5886). The *Manual* is also available on the Board's public web site at www.federalreserve.gov/boarddocs/supmanual/. □

Minutes of the Meeting of the Federal Open Market Committee Held on May 16, 2000

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 Tuesday, May 16, 2000, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Broaddus
Mr. Ferguson
Mr. Gramlich
Mr. Guynn
Mr. Jordan
Mr. Kelley
Mr. Meyer
Mr. Parry

Mr. Hoenig, Ms. Minehan, Messrs. Moskow and Poole, Alternate Members of the Federal Open Market Committee

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

Mr. Kohn, Secretary and Economist
Mr. Bernard, Deputy Secretary
Ms. Fox, Assistant Secretary
Mr. Gillum, Assistant Secretary
Mr. Mattingly, General Counsel
Mr. Baxter, Deputy General Counsel
Ms. Johnson, Economist
Mr. Prell, Economist

Mr. Beebe, Ms. Cumming, Messrs. Eisenbeis, Howard, Lindsey, Reinhart, Simpson, Sniderman, 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 Slifman, Associate Directors, Divisions of Monetary Affairs and Research and Statistics respectively, Board of Governors

Messrs. Oliner and Whitesell, Assistant Directors, Divisions of Research and Statistics and Monetary Affairs respectively, Board of Governors

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

Messrs. Rives and Stone, First Vice Presidents, Federal Reserve Banks of St. Louis and Philadelphia respectively

Messrs. Hakkio, Hunter, Lacker, Lang, Rasche, Rolnick, and Rosenblum, Senior Vice Presidents, Federal Reserve Banks of Kansas City, Chicago, Richmond, Philadelphia, St. Louis, Minneapolis, and Dallas respectively

Messrs. Bentley and Kopcke, Vice Presidents, Federal Reserve Banks of New York and Boston respectively

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on March 21, 2000, were approved.

The Manager of the System Open Market Account reported on recent developments in foreign exchange markets. There were no open market operations in foreign currencies for the System's account in the period since the previous meeting, 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 March 21, 2000, through May 15, 2000. The Committee ratified these transactions by unanimous vote.

With Mr. Broaddus dissenting, the Committee voted to extend for one year beginning in mid-

December 2000 the reciprocal currency ("swap") arrangements with the Bank of Canada and the Bank of Mexico. The arrangement with the Bank of Canada is in the amount of $2 billion equivalent and that with the Bank of Mexico in the amount of $3 billion equivalent. Both arrangements are associated with the Federal Reserve's participation in the North American Framework Agreement, which was established in 1994. Mr. Broaddus dissented because he believed that the swap lines existed primarily to facilitate foreign exchange market intervention, and he was opposed to such intervention for the reasons he had expressed at the February meeting.

The Manager discussed some aspects of a suggested approach to the management of the System's portfolio over coming quarters prior to the Committee's receipt and review of an ongoing study relating to the conduct of open market operations in a period of substantial declines in outstanding Treasury debt. During that interim, the management of the System portfolio should try to satisfy a number of objectives: keeping the maturity of the portfolio from lengthening materially; meeting long-run reserve needs to the extent possible through outright purchases of Treasury securities without distorting the yield curve or impairing the liquidity of the market; and concentrating expansion of the System portfolio in "off-the-run" securities in the secondary market to help to maintain liquid markets in benchmark securities. It was important to announce a strategy that would allow market participants to take the System's operations into account as they adapted to the declining Treasury debt levels. While no specific blueprint could be given at this point regarding future Desk operations, the members encouraged the Manager to discuss his plans with Treasury officials.

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

The information reviewed at this meeting suggested that economic growth had remained rapid through early spring. Consumer spending and business fixed investment were still trending upward strongly, and housing demand was holding at a high level. Industrial production and nonfarm payrolls were expanding briskly in response to burgeoning domestic demand, but the strength of demand was also showing through in the form of rising imports. Labor markets continued to be very tight, and some measures of labor costs and price inflation showed signs that they might be picking up.

Employment surged in March and April. Part of the pickup resulted from a step-up in government hiring of census workers, but gains in private employment were very large over the two months. Job growth in retail trade and services was robust, and employment in manufacturing and construction trended higher. The civilian unemployment rate dropped in April to 3.9 percent, a thirty-year low.

Industrial production accelerated in April after a strong gain in the first quarter. Manufacturing, notably in high-tech industries, led the way, but growth in mining and utilities also was sizable. The pickup in manufacturing lifted the factory operating rate further, and capacity utilization in April was about equal to its long-term average.

Consumer spending increased very rapidly in the first quarter but apparently decelerated early in the second quarter. Nominal retail sales were down slightly in April after brisk gains in February and March. Sales slumped at durable goods stores and changed little at nondurable goods outlets. However, the underlying trend in spending remained strong as a result of robust expansion of disposable incomes, the large accumulated gains in household wealth, and very positive consumer sentiment.

Residential housing activity stayed at an elevated level in April; total private housing starts edged higher while starts of multifamily units partially reversed a sharp drop in March. Sales of both new and existing single-family homes rose in March (latest data). The persisting strong demand for housing during a period of rising mortgage rates apparently was being underpinned by the rapid growth of jobs and the accumulated gains in stock market wealth.

Business fixed investment was up sharply in the first quarter after a sluggish performance late last year. The pickup encompassed both durable equipment and software and nonresidential structures. Shipments of computing and communications equipment surged following the century rollover, and shipments of other non-aircraft capital goods recorded an unusually large rise as well. Moreover, the recent strength in orders for many types of equipment pointed to further advances in capital spending in coming months. Expenditures for nonresidential structures, which had turned up last autumn, rose rapidly in the first quarter; unusually favorable weather over the two quarters likely was a contributing factor. The upturn in nonresidential building activity was spread broadly across the major types of structures.

The pace of accumulation of manufacturing and trade inventories slowed somewhat in the first quarter following a sizable buildup in late 1999, and the aggregate inventory–sales ratio edged down from an already very low level. Stockbuilding by manufacturers and merchant wholesalers picked up slightly in the first quarter, but stocks remained at low levels in relation to sales. By contrast, inventory investment slowed among retailers. Part of this slowdown might have involved a liquidation of precautionary stocks built up in anticipation of the century date change. The inventory–sales ratio in this sector was at a historically lean level.

The U.S. trade deficit in goods and services reached another a new high in February as the value of imports rose sharply further and the value of exports changed little. For the January–February period, the moderate rise in exports and the sharp increase in imports from fourth-quarter levels were spread across most major trade categories. The available information suggested that economic expansion remained robust in most foreign industrial economies. The recent decline in the exchange value of the euro was spurring economic activity in the euro area, and Canada was benefiting from spillovers from the U.S. economy. For the Japanese economy, which had been the notable exception among the foreign industrial economies, there were indications of some strengthening of aggregate demand during the first five months of the year. Economic activity in the developing countries also continued to pick up. Key South American countries were recovering from recent recessions, while several Asian emerging-market countries were settling into growth at more sustainable rates.

Recent information suggested that price inflation might be picking up slightly and only partly as a direct result of increases in energy prices. Although consumer prices were unchanged in April, they recorded sizable step-ups in February and March; moreover, while the rise in core consumer prices over the twelve months ended in April was the same as the change in the year-earlier twelve-month period, core consumer price inflation was up slightly in the March–April period compared with other recent months. At the producer level, prices of finished goods other than food and energy edged higher in March and April, but the increase over the twelve months ended in February was a little smaller than the rise over the preceding twelve months. With regard to labor costs, the employment cost index for hourly compensation of private industry workers registered a larger advance in the first quarter than in previous quarters, and the rate of increase in compensation over the year ended in March was substantially larger than the rise over the year-earlier period. Faster growth in benefits accounted for more than half of the acceleration. Average hourly earnings of production or nonsupervisory workers grew at a slightly faster rate in April than in March, and the increase for the twelve months ended in April was larger than for the previous twelve-month period.

At its meeting on March 21, 2000, the Committee adopted a directive that called for a slight tightening of conditions in reserve markets consistent with an increase of ¼ percentage point in the federal funds rate to an average of about 6 percent. The members saw substantial risks of rising pressures on labor and other resources and of higher inflation, and they agreed that the tightening action would help bring the growth of aggregate demand into better alignment with the sustainable expansion of aggregate supply. They also noted that even with this additional firming the risks were still weighted mainly in the direction of rising inflation pressures and that more tightening might be needed.

Open market operations during the intermeeting period were directed toward implementing the desired slightly tighter pressure on reserve positions, and the federal funds rate averaged very close to the Committee's 6 percent target. The Committee's action and its announcement were widely anticipated and had little initial effect on financial markets. Later in the week, however, market interest rates moved up in response to the release of the minutes of the February meeting and the mention therein of some sentiment for a larger policy tightening than had been undertaken. Subsequently, interest rates fell as stock prices tumbled over the first half of April, when investors seemed to revise downward their assessments of equity valuations, especially those of more speculative technology shares that previously had risen considerably. Interest rates more than reversed those declines, however, when stock prices began to level out and incoming data suggested that aggregate demand continued to expand faster than potential supply and that wage and price developments were becoming more worrisome. On balance over the intermeeting period, private interest rates moved up appreciably while Treasury yields increased somewhat less. Most major indexes of equity prices declined significantly over the intermeeting period.

In foreign exchange markets, the trade-weighted value of the dollar appreciated considerably over the intermeeting period against a basket of major currencies, reflecting in part the larger intermeeting increase in U.S. long-term yields relative to rates in most foreign industrial countries. The dollar's rise against the euro was sizable, but the dollar also made moderate gains against the British pound, the Japanese yen, and the Canadian dollar. The dollar also appreciated somewhat against the currencies of a group of other important trading partners, notably the Mexican peso and the Brazilian *real*.

Growth of M2 picked up further in April from its already strong pace in March, as households boosted their liquid balances to meet higher-than-usual levels of final payments on 1999 taxes. In contrast, M3 growth slowed considerably in April after a robust March advance. From the fourth quarter of 1999 through April, M2 and M3 expanded at rates well above the upper ends of their annual ranges for 2000. Total domestic nonfinancial debt continued to expand at a pace in the upper portion of its range.

The staff forecast prepared for this meeting continued to suggest that the expansion would gradually moderate from its currently elevated pace to a rate around, or perhaps a little below, the growth of the economy's estimated potential. The expansion of domestic final demand increasingly would be held back by the anticipated waning of positive wealth effects associated with earlier large gains in equity prices and by higher interest rates. As a result, the growth of spending on consumer durables and houses was expected to slow; in contrast, however, overall business investment in equipment and software was projected to remain robust, partly because of the upward trend in replacement demand, especially for computers and software. In addition, continued solid economic growth abroad was expected to boost the growth of U.S. exports for some period ahead. Core price inflation was projected to rise noticeably over the forecast horizon, partly as a result of higher import prices and some firming of gains in nominal labor compensation in persistently tight labor markets that would not be fully offset by productivity growth.

In the Committee's review of current and prospective economic and financial developments, members focused on persisting indications that aggregate demand was expanding more rapidly than potential supply and that pressures on labor and other producer resources were continuing to increase. While there were tentative signs that the growth of demand might be moderating in some key sectors of the economy, such as retail sales and housing, clear-cut evidence of any significant deceleration in the rapid growth of aggregate demand was lacking. Bond yields and other financial conditions had firmed to some extent recently, but those adjustments had been influenced by the buildup in market expectations of more monetary policy tightening. In the absence of further monetary restraint, any slowing over coming quarters was not viewed as likely to be sufficient to avert increasing pressures on the economy's already strained resources and rising inflation rates that would undermine the economy's remarkable performance. Adding to concerns about heightened inflation pressures was statistical and anecdotal evidence that could be read as suggesting that underlying inflation already was beginning to pick up. Unit costs, however, were still remarkably subdued, and members saw no developments at this stage that might augur a sharp near-term deterioration in price inflation.

In their assessment of business conditions across the country, members commented on continuing indications of robust economic activity in all regions and widely increasing pressures on labor and other resources. Indeed, economic activity appeared to have grown appreciably further from already elevated levels in numerous parts of the country, although the latest regional data and anecdotal reports provided scattered indications that business conditions might be starting to soften in some areas. In this regard, members referred to the emergence of slightly more cautious attitudes on the part of some business executives concerning the prospects for their industries.

With respect to developments in key expenditure sectors of the economy, growth in consumer spending was expected to slow from the exceptional pace of the first quarter, though still likely to be relatively robust. Retail sales had edged lower in April, but members commented that it was too early to gauge whether this softening was a harbinger of a more moderate trend. Consumer sentiment had remained upbeat in the context of an extended period of sizable expansion in employment and incomes and the sharp rise in stock market prices over the course of recent years. Some members observed that the slightly less ebullient consumer behavior recently might have been influenced to some extent by the volatility and downward movement in the stock market over the course of the past several weeks. Higher financing costs probably were also beginning to play a role. Looking ahead, the experience of recent years amply demonstrated the difficulty of forecasting the performance of the stock market. The failure of further large increases to materialize, should that occur, would over time imply a more neutral or even a negative net impact from wealth once the positive effects of the earlier advance had played themselves out, but the latter would take some time.

The same background factors were likely to govern the prospective behavior of housing activity. The evidence of a downturn in homebuilding was still quite marginal, but some anecdotal reports suggested that higher mortgage rates were starting to exert a retarding influence on housing demand. Even so, members continued to identify areas of remarkable strength across the nation, and overall housing construction remained at an elevated level. On the assumption of further growth in jobs and incomes in line with current forecasts and absent markedly higher mortgage financing costs, housing activity might reasonably be expected to settle at a level a bit below recent highs.

Business investment spending retained strong upward momentum, though it had exhibited an uneven growth pattern in recent quarters that importantly reflected Y2K effects. Looking ahead, further rapid growth was expected in spending for business equipment and software in light of likely ongoing efforts to hold down costs by substituting capital embodying advanced technology for scarce labor resources. Recent order trends and rising capacity utilization rates were consistent with this expectation. Expenditures on nonresidential structures and other construction generally had strengthened in recent months, and members expected them to be well maintained in part because of heavy spending on roads and other public projects by state and local governments.

The foreign trade sector of the economy was projected to provide less of a safety valve for the accommodation of domestic demand going forward. Although a number of foreign nations continued to face political and economic problems, the strengthening economies of many U.S. trading partners would tend to limit the availability of excess foreign production capacity to help meet the growth in U.S. demand. At the same time, foreign demand for U.S. goods and services would be expanding, thereby adding to demand pressures on U.S. producer resources, other things equal. In the latter regard, several members mentioned anecdotal evidence of growing export demand for a variety of domestic products.

In their discussion of the outlook for inflation, the members focused on statistical and anecdotal indications of further tightening of labor resources, acceleration in some measures of labor compensation, and early signs of a possible upturn in underlying price inflation. Data on employment, reinforced by anecdotal commentary from around the country, continued to provide evidence of extremely tight labor markets, which at least in some parts of the country appeared to have tightened further since early in the year. Business contacts spoke of spending a great deal of time and expense to attract and retain workers while concomitantly persisting in efforts to improve the productivity of their operations to accommodate burgeoning growth in demand in the face of labor force constraints. There were more reports that rising wages and benefits and increasing costs of nonlabor inputs could no longer be fully offset by improvements in productivity, and more business firms appeared to be attempting or considering increases in their selling prices to maintain or improve their profit margins. However, their ability to set higher prices, or at least to raise them significantly, continued to be severely constrained by the persistence of strong competition across much of the economy. Indeed, examples of successful efforts to mark up prices, which tended to be concentrated in products using oil-related inputs, were still the exception. Even so, the members believed that the risks of acceleration in core prices were now appreciably higher given current trends in aggregate demand, pressures on resources, and developments in foreign economies.

In the Committee's discussion of policy for the intermeeting period ahead, all the members endorsed a proposal to tighten reserve conditions sufficiently to raise the federal funds rate by ½ percentage point to a level of 6½ percent. A more forceful policy move than the 25 basis point increases that had been implemented since mid-1999 was desirable in light of the extraordinary and persisting strength of overall demand, exceeding even the increasingly rapid growth of potential supply, and the attendant indications of growing pressures in already tight markets for labor and other resources. The strength in demand might itself be, at least in part, the result of the ongoing acceleration of productivity, with the latter feeding back on demand through higher equity prices and profitable investment opportunities. Financial markets seemed to have recognized the need for real interest rates to rise further under these circumstances, and while market assessments were not always correct, the evidence suggested that a more substantial tightening at this meeting was needed to limit inflation pressures. The members saw little risk in a relatively aggressive policy move, given the strong momentum of the expansion and widespread market expectations of such a move. The greater risk to the economic expansion at this point was for policy to be too sluggish in adjusting, thereby allowing inflationary disturbances and dislocations to build. A 50 basis point adjustment was more likely to help forestall a rise in inflationary expectations that, at least in the opinion of some members, already showed signs of worsening. A widespread view that the Federal Reserve would take whatever steps were needed to hold down inflation over time probably had contributed to the persistence of subdued long-run inflation expectations during an extended period when rapidly rising demand was pressing on limited supply resources. Today's policy move would undergird such relatively benign expectations and help ensure the success of the Committee's policy.

The members agreed that the balance of risks sentence that would be included in the press statement to be released shortly after this meeting should indicate, as it had for other recent meetings, that even after today's tightening action the members believed the risks would remain tilted toward rising inflation. This view of the risks was based primarily on the persisting momentum of aggregate demand growth and the unusually high level of labor resource utilization. At the same time, a number of the members commented that they did not want to prejudge the potential extent or pace of future policy tightening and that the Committee should continue to assess the need for further policy moves in the light of evolving economic conditions to be reviewed on a meeting-by-meeting basis.

At the conclusion of this discussion, the Committee voted to authorize and direct the Federal Reserve Bank of New York, until it was instructed otherwise, to execute transactions in the System Account in accordance with the following domestic policy directive:

> The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee in the immediate future seeks conditions in reserve markets consistent with increasing the federal funds rate to an average of around 6½ percent.

The vote also encompassed approval of the sentence below for inclusion in the press statement to be released shortly after the meeting:

> Against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the Committee believes the risks are weighted mainly toward conditions that may generate heightened inflation pressure in the foreseeable future.

> Votes for this action: Messrs. Greenspan, McDonough, Broaddus, Ferguson, Gramlich, Guynn, Jordan, Kelley, Meyer, and Parry. Votes against this action: None.

It was agreed that the next meeting of the Committee would be held on Tuesday–Wednesday, June 27–28, 2000.

The meeting adjourned at 1:05 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

Banco Comercial Português, S.A.
Oporto, Portugal

Banco Português do Atlântico, S.A.
Oporto, Portugal

BCP-IF S.G.P.S., Lda
Lisbon, Portugal

BPA Internacional, S.G.P.S. Sociedade Unipessoal Lda
Funchal, Madeira, Portugal

Banco Português do Atlântico (USA), Inc.
Newark, New Jersey

Order Approving Formation of Bank Holding Companies and Acquisition of a Bank

Banco Comercial Português, S.A. ("Banco Comercial"), Banco Português do Atlântico, S.A. ("Atlântico"), BCP-IF S.G.P.S., Lda, BPA Internacional, S.G.P.S. Sociedade Unipessoal Lda, and Banco Português do Atlântico (USA), Inc. ("BPA-USA") (collectively, "Applicants"), have requested the Board's approval under section 3(a)(1) of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842(a)(1)) to become bank holding companies by acquiring up to 100 percent of the voting shares of BPABank, National Association, Newark, New Jersey ("Bank"), a *de novo* national bank to be established by Atlântico.[1] BPA-USA would be the direct parent company of Bank.

Notice of the application, affording interested persons an opportunity to comment, has been published (64 *Federal Register* 53,390 (1999)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors enumerated in section 3 of the BHC Act.

Banco Comercial, with consolidated assets of $62 billion, is the largest banking organization in Portugal.[2] Atlântico, a Banco Comercial subsidiary, operates internationally through numerous branches and agencies, including a state-licensed branch in New York, New York, and a state-licensed agency in Miami, Florida. Through their subsidiaries and affiliates, Banco Comercial and Atlântico also engage in and outside Portugal in a variety of nonbanking activities, including asset management, real estate and equipment leasing, and investment banking.

Competitive and Convenience and Needs Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly. The BHC Act also prohibits the Board from approving a proposed acquisition that would substantially lessen competition or tend to create a monopoly in any relevant banking market, unless the anticompetitive effects of the proposal clearly are outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[3]

Consummation of the proposed transaction would result in the establishment of a *de novo* bank in the relevant banking market and thereby would increase the number of alternative sources of banking products and services available to customers. In addition, the Board previously has noted that the establishment of a *de novo* bank enhances competition in affected banking markets and reflects positively on competitive considerations in an application under section 3 of the BHC Act.[4] Moreover, there is no evidence that the proposed transaction would create or further a monopoly or lessen competition in any relevant banking market. Accordingly, 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 any relevant banking market and that competitive considerations are consistent with approval.[5]

1. Banco Comercial recently has consummated mergers with other Portuguese banking organizations and is in the process of completing an internal corporate reorganization. Banco Comercial has provided the Board with assurances that the acquisition of Bank by the resulting organization will be done in compliance with the BHC Act.

2. Asset and ranking data are as of January 1, 2000, adjusted to reflect transactions recently consummated by Banco Comercial, and use exchange rates then in effect.

3. 12 U.S.C. § 1842(c)(1).

4. *See Canadian Imperial Bank of Commerce,* 85 *Federal Reserve Bulletin* 733 (1999); *see also Wilson Bank Holding Company,* 82 *Federal Reserve Bulletin* 568 (1996).

5. On consummation of the proposal, New Jersey will be the home state of Applicants and Bank for purposes of the BHC Act. The proposed transaction therefore is not barred by section 3(d) of the BHC Act. *See* 12 U.S.C. §§ 1841(o)(4), 1842(d). New York is Atlântico's home state for purposes of the International Banking Act ("IBA")

The BHC Act also requires the Board to consider the effect of the transaction on the convenience and needs of the communities to be served, and the Board has reviewed the information presented by Banco Comercial related to the convenience and needs factor. The Board concludes, based on all the facts of record, that the considerations relating to the convenience and needs of the communities to be served are consistent with approval.

Financial, Managerial, and Supervisory Considerations

The BHC Act requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in a bank acquisition proposal. In assessing the financial and managerial strength of Banco Comercial, Atlântico, and their affiliates, the Board has reviewed information provided by Applicants, confidential supervisory and examination information, and publicly reported and other financial information. The capital ratios of Banco Comercial and Atlântico exceed the minimum levels that would be required under the Basle Capital Accord and are considered equivalent to the capital ratios that would be required of a U.S. banking organization. In light of these and all the facts of record, the Board concludes that the financial and managerial resources and future prospects of Applicants and Bank are consistent with approval.

Section 3 of the BHC Act also provides that the Board may not approve an application involving a foreign bank unless the bank is "subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank's home country."[6] The home country supervisor of Banco Comercial is the Bank of Portugal. In approving applications under the BHC Act and the IBA, the Board has determined that other Portuguese banks were subject to comprehensive consolidated supervision by the Bank of Portugal.[7] In this case, the Board finds that the Bank of Portugal supervises Banco Comercial in substantially the same manner as it supervises those other banks. Based on this finding and all the facts of record, the Board concludes that Banco Comercial is subject to comprehensive supervision on a consolidated basis by their home country supervisor.

In addition, section 3 of the BHC Act requires the Board to determine that a foreign bank has provided adequate assurances that it will make available to the Board such information on its operations and activities and those of its affiliates that the Board deems appropriate to determine and enforce compliance with the BHC Act.[8] The Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Banco Comercial and Atlântico operate and has communicated with relevant government authorities concerning access to information. In addition, Banco Comercial and Atlântico have committed to make available to the Board such information on the operations of Banco Comercial, Atlântico, and any of their affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act, the IBA, and other applicable federal law. Banco Comercial and Atlântico also have committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary to enable Banco Comercial and Atlântico to make such information available to the Board. In light of these commitments, the Board concludes that Banco Comercial and Atlântico have provided adequate assurances of access to any appropriate information that the Board may request. Based on these and all the facts of record, the Board concludes that the supervisory factors it is required to consider are consistent with approval.

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.[9] The Board's approval specifically is conditioned on compliance by Banco Comercial and Atlântico with all the commitments made in connection with this application and on the Board's receiving access to information on the operations or activities of Banco Comercial, Atlântico, and any of their affiliates that the Board deems to be appropriate to determine and enforce compliance by Banco Comercial, Atlântico, and their affiliates with applicable federal statutes. If any restrictions on access to information on the operations or activities of Banco Comercial, Atlântico, and their affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Banco Comercial, Atlântico, or their affiliates with applicable federal statutes, the Board may require or, when appropriate, recommend to the Office of the Comptroller of the Currency, termination of any of Banco Comercial's or Atlântico's direct or indirect activities in the United States. All the commitments and conditions on which the Board has relied in reaching its 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.

and the Board's Regulation K. *See* 12 U.S.C. § 3101 *et seq.* and 12 C.F.R. § 211 *et seq.*

6. 12 U.S.C. § 1842(c)(3)(B). Under Regulation Y, the Board uses the standards enumerated in Regulation K to determine whether a foreign bank that has applied under section 3 of the BHC Act is subject to consolidated home country supervision. *See* 12 C.F.R. § 225.13(a)(4). Regulation K provides that a foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the bank, including its relationship to any affiliates, to assess the bank's overall financial condition and its compliance with law and regulation. *See* 12 C.F.R. 211.24(c)(1).

7. *See Banco Espírito Santo, et.al.*, 86 *Federal Reserve Bulletin* 418 (2000); *see also Caixa Geral de Depósitos S.A.*, 85 *Federal Reserve Bulletin* 774 (1999).

8. *See* 12 U.S.C. § 1842(c)(3)(A).

9. In a separate action, the Board today approved under the IBA the application of Banco Comercial to establish a representative office in Miami, Florida.

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

By order of the Board of Governors, effective June 30, 2000.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Compass Bancshares, Inc.
Birmingham, Alabama

Compass Bank
Birmingham, Alabama

Order Approving Acquisition of a Bank Holding Company and Merger of Banks

Compass Bancshares, Inc. ("Compass"), 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 all the voting shares of Founders Bancorp, Inc., ("Founders"), and thereby to acquire its wholly owned subsidiary, Founders Bank of Arizona ("Founders Bank"), both in Scottsdale, Arizona. Compass Bank, a subsidiary bank of Compass, also has requested the Board's approval under section 18(c) of the Federal Deposit Insurance Act (the "Bank Merger Act") (12 U.S.C. § 1828(c)) to merge with Founders Bank and to retain and operate branches at the current locations of Founders Bank's offices as listed in Appendix A.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (65 *Federal Register* 25,329 (2000)) in accordance with the Board's Rules of Procedure (12 C.F.R. 262.3(b)). As required by the Bank Merger Act, notice of the proposal also has been published in relevant newspapers, and reports on the competitive effects of the bank merger have been 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 proposal and all comments received in light of the factors set forth in the BHC Act and the Bank Merger Act.

Compass, with total consolidated assets of $18.5 billion, is the forty-third largest commercial banking organization in the United States, controlling less than 1 percent of the total assets of insured commercial banks in the United States.[1] Compass operates banks in Alabama, Arizona, Colorado, Florida, New Mexico, and Texas. Compass is the sixth largest banking organization in Arizona, controlling $1.1 billion in deposits, representing approximately 2.7 percent of total deposits in insured depository institutions in the state ("state deposits").[2]

Founders is the twelfth largest banking organization in Arizona, controlling deposits of $302.5 million, representing less than 1 percent of state deposits. After consummation of the proposal, Compass would become the fifth largest banking organization in Arizona, controlling deposits of $1.4 billion, representing approximately 3.4 percent of state deposits.

Interstate Analysis

Section 3(d) of the BHC Act 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 the bank holding company if certain conditions are met.[3] For purposes of the BHC Act, the home state of Compass is Alabama,[4] and Compass proposes to acquire Founders Bank in Arizona.[5] All the conditions for an interstate acquisition enumerated in section 3(d) are met in this case.[6] In light 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 and the Bank Merger Act prohibit the Board from approving a proposal if it would result in or be in furtherance of a monopoly. These acts also prohibit the Board from approving a proposal 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 out-

1. All asset data are as of March 31, 2000. All deposit data are as of June 30, 1999.

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

3. *See* 12 U.S.C. 1842(d).

4. A bank holding company's home state is that state in which the total deposits of all banking subsidiaries of such company were the largest 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).

5. For purposes of section 3(d), the Board considers a bank to be located in the states in which the bank is chartered, headquartered, or operates a branch. *See* 12 U.S.C. §§ 1841(o)(4)-(7), and 1842(d)(1)(A) and (d)(2)(B).

6. Compass is adequately capitalized and adequately managed, as defined by applicable law. 12 U.S.C. § 1842(d)(1)(A). Founders Bank has been in existence and operated for more than the minimum period of time required by applicable state law. 12 U.S.C. § 1842(d)(1)(B); Ariz. Rev. Stat. Ann. § 6–324 (five years). On consummation of the proposal, Compass 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 deposits held by insured depository institutions in Arizona. 12 U.S.C. § 1842(d)(2); Ariz. Rev. Stat. Ann. § 6–328. All other requirements of section 3(d) of the BHC Act would be met on consummation of the proposal.

weighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.[7]

Compass and Founders compete directly in the Payson, Phoenix, and Prescott banking markets, all in Arizona.[8] Consummation of the proposal would be consistent with the Department of Justice Merger Guidelines ("DOJ Guidelines")[9] and Board precedent in the Phoenix and Prescott banking markets.[10]

In the Payson banking market, Compass is the third largest of seven banking organizations, and controls deposits of $31.7 million, representing approximately 15.9 percent of total deposits in insured depository institutions in the market ("market deposits").[11] Founders is the fifth largest banking organization in the market and controls deposits of $13.4 million, representing approximately 6.7 percent of market deposits. On consummation of the proposal, Compass would become the second largest banking organization in the market with deposits of $45.1 million, representing approximately 22.6 percent of market deposits. The HHI would increase by 212 points to 2756.

In reviewing the competitive effects of this proposal, the Board has considered that several factors appear to mitigate the likely effect of the proposal on competition in the Payson banking market. Six depository institutions would remain in the market after consummation of the proposal, including four large multistate banking organizations other than Compass, and three of these organizations would each have market shares of more than 15 percent. The Payson banking market also has characteristics that make it attractive for entry. The market's population has increased 52 percent since 1990, significantly more than the 30 percent increase for Arizona as a whole. In 1999, per capita and median household income were higher in the market than in non-metropolitan statistical areas in Arizona as a whole. Since 1996, five banking organizations have entered the Payson banking market, three (including Compass Bank) by branching and two (including Founders Bank) by acquisition.[12] Two organizations have entered the market in the past year.

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

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 Payson banking market or any other relevant market. In this light, the competitive factors are consistent with approval.

Other Considerations

The BHC Act and the Bank Merger Act require the Board, in acting on an application, to consider the financial and managerial resources and future prospects of the companies and banks involved, 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 Compass. Based on all the facts of record, the Board concludes that the financial and managerial resources and the future prospects of Compass and Compass Bank 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, including the records of performance of the institutions under the Community Reinvestment Act, 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 applications in this case should be, and hereby are, approved. The Board's approval is specifically conditioned on compliance by Compass with all the commitments made in connection with these applications. For purposes of this action, the commitments and conditions relied on by the Board in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its findings and

7. 12 U.S.C. §§ 1842(c)(1)(B) and 1828(c)(5)(B).

8. The Payson banking market is defined as the northwest corner of Gila County, and includes all banking offices in Payson and Pine. The Phoenix banking market is defined as the Phoenix-Mesa Metropolitan Statistical Area. The Prescott banking market is defined as Central Yavapai County and includes all banking offices in Chino Valley, Mayer, Prescott, and Prescott Valley.

9. Under the revised DOJ 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 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 nondepository financial entities.

10. The competitive effects of the proposal in these banking markets are summarized in Appendix B. The 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). 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).

11. Deposit data for this market are adjusted to include branches opened after June 30, 1999.

12. During this period, the market has become less concentrated as measured by the HHI.

decision and, as such, may be enforced in proceedings under applicable law.

The proposed acquisitions shall not be consummated before the fifteenth calendar day after the effective date of this order, or more 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 Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors, effective June 30, 2000.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Appendix A
Branches of Compass Bank to be established at Founders Bank's current offices in Arizona:

1. 104 East Highway 260, Payson.
2. 21640 North 19th Avenue, Phoenix.
3. 923 East Gurley Street, Prescott.
4. 7335 East Doubletree Ranch Road, Scottsdale.
5. 15685 North Greenway-Hayden Loop, Suite 100-A, Scottsdale.
6. 23305 North Pima Road, Scottsdale.
7. 19202 R.H. Johnson Boulevard, Sun City.
8. 9915 West Bell Road, Sun City.
9. 12026 North 111th Avenue, Youngtown.

Appendix B
Summary of Market Structure

Phoenix banking market. Compass is the eleventh largest banking organization in the market, controlling deposits of approximately $222.5 million, representing less than 1 percent of market deposits. Founders is the ninth largest banking organization in the market, controlling deposits of approximately $281.3 million, representing 1 percent of market deposits. After consummation of the proposal, Compass would become the sixth largest banking organization in the market, controlling deposits of approximately $503.8 million, representing 1.8 percent of market deposits. The HHI would increase by 2 points to 2282.

Prescott banking market. Compass is the ninth largest banking organization in the market, controlling deposits of approximately $14.8 million, representing 1.5 percent of market deposits. Founders is the eleventh largest banking organization in the market, controlling deposits of approximately $7.8 million, representing less than 1 percent of market deposits. After consummation of the proposal, Compass would become the eighth largest banking organization in the market, controlling deposits of approximately $22.6 million, representing 2.3 percent of market deposits. The HHI would increase by 2 points to 1886.

National Commerce Bancorporation
Memphis, Tennessee

Order Approving Merger of Bank Holding Companies

National Commerce Bancorporation ("National Commerce"), 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 CCB Financial Corporation ("CCB Financial"), and thereby acquire Central Carolina Bank and Trust Company ("CCB Bank"), both of Durham, North Carolina.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (65 *Federal Register* 24,959 (2000)). The time for filing comments has expired, and the Board has considered the proposal in light of the factors set forth in section 3 of the BHC Act.

National Commerce, with total consolidated assets of $6.8 billion, is the 105th largest commercial banking organization in the United States, controlling less than 1 percent of the total assets of insured commercial banks in the United States.[2] National Commerce operates subsidiary depository institutions in Tennessee, North Carolina, Georgia, Virginia, West Virginia, Arkansas, and Mississippi. The depository institution controlled by National Commerce is the 22nd largest depository institution in North Carolina, controlling deposits of $335.4 million, representing less than 1 percent of total deposits in depository institutions in the state.[3]

CCB Financial, with total consolidated assets of $8.2 billion, is the 91st largest commercial banking organization in the United States, controlling less than 1 percent of the total assets of insured commercial banks in the United States. CCB Financial operates subsidiary depository institutions in North Carolina and South Carolina.[4] CCB Bank is the seventh largest depository institution in North Carolina, controlling deposits of $5.5 billion, representing approximately 5.4 percent of total deposits in depository institutions in the state.

After consummation of the proposal, National Commerce would become the 62nd largest commercial banking organization in the United States, with total consolidated assets of $15 billion, representing less than 1 percent of total banking assets. National Commerce would control the

1. Under the proposal, National Commerce would merge with CCB Financial, with National Commerce as the surviving corporation. National Commerce also has requested the Board's approval to hold and exercise an option to acquire up to 19.9 percent of CCB Financial's voting shares. This option would expire on consummation of the proposed merger.

2. All asset data are as of December 31, 1999, and all deposit data are as of June 30, 1999.

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

4. American Federal Bank, F.S.B., Greenville, South Carolina, a subsidiary of CCB Financial, would be merged into CCB Bank before consummation of the proposal.

seventh largest depository institution in North Carolina, with deposits of $5.9 billion, representing approximately 5.8 percent of total deposits in depository institutions in the state.

Interstate Analysis

Section 3(d) of the BHC Act 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.[5] For purposes of the BHC Act, the home state of National Commerce is Tennessee, and National Commerce proposes to acquire CCB Bank, which is located in North Carolina and South Carolina. All the conditions for an interstate acquisition enumerated in section 3(d) are met in this case.[6] In light of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Competitive Factors

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or be in furtherance of a monopoly. Section 3 also prohibits the Board from approving a proposal that would substantially lessen competition in any relevant banking market unless the anticompetitive effects of the proposal in that banking market 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.[7]

National Commerce and CCB Financial compete directly in the Greensboro-High Point, Raleigh, and Durham banking markets, all in North Carolina.[8] The Board has carefully reviewed the competitive effects of the proposal in each of these banking markets in light of all the facts of record, including the number of competitors that would remain, the share of total deposits in depository institutions ("market deposits") controlled by each competitor in the markets,[9] the concentration level of market deposits and the increase in this level as measured by the Herfindahl–Hirschman Index ("HHI"),[10] attractiveness for entry, and other characteristics.

Consummation of the proposal would be consistent with Board precedent and the DOJ Guidelines in the Greensboro-High Point and Raleigh banking markets.[11] Each of these banking markets would remain moderately concentrated after consummation of the proposal and numerous competitors would remain in each market relative to the size of the market.

Consummation of the proposal in the Durham banking market would exceed the DOJ Guidelines as measured by the HHI. National Commerce controls the seventh largest depository institution in the Durham banking market, controlling deposits of $146.8 million, representing approximately 3.7 percent of market deposits. CCB Financial controls the largest depository institution in the Durham banking market, controlling deposits of $1.3 billion, representing approximately 33.5 percent of market deposits. On consummation of the proposal, National Commerce would control the largest depository institution in the Durham banking market, with approximately $1.5 billion of deposits, representing 37.2 percent of market deposits. Concentration in the market, as measured by the HHI, would increase 246 points to 2055.

In evaluating the competitive effects of the proposal in the Durham banking market, the Board has considered several factors. After consummation of the proposal, 15 depository institutions would remain in the market, including six other multistate bank holding companies. Three of these multistate bank holding companies would each control over 10 percent of market deposits and two other multistate bank holding companies would each control over 5 percent of market deposits. In addition, the attractiveness for entry into the Durham banking market is

5. *See* 12 U.S.C. § 1842(d). A bank holding company's home state is the state in which the total deposits of all banking subsidiaries of such company were the largest 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. 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). National Commerce meets the capital and managerial requirements established under applicable law. On consummation, National Commerce 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 total deposits held by insured depository institutions in North Carolina, the state in which National Commerce and CCB Financial both operate insured depository institutions. All other requirements under section 3(d) of the BHC Act, including applicable state age limitations, would be met on consummation of the proposal.

7. *See* 12 U.S.C. § 1842(c).

8. The Greensboro-High Point banking market is defined as the Greensboro-Highpoint Ranally Metropolitan Area ("RMA") and the non-RMA portions of Davidson and Randolph Counties. The Raleigh banking market is defined as the Raleigh RMA, and the non-RMA portions of Franklin, Johnston, Wake, and Harnett Counties. The Durham banking market is defined as the Durham RMA and the non-RMA portions of Durham, Orange, and Chatham Counties.

9. Market share data are based on calculations that include the deposits of thrift institutions, which include savings banks and savings associations, weighted 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, e.g., Midwest Financial Group,* 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation,* 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board regularly has 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).

10. Under the Department of Justice Merger Guidelines ("DOJ Guidelines"), 49 *Federal Register* 26,923 (June 29, 1984), a market in which the post-merger HHI is more than 1800 is considered to be 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 effects of limited-purpose lenders and other nondepository financial institutions.

11. The competitive effects of the proposal in these banking markets are summarized in the Appendix.

demonstrated by the entry of two depository institutions into the banking market since 1999, one through *de novo* entry and one by acquisition.

The Department of Justice has reviewed the proposal, including its effect on competition in the Durham banking market, and advised the Board that consummation of the proposal would not likely have a significantly adverse competitive effect in any banking market. The Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC") have been afforded an opportunity to comment and have not objected to consummation of the proposal.

Based on these and all other facts of record, the Board concludes that consummation of the proposal would not result in any significantly adverse effects on competition or on the concentration of banking resources in the Durham banking market. For the reasons explained above, the Board also has concluded that consummation of the proposal would not likely have a significantly adverse effect on competition or on the concentration of banking resources in the other banking markets in which National Commerce and CCB Financial both compete or any other relevant banking market.

Financial, Managerial, and Other Supervisory Factors

Section 3 of the BHC Act also requires that the Board consider the financial and managerial resources and future prospects of the companies and banks involved in a proposal and certain other supervisory factors. The Board has carefully considered the financial and managerial resources and future prospects of National Commerce, CCB Financial, and their respective subsidiary banks and other supervisory factors in light of all the facts of record, including reports of examination, other confidential supervisory information assessing the financial and managerial resources of the organizations, and financial information provided by National Commerce. The Board notes that National Commerce and CCB Financial and their subsidiary depository institutions currently are well capitalized and are expected to remain so on consummation of the proposal. Based on these and all other facts of record, the Board concludes that the financial and managerial resources and future prospects of National Commerce, CCB Financial, and their subsidiary banks are consistent with approval, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act.

Convenience and Needs Factor

In acting on a proposal under section 3 of the BHC Act, the Board is required to consider the effect of the proposal on the convenience and needs of the communities to be served. 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"). Accordingly, the Board has carefully considered the effect of the proposed merger on the convenience and needs of the communities to be served and the CRA records of performance of the institutions involved in light of all the facts of record.[12]

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 depository institutions by the appropriate federal financial supervisory agency.[13] National Bank of Commerce, the lead depository institution of National Commerce, received a "satisfactory" rating at its most recent CRA performance examination by the OCC, as of July 1998.[14] CCB Bank received a "satisfactory" rating at its most recent CRA performance examination by the FDIC, as of January 2000.[15]

12. The Board received one letter filed after the close of the comment period on the application from thirteen community organizations and churches in North Carolina. The letter included comments on the record of mortgage and community development lending to low- and moderate-income ("LMI") and minority borrowers of National Commerce's subsidiary depository institutions and the lack of branches of National Bank of Commerce, Memphis, Tennessee, in LMI areas. In addition, the letter included comments on the level of qualified investments made by the subsidiary depository institutions of National Commerce and CCB Financial and the impact of the loss of CCB Financial's corporate headquarters in North Carolina. The letter also commented on the possible loss of jobs resulting from consummation of the proposal and concerns about the promotion of minority employees and use of minority vendors by National Commerce and CCB Financial. Several of these comments relate to factors that are not within the statutory factors that the Board is permitted to consider under section 3 of the BHC Act. *See, e.g., First Security Corporation,* 86 *Federal Reserve Bulletin* 122, 132 n.56 (2000); *Community Capital Bancshares, Inc.,* 85 *Federal Reserve Bulletin* 444, 445 n.3 (1999). A public meeting or hearing on the proposal was also requested. Section 3 of the BHC Act requires the Board to hold a public hearing on an application only on a timely written recommendation of denial from the appropriate supervisory authority for the bank to be acquired. The Board has not received such a recommendation in this case. The Board has accumulated a significant record on the proposal, including reports of examination, supervisory information, and public reports and information. In light of the record accumulated and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or otherwise warranted in this case.

13. The Interagency Questions and Answers Regarding Community Reinvestment provides that an institution's most recent CRA performance evaluation is an important and often controlling factor in the consideration of an institution's CRA record because it represents a detailed evaluation of the institution's overall record of performance under the CRA by its appropriate federal banking supervisor. 64 *Federal Register* 23,618 and 23,641 (1999).

14. The other subsidiary depository institutions of National Commerce also have received "satisfactory" ratings at their most recent CRA performance examinations. NBC Bank, FSB, Memphis, Tennessee, received a "satisfactory" rating from the Office of Thrift Supervision ("OTS"), as of July 1998; First Market Bank, FSB, Memphis, Tennessee, received a "satisfactory" rating from the OTS, as of July 1998; and Hillsborough Savings Bank, Inc., SSB, Hillsborough, North Carolina, which National Commerce acquired on April 11, 2000, received a "satisfactory" rating from the Federal Deposit Insurance Corporation, as of August 1998. NBC Bank, FSB, Knoxville, Tennessee ("NBC-Knoxville"), which was merged into National Bank of Commerce on May 9, 2000, received a "satisfactory" rating from the OTS, as of July 1998.

15. American Federal Bank received a "satisfactory" rating from the OTS at its most recent CRA performance examination, as of August 1999.

National Commerce has indicated that CCB Bank would continue in operation after consummation of the proposal and that National Commerce would use the strengths of the CRA programs of National Commerce and CCB Financial at all of its subsidiary depository institutions. Consequently, the Board has considered the CRA performance records of the subsidiary depository institutions of National Commerce and CCB Financial in evaluating the proposal.

Examiners at the most recent CRA performance examination of National Bank of Commerce indicated that the residential real estate lending and small business lending of the bank reflected a reasonable penetration in LMI geographies and an adequate distribution of loans to LMI borrowers that were reportable under the Home Mortgage Disclosure Act.[16] Examiners favorably noted two flexible lending programs designed to deliver real estate loans to LMI individuals. The affordable mortgage program offers mortgages that feature lower downpayments and flexible debt ratios to qualified borrowers. During the evaluation period, the bank made 50 loans totaling $2.5 million under this program. The first mortgage refinance program offers mortgages with lower downpayments, flexible loan-to-value ratios, no application or origination fees, and no private mortgage insurance to qualified borrowers. Between February 1998 and June 1998, the bank made 192 loans under this program totaling $17 million.[17]

In addition, examiners indicated that National Bank of Commerce made qualified community development loans totaling $4.9 million during the evaluation period to provide affordable housing to LMI individuals. Examiners also indicated that National Bank of Commerce made an adequate number of qualified investments in its assessment areas during the examination period. Examiners stated that the bank's delivery of retail banking services was reasonably accessible to LMI individuals through the bank's branch network in grocery stores. Examiners also indicated that a fair lending examination was conducted concurrently with the CRA performance examination and did not detect any evidence of discriminatory or other illegal credit practices.

Examiners at the most recent CRA performance examination of CCB Bank stated that the bank responded well to community credit needs as evidenced by the level of lending inside the bank's assessment area. CCB Bank originated 87 percent of its mortgage loans and 89 percent of the dollar volume of mortgage loans in its assessment areas in 1998 and 1999. Examiners indicated that CCB Bank demonstrated good geographic distribution of lending throughout its assessment areas and had a good distribution of loans to borrowers with different incomes. Examiners also commended the bank for offering innovative or flexible lending programs, including flexible mortgage programs. In 1998 and 1999, CCB Bank made 4,621 loans under these programs totaling $401 million.

Examiners favorably noted that CCB Bank made 163 community development loans totaling $21 million in 1998 and 1999. Examiners also indicated that the bank made a significant level of community development investments, including making more than $500,000 in qualified donations to LMI individuals and families in its assessment areas. Examiners described CCB Bank's delivery of retail banking services as outstanding. In connection with the CRA performance evaluation, examiners noted that the current compliance examination of CCB Bank did not reveal any substantive violations of the fair lending laws and regulations.

In its review of the convenience and needs factor under the BHC Act, the Board has carefully considered the entire record. Based on all the facts of record, the Board concludes that considerations relating to the convenience and needs factor, including the CRA performance records of the relevant insured depository institutions, 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 National Commerce with all the commitments made in connection with the application and on the receipt by National Commerce of all necessary approvals from state regulators. For purposes of this action, the commitments and conditions relied on by the Board in reaching its 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 CCB Financial 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 St. Louis, acting pursuant to delegated authority.

By order of the Board of Governors, effective June 19, 2000.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Appendix
Summary of Market Structure

Greensboro-High Point: National Commerce is the 17th largest depository institution in the market, controlling deposits of $51.9 million, representing approximately

16. The 1998 examination of National Bank of Commerce reviewed the bank's activities from July 31, 1996, through June 30, 1998. During this period, the bank's assessment area consisted of portions of the Memphis and Jackson Metropolitan Statistical Areas and portions of Bradley County, all in Tennessee.

17. NBC-Knoxville operated branches in Tennessee, North Carolina, Mississippi, and Georgia. Examiners noted that the lending activity of NBC-Knoxville reflected an adequate responsiveness to the credit needs of the bank's assessment areas.

less than 1 percent of market deposits. CCB Financial is the third largest depository institution in the market, controlling deposits of $831.6 million, representing approximately 10.1 percent of market deposits. After the proposed merger, National Commerce would become the third largest depository institution in the market, controlling deposits of $883.4 million, representing approximately 10.7 percent of market deposits. The HHI would increase 13 points to 1130 and 24 other competitors would remain in the market.

Raleigh: National Commerce is the tenth largest depository institution in the market, controlling deposits of $128.8 million, representing approximately 1.6 percent of market deposits. CCB Financial is the sixth largest depository institution in the market, controlling deposits of $659.3 million, representing approximately 8.1 percent of market deposits. After the proposed merger, National Commerce would become the sixth largest depository institution in the market, controlling deposits of approximately $788.1 million, representing approximately 9.7 percent of market deposits. The HHI would increase 26 points to 1251 and 21 other competitors would remain in the market.

Popular, Inc.
Hato Rey, Puerto Rico

Popular International Bank
Hato Rey, Puerto Rico

Popular North America, Inc.
Mount Laurel, New Jersey

Banco Popular, National Association
Orlando, Florida

Order Approving the Acquisition of a Bank and Establishment of a Branch and an Agreement Corporation

Popular, Inc., Popular International Bank, and Popular North America, Inc., (collectively "Popular"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Banco Popular, National Association, Orlando, Florida ("Bank"), a *de novo* national bank.

Bank also has applied under section 211.4 of Regulation K (12 C.F.R. 211.4) to establish an agreement corporation under section 25 of the Federal Reserve Act (12 U.S.C. §§ 601–604a) ("FRA"). In addition, Bank has applied under section 25 of the FRA and section 211.3 of Regulation K (12 C.F.R. 211.3) to establish a foreign branch in Culebra, Puerto Rico.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (64 *Federal Register* 47,191 (1999)). 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 the FRA and the BHC Act.

Popular, with total consolidated assets of $25.5 billion is the 35th largest commercial banking organization in the United States, controlling less than 1 percent of total assets of insured commercial banks in the United States.[1] Popular operates depository institutions and branches in California, Florida, Illinois, New York, New Jersey, Texas, Puerto Rico, the U.S. Virgin Islands, and the British Virgin Islands. Popular is the 126th largest commercial banking organization in Florida, controlling deposits of $114.1 million, representing less than 1 percent of total deposits in depository institutions in the state.[2] Bank's *de novo* entry into the Orlando, Florida, banking market would enhance competition in that market.[3] Based on all the facts of record, 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 any relevant banking market and that competitive considerations are consistent with approval.

Section 3(d) of the BHC Act 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 the bank holding company if certain conditions are met.[4] For purposes of the BHC Act, the home state of Popular is New York, and Bank would be located in Florida. All the conditions for an interstate acquisition enumerated in section 3(d) of the BHC Act are met in this case.[5] In view of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

The Board has carefully considered the financial and managerial resources and future prospects of Popular and Bank and other supervisory factors, in light of all the facts of record. As part of this consideration, the Board has reviewed relevant reports of examination and other super-

1. Asset and ranking data are as of December 31, 1999.

2. Deposit data are as of June 30, 1999. In this context, depository institutions include commercial banks, savings banks, and savings associations.

3. The Orlando, Florida, banking market is defined as Orange, Osceola, and Seminole Counties; the Western half of Volusia County; and the towns of Clermont and Groveland in Lake County.

4. *See* 12 U.S.C. § 1842(d). A bank holding company's home state is that state in which the total deposits of all banking subsidiaries of the company were the largest on July 1, 1966, or on the date on which the company became a bank holding company, whichever is later. 12 U.S.C. § 1841(o)(4)(C).

5. *See* 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A). Popular is adequately capitalized and adequately managed, as defined in the BHC Act. Popular has operated banking offices in Florida since 1997, and the Florida Department of Banking and Finance has indicated that this transaction would comply with applicable Florida law. *See* Fla. Stat. Ann. § 658.295 (West 1999). *See also* Letter from Richard T. Donelan, Chief Banking Counsel, Department of Banking and Finance, State of Florida, to Donald J. Toumey, Esq., counsel for Popular (September 14, 1999). On consummation of the proposal, Popular would control less than 10 percent of the total amount of deposits in insured depository institutions in the United States. All other requirements of section 3(d) of the BHC Act also would be met on consummation of the proposal.

visory information prepared by the Federal Reserve Bank of New York and other federal banking supervisory agencies, including Popular's compliance with the Currency and Foreign Transactions Reporting Act and related regulations.[6]

The Board also has considered other aspects of the financial condition and resources of Popular and other aspects of their managerial resources. 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. Based on all the facts of record, the Board concludes that considerations relating to the financial and managerial resources and future prospects of Popular, and its subsidiaries are consistent with approval of the proposal.

Considerations relating to the convenience and needs of the community, including the performance records of Popular's subsidiary banks under the Community Reinvestment Act ("CRA") (12 U.S.C. § 2901 *et seq.*), and other supervisory factors that the Board must consider under section 3 of the BHC Act also are consistent with approval.

Bank has applied to establish Popular Insurance, Inc. ("PII"), an agreement corporation under section 25 of the FRA. Based on all the facts of record, the Board concludes that the financial and managerial resources of Popular are consistent with the establishment of this corporation. Accordingly, the Board finds that the establishment of PII by Popular is consistent with the FRA and Regulation K.

Bank also has applied pursuant to section 25 of the FRA and section 211.3 of Regulation K (12 C.F.R. 211.3) to establish a branch in Culebra, Puerto Rico. The Board has concluded, based on all the facts of record, that the financial and managerial resources and future prospects of the institutions involved as well as other factors it is required to consider when reviewing an application to establish a branch under section 25 of the FRA are consistent with approval.

Based on the foregoing, and in light of all the facts of record, the Board has determined that the applications should be, and hereby are, approved. Approval of the applications is specifically conditioned on compliance by Popular with all the commitments made in connection with the proposal and with the conditions stated or referred to in this order.

6. 31 U.S.C. § 5311 *et seq.* On March 9, 2000, Popular's subsidiary bank, Banco Popular de Puerto Rico, Hato Rey, Puerto Rico ("Banco Popular"), entered into a written agreement (the "Written Agreement"), pursuant to section 8 of the Federal Deposit Insurance Act (12 U.S.C. § 1818), to address the deficiencies in its anti-money laundering programs. *See Written Agreements Approved by Federal Reserve Banks,* 86 *Federal Reserve Bulletin* 351 (2000). In response to the Written Agreement, Banco Popular, with the assistance of independent auditors, conducted a review of its anti-money laundering policies and submitted a report to the Board on the adequacy of its procedures and a plan designed to ensure full compliance with all applicable anti-money laundering laws and regulations. In reviewing this proposal, the Board has considered this report and the steps already taken by Banco Popular to ensure compliance with anti-money laundering laws and the Written Agreement and will continue to monitor Banco Popular's ongoing efforts in this area.

The acquisition of Bank shall not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order, and Bank shall be open for business within six 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 New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective June 5, 2000.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Wells Fargo & Company
San Francisco, California

Order Approving Acquisition of a Bank Holding Company

Wells Fargo & Company ("Wells Fargo"), 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 all the voting shares of National Bancorp of Alaska ("National Bancorp") and thereby acquire National Bank of Alaska ("Alaska Bank"), both of Anchorage, Alaska.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (65 *Federal Register* 20,168 (2000)). 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.

Wells Fargo, with total consolidated assets of approximately \$222 billion, is the seventh largest commercial banking organization in the United States.[1] Wells Fargo operates a large network of banking and nonbanking subsidiaries and operates banks in 21 western and midwestern states, but does not have a subsidiary bank in Alaska. National Bancorp, with total consolidated assets of approximately \$3 billion, operates in the States of Alaska and Washington. National Bancorp is the largest banking organization in Alaska, controlling deposits of \$2.1 billion, representing approximately 45.2 percent of total deposits in depository institutions in the state ("state deposits").[2] On consummation of the proposal, Wells Fargo would become the largest banking organization in Alaska.

In the State of Washington, Wells Fargo is the fifth largest banking organization, controlling deposits of

1. Asset and ranking data are as of March 31, 2000.

2. Deposit data are as of June 30, 1999. In this context, depository institutions include commercial banks, savings banks, and savings associations.

$2 billion, representing approximately 3.4 percent of state deposits. National Bancorp is the 103rd largest banking organization, controlling $2 million in deposits, representing less than 1 percent of state deposits. On consummation of the proposal, Wells Fargo would remain the fifth largest banking organization in the state.

Interstate Analysis

Section 3(d) of the BHC Act 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 provided that certain conditions are met.[3] For purposes of the BHC Act, the home state of Wells Fargo is California, and Wells Fargo proposes to acquire a bank in Alaska that operates a branch in the State of Washington.[4] All the conditions for an interstate acquisition enumerated in section 3(d) are met in this case.[5] In light 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 would be in furtherance of any attempt to monopolize the business of banking. The BHC Act also prohibits the Board from approving a proposed combination that would substantially lessen competition or tend to create a monopoly in any relevant banking market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effects of the proposal in meeting the convenience and needs of the community to be served.[6]

Wells Fargo and National Bancorp own depository institutions that compete directly in the Seattle, Washington, banking market ("Seattle banking market").[7] Wells Fargo is the fifth largest depository institution in the Seattle banking market, controlling deposits of $1.5 billion, representing approximately 4.9 percent of total deposits of depository institutions in the market ("market deposits").[8] National Bancorp is the 55th largest depository institution in the market, controlling deposits of $2 million, representing less than 1 percent of market deposits. On consummation of the proposal, Wells Fargo would remain the fifth largest depository institution in the Seattle banking market, controlling deposits of $1.5 billion, representing approximately 4.9 percent of market deposits. The concentration of market deposits in the market, as measured by the Herfindahl–Hirschman Index ("HHI") would remain unchanged at 1675 and would be consistent with approval under the Department of Justice Merger Guidelines ("DOJ Guidelines") and the Board's precedent.[9]

Several commenters asserted that Wells Fargo's acquisition of National Bancorp would have an adverse effect on competition in home mortgage and consumer finance lending in Alaska, because several nondepository institution affiliates of Wells Fargo provide these products in Alaska. The Board concludes that this contention does not accurately reflect the competitive effects of a proposal by a banking organization to acquire a bank. As stated previously by the Board, the appropriate product market for analyzing the competitive effects of a proposal to acquire a bank is the complete cluster of banking products and services provided by banks, and not submarkets for individual products or services.[10] On this basis, and for the reasons discussed above, the Board concludes that this

3. A bank holding company's home state is that state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or on the date on which the company became a bank holding company, whichever is later. 12 U.S.C. § 1841(o)(4)(C).

4. For purposes of section 3(d), the Board considers a bank to be located in the states in which the bank is chartered or headquartered or operates a branch. *See* 12 U.S.C. §§ 1841(o)(4)-(7) and 1842(d)(1)(A) and (d)(2)(B).

5. *See* 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Wells Fargo is adequately capitalized and adequately managed, as defined by applicable law. Alaska Bank has been in existence and operated continuously for the minimum period of time required under applicable state law. *See* Alaska Stat. Ann. § 06.05.570 (Lexis 2000) (three years). On consummation of the proposal, Wells Fargo 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 total deposits held by insured depository institutions in Washington, where Wells Fargo and National Bancorp both operate branches of insured depository institutions. All other requirements under section 3(d) of the BHC Act would be met on consummation of the proposal.

6. 12 U.S.C. § 1842(c).

7. The Seattle banking market is defined as the Seattle-Tacoma Ranally Metropolitan Area and the towns of Camano City and Eatonville, Washington.

8. Market share data are as of June 30, 1999.

9. Under the DOJ Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is more than 1000 and less than 1800 is considered to be moderately 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 effects of limited-purpose lenders and other nondepository financial entities.

10. For bank mergers and acquisitions, the Board and the courts have recognized consistently that the appropriate product market for analyzing the competitive effects of a transaction is the cluster of products (various kinds of credit) and services (such as checking accounts and trust administration) offered by banking institutions. *See Chemical Banking Corporation*, 82 *Federal Reserve Bulletin* 239 (1996); *United States v. Philadelphia National Bank*, 374 U.S. 321, 357 (1963). According to the Supreme Court, the clustering of banking products and services facilitates convenient access to these products and services and vests the cluster with economic significance beyond the individual products and services that constitute the cluster. *See United States v. Phillipsburg National Bank*, 399 U.S. 350, 361 (1969). Several studies support the conclusion that households continue to seek this cluster of services. *See* Elliehausen and Wolken, *Banking Markets and the Use of Financial Services by Households*, 78 *Federal Reserve Bulletin* 169 (1992).

proposal would not have a significantly adverse effect on competition in any relevant banking market.

The Board also has considered that, even under the framework suggested by the commenters, the level of market share, number of competitors, and characteristics of the home mortgage and consumer finance lending markets indicate that the proposal would not likely have a significantly adverse effect on competition in either of these markets. An analysis of these factors is included in the Appendix.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board is required to consider the effect of the proposal on the convenience and needs of the community to be served and take into account the records of the relevant depository institutions under the Community Reinvestment Act ("CRA").[11] The CRA requires the federal financial supervisory authorities to encourage financial institutions to help meet the credit needs of local communities in which they operate, consistent with their safe and sound operation, and requires the appropriate federal supervisory authority to take into account an institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansion proposals. The Board has carefully considered the convenience and needs factor and the CRA performance records of the subsidiary depository institutions of Wells Fargo and National Bancorp in light of all the facts of record, including public comments on the proposal.

Comments on the proposal were submitted by several community groups and individuals. Some commenters expressed concern that Wells Fargo would close branches and fail to provide adequate service to National Bancorp's customers in sparsely populated or remote areas of Alaska, including Alaskan Native communities. Other commenters questioned whether Wells Fargo's experience serving rural areas and Native American reservations elsewhere in the United States prepared it to address the unique banking needs of residents of remote areas of Alaska.[12]

Several commenters also asserted, based in part on their analyses of data filed under the Home Mortgage Disclosure Act ("HMDA"),[13] that Wells Fargo's record of housing-related lending inside and outside Alaska indicated disparities between the organization's treatment of white and minority loan applicants, including the origination of subprime loans.[14] These commenters alleged that Wells Fargo and, to a lesser extent, National Bancorp, have inadequate records of meeting the banking and credit needs of the communities they serve.[15]

A. CRA Performance Examinations

As provided in the CRA, the Board has evaluated the records of Wells Fargo and National Bancorp in serving the convenience and needs of their communities in light of examinations by the appropriate federal supervisors of the CRA performance records of their respective subsidiary depository institutions. An institution's most recent CRA performance review 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 the appropriate federal supervisory agency.[16] Wells Fargo's lead bank, Wells Fargo Bank, NA, San Francisco, California ("Wells Fargo Bank"), received an "outstanding" rating in its most recent CRA examination by its primary federal banking supervisory agency, the Office of the Comptroller of the Currency ("OCC"), as of June 8, 1998.[17] National Bancorp's only bank subsidiary, Alaska Bank, also received an "outstanding" rating in its most recent CRA examination by the OCC, as of March 8, 1999.

Wells Fargo has stated that it would adopt and continue all of Alaska Bank's CRA programs designed to meet the credit needs of rural Alaskans. Wells Fargo also has represented that, after a transition period, it would apply its own marketing program, which includes initiatives for meeting the convenience and needs of the communities it serves, to Alaska Bank.

1. *CRA Performance Record of Wells Fargo Bank Lending Test.* Wells Fargo Bank received an examination rating of "outstanding" for its lending activities. Examiners stated that the bank's lending record was strong and based on innovative underwriting of small business loans that enabled it to penetrate most segments of the small business community, an excellent level of community development lending, and good penetration in LMI communities and among LMI borrowers. During the review period, which included 1996, 1997, and the first quarter of 1998, Wells Fargo Bank made approximately 239,000 small business

11. 12 U.S.C. § 2901 *et seq.*

12. One commenter criticized NBA for its alleged practice of requiring collateral in excess of the loan amount when securing loans in remote communities. Wells Fargo has indicated that it is investigating the allegations, that its own collateral requirements apply uniformly in urban and rural areas, and that it regularly extends credit to isolated tribal borrowers without such a requirement.

13. 12 U.S.C. § 2801 *et seq.*

14. Wells Fargo also was criticized for its association as bond indenture trustee for certain unaffiliated subprime lenders. Wells Fargo has stated that as trustee it has no knowledge of or control over the credit criteria of the bond issuer.

15. According to some commenters, Wells Fargo and National Bancorp improperly excluded Alaskan Natives in their conventional housing-related lending.

16. The Interagency Questions and Answers Regarding Community Reinvestment (64 *Federal Register* 23,641 (1999)) provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record.

17. Wells Fargo Bank operates in California, where it derives 81 percent of its deposits, and eight other western states. The bank accounts for 45 percent of the total consolidated assets of Wells Fargo. As of March 31, 2000, Wells Fargo subsidiary banks with "outstanding" ratings in their most recent CRA examinations accounted for 84 percent of the organization's total consolidated assets.

loans, totaling $9.3 billion.[18] Ninety-two percent of these loans were in amounts less than $100,000, with an average loan amount of $39,000, and 26 percent were made to businesses located in LMI census tracts. The bank originated 149 community development loans, totaling approximately $651 million. Wells Fargo Bank made 6,862 residential mortgage loans, or 36 percent of all such loans it made, totaling $240 million, to LMI borrowers. In the aggregate, the bank made 25 percent by number and 27 percent by dollar amount of its small business, community development, and residential mortgage loans in LMI census tracts.

Examiners found that Wells Fargo Bank had a strong lending record in California, the bank's primary geographic market, based on a large volume of community development lending to support low-income and very low-income housing development and a large volume of small business loans in LMI areas. In California, the bank originated 99 community development loans, totaling $469 million, including 64 loans to affordable housing projects to create more than 4,300 LMI housing units.[19] The bank also made more than 198,000 small business loans, totaling approximately $8 billion, in the state. Wells Fargo Bank's market share of small business loans in LMI areas exceeded its market share of small business loans in its assessment area overall, and the bank made a larger proportion of its small business loans in LMI areas than the proportion of small businesses in its assessment area to be found in LMI areas.[20]

The examination report also stated that, for more than ten years, Wells Fargo Bank has provided financing, including complex arrangements using low-income housing tax credits ("LIHTC"), for affordable housing projects.[21] Examiners commended Wells Fargo Bank for its assistance to these transactions and also cited the volume and complexity of financing packages in which Wells Fargo Bank participated.

Examiners also commented favorably on Wells Fargo Bank's record of innovation in small business lending. During the review period, Wells Fargo Bank developed new loan products, including a low-documentation small business loan, and marketing programs focused on underserved groups of small business customers, including women- and minority-owned small businesses. Wells Fargo Bank also took a leading role in developing and promoting the Capital Access Program, a partnership of state government and private lenders created to increase the availability of credit to small business borrowers through guaranty fund arrangements.

Investment Test. Wells Fargo Bank received an "outstanding" examination rating for its investment activities. The examination report stated that Wells Fargo Bank exhibited strong levels of community development investments, especially in California, Arizona, and Washington, where the bank made 83 percent by number and 76 percent by dollar volume of its total investments. Overall, the bank made approximately 2,400 qualifying investments, totaling more than $227 million. Examiners noted that, for many community development projects in California, Wells Fargo Bank was either the first, the largest, or the only investor. Through its affordable housing investments, Wells Fargo Bank helped create more than 6,500 housing units for LMI households. The bank also invested almost $26 million in regional and national organizations addressing affordable housing and small business credit needs in the bank's assessment areas. In addition, Wells Fargo Bank contributed more than $21 million to government-subsidized programs, nonprofit developers, and social service groups.

Service Test. Wells Fargo Bank received an examination rating of "high satisfactory" for its retail banking services in its CRA assessment areas. Examiners reported that, during the review period, Wells Fargo Bank's service delivery systems were reasonably accessible to individuals of different income levels and often were located in popular shopping areas that were accessible by public transportation.[22]

Wells Fargo Bank used a variety of formats for its branches, but the formats it used most frequently offered the full array of the bank's products and services. According to the examination report, Wells Fargo Bank maintained branch hours that were reasonable and convenient to LMI communities and individuals, including Saturday hours at most branches.

The report stated that Wells Fargo Bank offered a variety of loan and deposit products through its branch network and also maintained alternative delivery systems, including 24-hour telephone banking, internet banking, and banking by mail. Wells Fargo Bank offered products and services such as no-fee checking accounts for individuals, basic small business checking, ATM-based international remittance services, and home mortgage loan centers in LMI communities.

Examiners found that Wells Fargo Bank had a satisfactory record of branch openings and closings. The bank's branch closure policy provided for local management to

18. In this context, "small business loans" means loans in amounts less than $1 million. Wells Fargo Bank also made 33 percent of its small business loans to businesses with gross annual revenues less than $1 million ("loans to small businesses").

19. In rural areas, Wells Fargo Bank provided $7.3 million of construction financing for 81 affordable single-family housing units in a very low-income community of farm workers and extended a $1.5 million line of credit to a nonprofit developer of self-help housing in an area with a large population of farm workers.

20. Commenters expressed concern that Wells Fargo's lending policies and practices developed outside Alaska would not take local needs and conditions fully into account. Wells Fargo has stated that all decisions about small business models, risks, and pricing strategies would be made in Alaska.

21. In 2000, Wells Fargo Bank committed to make a $6 million LIHTC investment to provide affordable single-family rental housing in rural areas to Native Americans.

22. One commenter alleged that Wells Fargo failed to hire additional community development loan officers to serve LMI and predominately minority communities despite Wells Fargo's indication in a previous transaction that it would do so. Wells Fargo has indicated in this case that it has achieved those hiring goals.

review the impact of any proposed branch closing, and branch closings during the review period did not adversely affect the accessibility of the bank's delivery systems. During the review period, the bank opened 78 branches, or 17 percent of all its new branches, in LMI communities, and installed seven off-site ATMs in LMI communities. The bank retained 22 branches in LMI areas that were experiencing low growth and profitability to ensure adequate service in these communities. Wells Fargo Bank also closed 63 branches, or 25 percent of all branches that it closed, in LMI communities.[23] Wells Fargo has indicated to the Board that it does not intend to close any rural branches of Alaska Bank or reduce Alaska Bank's array of services to rural areas.

2. *Alaska Bank's CRA Performance Record*

Examiners commended Alaska Bank for its responsiveness to the lending, investment, and service needs of businesses and individuals throughout its service area, including LMI individuals. Alaska Bank received high ratings for offering a range of residential loan products and for meeting the credit needs of communities in a state whose geography posed significant challenges. Examiners stated that Alaska Bank received its "outstanding" rating in large part because of its performance in the rural portion of its assessment area, which constitutes all the state outside the Anchorage MSA.

Lending Test. Alaska Bank had a strong record of lending to individuals and businesses throughout its assessment area, including those in LMI communities. According to examiners, Alaska Bank made a high volume of residential mortgage, consumer, community development, and small business loans, particularly home improvement and home refinancing loans. During the review period, which extended from 1997 through 1998, the institution made approximately 11,000 home purchase, rehabilitation, and refinance loans, totaling more than $1 billion, and 20 loans, totaling $39 million, to support the development of affordable housing and other community revitalization projects.[24] The examination report noted that Alaska Bank was the leader in home mortgage originations in each of its assessment areas and had an excellent system for distributing home purchase and home improvement loans to borrowers at various income levels in rural communities. Despite the inclusion of large rural regions with low population densities in its assessment areas, and a severe shortage of affordable housing in those areas, Alaska Bank had no significant gaps in its lending activities. In fact, Alaska Bank's market share of home purchase and home improvement lending in LMI communities in rural areas was larger than its overall market share for these types of loans. Alaska Bank also originated or purchased 3,415 small business loans, totaling $254.6 million.[25]

Alaska Bank used flexible underwriting procedures consistent with safe and sound lending practices to help meet the credit needs of LMI home buyers and small businesses in its assessment area. Alaska Bank participated in eight flexible lending programs, including a U.S. Department of Agriculture ("USDA") rural development program, a U.S. Department of Housing and Urban Development program focused to assist Native American and Alaskan Native borrowers, state-sponsored housing finance programs, a partnership with Anchorage Neighborhood Housing Services, and a proprietary consumer loan program.[26]

Investment Test. Alaska Bank received a rating of "high satisfactory" on the investment test of its CRA examination. The examination report stated that Alaska Bank had a favorable record of investing and making grants in communities in its assessment area. The bank made approximately $20.8 million in qualified investments, including $279,000 in grants and donations to community housing and development organizations. The bank also assisted a rural municipality in a complex bond transaction that raised $18 million to provide construction financing for two rural health clinics and an administrative center to serve low-income communities.

Service Test. Alaska Bank received an "outstanding" examination rating for providing retail banking services to its assessment areas. Examiners stated that the bank was a leader in providing community development services throughout the state.[27] In addition, 70 percent of Alaska Bank's branches and 64 percent of its ATMs were located outside the Anchorage MSA. In the Anchorage MSA, although only approximately 26 percent of the population were LMI individuals, almost half of Alaska Bank's branches were located in LMI census tracts. Nineteen of

23. Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closings (64 *Federal Register* 34,844 (1999)), requires that a bank provide its customers and the appropriate federal supervisory agency with at least 90 days notice before the date of the proposed branch closing and the general public with at least 30 days notice. 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 law does not authorize federal regulators to prevent closing of any branch.

24. Funded projects included the development of 24 housing units for very low-income households, the purchase of a power generation system for a subsistence-level fishing village, and the purchase of a primary health care center to serve native villages.

25. Examiners also noted that Alaska Bank had the largest portfolio of consumer loans in the state, which was particularly significant because such loans in rural areas often helped to provide equipment and supplies needed for subsistence-level occupations.

26. Under the Alaska Housing Finance Corporation ("AHFC") Tax-Exempt First-Time Home Buyers Program, featuring reduced interest rates and down payments, and the AHFC Interest Rate Reduction for Low-Income Borrowers Program, featuring reduced interest rates determined by the borrower's income, the bank made 832 loans, totaling $75.8 million. In 1999, the bank made 369 loans, totaling $36.3 million. Alaska Bank was the first bank in Alaska to be certified under a USDA partial guarantee program for small business loans and loans to nonprofit organizations in small rural communities, and made 23 loans, totaling $22 million, under this program during the review period.

27. For example, Alaska Bank entered into a partnership with the Arctic Development Council to plan and promote regional economic development in the North Slope borough and participated in several consortia to expand affordable housing opportunities in areas outside Anchorage.

the bank's branches maintained Saturday business hours. Alaska Bank did not close any branches during the review period.

Alaska Bank also operated 122 ATMs within its assessment area, 55 of which were deposit-taking facilities. Examiners found that the ATM distribution was reasonable for both the Anchorage MSA and the rural regions in the bank's assessment area.

Examiners noted that the geography of Alaska presented major obstacles for Alaska Bank and other Alaskan banking organizations, including high transportation and communication costs, particularly in remote areas; lack of a developed infrastructure; a fragmented population; and fragile economic conditions. To meet these challenges, Alaska Bank developed alternative products and service delivery systems, including telephone loan origination programs, internet banking, and banking by mail.[28] Alaska Bank's Community Agent Program assigned five employees to remote village locations to provide basic banking services and financial education to residents and ongoing advice to the bank about the credit needs of the villages.

Alaska Bank also offered bilingual services through a network of employees throughout the bank who spoke Chinese, Tagalog, Korean, Russian, Spanish, and Yupik. The bank also created a Yupik-language loan application for use in branches in southwest Alaskan villages.

The bank offered a range of home-buying and financial education classes at locations in the Anchorage MSA. More than 500 prospective homeowners, 50 percent of whom were LMI individuals, attended the program during the review period. Alaska Bank also supported and subsidized affordable housing programs and groups throughout its assessment area.[29]

B. Fair Lending Records

1. *Wells Fargo Bank*

OCC examiners analyzed Wells Fargo Bank's compliance with federal fair lending laws. The examination included a sampling of residential home improvement and automobile loans and a review of fair housing complaints registered against the bank.

Examiners found no evidence of prohibited discrimination or illegal credit practices at Wells Fargo Bank in the underwriting of home improvement and automobile loans. Examiners reported that the bank's loan review process and training of employees were adequate to ensure compliance with federal fair lending laws and that the bank complied with fair lending laws and regulations.

2. *Alaska Bank*

Examiners evaluated Alaska Bank's compliance with federal fair lending laws by reviewing a sample of applications for mobile home financing made by white and Alaskan Native applicants. Examiners concluded that Alaska Bank complied with fair lending laws and found no evidence of disparate treatment. Examiners found no violations of fair lending laws by Alaska Bank and also determined that the bank had satisfactory procedures in place to ensure compliance with federal fair lending laws.

C. HMDA Data

The Board also has considered carefully the lending records of Wells Fargo and National Bancorp in light of comments regarding 1998 HMDA data for certain subsidiaries of the organizations. In general, the HMDA data indicate good penetration by both organizations of all geographic areas they serve, including LMI areas, and of groups of borrowers at all income levels. The data also reflect, however, certain disparities in the rates of loan applications, originations, and denials by racial group.[30]

The Board is concerned when the record of an institution indicates such disparities in lending and believes that all banks are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending but also equal access to credit by creditworthy applicants regardless of their race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community, because these data cover only a few categories of housing-related lending. HMDA data, moreover, provide only limited information about the covered loans.[31] HMDA data, therefore, have limitations that make them an insufficient basis, absent other information, for concluding that an institution has not adequately assisted in meeting its community's credit needs or has engaged in illegal lending discrimination.

Because of the limitations of HMDA data, the Board has considered these data carefully in light of other information, including examination reports that provide an on-site evaluation of the compliance by the subsidiary banks of National Bancorp and Wells Fargo with fair lending laws and the overall lending and community development activities of the banks. As discussed, examiners found compliance with fair lending laws at the most recent examinations of the subsidiary depository institutions of Wells Fargo and National Bancorp. The Board also has considered the HMDA data in light of the overall lending records of Wells Fargo and National Bancorp. Both organizations have records that demonstrate strong CRA performance and the provision of substantial assistance in meeting the credit needs of their communities.

28. Although the area outside the Anchorage MSA provided 42 percent of the bank's deposits, it accounted for 67 percent of the bank's loans and 61 percent of its lending by dollar volume.

29. For example, Alaska Bank provided free loan servicing for loans originated by Habitat for Humanity.

30. For example, in certain MSAs, Wells Fargo's denial rate for African-American applicants for home mortgage loans is higher than its denial rate for white applicants.

31. The data, for example, do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and do not provide a basis for an independent assessment of the creditworthiness of applicants.

D. Conclusion on Convenience and Needs Analysis

In reviewing the proposal's effect on the convenience and needs of the communities to be served by the combined organization, the Board has considered carefully all facts of record, including the public comments received, responses to comments, and reports of examinations of the CRA performance of the institutions involved. Based on a review of the entire record, and for the reasons discussed above, the Board concludes that convenience and needs considerations, including CRA performance records of the subsidiary depository institutions of Wells Fargo and National Bancorp, are consistent with approval.

Financial, Managerial, and Other Supervisory Factors

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, and certain other supervisory factors. The Board has carefully considered the financial and managerial resources and future prospects of Wells Fargo and National Bancorp and their respective subsidiary depository institutions, and other supervisory factors in light of all the facts of record, including confidential reports of examination and other supervisory information received from the primary federal supervisors of the organizations.

Based on these and other facts of record, the Board concludes that considerations relating to the financial and managerial resources and future prospects of Wells Fargo, National Bancorp, 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.

Conclusion

Based on the foregoing, the Board has determined that the application should be, and hereby is, approved.[32] Commenters also allege that public meetings or hearings are necessary to present the views of residents of remote native villages in which English is not spoken fluently. Under its rules, the Board may, in its discretion, hold a public meeting or hearing on an application to acquire a bank if a meeting or hearing is necessary or appropriate to clarify factual issues related to the application and to provide an opportunity for testimony. 12 C.F.R. § 225.16(e). The Board has considered carefully the commenters' requests in light of all the facts of record. In the Board's view, commenters have had ample opportunity to submit their views, and have submitted written substantial comments that have been considered carefully by the Board in acting on the proposal. Commenters' requests fail to demonstrate why their comments do not present their views adequately and fail to identify disputed issues of fact that are material to the Board's decision that would be clarified by a public meeting or hearing or to indicate the additional material issues that would be brought forward by other members of the public. Commenters also have not demonstrated, in view of the substantial record in this case, the need to extend the public comment period. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing and an extension of the public comment period are not required or warranted in this case. Accordingly, the requests for a public meeting or hearing and an extension of the comment period are denied. The Board's approval of the proposal is specifically conditioned on compliance by Wells Fargo with all the commitments made in connection with the proposal. These commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decisions and, as such, may be enforced in proceedings under applicable law.

The acquisition may not be consummated before the fifteenth calendar day after 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 San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors, effective June 21, 2000.

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

JENNIFER J. JOHNSON
Secretary of the Board

32. Commenters requested that the Board hold a public meeting or hearing on the proposal and extend the public comment period. 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 of the application. The Board has not received such a recommendation from the appropriate supervisory authorities.

Appendix

Competitive Analysis of Individual Banking Products

Home mortgage lending. The Board has determined previously that the geographic market for home mortgage lending is local.[1] The Anchorage, Alaska, MSA is the only area of Alaska for which all home mortgage lenders are required to report lending data under the HMDA. Based on 1998 HMDA data, National Bancorp originated 18.2 percent of all home mortgage loans made in the Anchorage MSA, and Wells Fargo originated 5.4 percent of all such loans. Were an HHI constructed for home mortgage lending in the Anchorage MSA, consummation of the proposal would increase the HHI by 195 points to 1247, and the market for home mortgage lending would remain moderately concentrated. During 1999, Wells Fargo closed all its home mortgage lending offices in Anchorage. Accordingly, the competitive effects of the proposal in the Anchorage

1. *See Norwest Corporation,* 82 *Federal Reserve Bulletin* 683 (1996) ("Norwest Order").

MSA apparently would be smaller than indicated by the HHI.[2]

Outside the Anchorage MSA, HMDA data are not a reliable basis for calculating the market share of home mortgage lenders, because in non-MSA areas only larger depository institutions are required to report. For example, in the borough of Juneau, Alaska, where Wells Fargo has its only home mortgage lending office in the state, there are five commercial banks, of which the second and fifth largest are not HMDA reporters. There also are more than 30 home mortgage lenders in the borough of Juneau that are not banks. In addition, barriers to entry into home mortgage lending in the borough appear to be low. The competitive effects of the proposal on home mortgage lending in the borough of Juneau, therefore, are not expected to be significantly adverse.

The Wells Fargo home mortgage lending office in Juneau does not serve areas outside the borough of Juneau to a significant degree.[3] Wells Fargo serves Alaska outside Juneau through a variety of remote delivery channels, including mortgage brokers, national telephone centers, solicitation of affinity groups and existing customers, corporate relocation services, and the internet. These delivery channels do not use marketing strategies focused on geographic markets, and their loan pricing is not based on local market conditions.[4] The number and dollar volume of home mortgage loans made by Wells Fargo through these delivery channels is less than 1 percent of all such loans made by Wells Fargo in Alaska. In the less populated or more inaccessible areas of Alaska, therefore, Wells Fargo participates only in a submarket of remotely delivered home mortgage lending that is regional or national in scope and for which barriers to entry are low. Consummation of the proposal would not have a significantly adverse effect on competition in this submarket.

Consumer lending. The market for consumer lending includes many competitors of depository institutions, including credit card companies, consumer finance companies, and seller financing affiliates of commercial firms, that operate on a regional or national level. Many local competitors of depository institutions also exist, including credit unions in particular and smaller consumer finance companies, and Wells Fargo's market share is small. For example, at year end 1999, Wells Fargo's consumer finance subsidiary, Norwest Financial, Inc., had approximately $32.3 million of loans and sales finance contracts booked at its three offices in the Anchorage MSA, while Alaska USA Federal Credit Union, Anchorage, Alaska, the largest credit union in the Anchorage MSA, held $659 million of non-mortgage loans. The competitive effects of the proposal on consumer lending are not expected to be significantly adverse.

2. Barriers to entry also appear to be low. There are six depository institutions in the Anchorage MSA, but 199 lenders reported under the HMDA that they received mortgage loan applications from the MSA in 1998.

3. In 1999, the office originated 268 loans, totaling $42.5 million, of which 215, totaling $34.8 million, were made in the borough.

4. *See Norwest Order* at 683 n.8.

Orders Issued Under Section 4 of the Bank Holding Company Act

Northern Star Financial, Inc. *Mankato, Minnesota*

Order Denying the Acquisition of a Savings Association

Northern Star Financial, Inc. ("Northern Star"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under sections 4(c)(8) and 4(j) of the BHC Act (12 U.S.C. §§ 1843(c)(8) and 1843(j)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire all the voting shares of First Federal Holding Company of Morris, Inc. ("First Federal"), and thereby acquire First Federal Savings Bank ("First Federal Savings"), Morris, Minnesota.

Notice of the proposal, affording interested persons an opportunity to submit comments has been published (65 *Federal Register* 5873 (2000)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4 of the BHC Act.

Northern Star's banking subsidiary, Northern Star Bank, Mankato, Minnesota ("Bank"), is the 417th largest depository institution in Minnesota, controlling deposits of $6.9 million, representing less than 1 percent of the total deposits in depository institutions in the state ("state deposits").[1] First Federal Savings is the 174th largest depository institution in Minnesota, controlling deposits of $48.3 million, representing less than 1 percent of state deposits.

Section 4(j) of the BHC Act requires that, in reviewing a proposal to acquire a savings association,[2] the Board consider whether the acquisition "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 interest, or unsound banking practices."[3] The Board's rules and longstanding practice provide that the evaluation of possible public benefits and adverse effects must include an evaluation of the financial and managerial resources of the notificant, including its subsidiaries and any company to be acquired, and the effect of the proposed transaction on those resources, as well as an evaluation of the management expertise, internal-control and risk-management systems, and capital of the notificant.[4]

1. State and market data are as of June 30, 1999. In this context, depository institutions include commercial banks, savings banks, and savings associations.

2. The Board previously has determined by regulation that operating a savings association is closely related to banking for purposes of section 4(c)(8) of the BHC Act. 12 C.F.R. 225.28(b)(4)(ii).

3. 12 U.S.C. § 1843(j)(2)(A).

4. 12 C.F.R. 225.26(b). In assessing notices by small bank holding companies, the Board will take into account a full range of financial

In connection with its review of the factors under section 4 of the BHC Act in this case, the Board has carefully reviewed the financial and managerial resources of Northern Star, First Federal, and their respective subsidiaries and the effect the transaction would have on those resources.

Northern Star contends that consummation of this proposal can reasonably be expected to result in public benefits that justify approval. In particular, Northern Star points out that Bank is currently well capitalized and that this proposal includes an exchange of stock and a stock offering that would raise a significant amount of additional capital for both Bank and First Federal Savings, which in turn would provide a source of funds to increase earning assets. Northern Star also asserts that the proposal would bring additional management to Northern Star, and expand its market and potential new business opportunities.

The Board has carefully considered all the facts of record, including relevant examination reports, information obtained from other federal and state banking authorities, other confidential supervisory information, and information provided by the management of Northern Star. This proposal represents a substantial expansion by a bank holding company that is considerably smaller than the company to be acquired, and is located in a community more than 100 miles from Bank. Bank began operations in January 1999, has had poor earnings, and has never met its earnings projections. The Board has considered the challenge that integrating the two organizations would pose, the history of current management, the earnings projections, and the history of Northern Star's management in achieving earnings projections. Management is working to improve earnings and an expansion by Northern Star at this time, in particular the acquisition of an institution that is substantially larger than and distant from Bank, would divert Northern Star's management from effectively attending to the management of Bank. Based on this review, the Board concludes that the financial and managerial resources at this time are not consistent with approval of the proposed expansion by Northern Star. The Board believes that the potential benefits of consummation of this proposal, which are speculative and could be achieved in other ways, would not outweigh the adverse effects in this case.

Northern Star and First Federal do not compete directly in any banking market. Consummation of the proposal would not result in any significantly adverse effects on competition in any relevant banking market. On the other hand, there are no facts that indicate that the effects of this proposal on competition in any relevant market would result in public benefits that would outweigh the potential adverse effects discussed above. As noted above, to the extent this expansionary proposal distracts the attention of the management of Northern Star from focusing on Bank, it could have adverse effects on competition. The Board also has considered the CRA performance records of Bank and First Federal Savings and the other factors required under section 4(j)(2)(A) of the BHC Act. While these factors are consistent with approval, the Board concludes that they do not outweigh the adverse considerations discussed above.

For these reasons and based on all the facts of record, the Board has determined that the proposal does not meet the statutory requirements for approval under section 4 of the BHC Act that the notice should be and hereby is, denied.

By order of the Board of Governors, effective June 26, 2000.

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

JENNIFER J. JOHNSON
Secretary of the Board

ORDERS ISSUED UNDER BANK MERGER ACT

The Chase Manhattan Bank
New York, New York

Order Approving the Merger of Banks

The Chase Manhattan Bank, ("Chase-NY "), a state member bank, has applied under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) ("Bank Merger Act") to acquire Chase Bank of Texas, National Association, Houston, Texas ("Chase-TX"), through merger and to retain and operate branches at the current locations of the Chase-TX branches.[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been given in 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 and the other federal banking agencies. The time for filing comments has expired, and the Board has considered the application and all the facts of record in light of the factors set forth in the Bank Merger Act.

Chase-NY and Chase-TX are wholly owned subsidiaries of The Chase Manhattan Corporation, New York, New York, ("Chase"). Chase is the third largest commercial banking organization in the United States, with $391.5 billion in total assets.[2] Chase-NY is the largest depository institution in New York, controlling deposits of $97.7 billion, representing 23.3 percent of the total deposits in depository institutions in the state. Chase-TX is the second largest depository institutions in Texas, controlling deposits of $18.5 billion, representing 8.9 percent of the total

and other information about the notificant and its current and proposed subsidiaries, including the recent trend and stability of earnings, past and prospective growth, and the record and competency of management. *See* Appendix C to Regulation Y (12 C.F.R. Part 225, Appendix C). *See also The Cedar Vale Bank Holding Company,* 75 *Federal Reserve Bulletin* 257 (1990).

1. These branches are listed in the Appendix.
2. Asset data are as of March 31, 2000.

deposits in depository institutions in the state.[3] This proposal represents a reorganization of Chase's existing banking operations.

Interstate Analysis

Section 102 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("Riegle-Neal Act") authorizes a bank to merge with another bank under certain conditions unless, before June 1, 1997, the home state of one of the banks involved in the transaction adopted a law expressly prohibiting merger transactions involving out-of-state banks.[4] The Riegle-Neal Act also authorizes the acquiring bank to retain and operate, as a main office or branch, any bank offices of the acquired bank.[5]

New York and Texas have enacted legislation allowing interstate mergers between banks located in their states and out-of-state banks pursuant to the provisions of the Riegle-Neal Act. Chase-NY has notified the appropriate state banking agencies regarding its proposal to consolidate its banking operations and has provided a copy of its Bank Merger Act application to all the relevant state agencies. In light of the foregoing, it appears that the proposal complies with the requirements of the Riegle-Neal Act.[6]

Other Factors

The Bank Merger Act requires the Board to consider the financial and managerial resources and future prospects of the institutions involved, and the convenience and needs of the communities to be served. The Board has reviewed these factors in light of the facts of record, including supervisory reports of examination assessing the financial and managerial resources of Chase-NY and Chase-TX, and information provided by the banks. Based on all the facts of record, the Board concludes that the financial and managerial resources and future prospects of Chase-NY and Chase-TX are consistent with approval of the proposal.

The Board has also considered likely effects of the proposal on competition. As noted above, the proposal represents the reorganization of two banks that have been affiliates for a number of years. Based on all the facts of record, 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 any relevant banking market and that competitive considerations are consistent with approval.

In reviewing the convenience and needs factors, the Board 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 the records of performance of the depository institutions of Chase under the Community Reinvestment Act ("CRA"). The Board also has carefully reviewed the lending records of Chase-NY and Chase-TX, the policies and programs designed to ensure compliance with the fair lending laws, recent data provided by Chase's depository institutions in regulatory reports, and confidential supervisory information on the lending activities and policies governing those activities. In addition, the Board has considered public and confidential supervisory information provided by other appropriate agencies on the lending and CRA activities of Chase-TX and Chase-NY. Based on this review and all the facts of record, the Board concludes that considerations relating to the convenience and needs factors are consistent with approval of the proposal.

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. Approval of the application is specifically conditioned on compliance by the banks with all the commitments made in connection with this proposal and with the conditions stated or referred to in this order. For purposes of this action, the commitments and conditions relied on in reaching this decision are conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

The merger may not be consummated before the fifteenth calendar day after 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 New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective June 14, 2000.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Appendix

Branch offices of Chase Bank of Texas, National Association to be acquired by Chase Manhattan Bank

908 W. McDermott Drive, Allen, TX
4828 S. Cooper Street, Arlington, TX
700 W. Arkansas Lane, Arlington, TX
500 E. Border Street, Arlington, TX
1000 E. 41st Street, Austin, TX
2711 W. Anderson Lane, Austin, TX

3. In this context, depository institutions include commercial banks, savings banks, and savings associations. All banking data are as of June 30, 1999.

4. 12 U.S.C. § 1831u.

5. 12 U.S.C. § 1831u(d)(1).

6. *See* 12 U.S.C. § 1831u. Chase-NY is adequately capitalized and adequately managed, as defined in the Riegle-Neal Act. The New York and Texas Departments of Banking have indicated that this transaction would comply with applicable New York and Texas law. *See* NY Banking Law, Art. 5-C, § 225; Tex. Fin. Code Ann §§ 202.001, 203.003. Chase-TX has been in existence and operation for the minimum amount of time required by Texas law. *See* Tex. Fin. Code Ann. § 203.005. On consummation of the proposal, Chase-NY would control less than 10 percent of the total amount of deposits in insured institutions in the United States. All other requirements of the section 102 of the Riegle-Neal Act would also be met on consummation of the proposal.

7805 Clock Tower Drive, Austin, TX
7301 N. FM 620, Austin, TX
13776 N. Highway 183, Austin, TX
700 Lavaca Street, Austin, TX
12222 Research Boulevard, Austin, TX
6600 So Mopac Expressway, Austin, TX
2224 Walsh Tarlton Lane, Austin, TX
6330 West Loop South, Bellaire, TX
12400 W. Highway 71, Bee Cave, TX
2300 Boca Chica Boulevard, Brownsville, TX
1475 W. Ruben M. Torres Boulevard, Brownsville, TX
1801 Hebron Parkway East, Carrollton, TX
190 E. Whitestone (Highway 1431), Cedar Park, TX
5000 Colleyville Boulevard, Colleyville, TX
1320 W. Davis Street, Conroe, TX
1103 I-45 North, Conroe, TX
9409 Garland Road, Dallas, TX
6251 Greenville Avenue, Dallas, TX
2325 Gus Thomasson Road, Dallas, TX
6517 Hillcrest Avenue, Dallas, TX
4435 S. Lancaster Road, Dallas, TX
12750 Merit Drive, Dallas, TX
10715 Preston Road, Dallas, TX
13101 Preston Road, Dallas, TX
5050 Quorum Drive, Dallas, TX
2200 Ross Avenue, Dallas, TX
2777 N. Stemmons Freeway, Dallas, TX
2945 Walnut Hill Lane, Dallas, TX
2223 S. Zang Boulevard, Dallas, TX
5760 Alameda Avenue, El Paso, TX
9601 Gateway Boulevard West, El Paso, TX
1533 N. Lee Trevino Drive, El Paso, TX
201 E. Main Drive, El Paso, TX
7598 N. Mesa, El Paso, TX
2829 Montana Avenue, El Paso, TX
11391 Montwood Drive, El Paso, TX
135 Shadow Mountain Drive, El Paso, TX
5209 Wren Avenue, El Paso, TX
12875 Josey Lane, Farmers Branch, TX
2501 FM 3040, Flower Mound, TX
3217 E. California Parkway, Fort Worth, TX
4809 Camp Bowie Boulevard, Fort Worth, TX
201 Main Street-Chase Tower, Fort Worth, TX
611 S. Friendswood Drive, Friendswood, TX
4998 Preston Road, Frisco, TX
3200 Broadway Boulevard, Garland, TX
3445 W. Buckingham Road, Garland, TX
700 East Main Street, Grand Prairie, TX
1514 W. Tyler, Harlingen, TX
9309 Katy Freeway, Houston, TX
545 W. 19th Street, Houston, TX
5207 Airline Drive, Houston, TX
5445 Almeda Road, Houston, TX
2475 Bay Area Boulevard, Houston, TX
9709 Bellaire Boulevard, Houston, TX
7545 Bellfort Street, Houston, TX
6671 W. Bellfort Street, Houston, TX
11222 S. Belt Drive, Houston, TX
9525 Bissonnet Street, Houston, TX
1200 Clear Lake City Boulevard, Houston, TX
500 Dallas Street, Houston, TX
1001 Fannin Street, Houston, TX
6560 Fannin Street, Houston, TX
7505 Fannin Street, Houston, TX
616 FM 1960 Road West, Houston, TX
4205 FM 1960 Road West, Houston, TX
6910 FM 1960 Road West, Houston, TX
13103 FM 1960 Road West, Houston, TX
9130 N. Freeway, Houston, TX
3203 S.W. Freeway, Houston, TX
11550 Fuqua Street, Houston, TX
4600 Highway 6 North, Houston, TX
3201 Kirby Drive, Houston, TX
6510 W. Little York Road, Houston, TX
1605 Lockwood Drive, Houston, TX
8799 N. Loop East, Houston, TX
711 Louisiana Street, Houston, TX
712 Main Street, Houston, TX
12401 S. Post Oak Road, Houston, TX
5177 Richmond Avenue, Houston, TX
4265 San Felipe Road, Houston, TX
5847 San Felipe Road, Houston, TX
6200 Highway 6 South, Houston, TX
600 Travis Street, Houston, TX
2900 Wesleyan Street, Houston, TX
10218 Westheimer Road, Houston, TX
10411 Westheimer Road, Houston, TX
580 Westlake Park Boulevard, Houston, TX
11806 Wilcrest Boulevard, Houston, TX
2900 Woodridge Street, Houston, TX
19747 U.S. Highway 59 North, Humble, TX
160 W. 1st Street, Humble, TX
860 Airport Freeway, Hurst, TX
111 E. Irving Boulevard, Irving, TX
545 E. John Carpenter Freeway, Irving, TX
7825 N. MacArthur Boulevard, Irving, TX
400 South Mason Road, Katy, TX
1075 Kingwood Drive, Kingwood, TX
2611 Lake Houston Parkway, Kingwood, TX
925 W. Main Street, Lewisville, TX
200 S. 10th Street, McAllen, TX
5601 N. 10th Street, McAllen, TX
4990 El Dorado Parkway, McKinney, TX
1030 Andrews Highway, Midland, TX
153 Landa Street, New Braunfels, TX
111 W. San Antonio Street, New Braunfels, TX
620 N. Grant Street, Odessa, TX
3933 Fairmont Parkway, Pasadena, TX
4004 Legacy Drive, Plano, TX
5976 W. Parker Road, Plano, TX
1517 Preston Road, Plano, TX
100 N. Central Expressway, Richardson, TX
920 N. IH 35, Round Rock, TX
16900 RR620, Round Rock, TX
7959 Fredricksburg Road, San Antonio, TX
512 Highland Boulevard, San Antonio, TX
1020 N.E. Loop 410, San Antonio, TX
1700 E. Southlake Boulevard, Southlake, TX

25025 Interstate 45 North, Spring, TX
2430 State Highway 6, Sugar Land, TX
8201 Kuykendahl Road, The Woodlands, TX
4755 W. Panther Creek Drive, The Woodlands, TX

ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT

Banco Comercial Português, S.A. Oporto, Portugal

Order Approving Establishment of a Representative Office

Banco Comercial Português, S.A. ("Bank"), Oporto, Portugal, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in Miami, Florida. The Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in Miami (*The Miami Herald,* January 12, 2000). The time for filing comments has expired, and all comments have been considered.

Bank, with consolidated assets of $62 billion, is the largest banking organization in Portugal. Bank's subsidiary, Banco Português do Atlântico, S.A. ("Atlântico"), Oporto, Portugal, operates internationally through numerous branches and agencies, including a state-licensed branch in New York, New York, and a state-licensed agency in Miami, Florida. Through subsidiaries and affiliates, Bank and Atlântico also engage in a variety of nonbanking activities in and outside Portugal, including asset management, real estate and equipment leasing, and investment banking.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside of the United States and has furnished to the Board the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor.[1] The Board may take into account additional standards set forth in the IBA and Regulation K.[2]

As noted above, Bank engages directly in the business of banking outside the United States through its banking operations in Portugal and elsewhere. Bank also has provided the Board with the information necessary to assess the application through submissions that address the relevant issues.

With respect to home country supervision of Bank, the Board has considered the following information. The Bank of Portugal, the central bank of Portugal, is the principal supervisory authority of Bank. The Board previously has determined, in connection with applications involving other Portuguese banks, that those banks were subject to comprehensive consolidated supervision by the Bank of Portugal.[3] Bank is supervised by the Bank of Portugal in substantially the same manner as those other banks. Based on this finding and all the facts of record, the Board concludes that Bank is subject to comprehensive supervision on a consolidated basis by its home country supervisor.

The Board has taken into account the additional standards set forth in the IBA and in Regulation K.[4] The Bank of Portugal has granted Bank approval to establish the proposed office. With respect to the financial and managerial resources of Bank, taking into consideration Bank's record of operations in its home country, its overall financial resources, and its standing with its home country supervisor, the Board has determined that financial and managerial considerations are consistent with approval. In addition, Bank appears to have the experience and capacity to support the proposed office and has established controls and procedures in the branch to ensure compliance with applicable U.S. law, as well as controls and procedures for its worldwide operations generally.

With respect to access to information, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities about access to information. Bank has committed to make available to the Board such information on the operations of Bank and any affiliate of Bank that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act, and other applicable federal law. To the extent that the provision of such information may be pro-

1. *See* 12 U.S.C. § 3107(a)(2); 12 C.F.R. 211.24(d)(2). In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors:
(i) Ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;
(ii) Obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;
(iii) Obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;
(iv) Receive from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis;
(v) Evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. These are indicia of comprehensive consolidated supervision; no single factor is essential and other elements may inform the Board's determination.

2. *See* 12 U.S.C. § 3105(d)(3) and (4); 12 C.F.R. 211.24(c)(2).

3. *See Banco Espírito Santo, S.A.,* 86 *Federal Reserve Bulletin* 418 (2000); *Caixa Geral de Depósitos S.A.,* 85 *Federal Reserve Bulletin* 774 (1999).

4. *See* 12 U.S.C. § 3105(d)(3) and (4); 12 C.F.R. 211.24(c)(2).

hibited or impeded by law or otherwise, Bank has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties in connection with disclosure of certain information. In addition, subject to certain conditions, the Bank of Portugal may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board has concluded that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a representative office in Miami should be, and hereby is, approved.[5] Should any restrictions on access to information on the operations or activities of Bank or any of its affiliates subsequently interfere with the Board's ability to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require or recommend termination of any of Bank's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on Bank's compliance with the commitments made in connection with this application and with the conditions in this order.[6] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision and may be enforced in proceedings against Bank, its offices, and its affiliates under applicable law.

By order of the Board of Governors, effective June 30, 2000.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

5. In a separate action, the Board today approved under section 3 of the Bank Holding Company Act the application of Bank and certain of its subsidiaries, including Atlântico, to become bank holding companies with respect to BPABank National Association, Newark, New Jersey.

6. The Board's authority to approve the establishment of the proposed office parallels the continuing authority of the State of Florida to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of Florida or its agent, the Florida Department of Banking and Finance, to license the proposed office of Bank in accordance with any terms or conditions that the Florida Department of Banking and Finance may impose.

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
Fulton Financial Corporation, Lancaster, Pennsylvania	Skylands Financial Corporation, Hackettstown, New Jersey Skylands Community Bank, Hackettstown, New Jersey	June 29, 2000

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT
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
The Bancorp.com, Inc., Wilmington, Delaware	TB.com Bank, Wilmington, Delaware	Philadelphia	May 22, 2000
Bankoelwein, Inc., Oelwein, Iowa	Community Bank of Oelwein, Oelwein, Iowa	Chicago	June 15, 2000
Castle Creek Capital Partners Fund IIa, LP, Rancho Santa Fe, California Castle Creek Capital Partners Fund IIb, LP, Rancho Santa Fe, California	State National Bancshares, Inc., Lubbock, Texas	San Francisco	June 14, 2000
Central Financial Corporation, Hutchinson, Kansas	Premier Bancshares, Inc., Jefferson City, Missouri	Kansas City	June 21, 2000
Citizens Financial Corporation, Cortez, Colorado	The Citizens State Bank of Cortez, Cortez, Colorado	Kansas City	June 6, 2000
City Savings Bancshares, Inc., DeRidder, Louisiana	City Savings Bank & Trust Company, DeRidder, Louisiana	Atlanta	June 12, 2000
CommerceFirst Bancorporation, Inc., Annapolis, Maryland	CommerceFirst Bank, Annapolis, Maryland	Richmond	June 2, 2000
Community Investment Group, Ltd., Havana, Illinois	The Havana National Bank, Havana, Illinois	Chicago	June 7, 2000
Cortez Investment Company, Cortez, Colorado	Citizens Financial Corporation, Cortez, Colorado	Kansas City	June 6, 2000
Downing Partnership, L.P., Ellis, Kansas	Ellis State Bank, Ellis, Kansas	Kansas City	June 21, 2000
Eggemeyer Advisory Corp., Rancho Sante Fe, California WJR Corp., Rancho Santa Fe, California Castle Creek Capital, LLC, Ranch Santa Fe, California Castle Creek Capital Partners Fund I, LP, Rancho Santa Fe, California Castle Creek Capital Partners Fund IIa, LP, Rancho Santa Fe, California Castle Creek Capital Partners Fund IIb, LP, Ranch Santa Fe, California	Independent Bankshares, Inc., Abilene, Texas First State Bank, N.A., Abilene, Texas State National Bancshares, Inc., Lubbock, Texas	San Francisco	June 14, 2000

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Eggemeyer Advisory Corp., Rancho Sante Fe, California WJR Corp., Rancho Santa Fe, California Castle Creek Capital, LLC, Ranch Santa Fe, California	State National Bancshares, Inc., Lubbock, Texas, Castle Creek Capital Partners Fund I, LP, Rancho Santa Fe, California Castle Creek Capital Partners Fund IIa, LP, Rancho Santa Fe, California Castle Creek Capital Partners Fund IIb, LP, Rancho Santa Fe, California	San Francisco	June 14, 2000
Enterbank Holdings, Inc., Clayton, Missouri	Commercial Guaranty Bancshares, Inc., Overland Park, Kansas The Capital Company, Overland Park, Kansas	St. Louis	June 5, 2000
eOneBanc Corp., Manchester, New Hampshire	First Alliance Bank and Trust Company, Manchester, New Hampshire	Boston	May 25, 2000
Firstbank Corporation, Alma, Michigan	Firstbank-St. Johns, St. Johns, Michigan	Chicago	May 26, 2000
First Banks, Inc., St. Louis, Missouri	Bank of Ventura, Ventura, California	St. Louis	June 5, 2000
First Central Bancshares, Inc., Lenoir City, Tennessee	First Central Bank of Monroe County, Sweetwater, Tennessee	Atlanta	June 9, 2000
First Security Group, Inc., Chattanooga, Tennessee	First Central Bank of Monroe County, Sweetwater, Tennessee	Atlanta	June 9, 2000
FNB Financial Services, Inc., Durant, Oklahoma	FNB Lockney, Lockney, Texas	Kansas City	May 31, 2000
Frontier Financial Corporation, Everett, Washington	Liberty Bay Financial Corporation, Poulsbo, Washington North Sound Bank, Poulsbo, Washington	San Francisco	May 24, 2000
Home Town Banking Corporation, Monroe, Georgia	Walton Bank & Trust Co., Monroe, Georgia	Atlanta	June 7, 2000
G.A.C., Inc., St. Louis, Missouri	Gateway National Bank of St. Louis, St. Louis, Missouri	St. Louis	June 5, 2000
Greater Bay Bancorp, Palo Alto, California	Bank of Santa Clara, Santa Clara, California	San Francisco	June 14, 2000
Island Bancorp, Inc., Edgartown, Massachusetts	The Edgartown National Bank, Edgartown, Massachusetts	Boston	May 25, 2000
Keene Bancorp, Inc., 401(k) Employee Stock Ownership Plan & Trust, Keene, Texas	Keene Bancorp, Inc., Keene, Texas	Dallas	May 1, 2000
Landmark Financial Group, Inc., Belvidere, Illinois	Leland National Bancorp, Inc., Leland, Illinois LNB National Bank, Leland, Illinois	Chicago	June 7, 2000
Ledyard Bancorporation, Inc., Ledyard, Iowa	State Bank of Ledyard, Iowa	Chicago	June 8, 2000
Mahaska Investment Company ESOP, Oskaloosa, Iowa	Mahaska Investment Company, Oskaloosa, Iowa	Chicago	June 2, 2000

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Minnwest Corporation, Minnetonka, Minnesota	Minnwest Bank Sioux Falls, Sioux Falls, South Dakota	Minneapolis	June 12, 2000
Monmouth Community Bancorp,	Community Bancorp, Long Branch, New Jersey Monmouth Community Bank, Long Branch, New Jersey	New York	May 31, 2000
Murphy-Payne Investments, Ltd., Tyler, Texas	Carthage State Bancshares, Inc., Carthage, Texas	Dallas	June 6, 2000
NASB Shares, Inc., Belgrade, Minnesota	North American State Bank, Belgrade, Minnesota Borgerding Insurance Agency, Inc., Belgrade, Minnesota	Minneapolis	June 7, 2000
North Georgia Community Financial Partners, Inc. Calhoun, Georgia	North Georgia National Bank, Calhoun, Georgia	Atlanta	June 5, 2000
Northwest Bancorporation, Inc., Houston, Texas	Redstone Bancorporation, Inc., Houston, Texas	Dallas	June 20, 2000
Pacific Capital Bancorp, Santa Barbara, California	San Benito Bank, Hollister, California	San Francisco	June 12, 2000
Pacific Capital Bancorp, Santa Barbara, California	Los Robles Bancorp, Thousand Oaks, California Los Robles Bank, Thousand Oaks, California	San Francisco	June 12, 2000
Popular, Inc., Hato Rey, Puerto Rico Popular International Bank, Inc., Hato Rey, Puerto Rico	Aurora National Bank, Aurora, Illinois	New York	June 6, 2000
Popular North America, Inc., Mount Laurel, New Jersey Regions Financial Corporation, Birmingham, Alabama	Heritage Bancorp, Inc., Hutto, Texas Texas Heritage Bank, Hutto, Texas	Atlanta	June 19, 2000
SI Bancorp, Inc., Willimantic, Connecticut	Savings Institute, Willimantic, Connecticut	Boston	May 30, 2000
Speed Bankshares, L.P., Meridian, Mississippi	Great Southern Capital Corporation, Meridian, Mississippi	Atlanta	June 2, 2000
The State Bank Hoxie Employee Stock Ownership Plan, Hoxie, Kansas	Prairie State Bancshares, Hoxie, Kansas	Kansas City	June 7, 2000
State National Bancshares, Inc. Lubbock, Texas	Independent Bankshares, Inc., Abilene, Texas	Dallas	June 15, 2000
Sterling Financial Corporation, Lancaster, Pennsylvania	Hanover Bancorp, Inc., Hanover, Pennsylvania	Philadelphia	June 8, 2000
Synovus Financial Corp., Columbus, Georgia	Pointpathbank, N.A., Columbus, Georgia	Atlanta	June 6, 2000
Three Rivers Bankshares, Inc., Fort Gibson, Oklahoma	Fort Gibson Bancshares, Inc., Fort Gibson, Oklahoma	Kansas City	June 15, 2000
Union Bancshares, MHC, Freeport, Illinois	USB Bankshares, Inc., Freeport, Illinois Union Savings Bank, Freeport, Illinois	Chicago	June 14, 2000
USB Bankshares, Inc., Freeport, Illinois	Union Savings Bank, Freeport, Illinois	Chicago	June 14, 2000

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Vail Banks, Inc., Vail, Colorado	Estes Bank Corporation, Estes Park, Colorado	Kansas City	June 5, 2000
Valley Capital Corporation, Greenwood, Mississippi	State Capital Corporation, Brookhaven, Mississippi State Bank and Trust Company, Brookhaven, Mississippi	St. Louis	June 20, 2000
Wells Fargo & Co., San Francisco, California	1st Choice Financial Corp., Greeley, Colorado 1st Choice Bank, Greeley, Colorado	San Francisco	May 24, 2000
Wyoming National Bancorporation, Inc., Riverton, Wyoming	Wyoming National Bank, Riverton, Wyoming	Kansas City	June 7, 2000

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Area Bancshares Corporation, Owensboro, Kentucky	Area Trust Company, Owensboro, Kentucky	St. Louis	June 6, 2000
First State Bancshares, Inc., Middlesboro, Kentucky	LexBanc Corporation, Lexington, Kentucky Lexington, Bank, FSB, Lexington, Kentucky	Cleveland	June 9, 2000
Heartland Bancshares, Inc., Lenox, Iowa	Union Small Business Alliance, Inc., Lenox, Iowa	Chicago	June 15, 2000
Lima Bancshares, Inc., Lima, Illinois	East Dubuque Bancshares, Inc., East Dubuque, Illinois East Dubuque Savings Bank, East Dubuque, Illinois	St. Louis	June 14, 2000
National Bank of Greece, S.A., Athens, Greece NBG International Limited, London, England	Newbrook Group LLC, London, England Newbrook Group LLC, London, England Newbrook Capital Management, Inc., London, England Newbrook Capital Management LLC, London, England Newbrook Securities LLC, London, England	New York	June 20, 2000
National Commerce Bancorporation, Memphis, Tennessee	FMT Holding Company, Memphis, Tennessee First Mercantile Trust Company, Memphis, Tennessee Central Trust Co., Memphis, Tennessee FMT Technologies Co., Memphis Tennessee First Mercantile Capital Management, Inc., Memphis, Tennessee First Merc.com, Memphis, Tennessee	St. Louis	June 20, 2000

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Private Bancorp, Inc., Chicago, Illinois	The PrivateBank, St. Louis, Missouri	Chicago	June 14, 2000
SVB&T Corporation, French Lick, Indiana	Independent Bankers Life Reinsurance Company of Indiana, Ltd., Phoenix, Arizona	St. Louis	June 15, 2000
Washington Trust Bancorp, Inc., Westerly, Rhode Island	Phoenix Investment Management Company, Inc., Providence, Rhode Island	Boston	June 2, 2000

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)	Reserve Bank	Effective Date
Old Kent Bank, Grand Rapids, Michigan	Grand Premier Trust and Investment, Inc., National Association, Freeport, Illinois	June 29, 2000	

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
Banco Popular North America, New York, New York	Aurora National Bank, Aurora, Illinois	New York	June 6, 2000
Bank of Orange County, Fountain Valley, California	CalWest Bank, Torrance, California	San Francisco	May 25, 2000
Effingham State Bank, Effingham, Illinois	Centralia Savings Bank Centralia, Illinois	St. Louis	June 6, 2000
F&M Bank-Highlands, Covington, Virginia	Wachovia Bank, National Association, Winston-Salem, North Carolina	Richmond	June 15, 2000
F&M Bank-Massanutten, Harrisonburg, Virginia	Wachovia Bank, National Association, Winston-Salem, North Carolina,	Richmond	June 15, 2000
F&M Bank-Winchester, Winchester, Virginia	Wachovia Bank, National Association, Winston-Salem, North Carolina		
First Liberty Bank and Trust, Jermyn, Pennsylvania	Mellon Bank, N.A., Pittsburgh, Pennsylvania	Philadelphia	May 15, 2000
Mid State Bank, Newberry, South Carolina	The Anchor Bank, Myrtle Beach, South Carolina Carolina First Bank, Greenville, South Carolina	Richmond	June 5, 2000

By Federal Reserve Banks—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Pinnacle Bank, Papillion, Nebraska	National Bank of Commerce Trust & Savings Association-NBC Parkway Branch, Lincoln, Nebraska	Kansas City	June 9, 2000
Peoples Bank and Trust Company, Sunman, Indiana	First National Bank of Southwestern, Ohio Hamilton, Ohio Santa Barbara Bank & Trust, Santa Barbara, California Los Robles Bank, Thousand Oaks, California	San Francisco	June 13, 2000
WestStar Bank, Vail, Colorado	United Valley Bank, Estes Park, Colorado	Kansas City	June 5, 2000

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.

Mann v. Greenspan, No. CIV-00–754-C (W.D. Okl., filed April 18, 2000). Employment discrimination action by employee of Federal Reserve bank. On May 10, 2000, the plaintiff voluntarily dismissed the Board as a party.

Bettersworth v. Board of Governors, No. 00–50262 (5th Cir., filed April 14, 2000). Appeal of district court's dismissal of Privacy Act claims.

Hunter v. Board of Governors, No. 00-CV-735 (ESH) (D.D.C., filed April 5, 2000). Action claiming retaliation for whistleblowing activity.

Albrecht v. Board of Governors, No. 00-CV-317 (CKK) (D.D.C., filed February 18, 2000). Action challenging the funding of the retirement plan for certain Board employees.

Board of Governors v. Interfinancial Services, Ltd., No. 00–75 (RCL) (D.D.C., filed February 9, 2000). Action to enforce administrative subpoena issued by the Board. On June 20, 2000, the court granted the Board's petition to enforce and ordered production of the requested documents.

Toland v. Internal Revenue Service, Federal Reserve System, et al., No. CV-S-99–1769-JBR-RJJ (D. Nevada, filed December 29, 1999). Challenge to income taxation and Federal Reserve notes. On February 16, 2000, the government filed a motion to dismiss the action.

Irontown Housing Corp. v. Board of Governors, No. 99–9549 (10th Cir., filed December 27, 1999). Petition for review of Board order dated December 13, 1999, approving the merger of Zions Bancorporation with First Security Corporation.

Artis v. Greenspan, No. 1:99CV02073 (EGS) (D.D.C., filed August 3, 1999). Employment discrimination action.

Sheriff Gerry Ali v. U.S. State Department, No. 99–7438 (C.D. Cal., filed July 21, 1999). Action relating to impounded bank drafts.

Kerr v. Department of the Treasury, No. 99–16263 (9th Cir., filed April 28, 1999). Appeal of dismissal of action challenging income taxation and Federal Reserve notes.

Sedgwick v. Board of Governors, No. Civ. 99-0702 (D. Arizona, filed April 14, 1999). Action under Federal Tort Claims Act alleging violation of bank supervision requirements. The Board filed a motion to dismiss on June 15, 1999.

Hunter v. Board of Governors, No. 1:98CV02994 (ESH) (D.D.C., filed December 9, 1998). Action under the Freedom of Information Act, the Privacy Act, and the first amendment. On April 26, 2000, the court granted the Board's motion to dismiss or for summary judgment.

Folstad v. Board of Governors, No. 00–1056 (6th Cir., filed January 14, 2000). Appeal of district court order granting summary judgment to the Board in a Freedom of Information Act case.

Fraternal Order of Police v. Board of Governors, No. 1:98CV03116 (WBB)(D.D.C., filed December 22, 1998). Declaratory judgment action challenging Board labor practices. On February 26, 1999, the Board filed a motion to dismiss the action.

Board of Governors v. Carrasco, No. 98 Civ. 3474 (LAK) (S.D.N.Y., filed May 15, 1998). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On May 26, 1998, the court issued a preliminary injunction restraining the transfer or disposition of the individual's assets and appointing the Federal Reserve Bank of New York as receiver for those assets. Following entry of the Board's order requiring restitution, 85 *Federal Reserve Bulletin* 142 (1998), the court granted the Board's motion for judgment in the asset freeze action and authorized a judicial sale of the seized property.

Board of Governors v. Pharaon, No. 98–6101 (2d Cir., filed May 4, 1998). Appeal and cross-appeal of district court order granting in part and denying in part the Board's motion for summary judgment seeking prejudgment interest and a statutory surcharge in connection with a civil money penalty assessed by the Board. On February 24, 1999, the court granted the Board's appeal and denied the cross-appeal, and remanded the matter to the district court for determination of prejudgment interest due to the Board.

Final Enforcement Orders Issued by the Board of Governors

Lawrence Michaelessi
New York, New York

The Federal Reserve Board announced on June 14, 2000, the issuance of an Order of Prohibition against Lawrence Michaelessi, a former employee and institution-affiliated party of the Rochester Branch of The Bank of New York, New York, New York.

Written Agreements Approved by Federal Reserve Banks

Banco Bilbao Vizcaya Argentaria, S.A.
Madrid, Spain

The Federal Reserve Board announced on June 23, 2000, the execution of a Written Agreement by and among Banco Bilbao Vizcaya Argentaria, S.A., Madrid, Spain; Banco Bilbao Vizcaya, S.A. Miami Agency, Miami, Florida; Banco Bilbao Vizcaya, S.A. New York Branch, New York, New York; the Federal Reserve Bank of Atlanta; the Federal Reserve Bank of New York; the New York State Banking Department; and the State of Florida Department of Banking and Finance.

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

SPECIAL TABLES

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
CRA	Community Reinvestment Act of 1977
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
PMI	Private mortgage insurance
PO	Principal only
REIT	Real estate investment trust
REMIC	Real estate mortgage investment conduit
RHS	Rural Housing Service
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, AND DEBT MEASURES

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1999			2000	2000				
	Q2	Q3[r]	Q4[r]	Q1[r]	Jan.[r]	Feb.[r]	Mar.[r]	Apr.	May
Reserves of depository institutions[2]									
1 Total	−9.7[r]	−16.1	−3.4	1.8	39.4	−41.1	−34.1	13.8	12.8
2 Required	−9.2[r]	−16.0	−4.5	.0	19.4	−16.6	−37.8	16.0	18.7
3 Nonborrowed	−9.9[r]	−17.9	−3.0	2.4	38.2	−34.0	−36.2	10.2	11.1
4 Monetary base[3]	9.2[r]	9.0	20.4	4.2	1.6	−37.6	−4.7	2.7	2.1
Concepts of money and debt[4]									
5 M1	2.1	−1.8	4.8	.4	−3.7	−14.7	6.9	4.4	−12.3
6 M2	6.0	5.3	5.1	6.0	6.2	3.1	9.4	10.3	−1.0
7 M3	6.0	5.0	10.1	10.5	8.2	3.3	13.4	7.8	3.7
8 Debt	7.1[r]	6.2	6.4	5.9	6.1	4.5	7.1	5.4	n.a.
Nontransaction components									
9 In M2[5]	7.3	7.6	5.3	7.8	9.3	8.6	10.2	12.1	2.5
10 In M3 only[6]	5.9	4.0	23.7	22.4	13.4	3.8	23.5	1.5	15.4
Time and savings deposits									
Commercial banks									
11 Savings, including MMDAs	10.7	10.6	4.2	3.6	2.4	12.8	6.5	14.8	−2.7
12 Small time[7]	−2.1[r]	2.1	7.0	9.1	8.1	10.1	10.6	17.7	13.3
13 Large time[8,9]	−.9	.3	38.6	22.6	8.4	3.5	13.7	32.7	9.1
Thrift institutions									
14 Savings, including MMDAs	14.5	13.3	−3.3	−1.4	−4.0	6.4	7.2	−8.0	10.7
15 Small time[7]	−6.3	−3.2	5.0	6.4	9.0	3.0	3.7	−1.8	8.1
16 Large time[8]	−4.3[r]	1.6	6.0	18.2	36.7	8.9	1.3	−6.3	−15.2
Money market mutual funds									
17 Retail	11.4[r]	8.2	10.5	18.7	27.9	4.3	19.7	19.1	−3.9
18 Institution-only	14.1	9.3	21.4	23.5	31.8	−11.5	45.1	−1.3	17.3
Repurchase agreements and Eurodollars									
19 Repurchase agreements[10]	−1.2	9.1	12.8	17.5	−19.0	50.3	−12.9	−17.7	24.0
20 Eurodollars[10]	21.7	−9.7	13.3	29.2	17.3	−30.0	65.0	−55.1	30.6
Debt components[4]									
21 Federal	−2.3	−.3	−4.3	−4.4	−4.4	−12.1	3.1	−5.5	n.a.
22 Nonfederal	9.8[r]	8.0	9.4	8.7	8.9	8.9	8.1	8.2	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. 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, (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.

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						
	2000			2000						
	Mar.	Apr.	May	Apr. 19	Apr. 26	May 3	May 10	May 17	May 24	May 31
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	555,405	560,803	558,972	559,654	563,987	568,537	560,589	556,395	552,655	560,284
U.S. government securities[2]										
2 Bought outright—System account[3]	501,572	505,256	507,413	507,438	507,391	506,650	507,745	508,353	507,682	506,191
3 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
Federal agency obligations										
4 Bought outright	150	143	140	140	140	140	140	140	140	140
5 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
6 Repurchase agreements—triparty[4]	20,177	19,920	17,303	16,624	20,477	26,499	17,093	14,323	11,116	20,913
7 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
8 Adjustment credit	94	181	99	55	81	157	63	66	154	46
9 Seasonal credit	70	117	280	103	133	179	216	260	324	356
10 Special Liquidity Facility credit	7	0	0	0	0	0	0	0	0	0
11 Extended credit	0	0	0	0	0	0	0	0	0	0
12 Float	102	303	404	238	590	216	587	−360	1,140	196
13 Other Federal Reserve assets	33,233	34,884	33,333	35,056	35,176	34,696	34,746	33,614	32,099	32,442
14 Gold stock	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048
15 Special drawing rights certificate account	6,200	5,733	5,200	5,771	5,200	5,200	5,200	5,200	5,200	5,200
16 Treasury currency outstanding	28,889	29,080	29,194	29,083	29,122	29,162	29,176	29,190	29,204	29,218
ABSORBING RESERVE FUNDS										
17 Currency in circulation	563,591	564,570	565,667	564,850	564,346	564,410	564,699	565,052	564,792	568,367
18 Reverse repurchase agreements—triparty[4]	0	0	0	0	0	0	0	0	0	0
19 Treasury cash holdings	165	196	198	198	201	203	205	205	204	177
Deposits, other than reserve balances, with Federal Reserve Banks										
20 Treasury	5,344	8,395	7,060	6,778	12,417	14,439	9,068	5,424	5,114	4,880
21 Foreign	96	106	95	91	90	127	86	121	78	82
22 Service-related balances and adjustments	6,866	6,836	6,836	6,775	6,802	6,804	6,967	6,858	6,786	6,746
23 Other	201	272	250	274	297	268	261	254	253	217
24 Other Federal Reserve liabilities and capital	19,071	19,357	16,265	19,269	19,241	18,622	18,116	15,291	15,339	15,356
25 Reserve balances with Federal Reserve Banks[5]	6,208	6,932	8,044	7,321	5,964	9,077	6,611	8,629	5,540	9,925

Factor	End-of-month figures			Wednesday figures						
	Mar.	Apr.	May	Apr. 19	Apr. 26	May 3	May 10	May 17	May 24	May 31
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	559,809	566,553	566,932	567,423	583,512	574,307	558,160	553,915	555,216	566,932
U.S. government securities[2]										
2 Bought outright—System account[3]	501,708	506,695	506,744	508,029	507,776	507,137	508,459	507,916	509,115	506,744
3 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
Federal agency obligations										
4 Bought outright	150	140	140	140	140	140	140	140	140	140
5 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
6 Repurchase agreements—triparty[4]	23,745	24,905	26,395	23,775	39,780	32,515	14,175	14,620	12,530	26,395
7 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
8 Adjustment credit	157	78	88	86	123	46	45	146	128	88
9 Seasonal credit	79	162	344	119	162	212	234	285	356	344
10 Special Liquidity Facility credit	0	0	0	0	0	0	0	0	0	0
11 Extended credit	0	0	0	0	0	0	0	0	0	0
12 Float	−213	−237	840	112	184	−125	234	−1,089	634	840
13 Other Federal Reserve assets	34,183	34,810	32,381	35,162	35,348	34,381	34,873	31,897	32,313	32,381
14 Gold stock	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048
15 Special drawing rights certificate account	6,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200
16 Treasury currency outstanding	20,003	29,162	29,218	29,083	29,122	29,162	29,176	29,190	29,204	29,218
ABSORBING RESERVE FUNDS										
17 Currency in circulation	563,200	563,640	570,064	565,586	565,332	565,492	566,060	565,677	566,599	570,069
18 Reverse repurchase agreements—triparty[4]	0	0	0	0	0	0	0	0	0	0
19 Treasury cash holdings	174	203	140	201	203	205	205	207	183	140
Deposits, other than reserve balances, with Federal Reserve Banks										
20 Treasury	4,357	15,868	5,445	5,672	29,444	8,027	9,769	4,923	4,942	5,445
21 Foreign	125	142	110	137	79	71	72	126	76	110
22 Service-related balances and adjustments	7,066[r]	6,804	6,746	6,775	6,802	6,804	6,967	6,858	6,786	6,746
23 Other	188	251	226	276	276	263	263	260	249	226
24 Other Federal Reserve liabilities and capital	19,752	18,558	15,271	18,961	18,906	18,266	14,986	15,009	15,019	15,271
25 Reserve balances with Federal Reserve Banks[5]	11,198	6,498	14,390	15,146	7,843	20,588	5,263	6,294	6,814	14,390

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. Cash value of agreements arranged through third-party custodial banks. These agreements are collateralized by U.S. government and federal agency securities.
5. 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									
	1997	1998	1999	1999[r]		2000				
	Dec.	Dec.[r]	Dec.[r]	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.[r]	Apr.	May
1 Reserve balances with Reserve Banks[2]	10,664	9,026	5,263	6,283	5,263	5,169	5,078	6,515	7,078	7,660
2 Total vault cash[3]	44,742	44,294	60,630	50,830	60,630	74,015	63,764	48,946	46,453	44,632
3 Applied vault cash[4]	37,255	36,183	36,392	34,688	36,392	39,063	37,017	33,227	33,507	33,895
4 Surplus vault cash[5]	7,486	8,111	24,238	16,142	24,238	34,952	26,747	15,719	12,946	10,737
5 Total reserves[6]	47,919[r]	45,209	41,655	40,970	41,655	44,232	42,095	39,742	40,584	41,555
6 Required reserves	46,235	43,695	40,347	39,641	40,347	42,207	40,982	38,533	39,433	40,590
7 Excess reserve balances at Reserve Banks[7]	1,685	1,514	1,308	1,330	1,308	2,025	1,113	1,209	1,152	965
8 Total borrowing at Reserve Banks	324	117	320	236	320	374	108	179	304	362
9 Adjustment	245	101	179	157	179	296	45	101	184	86
10 Seasonal	79	15	67	71	67	31	44	71	120	276
11 Special Liquidity Facility[8]	0	0	74	7	74	46	19	7	0	0
12 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

Reserve classification	Biweekly averages of daily figures for two week periods ending on dates indicated									
	2000									
	Jan. 26[r]	Feb. 9[r]	Feb. 23[r]	Mar. 8[r]	Mar. 22[r]	Apr. 5[r]	Apr. 19	May 3[r]	May 17	May 31
1 Reserve balances with Reserve Banks[2]	4,543	4,156	5,176	6,234	6,245	7,186	6,715	7,491	7,614	7,743
2 Total vault cash[3]	75,869	80,833	58,800	49,743	48,706	48,613	47,144[r]	44,592	44,114	45,158
3 Applied vault cash[4]	40,024	40,353	36,272	33,751	32,862	33,330	32,885	34,378	33,227	34,459
4 Surplus vault cash[5]	35,845	40,480	22,528	15,992	15,844	15,283	14,259[r]	10,214	10,887	10,699
5 Total reserves[6]	44,567	44,509	41,448	39,985	39,107	40,516	39,600	41,869	40,841	42,202
6 Required reserves	43,177	43,361	40,279	39,054	38,011	38,883	38,516	40,849	39,929	41,196
7 Excess reserve balances at Reserve Banks[7]	1,390	1,148	1,169	931	1,095	1,632	1,083	1,019	912	1,006
8 Total borrowing at Reserve Banks	224	114	100	119	207	189	368	276	303	440
9 Adjustment	180	62	35	44	133	104	264	120	65	100
10 Seasonal	28	27	48	61	67	85	104	156	238	340
11 Special Liquidity Facility[8]	17	25	17	15	7	0	0	...	...	...
12 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. Vault cash eligible to satisfy reserve requirements. It includes only vault cash held by those banks and thrift institutions that are not exempt from reserve requirements. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements.
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. Borrowing at the discount window under the terms and conditions established for the Century Date Change Special Liquidity Facility in effect from October 1, 1999 through April 7, 2000.
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 7/7/00	Effective date	Previous rate	On 7/7/00	Effective date	Previous rate	On 7/7/00	Effective date	Previous rate
Boston	6.00	5/16/00	5.50	6.60	6/15/00	6.65	7.10	6/15/00	7.15
New York		5/19/00							
Philadelphia		5/18/00							
Cleveland		5/16/00							
Richmond		5/16/00							
Atlanta		5/17/00							
Chicago		5/17/00							
St. Louis		5/18/00							
Minneapolis		5/18/00							
Kansas City		5/17/00							
Dallas		5/17/00							
San Francisco	6.00	5/16/00	5.50	6.60	6/15/00	6.65	7.10	6/15/00	7.15

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.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6.5	6.5
20	6.5	6.5
May 11	6.5–7	7
12	7	7
July 3	7–7.25	7.25
10	7.25	7.25
Aug. 21	7.75	7.75
Sept. 22	8	8
Oct. 16	8–8.5	8.5
20	8.5	8.5
Nov. 1	8.5–9.5	9.5
3	9.5	9.5
1979—July 20	10	10
Aug. 17	10–10.5	10.5
20	10.5	10.5
Sept. 19	10.5–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981—May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11.5–12	11.5
23	11.5	11.5
Aug. 2	11–11.5	11
3	11	11
16	10.5	10.5
27	10–10.5	10
30	10	10

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1982—Oct. 12	9.5–10	9.5
13	9.5	9.5
Nov. 22	9–9.5	9
26	9	9
Dec. 14	8.5–9	9
15	8.5–9	8.5
17	8.5	8.5
1984—Apr. 9	8.5–9	9
13	9	9
Nov. 21	8.5–9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5–8	7.5
24	7.5	7.5
1986—Mar. 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	6.5
23	6.5	6.5
July 11	6	6
Aug. 21	5.5–6	5.5
22	5.5	5.5
1987—Sept. 4	5.5–6	6
11	6	6
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6–6.5	6
4	6	6
Apr. 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
17	5	5
Nov. 6	4.5–5	4.5
7	4.5	4.5
Dec. 20	3.5–4.5	3.5
24	3.5	3.5
1992—July 2	3–3.5	3
7	3	3

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1994—May 17	3–3.5	3.5
18	3.5	3.5
Aug. 16	3.5–4	4
18	4	4
Nov. 15	4–4.75	4.75
17	4.75	4.75
1995—Feb. 1	4.75–5.25	5.25
9	5.25	5.25
1996—Jan. 31	5.00–5.25	5.00
Feb. 5	5.00	5.00
1998—Oct. 15	4.75–5.00	4.75
16	4.75	4.75
Nov. 17	4.50–4.75	4.50
19	4.50	4.50
1999—Aug. 24	4.50–4.75	4.75
26	4.75	4.75
Nov. 16	4.75–5.00	4.75
18	5.00	5.00
2000—Feb. 2	5.00–5.25	5.25
4	5.25	5.25
Mar. 21	5.25–5.50	5.50
23	5.50	5.50
May 16	5.50–6.00	5.50
19	6.00	6.00
In effect July 7, 2000	6.00	6.00

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–$44.3 million[3]	3	12/30/99
2 More than $44.3 million[4]	10	12/30/99
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, 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 December 30, 1999, for depository institutions that report weekly, and with the period beginning January 20, 2000, for institutions that report quarterly, the amount was decreased from $46.5 million to $44.3 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 December 30, 1999, for depository institutions that report weekly, and with the period beginning January 20, 2000, for institutions that report quarterly, the exemption was raised from $4.9 million to $5.0 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	1997	1998	1999	1999			2000			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
U.S. TREASURY SECURITIES[2]										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	9,147	3,550	0	0	0	0	0	0	0	2,294
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	435,907	450,835	464,218	35,844	36,882	42,468	37,029	38,607	48,459	37,141
4 For new bills	435,907	450,835	464,218	35,844	36,882	42,468	37,029	38,607	48,459	37,141
5 Redemptions	0	2,000	0	0	0	0	0	0	198	779
Others within one year										
6 Gross purchases	5,549	6,297	11,895	0	964	1,450	0	0	0	0
7 Gross sales	0	0	0	0	0	0	0	0	0	0
8 Maturity shifts	41,716	46,062	50,590	3,831	6,675	3,936	3,566	6,877	5,034	0
9 Exchanges	−27,499	−49,434	−53,315	−368	−10,150	−2,175	−4,360	−6,688	−3,515	0
10 Redemptions	1,996	2,676	1,429	170	0	0	390	0	0	568
One to five years										
11 Gross purchases	20,080	12,901	19,731	0	1,014	3,514	160	0	740	1,723
12 Gross sales	0	0	0	0	0	0	0	0	0	0
13 Maturity shifts	−37,987	−37,777	−44,032	−3,831	−3,685	−3,936	−3,566	−5,210	−5,034	0
14 Exchanges	20,274	37,154	42,604	0	8,015	2,175	4,045	4,348	3,515	0
Five to ten years										
15 Gross purchases	3,449	2,294	4,303	0	0	581	809	0	489	930
16 Gross sales	0	0	0	0	0	0	0	0	0	0
17 Maturity shifts	−1,954	−5,908	−5,841	0	−2,273	0	0	−949	0	0
18 Exchanges	5,215	7,439	7,583	0	2,135	0	316	1,170	0	0
More than ten years										
19 Gross purchases	5,897	4,884	9,428	0	925	1,257	1,069	0	330	0
20 Gross sales	0	0	0	0	0	0	0	0	0	0
21 Maturity shifts	−1,775	−2,377	−717	0	−717	0	0	−717	0	0
22 Exchanges	2,360	4,842	3,139	374	0	0	0	1,170	0	0
All maturities										
23 Gross purchases	44,122	29,926	45,357	0	2,903	6,802	2,038	0	1,559	4,947
24 Gross sales	0	0	0	0	0	0	0	0	0	0
25 Redemptions	1,996	4,676	1,429	170	0	0	390	0	198	1,347
Matched transactions										
26 Gross purchases	3,577,954	4,395,430	4,395,998	332,708	317,537	488,845	492,277	340,127	401,404	336,103
27 Gross sales	3,580,274	4,399,330	4,414,253	330,856	318,294	510,605	471,663	339,585	401,841	334,751
Repurchase agreements										
28 Gross purchases	810,485	512,671	281,599	100	0	0	0	0	0	0
29 Gross sales	809,268	514,186	301,273	7,707	0	0	0	0	0	0
30 Net change in U.S. Treasury securities	41,022	19,835	5,999	5,924	2,146	−14,959	22,262	542	923	4,952
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
31 Gross purchases	0	0	0	0	0	0	0	0	0	0
32 Gross sales	0	25	0	0	0	0	0	0	0	0
33 Redemptions	1,540	322	157	50	7	0	6	25	0	10
Repurchase agreements										
34 Gross purchases	160,409	284,316	360,069	9,636	0	0	0	0	0	0
35 Gross sales	159,369	276,266	370,772	24,092	0	0	0	0	0	0
36 Net change in federal agency obligations	−500	7,703	−10,859	−14,506	−7	0	−6	−25	0	−10
Reverse repurchase agreements										
37 Gross purchases	0	0	0	0	0	0	0	0	0	0
38 Gross sales	0	0	0	0	0	0	0	0	0	0
Repurchase agreements										
39 Gross purchases	0	0	304,989	68,061	81,350	155,578	61,345	82,998	61,230	79,585
40 Gross sales	0	0	164,349	45,501	54,470	64,378	178,880	81,335	62,253	78,425
41 Net change in triparty obligations	0	0	140,640	22,560	26,880	91,200	−117,535	1,663	−1,023	1,160
42 Total net change in System Open Market Account	**40,522**	**27,538**	**135,780**	**2,130**	**29,019**	**76,241**	**−95,279**	**2,180**	**−100**	**6,102**

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		
	2000					2000		
	May 3	May 10	May 17	May 24	May 31	Mar. 31	Apr. 30	May 31
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048
2 Special drawing rights certificate account	5,200	5,200	5,200	5,200	5,200	6,200	5,200	5,200
3 Coin	553	572	588	574	599	483	569	599
Loans								
4 To depository institutions	258	280	431	484	431	236	240	431
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Triparty Obligations								
7 Repurchase agreements—triparty[2]	32,515	14,175	14,620	12,530	26,395	23,745	24,905	26,395
Federal agency obligations[3]								
8 Bought outright	140	140	140	140	140	150	140	140
9 Held under repurchase agreements	0	0	0	0	0	0	0	0
10 **Total U.S. Treasury securities**[3]	**507,137**	**508,459**	**507,916**	**509,115**	**506,744**	**501,708**	**506,695**	**506,744**
11 Bought outright[4]	507,137	508,459	507,916	509,115	506,744	501,708	506,695	506,744
12 Bills	200,342	201,653	200,571	201,758	198,323	197,038	199,905	198,323
13 Notes	221,030	221,038	222,560	222,569	223,631	219,082	221,027	223,631
14 Bonds	85,765	85,768	84,785	84,788	84,791	85,588	85,763	84,791
15 Held under repurchase agreements	0	0	0	0	0	0	0	0
16 **Total loans and securities**	**540,050**	**523,053**	**523,107**	**522,269**	**533,710**	**525,839**	**531,981**	**533,710**
17 Items in process of collection	8,110	8,382	7,866	7,179	11,985	4,904	5,935	11,985
18 Bank premises	1,393	1,394	1,395	1,394	1,400	1,381	1,393	1,400
Other assets								
19 Denominated in foreign currencies[5]	15,043	15,047	15,051	15,056	15,246	15,803	15,075	15,246
20 All other[6]	18,090	18,375	15,510	15,872	15,707	16,988	18,526	15,707
21 **Total assets**	**599,488**	**583,072**	**579,766**	**578,592**	**594,896**	**582,647**	**589,727**	**594,896**
LIABILITIES								
22 Federal Reserve notes	537,088	537,660	537,283	538,151	541,590	534,854	535,249	541,590
23 Reverse repurchase agreements—triparty[2]	0	0	0	0	0	0	0	0
24 **Total deposits**	**35,978**	**22,967**	**19,872**	**18,524**	**27,416**	**22,866**	**29,741**	**27,416**
25 Depository institutions	27,616	12,863	14,563	13,258	21,634	18,196	13,480	21,634
26 U.S. Treasury—General account	8,027	9,769	4,923	4,942	5,445	4,357	15,868	5,445
27 Foreign—Official accounts	71	72	126	76	110	125	142	110
28 Other	263	263	260	249	226	188	251	226
29 Deferred credit items	8,156	7,459	7,602	6,897	10,619	5,175	6,178	10,619
30 Other liabilities and accrued dividends[7]	4,818	4,813	4,744	4,734	4,752	5,016	4,931	4,752
31 **Total liabilities**	**586,040**	**572,899**	**569,500**	**568,306**	**584,377**	**567,911**	**576,100**	**584,377**
CAPITAL ACCOUNTS								
32 Capital paid in	6,755	6,765	6,765	6,777	6,781	6,744	6,752	6,781
33 Surplus	6,283	2,566	2,594	2,639	2,679	6,431	6,259	2,679
34 Other capital accounts	410	842	906	870	1,058	1,561	617	1,058
35 **Total liabilities and capital accounts**	**599,488**	**583,072**	**579,766**	**578,592**	**594,896**	**582,647**	**589,727**	**594,896**
MEMO								
36 Marketable U.S. Treasury securities held in custody for foreign and international accounts	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Federal Reserve note statement							
37 Federal Reserve notes outstanding (issued to Banks)	782,353	781,394	780,420	779,181	777,900	788,805	783,126	777,900
38 LESS: Held by Federal Reserve Banks	245,265	243,734	243,137	241,030	236,310	253,951	247,877	236,310
39 Federal Reserve notes, net	537,088	537,660	537,283	538,151	541,590	534,854	535,249	541,590
Collateral held against notes, net								
40 Gold certificate account	11,048	11,048	11,048	11,048	11,048	11,048	11,048	11,048
41 Special drawing rights certificate account	5,200	5,200	5,200	5,200	5,200	6,200	5,200	5,200
42 Other eligible assets	0	0	0	0	0	0	0	0
43 U.S. Treasury and agency securities	520,840	521,412	521,034	521,785	525,342	517,606	519,001	525,342
44 **Total collateral**	**537,088**	**537,660**	**537,283**	**538,151**	**541,590**	**534,854**	**535,249**	**541,590**

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. Cash value of agreements arranged through third-party custodial banks.
3. Face value of the securities.
4. 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.
5. Valued monthly at market exchange rates.
6. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.
7. 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		
	2000					2000		
	May 3	May 10	May 17	May 24	May 31	Mar. 31	Apr. 30	May 31
1 **Total loans**	**258**	**280**	**432**	**484**	**431**	**236**	**240**	**440**
2 Within fifteen days[1]	92	96	404	454	311	203	178	402
3. Sixteen days to ninety days	166	184	27	31	120	33	63	38
4. 91 days to 1 year	0	0	0	0	0	0	0	0
5 **Total U.S. Treasury securities[2]**	**507,137**	**508,459**	**507,916**	**509,115**	**506,744**	**501,708**	**506,693**	**506,744**
6 Within fifteen days[1]	17,346	19,237	17,492	20,887	15,491	3,674	6,882	15,491
7 Sixteen days to ninety days	107,052	105,999	105,363	108,146	105,584	114,085	117,248	105,584
8 Ninety-one days to one year	137,874	138,345	138,892	133,902	139,209	141,215	137,144	139,209
9 One year to five years	124,338	124,340	125,253	125,254	125,525	123,170	124,898	125,525
10 Five years to ten years	52,391	52,397	53,422	53,428	53,435	51,438	52,387	53,435
11 More than ten years	68,137	68,140	67,494	67,497	67,500	68,127	68,135	67,500
12 **Total federal agency obligations**	**140**	**140**	**140**	**140**	**140**	**150**	**140**	**140**
13 Within fifteen days[1]	0	0	0	0	0	10	0	0
14 Sixteen days to ninety days	0	0	0	0	0	0	0	0
15 Ninety-one days to one year	10	10	10	10	10	10	10	10
16 One year to five years	10	10	10	10	10	10	10	10
17 Five years to ten years	120	120	120	120	120	120	120	120
18 More than ten years	0	0	0	0	0	0	0	0

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	1996 Dec.	1997 Dec.	1998 Dec.[r]	1999 Dec.[r]	1999[r] Oct.	1999[r] Nov.	1999[r] Dec.	2000 Jan.[r]	2000 Feb.[r]	2000 Mar.[r]	2000 Apr.	2000 May
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]	Seasonally adjusted											
1 Total reserves[3]	50.17[r]	46.87[r]	45.19	41.74	41.34	41.56	41.74	43.11	41.64	40.45	40.92	41.35
2 Nonborrowed reserves[4]	50.02[r]	46.54	45.07	41.42	41.06	41.33	41.42	42.74	41.53	40.27	40.62	40.99
3 Nonborrowed reserves plus extended credit[5]	50.02[r]	46.54	45.07	41.42	41.06	41.33	41.42	42.74	41.53	40.27	40.62	40.99
4 Required reserves	48.76[r]	45.18	43.68	40.43	40.19	40.23	40.43	41.09	40.52	39.24	39.77	40.39
5 Monetary base[6]	451.62[r]	479.17[r]	512.75	591.19	557.85	569.43	591.19	591.97	573.42	571.16	572.45	573.44
	Not seasonally adjusted											
6 Total reserves[7]	51.45	48.01	45.31	41.89	40.94	41.20	41.89	44.23	42.10	39.75	40.60	41.58
7 Nonborrowed reserves	51.30	47.69	45.19	41.57	40.65	40.96	41.57	43.86	41.99	39.58	40.30	41.21
8 Nonborrowed reserves plus extended credit[5]	51.30	47.69	45.19	41.57	40.65	40.96	41.57	43.86	41.99	39.58	40.30	41.21
9 Required reserves[8]	50.04	46.33	43.80	40.58	39.79	39.87	40.58	42.20	40.99	38.55	39.45	40.61
10 Monetary base[9]	456.63	484.98	518.27	600.63	555.70	572.01	600.63	596.90	571.79	570.03	571.09	572.54
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	51.17	47.92	45.21	41.66	40.73	40.97	41.66	44.23	42.10	39.74	40.58	41.56
12 Nonborrowed reserves	51.02	47.60	45.09	41.33	40.45	40.74	41.33	43.86	41.99	39.56	40.28	41.19
13 Nonborrowed reserves plus extended credit[5]	51.02	47.60	45.09	41.33	40.45	40.74	41.33	43.86	41.99	39.56	40.28	41.19
14 Required reserves	49.76	46.24	43.70	40.35	39.58	39.64	40.35	42.21	40.98	38.53	39.43	40.59
15 Monetary base[12]	463.40	491.79	525.06	607.93	562.68	578.98	607.93	604.63	579.13	576.92	577.91	579.38
16 Excess reserves[13]	1.42	1.69	1.51	1.31	1.15	1.33	1.31	2.03	1.11	1.21	1.15	.97
17 Borrowings from the Federal Reserve	.16	.32	.12	.32	.28	.24	.32	.37	.11	.18	.30	.36

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 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 AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item	1996 Dec.	1997 Dec.	1998 Dec.	1999 Dec.[r]	2000 Feb.[r]	2000 Mar.[r]	2000 Apr.	2000 May
	Seasonally adjusted							
Measures[2]								
1 M1	1,081.1	1,073.9	1,097.4	1,122.9	1,105.7	1,112.1	1,116.2	1,104.8
2 M2	3,822.9	4,041.9[r]	4,396.8[r]	4,655.4	4,691.2	4,728.1	4,768.5	4,764.7
3 M3	4,952.4	5,403.2[r]	5,996.7[r]	6,477.0	6,538.9	6,611.9	6,654.8	6,675.2
4 Debt	14,443.9[r]	15,234.7[r]	16,282.9[r]	17,381.1	17,536.0	17,639.2	17,718.7	n.a.
M1 components								
5 Currency[3]	394.3	424.8	459.5	515.5	518.4	517.3	518.2	519.6
6 Travelers checks[4]	8.3	8.1	8.2	8.3	8.1	8.2	8.2	8.3
7 Demand deposits[5]	402.3	395.3	379.3	355.2	338.1	343.0	341.9	334.4
8 Other checkable deposits[6]	276.1	245.8	250.3	244.0	241.2	243.7	248.0	242.5
Nontransaction components								
9 In M2[7]	2,741.8	2,967.9[r]	3,299.4[r]	3,532.5	3,585.5	3,615.9	3,652.3	3,659.8
10 In M3 only[8]	1,129.5	1,361.3	1,599.9	1,821.5	1,847.7	1,883.9	1,886.3	1,910.5
Commercial banks								
11 Savings deposits, including MMDAs	904.0	1,020.5	1,184.8	1,285.7	1,302.0	1,309.1	1,325.2	1,322.2
12 Small time deposits[9]	593.3	625.4	626.1	634.7	644.4	650.1	659.7	667.0
13 Large time deposits[10, 11]	413.9	488.3	539.3	614.4	620.5	627.6	644.7	649.6
Thrift institutions								
14 Savings deposits, including MMDAs	366.6	376.6	413.8	448.7	449.6	452.3	449.3	453.3
15 Small time deposits[9]	353.6	342.8	325.6	320.5	323.7	324.7	324.2	326.4
16 Large time deposits[10]	78.3	85.6	88.9	91.5	95.0	95.1	94.6	93.4
Money market mutual funds								
17 Retail	524.4	602.8[r]	749.2[r]	842.9	865.6	879.8	893.8	890.9
18 Institution-only	312.0	380.8	518.4	607.4	617.5	640.7	640.0	649.2
Repurchase agreements and Eurodollars								
19 Repurchase agreements[12]	210.7	256.0	300.8	334.7	343.2	339.5	334.5	341.2
20 Eurodollars[12]	114.6	150.7	152.6	173.5	171.6	180.9	172.6	177.0
Debt components								
21 Federal debt	3,781.3	3,800.3	3,750.8	3,659.5	3,609.4	3,618.8	3,602.3	n.a.
22 Nonfederal debt	10,662.6[r]	11,434.4[r]	12,532.2[r]	13,721.7	13,926.6	14,020.4	14,116.4	n.a.
	Not seasonally adjusted							
Measures[2]								
23 M1	1,105.1	1,097.7	1,121.3	1,147.4	1,097.2	1,108.9	1,125.0	1,098.7
24 M2	3,845.2[r]	4,065.0[r]	4,422.0[r]	4,683.7	4,689.4	4,749.0	4,814.1	4,736.6
25 M3	4,973.4	5,427.2[r]	6,026.3[r]	6,512.0	6,558.4	6,645.4	6,698.8	6,653.2
26 Debt	14,440.5[r]	15,231.8[r]	16,279.8[r]	17,380.2	17,505.1	17,620.2	17,689.3	n.a.
M1 components								
27 Currency[3]	397.9	428.9	464.1	521.2	517.5	517.4	518.6	519.2
28 Travelers checks[4]	8.6	8.3	8.4	8.4	8.3	8.3	8.3	8.4
29 Demand deposits[5]	419.9	412.4	395.9	371.2	331.7	338.5	344.4	329.2
30 Other checkable deposits[6]	278.8	248.2	252.8	246.7	239.8	244.6	253.6	241.9
Nontransaction components								
31 In M2[7]	2,740.0	2,967.4[r]	3,300.7[r]	3,536.3	3,592.1	3,640.1	3,689.1	3,637.8
32 In M3 only[8]	1,128.2	1,362.2	1,604.3	1,828.3	1,869.0	1,896.4	1,884.8	1,916.7
Commercial banks								
33 Savings deposits, including MMDAs	903.3	1,020.4	1,186.0	1,288.5	1,294.6	1,311.8	1,341.5	1,317.4
34 Small time deposits[9]	592.7	625.3	626.5	635.5	647.0	652.1	660.4	664.6
35 Large time deposits[10, 11]	413.2	487.2	537.8	612.6	616.0	627.8	644.5	654.3
Thrift institutions								
36 Savings deposits, including MMDAs	366.3	376.5	414.2	449.7	447.1	453.2	454.9	451.7
37 Small time deposits[9]	353.2	342.8	325.8	321.0	325.0	325.7	324.5	325.3
38 Large time deposits[10]	78.1	85.4	88.6	91.2	94.3	95.1	94.5	94.1
Money market mutual funds								
39 Retail	524.3	602.3[r]	748.1[r]	841.6	878.5	897.3	907.8	878.8
40 Institution-only	315.6	386.7	527.9	618.9	640.6	650.5	640.2	644.5
Repurchase agreements and Eurodollars								
41 Repurchase agreements[12]	205.7	250.5	295.4	330.0	345.1	342.2	333.1	345.3
42 Eurodollars[12]	115.7	152.3	154.5	175.6	173.0	180.8	172.5	178.5
Debt components								
43 Federal debt	3,787.9	3,805.8	3,754.9	3,663.1	3,605.4	3,633.6	3,597.2	n.a.
44 Nonfederal debt	10,652.6[r]	11,426.0[r]	12,524.9[r]	13,717.1	13,899.7	13,986.5	14,092.1	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. 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, (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.

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			
	1999	1999[r]		2000					2000			
	May[r]	Nov.	Dec	Jan.[r]	Feb.[r]	Mar.[r]	Apr[r]	May	May 10	May 17	May 24	May 31
	Seasonally adjusted											
Assets												
1 Bank credit	4,516.2	4,687.9	4,763.5	4,786.5	4,820.1	4,858.1	4,904.4	4,970.1	4,956.7	4,963.4	4,983.7	4,989.6
2 Securities in bank credit	1,191.2	1,243.0	1,263.5	1,266.2	1,267.6	1,275.6	1,283.9	1,301.9	1,300.7	1,299.9	1,307.1	1,302.3
3 U.S. government securities	801.8	799.0	803.9	811.4	813.6	811.9	809.8	811.1	808.2	810.9	815.9	811.8
4 Other securities	389.4	444.1	459.6	454.7	453.9	463.7	474.1	490.8	492.4	489.0	491.2	490.5
5 Loans and leases in bank credit[2]	3,325.0	3,444.9	3,500.0	3,520.3	3,552.6	3,582.4	3,620.5	3,668.2	3,656.0	3,663.6	3,676.6	3,687.3
6 Commercial and industrial	957.6	998.0	1,003.3	1,012.5	1,021.4	1,030.5	1,039.3	1,059.9	1,057.4	1,062.5	1,061.4	1,062.4
7 Real estate	1,361.3	1,432.6	1,469.1	1,486.4	1,504.1	1,521.1	1,541.4	1,562.9	1,555.2	1,561.1	1,567.5	1,572.8
8 Revolving home equity	105.6	100.7	102.0	104.3	106.5	109.1	112.9	115.7	115.0	115.5	116.1	116.6
9 Other	1,255.6	1,331.8	1,367.1	1,382.1	1,397.6	1,411.9	1,428.5	1,447.2	1,440.2	1,445.6	1,451.4	1,456.2
10 Consumer	*493.3*	*483.5*	*491.0*	*497.0*	*501.7*	*504.8*	*508.7*	*513.0*	*510.3*	*513.0*	*513.4*	*515.9*
11 Security[3]	128.1	133.6	153.1	143.1	142.3	142.5	143.3	144.5	143.9	139.7	144.3	151.9
12 Other loans and leases	384.8	397.2	383.4	381.3	383.0	383.6	387.8	387.9	389.2	387.2	390.0	384.3
13 Interbank loans	224.9	224.9	229.4	225.1	235.8	237.1	238.1	242.5	243.2	252.1	235.4	239.8
14 Cash assets[4]	260.6	274.6	287.6	286.2	284.1	277.5	287.4	279.8	277.7	278.2	267.4	288.2
15 Other assets[5]	343.8	368.8	379.1	405.5	412.6	400.3	401.7	411.7	408.9	410.2	417.4	415.4
16 **Total assets[6]**	**5,286.6**	**5,497.0**	**5,599.8**	**5,644.2**	**5,693.8**	**5,713.9**	**5,772.1**	**5,844.2**	**5,826.5**	**5,843.8**	**5,843.8**	**5,873.1**
Liabilities												
17 Deposits	3,381.4	3,481.8	3,524.5	3,541.1	3,558.8	3,575.8	3,626.9	3,632.4	3,627.0	3,626.6	3,623.0	3,654.1
18 Transaction	649.9	624.9	630.2	626.4	624.6	625.5	625.4	628.7	615.9	623.0	633.9	651.7
19 Nontransaction	2,731.6	2,856.9	2,894.4	2,914.6	2,934.3	2,950.2	3,001.5	3,003.7	3,011.1	3,003.6	2,989.0	3,002.5
20 Large time	729.6	801.8	828.2	841.0	847.7	854.3	875.8	881.8	886.8	878.0	879.6	880.5
21 Other	2,002.0	2,055.1	2,066.2	2,073.7	2,086.6	2,095.9	2,125.7	2,121.9	2,124.3	2,125.6	2,109.4	2,121.9
22 Borrowings	1,002.2	1,059.8	1,116.6	1,134.0	1,130.5	1,151.3	1,185.4	1,197.4	1,207.4	1,198.5	1,191.3	1,191.6
23 From banks in the U.S.	321.5	349.9	347.1	360.0	365.1	373.2	374.3	380.1	379.4	389.0	372.2	379.7
24 From others	680.8	709.9	769.5	774.0	765.4	778.2	811.2	817.2	828.0	809.5	819.1	811.9
25 Net due to related foreign offices	202.9	223.9	221.1	229.8	233.9	233.1	223.8	249.4	222.9	249.7	250.4	276.8
26 Other liabilities	268.4	297.7	302.3	290.3	295.5	289.5	289.4	312.3	313.2	316.3	312.3	310.8
27 **Total liabilities**	**4,855.0**	**5,063.1**	**5,164.6**	**5,195.2**	**5,218.7**	**5,249.7**	**5,325.5**	**5,391.6**	**5,370.5**	**5,391.2**	**5,377.0**	**5,433.3**
28 Residual (assets less liabilities)[7]	431.6	433.8	435.2	449.0	475.0	464.2	446.6	452.6	456.0	452.7	466.9	439.8
	Not seasonally adjusted											
Assets												
29 Bank credit	4,511.6	4,715.4	4,795.8	4,810.7	4,823.1	4,852.2	4,905.0	4,962.2	4,951.7	4,955.9	4,963.7	4,984.6
30 Securities in bank credit	1,192.3	1,256.9	1,273.6	1,274.7	1,271.7	1,277.1	1,285.7	1,299.5	1,300.4	1,297.0	1,300.9	1,300.8
31 U.S. government securities	807.7	801.8	806.0	813.2	817.6	818.9	818.4	816.4	814.7	816.2	818.8	817.1
32 Other securities	384.6	455.1	467.7	461.5	454.1	458.2	467.3	483.1	485.7	480.9	482.1	483.7
33 Loans and leases in bank credit[2]	3,319.3	3,458.5	3,522.2	3,536.0	3,551.4	3,575.2	3,619.2	3,662.7	3,651.4	3,658.9	3,662.8	3,683.8
34 Commercial and industrial	960.4	1,001.8	1,005.3	1,010.0	1,022.1	1,034.4	1,046.3	1,062.8	1,061.4	1,066.0	1,061.1	1,063.8
35 Real estate	1,359.6	1,439.0	1,473.9	1,490.4	1,501.1	1,516.3	1,537.0	1,560.3	1,554.2	1,558.8	1,563.6	1,569.9
36 Revolving home equity	105.3	101.1	102.4	104.6	106.2	108.1	112.0	115.3	114.5	115.1	115.7	116.2
37 Other	1,254.3	1,337.9	1,371.6	1,385.8	1,394.8	1,408.2	1,425.0	1,445.1	1,439.7	1,443.8	1,448.0	1,453.6
38 Consumer	492.8	482.2	496.5	504.2	503.8	503.2	507.6	512.6	509.8	512.9	513.1	515.2
39 Security[3]	126.0	135.8	157.8	147.2	143.8	141.5	143.9	143.0	142.2	138.4	141.6	150.2
40 Other loans and leases	380.5	399.8	388.7	384.2	380.7	379.8	384.4	384.0	383.8	382.8	383.4	384.7
41 Interbank loans	223.9	229.0	234.9	225.9	237.3	243.0	245.0	242.4	241.2	251.8	230.6	244.5
42 Cash assets[4]	258.4	283.6	307.5	300.4	284.7	269.0	284.4	277.6	265.5	267.1	255.1	314.3
43 Other assets[5]	346.8	365.7	379.1	404.1	415.1	404.0	405.7	415.5	415.1	411.2	414.2	424.4
44 **Total assets[6]**	**5,281.9**	**5,534.1**	**5,657.4**	**5,682.3**	**5,701.4**	**5,709.1**	**5,780.8**	**5,837.7**	**5,813.7**	**5,826.0**	**5,803.7**	**5,907.7**
Liabilities												
45 Deposits	3,368.2	3,509.6	3,566.9	3,554.4	3,557.7	3,579.7	3,644.9	3,617.8	3,608.6	3,605.4	3,581.7	3,667.9
46 Transaction	640.2	633.1	662.9	637.9	617.6	618.4	634.0	619.4	597.1	609.9	605.0	669.2
47 Nontransaction	2,728.0	2,876.5	2,903.9	2,916.5	2,940.2	2,961.2	3,010.8	2,998.4	3,011.5	2,995.5	2,976.8	2,998.8
48 Large time	727.3	811.9	843.2	852.0	860.4	862.8	875.3	878.1	884.4	873.0	875.6	875.5
49 Other	2,000.6	2,064.6	2,060.8	2,064.5	2,079.8	2,098.4	2,135.5	2,120.3	2,127.1	2,122.5	2,101.1	2,123.3
50 Borrowings	1,010.4	1,067.7	1,125.8	1,152.5	1,134.4	1,146.3	1,183.6	1,206.9	1,219.0	1,208.6	1,196.6	1,198.9
51 From banks in the U.S.	322.0	353.3	352.0	363.9	366.7	373.0	375.5	380.9	380.3	389.2	371.4	380.3
52 From others	688.3	714.4	773.8	788.7	767.7	773.3	808.1	826.0	838.7	819.4	825.2	818.6
53 Net due to related foreign offices	202.1	227.9	227.4	233.4	248.3	236.7	213.1	249.8	221.7	246.7	259.5	278.3
54 Other liabilities	267.4	298.7	304.5	291.7	297.8	290.1	288.2	310.9	312.3	314.7	310.3	309.5
55 **Total liabilities**	**4,848.0**	**5,103.9**	**5,224.6**	**5,232.0**	**5,238.2**	**5,252.8**	**5,329.8**	**5,385.4**	**5,361.7**	**5,375.4**	**5,348.2**	**5,454.6**
56 Residual (assets less liabilities)[7]	433.9	430.3	432.8	450.3	463.1	456.3	450.9	452.3	452.0	450.6	455.4	453.1
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	84.3	100.8	104.1	102.4	104.9	105.3	104.7	117.5	119.1	121.0	117.5	111.5
58 Revaluation losses on off-balance-sheet items[8]	85.8	99.7	102.4	100.9	104.4	102.3	103.5	117.3	118.3	121.4	117.7	111.4

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			
	1999	1999[r]		2000					2000			
	May[r]	Nov	Dec.	Jan.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May	May 10	May 17	May 24	May 31
	Seasonally adjusted											
Assets												
1 Bank credit	3,978.6	4,149.4	4,215.2	4,239.3	4,280.2	4,314.7	4,337.0	4,389.1	4,374.7	4,387.3	4,400.9	4,405.9
2 Securities in bank credit	997.5	1,050.7	1,061.2	1,065.8	1,076.4	1,081.4	1,083.3	1,095.2	1,094.4	1,095.5	1,097.4	1,096.2
3 U.S. government securities	715.2	720.5	723.2	730.9	738.3	734.5	731.0	732.2	730.9	733.6	733.9	732.3
4 Other securities	282.3	330.2	338.0	334.9	338.0	346.9	352.3	362.9	363.5	361.9	363.5	363.8
5 Loans and leases in bank credit[2]	2,981.1	3,098.7	3,154.0	3,173.5	3,203.9	3,233.2	3,253.7	3,293.9	3,280.3	3,291.8	3,303.5	3,309.8
6 Commercial and industrial	755.5	801.7	809.9	817.6	824.7	832.3	837.5	852.3	850.5	855.1	852.4	854.3
7 Real estate	1,341.7	1,415.2	1,452.1	1,469.0	1,486.4	1,503.0	1,523.0	1,544.2	1,536.8	1,542.4	1,548.6	1,553.9
8 Revolving home equity	105.6	100.7	102.0	104.3	106.5	109.1	112.9	115.7	115.0	115.5	116.1	116.6
9 Other	1,236.1	1,314.5	1,350.2	1,364.7	1,379.8	1,393.8	1,410.1	1,428.5	1,421.8	1,426.9	1,432.5	1,437.3
10 Consumer	493.3	483.5	491.0	497.0	501.7	504.8	508.7	513.0	510.3	513.0	513.4	515.9
11 Security[3]	75.5	68.3	86.1	76.5	75.7	76.2	65.7	63.9	63.0	61.9	65.3	66.1
12 Other loans and leases	315.2	329.9	314.9	313.5	315.3	317.0	318.8	320.5	319.7	319.4	323.8	319.6
13 Interbank loans	198.4	199.7	199.9	196.2	203.2	208.8	208.9	210.9	208.6	216.5	207.6	212.3
14 Cash assets[4]	223.1	225.8	234.1	230.7	229.6	225.7	235.5	231.8	229.8	229.5	219.5	241.2
15 Other assets[5]	308.4	333.9	342.5	367.0	374.5	361.3	362.0	370.9	367.9	371.4	374.3	374.6
16 **Total assets**[6]	**4,649.9**	**4,849.9**	**4,932.2**	**4,974.5**	**5,028.9**	**5,051.6**	**5,084.2**	**5,143.0**	**5,121.4**	**5,144.9**	**5,142.5**	**5,174.5**
Liabilities												
17 Deposits	3,066.7	3,126.5	3,150.4	3,160.2	3,178.2	3,192.7	3,233.3	3,244.0	3,227.8	3,240.3	3,239.1	3,276.2
18 Transaction	639.1	614.5	619.6	615.6	613.5	614.2	614.3	617.3	604.5	612.0	622.2	639.7
19 Nontransaction	2,427.6	2,511.9	2,530.7	2,544.6	2,564.7	2,578.5	2,619.0	2,626.8	2,623.4	2,628.3	2,616.9	2,636.4
20 Large time	427.9	459.5	467.8	473.6	480.1	485.4	496.2	507.5	502.3	505.9	509.7	516.1
21 Other	1,999.7	2,052.4	2,063.0	2,071.0	2,084.6	2,093.1	2,122.7	2,119.3	2,121.1	2,122.4	2,107.1	2,120.3
22 Borrowings	826.3	873.8	935.1	954.1	954.3	973.2	984.5	991.5	1,000.9	998.1	984.2	980.7
23 From banks in the U.S.	299.6	323.8	322.6	340.3	346.8	353.6	353.6	362.5	360.5	372.7	357.6	359.2
24 From others	526.8	550.1	612.5	613.8	607.5	619.6	630.9	629.0	640.5	625.4	626.6	621.5
25 Net due to related foreign offices	123.3	178.9	182.0	194.2	207.1	213.2	208.9	229.3	208.5	226.7	233.5	246.9
26 Other liabilities	209.0	230.5	232.9	220.3	224.0	220.2	218.7	235.1	236.1	236.5	232.3	238.7
27 **Total liabilities**	**4,225.4**	**4,409.7**	**4,500.4**	**4,528.8**	**4,563.6**	**4,599.3**	**4,645.4**	**4,699.9**	**4,673.4**	**4,701.6**	**4,689.2**	**4,742.4**
28 Residual (assets less liabilities)[7]	424.5	440.1	431.8	445.7	465.3	452.3	438.8	443.1	448.0	443.4	453.3	432.1
	Not seasonally adjusted											
Assets												
29 Bank credit	3,980.7	4,164.3	4,237.5	4,255.8	4,279.0	4,310.2	4,343.8	4,389.5	4,377.4	4,389.2	4,392.2	4,407.1
30 Securities in bank credit	1,000.3	1,055.1	1,067.6	1,070.4	1,079.2	1,085.8	1,088.7	1,095.8	1,096.1	1,096.6	1,095.3	1,096.8
31 U.S. government securities	720.0	721.8	723.9	732.1	742.2	741.7	738.9	736.5	736.0	738.4	736.4	736.7
32 Other securities	280.3	333.3	343.7	338.3	337.0	344.1	349.9	359.2	360.2	358.2	359.0	360.1
33 Loans and leases in bank credit[2]	2,980.5	3,109.2	3,170.0	3,185.4	3,199.8	3,224.4	3,255.1	3,293.8	3,281.2	3,292.5	3,296.9	3,310.3
34 Commercial and industrial	762.2	802.6	808.3	813.6	822.9	834.6	846.3	859.4	858.6	862.6	857.5	859.8
35 Real estate	1,340.1	1,421.6	1,457.0	1,472.8	1,483.0	1,498.0	1,518.7	1,541.7	1,535.8	1,540.2	1,544.8	1,551.0
36 Revolving home equity	105.3	101.1	102.4	104.6	106.2	108.1	112.0	115.3	114.5	115.1	115.7	116.2
37 Other	1,234.8	1,320.5	1,354.6	1,368.2	1,376.8	1,390.0	1,406.6	1,426.4	1,421.3	1,425.1	1,429.2	1,434.7
38 Consumer	492.8	482.2	496.5	504.2	503.8	503.2	507.6	512.6	509.8	512.9	513.1	515.2
39 Security[3]	73.6	71.0	90.3	80.1	77.4	74.9	66.2	62.5	61.5	61.0	62.9	64.3
40 Other loans and leases	311.8	331.8	317.9	314.6	312.6	313.7	316.3	317.6	315.5	315.9	318.6	320.0
41 Interbank loans	197.4	203.8	205.4	197.0	204.7	214.7	215.7	210.7	206.6	216.2	202.8	217.0
42 Cash assets[4]	221.8	231.8	249.7	242.6	230.8	218.3	234.8	230.8	219.3	219.8	208.9	267.4
43 Other assets[5]	311.8	330.8	340.3	364.1	375.1	363.7	366.7	375.3	373.9	372.7	372.3	384.7
44 **Total assets**[6]	**4,653.3**	**4,871.5**	**4,973.3**	**5,001.0**	**5,031.1**	**5,048.0**	**5,102.1**	**5,146.7**	**5,117.7**	**5,138.2**	**5,116.5**	**5,216.5**
Liabilities												
45 Deposits	3,052.4	3,151.6	3,184.2	3,166.7	3,170.1	3,190.4	3,250.2	3,228.6	3,208.5	3,219.7	3,196.5	3,288.9
46 Transaction	629.8	622.6	651.8	626.9	606.6	607.4	623.3	608.4	586.3	599.4	593.9	657.4
47 Nontransaction	2,422.6	2,529.0	2,532.4	2,539.7	2,563.5	2,583.0	2,626.9	2,620.2	2,622.2	2,620.3	2,602.6	2,631.5
48 Large time	424.2	466.7	474.0	479.2	486.7	487.1	493.8	502.2	497.5	500.2	503.9	510.6
49 Other	1,998.4	2,062.3	2,058.4	2,060.5	2,076.7	2,096.0	2,133.1	2,117.9	2,124.7	2,120.1	2,098.7	2,120.9
50 Borrowings	834.5	881.7	944.3	972.6	958.2	968.2	982.7	1,001.0	1,012.6	1,008.1	989.6	988.0
51 From banks in the U.S.	300.2	327.2	327.6	344.2	348.3	353.5	354.9	363.2	361.4	372.8	356.8	359.8
52 From others	534.3	554.5	616.7	628.4	609.9	614.7	627.8	637.8	651.1	635.3	632.8	628.2
53 Net due to related foreign offices	126.7	181.2	183.0	195.5	219.1	216.2	202.9	234.0	212.2	227.5	247.2	252.0
54 Other liabilities	209.0	230.5	233.1	220.0	224.4	220.6	219.3	235.1	236.4	236.4	232.2	238.5
55 **Total liabilities**	**4,222.7**	**4,445.0**	**4,544.6**	**4,554.7**	**4,571.8**	**4,595.4**	**4,655.1**	**4,698.6**	**4,669.7**	**4,691.7**	**4,665.4**	**4,767.4**
56 Residual (assets less liabilities)[7]	430.6	426.5	428.7	446.3	459.3	452.6	447.1	448.1	448.0	446.5	451.1	449.0
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	50.1	59.8	64.5	62.7	64.8	66.0	65.4	72.7	73.8	74.2	72.5	69.8
58 Revaluation losses on off-balance-sheet items[8]	52.0	59.8	63.9	61.9	64.4	64.1	65.1	73.0	73.7	74.5	73.1	70.5
59 Mortgage-backed securities[9]	335.5	348.2	347.8	348.5	353.1	354.3	358.9	357.4	357.8	357.2	356.3	358.2

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			
	1999	1999[r]		2000					2000			
	May[r]	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May	May 10	May 17	May 24	May 31
	Seasonally adjusted											
Assets												
1 Bank credit	2,491.1	2,583.4	2,637.5	2,637.1	2,659.3	2,680.5	2,696.2	2,734.3	2,728.4	2,731.2	2,742.3	2,743.4
2 Securities in bank credit	560.0	602.9	614.6	613.4	619.7	626.6	629.7	640.1	640.8	640.0	640.7	640.7
3 U.S. government securities	391.4	391.2	396.4	397.4	400.4	398.9	397.4	399.1	398.3	399.6	399.8	400.0
4 Trading account	22.1	18.8	20.1	21.0	22.1	21.0	21.9	24.1	22.6	25.3	24.6	24.5
5 Investment account	369.4	372.4	376.3	376.4	378.2	377.9	375.5	375.0	375.7	374.3	375.2	375.5
6 Other securities	168.6	211.7	218.2	216.0	219.4	227.7	232.4	241.0	242.5	240.3	240.8	240.7
7 Trading account	67.8	82.4	87.1	81.8	86.2	91.5	93.3	101.7	104.0	101.6	100.4	100.7
8 Investment account	100.8	129.3	131.1	134.1	133.1	136.2	139.0	139.3	138.4	138.8	140.4	140.0
9 State and local government	25.1	26.5	26.6	26.9	27.0	27.2	27.7	28.0	27.8	28.0	28.0	28.0
10 Other	75.7	102.8	104.6	107.3	106.1	109.0	111.3	111.4	110.6	110.8	112.4	112.0
11 Loans and leases in bank credit[2]	1,931.0	1,980.4	2,022.9	2,023.7	2,039.6	2,053.9	2,066.5	2,094.2	2,087.6	2,091.3	2,101.6	2,102.6
12 Commercial and industrial	562.2	591.1	597.6	600.6	604.8	608.4	611.7	623.8	623.1	626.6	623.5	624.7
13 Bankers acceptances	1.0	1.1	1.1	1.1	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1
14 Other	561.2	589.9	596.5	599.5	603.8	607.4	610.6	622.7	621.9	625.5	622.3	623.6
15 Real estate	745.5	775.8	806.4	813.3	820.4	828.3	842.9	855.3	851.7	853.4	858.3	860.7
16 Revolving home equity	76.4	69.9	70.7	72.1	73.7	75.6	78.9	81.1	80.7	81.0	81.4	81.8
17 Other	669.1	705.9	735.8	741.2	746.7	752.7	764.0	774.2	771.0	772.4	776.8	778.9
18 Consumer	303.4	289.2	292.6	294.1	298.1	300.0	304.0	306.0	305.0	306.0	305.7	307.2
19 Security[3]	70.9	62.8	80.8	71.4	70.5	70.8	60.0	58.6	57.7	56.5	60.2	60.8
20 Federal funds sold to and repurchase agreements with broker–dealers	53.9	44.5	60.9	50.3	47.2	48.9	38.3	39.3	37.3	37.6	40.2	43.3
21 Other	17.0	18.4	19.9	21.1	23.3	22.0	21.7	19.3	20.4	18.9	20.1	17.6
22 State and local government	11.9	12.5	12.6	12.7	12.8	13.0	13.1	13.0	13.0	13.0	13.0	13.0
23 Agricultural	9.3	10.2	10.3	10.5	10.7	10.7	10.8	10.8	10.8	10.8	10.8	10.8
24 Federal funds sold to and repurchase agreements with others	11.3	12.5	12.0	11.4	11.5	11.5	11.8	11.9	11.8	11.7	12.1	12.1
25 All other loans	96.9	96.3	79.3	78.3	79.4	79.7	79.6	80.9	80.8	79.4	84.2	79.1
26 Lease-financing receivables	119.6	130.0	131.3	131.3	131.3	131.3	132.7	133.8	133.6	133.8	133.8	134.2
27 Interbank loans	146.4	147.0	147.4	143.9	149.4	155.4	148.6	154.2	151.8	158.6	152.2	156.1
28 Federal funds sold to and repurchase agreements with commercial banks	91.6	77.5	75.1	69.1	76.4	80.2	77.1	83.5	80.8	85.9	83.6	85.7
29 Other	54.8	69.5	72.2	74.8	73.0	75.2	71.5	70.7	71.0	72.7	68.6	70.4
30 Cash assets[4]	155.4	155.8	160.8	160.9	160.9	157.1	166.7	160.3	159.0	158.1	150.0	166.8
31 Other assets[5]	236.0	253.0	260.3	281.9	291.1	278.1	277.2	282.4	280.0	281.1	284.4	287.1
32 **Total assets**[6]	**2,989.5**	**3,099.9**	**3,166.5**	**3,185.0**	**3,222.3**	**3,232.8**	**3,250.2**	**3,292.6**	**3,280.5**	**3,290.3**	**3,290.1**	**3,314.9**
Liabilities												
33 Deposits	1,745.4	1,745.5	1,757.9	1,751.9	1,758.8	1,764.3	1,790.5	1,794.4	1,785.7	1,790.1	1,790.5	1,815.7
34 Transaction	366.5	341.7	348.4	339.7	336.4	335.9	335.3	337.9	329.1	335.0	341.3	353.4
35 Nontransaction	1,378.9	1,403.8	1,409.5	1,412.3	1,422.4	1,428.5	1,455.1	1,456.4	1,456.6	1,455.1	1,449.2	1,462.3
36 Large time	233.7	254.1	260.3	263.0	265.6	267.6	276.3	284.8	281.4	282.9	286.2	291.4
37 Other	1,145.2	1,149.7	1,149.2	1,149.2	1,156.8	1,160.9	1,178.8	1,171.6	1,175.2	1,172.2	1,163.0	1,170.9
38 Borrowings	645.0	674.1	729.8	734.3	732.5	744.3	753.4	754.2	767.5	760.8	745.4	738.7
39 From banks in the U.S.	216.1	238.1	238.3	251.3	257.1	260.4	264.2	269.7	270.4	278.4	264.4	264.7
40 From others	428.9	436.0	491.5	483.0	475.4	483.9	489.1	484.4	497.1	482.5	480.9	474.0
41 Net due to related foreign offices	118.3	174.4	177.5	189.1	201.9	207.8	203.5	223.3	202.3	220.6	227.5	241.3
42 Other liabilities	178.9	197.4	199.4	185.8	187.7	185.7	185.0	199.8	201.1	201.1	196.3	203.5
43 **Total liabilities**	**2,687.5**	**2,791.4**	**2,864.6**	**2,861.1**	**2,880.9**	**2,902.2**	**2,932.4**	**2,971.7**	**2,956.6**	**2,972.7**	**2,959.7**	**2,999.2**
44 Residual (assets less liabilities)[7]	301.9	308.5	301.9	323.9	341.4	330.6	317.8	320.9	323.9	317.6	330.4	315.7

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			
	1999	1999[r]		2000					2000			
	May[r]	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May	May 10	May 17	May 24	May 31
	Not seasonally adjusted											
Assets												
45 Bank credit	2,485.9	2,598.6	2,659.4	2,659.9	2,670.8	2,682.2	2,699.7	2,727.9	2,723.5	2,725.7	2,726.3	2,739.1
46 Securities in bank credit	558.7	609.0	621.5	619.7	625.8	630.0	630.7	636.9	637.6	637.3	635.0	638.8
47 U.S. government securities	392.8	394.3	397.7	400.1	406.7	404.8	402.0	400.1	399.3	401.2	399.0	402.0
48 Trading account	20.8	19.9	20.0	21.7	23.2	22.0	22.1	22.6	20.4	24.4	22.5	23.9
49 Investment account	372.0	374.3	377.7	378.4	383.5	382.8	379.9	377.5	378.8	376.8	376.5	378.1
50 Mortgage-backed securities	248.2	247.9	247.7	247.5	253.4	253.2	251.6	248.8	248.9	248.4	247.8	249.8
51 Other	123.8	126.4	130.0	130.9	130.2	129.7	128.3	128.7	129.9	128.4	128.7	128.3
52 One year or less	24.9	24.2	25.5	26.4	30.7	32.6	32.4	34.4	35.0	34.1	34.7	34.5
53 One to five years	57.4	61.4	62.3	62.0	58.9	56.9	55.7	55.8	55.4	56.0	55.8	56.4
54 More than five years	41.5	40.9	42.2	42.5	40.6	40.1	40.2	38.5	39.6	38.4	38.2	37.4
55 Other securities	165.9	214.8	223.8	219.6	219.1	225.1	228.7	236.8	238.3	236.1	236.0	236.8
56 Trading account	67.8	82.4	87.1	81.8	86.2	91.5	93.3	101.7	104.0	101.6	100.4	100.7
57 Investment account	98.1	132.3	136.7	137.7	132.9	133.7	135.4	135.1	134.3	134.5	135.6	136.1
58 State and local government	25.0	26.8	26.8	27.1	27.2	27.3	27.7	27.9	27.8	27.9	28.0	28.0
59 Other	73.1	105.6	109.9	110.6	105.7	106.4	107.7	107.2	106.6	106.7	107.6	108.1
60 Loans and leases in bank credit[2]	1,927.2	1,989.6	2,037.9	2,040.2	2,044.9	2,052.2	2,069.0	2,091.1	2,085.9	2,088.4	2,091.3	2,100.3
61 Commercial and industrial	566.4	593.0	596.4	597.5	604.1	610.7	618.3	628.2	628.3	631.3	626.0	627.9
62 Bankers acceptances	1.0	1.1	1.1	1.1	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1
63 Other	565.4	591.8	595.3	596.5	603.1	609.6	617.2	627.1	627.2	630.2	624.9	626.8
64 Real estate	743.2	780.2	811.9	819.5	821.7	826.6	840.0	852.5	850.9	850.9	853.5	857.5
65 Revolving home equity	76.1	70.0	70.8	72.4	73.6	74.8	78.2	80.8	80.2	80.6	81.1	81.6
66 Other	404.3	428.9	455.2	457.4	457.4	460.0	466.9	474.6	474.6	473.7	474.5	477.0
67 Commercial	262.9	281.3	285.8	289.6	290.8	291.8	294.9	297.2	296.1	296.5	297.9	299.0
68 Consumer	302.9	287.4	295.7	300.7	301.1	300.3	303.8	305.6	304.5	305.5	305.2	306.6
69 Security[3]	68.9	65.6	85.0	75.1	72.2	69.5	60.5	57.2	56.2	55.6	57.9	59.0
70 Federal funds sold to and repurchase agreements with broker–dealers	51.4	47.6	64.8	54.7	49.7	47.3	38.3	37.2	35.6	35.9	36.9	40.7
71 Other	17.5	18.0	20.2	20.4	22.5	22.2	22.2	20.0	20.6	19.7	21.0	18.3
72 State and local government	11.8	12.7	12.7	12.7	12.8	12.9	12.9	12.9	12.9	12.9	12.9	12.9
73 Agricultural	9.2	10.3	10.4	10.5	10.4	10.4	10.6	10.7	10.6	10.7	10.7	10.7
74 Federal funds sold to and repurchase agreements with others	11.3	12.5	12.0	11.4	11.5	11.5	11.8	11.9	11.8	11.7	12.1	12.1
75 All other loans	93.8	99.2	83.0	79.2	77.8	77.4	77.7	78.2	77.0	76.2	79.2	79.4
76 Lease-financing receivables	119.6	128.7	130.9	133.5	133.3	132.9	133.4	133.9	133.7	133.7	133.8	134.3
77 Interbank loans	149.4	146.2	148.4	144.5	149.7	158.2	153.8	158.0	152.5	162.7	153.7	163.9
78 Federal funds sold to and repurchase agreements with commercial banks	92.3	78.6	76.7	70.6	76.0	82.3	79.8	84.1	79.2	86.7	81.5	89.5
79 Other	57.1	67.6	71.8	73.9	73.7	75.9	74.0	73.9	73.2	76.0	72.1	74.3
80 Cash assets[4]	154.4	158.8	172.1	171.5	162.5	151.7	166.6	159.6	151.2	150.9	142.0	186.5
81 Other assets[5]	240.3	248.6	258.7	281.0	292.6	280.6	281.1	287.7	286.2	285.6	285.7	295.3
82 Total assets[6]	**2,990.6**	**3,112.7**	**3,199.1**	**3,218.4**	**3,237.3**	**3,234.4**	**3,262.9**	**3,294.5**	**3,274.7**	**3,286.2**	**3,269.0**	**3,346.0**
Liabilities												
83 Deposits	1,731.4	1,759.6	1,782.9	1,763.3	1,759.2	1,764.1	1,800.2	1,779.6	1,766.1	1,772.6	1,756.4	1,821.9
84 Transaction	359.8	346.2	369.7	349.4	332.9	331.3	342.5	331.6	315.2	327.2	321.3	365.1
85 Nontransaction	1,371.6	1,413.4	1,413.2	1,413.9	1,426.2	1,432.8	1,457.7	1,448.0	1,451.0	1,445.4	1,435.0	1,456.8
86 Large time	229.9	261.3	266.5	268.6	272.2	269.2	273.9	279.5	276.7	277.2	280.4	285.9
87 Other	1,141.6	1,152.1	1,146.7	1,145.3	1,154.0	1,163.5	1,183.9	1,168.6	1,174.3	1,168.2	1,154.7	1,170.8
88 Borrowings	652.3	680.7	736.5	754.4	740.6	745.3	755.2	762.3	777.4	768.4	749.4	746.2
89 From banks in the U.S.	217.2	241.0	241.8	255.8	261.2	263.7	267.8	271.0	272.3	278.7	264.0	266.1
90 From nonbanks in the U.S	435.1	439.6	494.7	498.6	479.4	481.6	487.3	491.3	505.1	489.7	485.4	480.1
91 Net due to related foreign offices	121.7	176.7	178.6	190.4	213.9	210.8	197.5	228.0	206.0	221.4	241.2	246.4
92 Other liabilities	178.9	197.4	199.4	185.8	187.7	185.7	185.0	199.8	201.1	201.1	196.3	203.5
93 Total liabilities	**2,684.3**	**2,814.4**	**2,897.3**	**2,893.9**	**2,901.4**	**2,905.9**	**2,937.9**	**2,969.7**	**2,950.7**	**2,963.5**	**2,943.2**	**3,017.9**
94 Residual (assets less liabilities)[7]	306.3	298.4	301.7	324.5	335.9	328.4	325.0	324.8	324.0	322.7	325.8	328.1
MEMO												
95 Revaluation gains on off-balance-sheet items[8]	50.1	59.8	64.5	62.7	64.8	66.0	65.4	72.7	73.8	74.2	72.5	69.8
96 Revaluation losses on off-balance-sheet items[8]	52.0	59.8	63.9	61.9	64.4	64.1	65.1	73.0	73.7	74.5	73.1	70.5
97 Mortgage-backed securities[9]	275.7	285.8	285.9	285.6	289.0	289.2	291.2	288.2	288.3	287.8	287.1	289.3
98 Pass-through securities	181.2	190.7	191.7	191.7	195.2	195.3	198.6	197.0	196.5	196.8	196.0	198.7
99 CMOs, REMICs, and other mortgage-backed securities	94.5	95.1	94.2	93.8	93.8	93.9	92.6	91.2	91.9	91.0	91.2	90.6
100 Net unrealized gains (losses) on available-for-sale securities[10]	.6	−5.8	−6.0	−7.4	−7.8	−7.3	−8.4	−9.3	−9.2	−9.5	−9.4	−9.1
101 Offshore credit to U.S. residents[11]	37.7	24.8	24.0	23.2	23.6	24.1	24.4	23.5	23.8	23.7	23.7	22.3

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			
	1999	1999[r]		2000					2000			
	May[r]	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May	May 10	May 17	May 24	May 31
	Seasonally adjusted											
Assets												
1 Bank credit	1,487.5	1,566.0	1,577.7	1,602.3	1,620.9	1,634.2	1,640.8	1,654.8	1,646.3	1,656.1	1,658.6	1,662.6
2 Securities in bank credit	437.4	447.8	446.5	452.4	456.6	454.8	453.6	455.1	453.6	455.6	456.7	455.4
3 U.S. government securities	323.8	329.3	326.8	333.5	338.0	335.6	333.6	333.2	332.6	334.0	334.0	332.3
4 Other securities	113.7	118.5	119.7	118.9	118.7	119.2	119.9	121.9	121.0	121.6	122.7	123.1
5 Loans and leases in bank credit[2]	1,050.1	1,118.2	1,131.2	1,149.8	1,164.3	1,179.4	1,187.2	1,199.7	1,192.7	1,200.5	1,201.9	1,207.1
6 Commercial and industrial	193.3	210.7	212.3	217.0	219.9	223.8	225.9	228.5	227.4	228.5	228.9	229.6
7 Real estate	596.2	639.5	645.7	655.7	666.0	674.7	680.1	688.9	685.1	689.0	690.3	693.1
8 Revolving home equity	29.3	30.9	31.3	32.2	32.9	33.5	34.0	34.5	34.3	34.5	34.6	34.8
9 Other	567.0	608.6	614.4	623.5	633.1	641.1	646.1	654.3	650.8	654.5	655.7	658.3
10 Consumer	189.8	194.3	198.5	202.9	203.7	204.8	204.7	206.9	205.3	207.0	207.7	208.7
11 Security[3]	4.7	5.4	5.3	5.1	5.2	5.4	5.7	5.3	5.3	5.3	5.1	5.3
12 Other loans and leases	66.1	68.3	69.4	69.2	69.5	70.7	70.8	70.1	69.6	70.7	69.9	70.4
13 Interbank loans	52.0	52.7	52.6	52.3	53.8	53.4	60.3	56.7	56.8	57.9	55.4	56.2
14 Cash assets[4]	67.7	70.0	73.3	69.8	68.7	68.6	68.9	71.4	70.8	71.4	69.5	74.5
15 Other assets[5]	72.4	81.0	82.1	85.1	83.4	83.2	84.8	88.5	87.9	90.3	90.0	87.5
16 **Total assets[6]**	**1,660.4**	**1,750.0**	**1,765.7**	**1,789.5**	**1,806.6**	**1,818.9**	**1,834.0**	**1,850.4**	**1,840.8**	**1,854.6**	**1,852.3**	**1,859.6**
Liabilities												
17 Deposits	1,321.3	1,381.0	1,392.5	1,408.3	1,419.4	1,428.3	1,442.8	1,449.7	1,442.1	1,450.2	1,448.6	1,460.4
18 Transaction	272.6	272.8	271.2	275.9	277.1	278.3	279.0	279.3	275.4	276.9	280.9	286.3
19 Nontransaction	1,048.8	1,108.1	1,121.3	1,132.4	1,142.3	1,150.0	1,163.8	1,170.3	1,166.8	1,173.2	1,167.7	1,174.1
20 Large time	194.3	205.4	207.5	210.6	214.6	217.8	219.9	222.7	220.8	223.0	223.5	224.7
21 Other	854.5	902.8	913.8	921.8	927.8	932.2	943.9	947.6	945.9	950.3	944.1	949.4
22 Borrowings	181.3	199.8	205.3	219.8	221.8	229.0	231.2	237.3	233.4	237.2	238.9	242.0
23 From banks in the U.S.	83.5	85.7	84.3	89.0	89.7	93.3	89.4	92.7	90.1	94.3	93.2	94.5
24 From others	97.9	114.1	121.0	130.8	132.1	135.7	141.8	144.6	143.4	142.9	145.7	147.5
25 Net due to related foreign offices	5.0	4.5	4.5	5.1	5.3	5.4	5.3	6.0	6.2	6.1	6.0	5.6
26 Other liabilities	30.1	33.1	33.6	34.5	36.3	34.6	33.6	35.3	35.0	35.4	36.0	35.2
27 **Total liabilities**	**1,537.8**	**1,618.4**	**1,635.7**	**1,667.6**	**1,682.8**	**1,697.2**	**1,713.0**	**1,728.2**	**1,716.8**	**1,728.9**	**1,729.4**	**1,743.3**
28 Residual (assets less liabilities)[7]	122.6	131.6	130.0	121.9	123.9	121.7	121.1	122.2	124.1	125.7	122.9	116.4
	Not seasonally adjusted											
Assets												
29 Bank credit	1,494.9	1,565.7	1,578.1	1,595.9	1,608.2	1,628.1	1,644.2	1,661.6	1,653.8	1,663.4	1,666.0	1,668.0
30 Securities in bank credit	441.6	446.1	446.1	450.7	453.4	455.8	458.0	458.9	458.5	459.3	460.3	458.0
31 U.S. government securities	327.2	327.5	326.2	332.0	335.5	336.9	336.9	336.4	336.7	337.2	337.3	334.7
32 Other securities	114.3	118.6	119.9	118.8	117.9	119.0	121.1	122.4	121.8	122.1	123.0	123.3
33 Loans and leases in bank credit[2]	1,053.3	1,119.6	1,132.0	1,145.2	1,154.9	1,172.2	1,186.2	1,202.7	1,195.3	1,204.1	1,205.7	1,210.0
34 Commercial and industrial	195.7	209.6	211.9	216.1	218.8	223.9	228.1	231.1	230.3	231.3	231.4	232.0
35 Real estate	596.9	641.4	645.1	653.3	661.3	671.5	678.7	689.1	685.0	689.4	691.3	693.5
36 Revolving home equity	29.2	31.1	31.5	32.2	32.7	33.3	33.9	34.5	34.3	34.5	34.6	34.7
37 Other	567.6	610.3	613.6	621.2	628.7	638.2	644.8	654.7	650.7	654.9	656.8	658.8
38 Consumer	190.0	194.8	200.8	203.5	202.7	202.9	203.8	207.0	205.3	207.3	207.9	208.6
39 Security[3]	4.7	5.4	5.3	5.1	5.2	5.4	5.7	5.3	5.3	5.3	5.1	5.3
40 Other loans and leases	66.1	68.5	69.0	67.2	66.8	68.5	69.9	70.1	69.4	70.7	69.9	70.7
41 Interbank loans	48.0	57.6	56.9	52.5	55.0	56.5	61.9	52.7	54.1	53.4	49.1	53.2
42 Cash assets[4]	67.4	73.0	77.6	71.2	68.3	66.6	68.2	71.2	68.1	69.0	66.9	81.0
43 Other assets[5]	71.5	82.2	81.7	83.1	82.5	83.1	85.6	87.6	87.8	87.1	86.6	89.5
44 **Total assets[6]**	**1,662.7**	**1,758.7**	**1,774.3**	**1,782.6**	**1,793.8**	**1,813.7**	**1,839.3**	**1,852.2**	**1,843.0**	**1,852.0**	**1,847.5**	**1,870.5**
Liabilities												
45 Deposits	1,321.1	1,392.0	1,401.3	1,403.4	1,410.9	1,426.3	1,450.0	1,448.9	1,442.4	1,447.1	1,440.1	1,467.0
46 Transaction	270.0	276.4	282.0	277.5	273.6	276.1	280.8	276.8	271.1	272.2	272.6	292.3
47 Nontransaction	1,051.0	1,115.5	1,119.3	1,125.8	1,137.2	1,150.3	1,169.2	1,172.1	1,171.2	1,174.9	1,167.6	1,174.8
48 Large time	194.3	205.4	207.5	210.6	214.6	217.8	219.9	222.7	220.8	223.0	223.5	224.7
49 Other	856.8	910.2	911.8	915.2	922.7	932.4	949.2	949.4	950.4	951.9	944.1	950.0
50 Borrowings	182.2	201.1	207.8	218.2	217.6	222.9	227.5	238.7	235.2	239.7	240.2	241.8
51 From banks in the U.S.	83.0	86.2	85.8	88.4	87.1	89.8	87.0	92.2	89.2	94.1	92.8	93.7
52 From others	99.2	114.9	122.0	129.8	130.5	133.1	140.5	146.5	146.0	145.6	147.4	148.1
53 Net due to related foreign offices	5.0	4.5	4.5	5.1	5.3	5.4	5.3	6.0	6.2	6.1	6.0	5.6
54 Other liabilities	30.1	33.1	33.7	34.2	36.7	34.9	34.3	35.3	35.3	35.2	35.9	35.0
55 **Total liabilities**	**1,538.4**	**1,630.7**	**1,647.3**	**1,660.8**	**1,670.4**	**1,689.5**	**1,717.1**	**1,728.9**	**1,719.0**	**1,728.2**	**1,722.2**	**1,749.5**
56 Residual (assets less liabilities)[7]	124.3	128.1	127.0	121.8	123.4	124.2	122.1	123.3	124.0	123.8	125.3	121.0
MEMO												
57 Mortgage-backed securities[9]	59.8	62.4	61.9	62.9	64.1	65.2	67.6	69.2	69.4	69.4	69.2	68.8

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			
	1999	1999[r]		2000					2000			
	May[r]	Nov.	Dec.	Jan.[r]	Feb.	Mar.[r]	Apr.[r]	May	May 10	May 17	May 24	May 31
	Seasonally adjusted											
Assets												
1 Bank credit	537.6	538.5	548.3[r]	547.1	539.9	543.4	567.4	581.0	582.0	576.1	582.8	583.7
2 Securities in bank credit	193.8	192.3	202.3	200.4	191.2	194.2	200.6	206.7	206.3	204.3	209.7	206.1
3 U.S. government securities	86.6	78.5	80.7	80.5	75.3	77.4	78.8	78.9	77.3	77.3	82.0	79.5
4 Other securities	107.2	113.9	121.6	119.8	115.9	116.8	121.8	127.9	129.0	127.0	127.7	126.6
5 Loans and leases in bank credit[2]	343.8	346.2	345.9	346.8	348.7	349.2	366.8	374.3	375.7	371.8	373.1	377.6
6 Commercial and industrial	202.1	196.2	193.4	194.9	196.7	198.2	201.8	207.7	206.9	207.3	209.0	208.1
7 Real estate	19.5	17.3	17.0	17.4	17.7	18.1	18.5	18.7	18.4	18.7	18.9	19.0
8 Security[3]	52.6	65.4	67.1	66.6	66.6	66.3	77.6	80.6	80.8	77.9	79.0	85.7
9 Other loans and leases	69.6	67.3	68.5	67.8	67.7	66.6	69.0	67.3	69.5	67.8	66.2	64.7
10 Interbank loans	26.5	25.2	29.5	28.9	32.6	28.3	29.3	31.6	34.6	35.6	27.8	27.4
11 Cash assets[4]	37.5	48.8	53.5	55.4	54.5	51.8	51.8	48.1	47.9	48.7	47.9	47.0
12 Other assets[5]	35.4	34.8	36.6	38.6	38.2	39.1	39.7	40.8	41.0	38.8	43.1	40.8
13 **Total assets[6]**	**636.7**	**647.1**	**667.6[r]**	**669.7**	**664.8**	**662.3**	**687.9**	**701.3**	**705.2**	**698.9**	**701.4**	**698.5**
Liabilities												
14 Deposits	314.7	355.3	374.2	380.8	380.6	383.1	393.6	388.4	399.2	386.4	383.9	378.0
15 Transaction	10.8	10.4	10.5	10.8	11.1	11.3	11.1	11.5	11.4	11.0	11.7	11.9
16 Nontransaction	303.9	345.0	363.6	370.0	369.5	371.8	382.5	376.9	387.8	375.3	372.2	366.0
17 Borrowings	175.9	186.0	181.5	180.0	176.2	178.1	200.9	205.9	206.5	200.4	207.0	210.9
18 From banks in the U.S.	21.9	26.1	24.4	19.7	18.3	19.5	20.7	17.7	18.9	16.3	14.6	20.5
19 From others	154.0	159.8	157.1	160.2	157.9	158.6	180.3	188.2	187.6	184.1	192.4	190.4
20 Net due to related foreign offices	79.6	45.0	39.1	35.6	26.8	19.9	14.9	20.1	14.4	23.0	17.0	29.9
21 Other liabilities	59.4	67.2	69.4[r]	70.0	71.5	69.2	70.7	77.2	77.0	79.8	80.0	72.2
22 **Total liabilities**	**629.7**	**653.4**	**664.2[r]**	**666.5**	**655.1**	**650.3**	**680.2**	**691.7**	**697.1**	**689.6**	**687.8**	**690.9**
23 Residual (assets less liabilities)[7]	7.1	−6.3	3.4	3.3	9.7	11.9	7.8	9.6	8.1	9.3	13.5	7.6
	Not seasonally adjusted											
Assets												
24 Bank credit	530.9	551.1	558.3[r]	554.9	544.1	542.0	561.1	572.6	574.4	566.8	571.5	577.5
25 Securities in bank credit	192.0	201.8	206.1[r]	204.3	192.5	191.3	197.0	203.7	204.2	200.4	205.6	204.1
26 U.S. government securities	87.6	80.0	82.1	81.1	75.4	77.2	79.5	79.9	78.7	77.8	82.5	80.4
27 Trading account	19.2	8.5	6.7	7.9	7.4	9.5	12.0	12.5	11.2	10.7	15.3	13.1
28 Investment account	68.5	71.5	75.4	73.2	68.1	67.7	67.5	67.3	67.5	67.1	67.1	67.3
29 Other securities	104.4	121.8	124.0[r]	123.2	117.0	114.0	117.5	123.9	125.5	122.6	123.1	123.6
30 Trading account	62.6	80.3	80.7	78.2	74.3	71.8	74.8	81.3	82.8	80.4	80.4	80.9
31 Investment account	41.8	41.5	43.2	45.0	42.8	42.3	42.7	42.6	42.7	42.2	42.7	42.7
32 Loans and leases in bank credit[2]	338.9	349.3	352.2	350.7	351.6	350.7	364.1	368.9	370.1	366.4	365.9	373.5
33 Commercial and industrial	198.2	199.2	197.0	196.4	199.2	199.9	200.0	203.4	202.8	203.4	203.6	204.0
34 Real estate	19.5	17.4	16.9	17.6	18.0	18.3	18.3	18.7	18.4	18.6	18.8	18.9
35 Security[3]	52.5	64.8	67.5	67.0	66.4	66.5	77.6	80.5	80.7	77.4	78.6	85.9
36 Other loans and leases	68.7	67.9	70.8	69.6	68.1	66.1	68.2	66.4	68.3	66.9	64.8	64.7
37 Interbank loans	26.5	25.2	29.5	28.9	32.6	28.3	29.3	31.6	34.6	35.6	27.8	27.4
38 Cash assets[4]	36.6	51.8	57.8	57.8	53.9	50.7	49.6	46.8	46.2	47.3	46.2	46.9
39 Other assets[5]	35.0	34.9	38.7	40.0	40.1	40.3	39.0	40.2	41.2	38.5	42.0	39.7
40 **Total assets[6]**	**628.7**	**662.6**	**684.0[r]**	**681.3**	**670.3**	**661.1**	**678.7**	**691.0**	**696.0**	**687.8**	**687.1**	**691.2**
Liabilities												
41 Deposits	315.7	358.0	382.6	387.7	387.7	389.3	394.7	389.3	400.1	385.7	385.2	379.0
42 Transaction	10.4	10.5	11.1	11.0	11.0	11.1	10.7	11.0	10.8	10.5	11.1	11.8
43 Nontransaction	305.4	347.5	371.5	376.7	376.7	378.2	384.0	378.2	389.3	375.2	374.1	367.2
44 Borrowings	175.9	186.0	181.5	180.0	176.2	178.1	200.9	205.9	206.5	200.4	207.0	210.9
45 From banks in the U.S.	21.9	26.1	24.4	19.7	18.3	19.5	20.7	17.7	18.9	16.3	14.6	20.5
46 From others	154.0	159.8	157.1	160.2	157.9	158.6	180.3	188.2	187.6	184.1	192.4	190.4
47 Net due to related foreign offices	75.3	46.7	44.3	37.9	29.1	20.5	10.2	15.9	9.5	19.2	12.4	26.3
48 Other liabilities	58.4	68.2	71.5[r]	71.7	73.5	69.5	68.9	75.8	75.9	78.3	78.1	71.0
49 **Total liabilities**	**625.3**	**658.8**	**680.0[r]**	**677.3**	**666.4**	**657.4**	**674.8**	**686.8**	**692.0**	**683.6**	**682.8**	**687.2**
50 Residual (assets less liabilities)[7]	3.3	3.8	4.1	4.0	3.9	3.7	3.9	4.1	4.0	4.2	4.3	4.0
MEMO												
51 Revaluation gains on off-balance-sheet items[8]	34.2	41.0	39.6[r]	39.7	40.1	39.3	39.3	44.7	45.3	46.9	44.9	41.7
52 Revaluation losses on off-balance-sheet items[8]	33.7	39.9	38.6[r]	39.0	40.0	38.2	38.4	44.3	44.6	46.9	44.6	40.9

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

A. Commercial Paper

Millions of dollars, seasonally adjusted, end of period

Item	Year ending December					1999		2000			
	1995	1996	1997	1998	1999	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 **All issuers**	**674,904**	**775,371**	**966,699**	**1,163,303**	**1,403,023**	**1,369,100**	**1,403,023**	**1,407,789**	**1,428,605**	**1,449,143**	**1,465,697**
Financial companies[1]											
2 Dealer-placed paper, total[2]	275,815	361,147	513,307	614,142	786,643	802,194	786,643	821,870	835,140	849,198	860,843
3 Directly placed paper, total[3]	210,829	229,662	252,536	322,030	337,240	299,777	337,240	299,599	298,603	302,885	294,328
4 Nonfinancial companies[4]	188,260	184,563	200,857	227,132	279,140	267,128	279,140	286,319	294,863	297,060	310,526

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.

B. Bankers Dollar Acceptances[1]

Millions of dollars, not seasonally adjusted, year ending September[2]

Item	1996	1997	1998	1999
1 **Total amount of reporting banks' acceptances in existence**	**25,832**	**25,774**	**14,363**	**10,094**
2 Amount of other banks' eligible acceptances held by reporting banks	709	736	523	461
3 Amount of own eligible acceptances held by reporting banks (included in item 1)	7,770	6,862	4,884	4,261
4 Amount of eligible acceptances representing goods stored in, or shipped between, foreign countries (included in item 1)	9,361	10,467	5,413	3,498

1. Includes eligible, dollar-denominated bankers acceptances legally payable in the United States. Eligible acceptances are those that are eligible for discount by Federal Reserve Banks; that is, those acceptances that meet the criteria of Paragraph 7 of Section 13 of the Federal Reserve Act (12 U.S.C. §372).
2. Data on bankers dollar acceptances are gathered from approximately 55 institutions; includes U.S. chartered commerical banks (domestic and foreign offices), U.S. branches and agencies of foreign banks, and Edge and agreement corporations. The reporting group is revised every year.

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
1997—Jan. 1	8.25	1997	8.44	1998—Jan.	8.50	1999—Jan.	7.75
Mar. 26	8.50	1998	8.35	Feb.	8.50	Feb.	7.75
		1999	8.00	Mar.	8.50	Mar.	7.75
1998—Sept. 30	8.25			Apr.	8.50	Apr	7.75
Oct. 16	8.00	1997—Jan.	8.25	May	8.50	May	7.75
Nov. 18	7.75	Feb.	8.25	June	8.50	June	7.75
		Mar.	8.30	July	8.50	July	8.00
1999—July 1	8.00	Apr.	8.50	Aug.	8.50	Aug.	8.06
Aug. 25	8.25	May	8.50	Sept.	8.49	Sept.	8.25
Nov. 17	8.50	June	8.50	Oct.	8.12	Oct.	8.25
		July	8.50	Nov.	7.89	Nov.	8.37
2000—Feb. 3	8.75	Aug.	8.50	Dec.	7.75	Dec.	8.50
Mar. 22	9.00	Sept	8.50				
May 17	9.50	Oct.	8.50			2000—Jan.	8.50
		Nov.	8.50			Feb.	8.73
		Dec.	8.50			Mar.	8.83
						Apr.	9.00
						May	9.24
						June	9.50

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	1997	1998	1999	2000				2000, week ending				
				Feb.	Mar	Apr.	May	Apr. 28	May 5	May 12	May 19	May 26
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	5.46	5.35	4.97	5.73	5.85	6.02	6.27	5.97	6.06	5.96	6.16	6.50
2 Discount window borrowing[2,4]	5.00	4.92	4.62	5.24	5.34	5.50	5.71	5.50	5.50	5.50	5.50	5.93
Commercial paper[3,5,6]												
Nonfinancial												
3 1-month	5.57	5.40	5.09	5.76	5.93	6.02	6.40	6.06	6.24	6.37	6.47	6.48
4 2-month	5.57	5.38	5.14	5.81	5.96	6.06	6.47	6.11	6.33	6.45	6.52	6.54
5 3-month	5.56	5.34	5.18	5.87	6.00	6.11	6.54	6.17	6.41	6.54	6.59	6.61
Financial												
6 1-month	5.59	5.42	5.11	5.78	5.94	6.03	6.41	6.05	6.25	6.39	6.49	6.49
7 2-month	5.59	5.40	5.16	5.84	5.98	6.07	6.50	6.13	6.36	6.47	6.55	6.57
8 3-month	5.60	5.37	5.22	5.90	6.03	6.15	6.57	6.23	6.43	6.57	6.63	6.64
Commercial paper (historical)[3,5,7]												
9 1-month	5.54	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a.	n.a.
10 3-month	5.58	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a	n.a.	n.a.	n.a.	n.a.
11 6-month	5.62	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Finance paper, directly placed (historical)[3,5,8]												
12 1-month	5.44	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 3-month	5.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 6-month	5.48	n.a.	n.a.	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	5.54	5.39	5.24	5.94	6.06	6.19	6.60	6.23	6.39	6.61	6.67	6.67
16 6-month	5.57	5.30	5.30	6.11	6.22	6.32	6.76	6.37	6.56	6.75	6.81	6.86
Certificates of deposit, secondary market[3,10]												
17 1-month	5.54	5.49	5.19	5.83	6.01	6.10	6.49	6.17	6.35	6.48	6.55	6.55
18 3-month	5.62	5.47	5.33	6.01	6.14	6.28	6.71	6.36	6.57	6.69	6.75	6.77
19 6-month	5.73	5.44	5.46	6.26	6.36	6.50	6.94	6.58	6.79	6.90	7.00	7.01
20 Eurodollar deposits, 3-month[3,11]	5.61	5.45	5.31	6.02	6.13	6.25	6.70	6.33	6.56	6.67	6.74	6.78
U.S. Treasury bills												
Secondary market[3,5]												
21 3-month	5.06	4.78	4.64	5.55	5.69	5.66	5.79	5.62	5.74	5.94	5.86	5.73
22 6-month	5.18	4.83	4.75	5.72	5.85	5.81	6.10	5.79	5.96	6.15	6.17	6.11
23 1-year	5.32	4.80	4.81	5.84	5.86	5.80	5.94	5.82	5.89	6.01	6.01	5.89
Auction high[3,5,12]												
24 3-month	5.07	4.81	4.66	5.57	5.72	5.67	5.92	5.62	5.78	6.02	6.07	5.81
25 6-month	5.18	4.85	4.76	5.75	5.85	5.82	6.12	5.75	5.94	6.15	6.25	6.13
26 1-year	5.36	4.85	4.78	5.91	5.84	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[13]												
27 1-year	5.63	5.05	5.08	6.22	6.22	6.15	6.33	6.19	6.24	6.38	6.40	6.28
28 2-year	5.99	5.13	5.43	6.61	6.53	6.40	6.81	6.53	6.76	6.86	6.89	6.77
29 3-year	6.10	5.14	5.49	6.65	6.53	6.36	6.77	6.49	6.72	6.82	6.84	6.72
30 5-year	6.22	5.15	5.55	6.68	6.50	6.26	6.69	6.42	6.66	6.74	6.74	6.65
31 7-year	6.33	5.28	5.79	6.72	6.51	6.27	6.69	6.41	6.65	6.75	6.75	6.66
32 10-year	6.35	5.26	5.65	6.52	6.26	5.99	6.44	6.15	6.40	6.50	6.49	6.42
33 20-year	6.69	5.72	6.20	6.54	6.38	6.18	6.55	6.28	6.48	6.61	6.59	6.54
34 30-year	6.61	5.58	5.87	6.23	6.05	5.85	6.15	5.95	6.10	6.20	6.19	6.14
Composite												
35 More than 10 years (long-term)	6.67	5.69	6.14	6.49	6.33	6.14	6.49	6.24	6.42	6.55	6.53	6.48
STATE AND LOCAL NOTES AND BONDS												
Moody's series[14]												
36 Aaa	5.32	4.93	5.28	5.88	5.68	5.60	5.87	5.71	5.79	5.92	5.89	5.89
37 Baa	5.50	5.14	5.70	6.35	6.19	6.18	6.53	6.32	6.42	6.56	6.58	6.55
38 *Bond Buyer* series[15]	5.52	5.09	5.43	6.00	5.83	5.75	6.00	5.82	5.93	6.02	6.05	6.01
CORPORATE BONDS												
39 Seasoned issues, all industries[16]	7.54	6.87	7.45	7.96	7.99	7.98	8.41	8.07	8.26	8.45	8.50	8.43
Rating group												
40 Aaa	7.27	6.53	7.05	7.68	7.68	7.64	7.99	7.70	7.87	8.04	8.07	8.00
41 Aa	7.48	6.80	7.36	7.82	7.83	7.82	8.24	7.91	8.09	8.28	8.33	8.26
42 A	7.54	6.93	7.53	8.02	8.07	8.07	8.49	8.16	8.35	8.54	8.59	8.52
43 Baa	7.87	7.22	7.88	8.29	8.37	8.40	8.90	8.51	8.74	8.93	9.02	8.95
MEMO												
Dividend–price ratio[17]												
44 Common stocks	1.77	1.49	1.25	1.21	1.18	1.14	1.17	1.14	1.17	1.20	1.14	1.18

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. 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 or bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. Interest rates interpolated from data on certain commercial paper trades settled by the Depository Trust Company. The trades represent sales of commercial paper by dealers or direct issuers to investors (that is, the offer side). See Board's Commercial Paper Web pages (http://www.federalreserve.gov/releases/cp) for more information.
7. An average of offering rates on commercial paper for firms whose bond rating is AA or the equivalent. Series ended August 29, 1997.
8. An average of offering rates on paper directly placed by finance companies. Series ended August 29, 1997.
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 collected around 9:30 a.m. Eastern time. Data are for indication purposes only.
12. Auction date for daily data; weekly and monthly averages computed on an issue-date basis. On or after October 28, 1998, data are stop yields from uniform-price auctions. Before that, they are weighted average yields from multiple-price auctions.
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. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

1.36 STOCK MARKET Selected Statistics

Indicator	1997	1998	1999	1999					2000			
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr	May
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	456.99	550.65	619.52	607.87	599.04	634.22	638.17	634.07	606.03	622.28	646.82	640.07
2 Industrial	574.97	684.35	775.29	769.47	753.94	791.41	808.28	814.73	767.08	790.35	822.76	814.75
3 Transportation	415.08	468.61	491.62	462.33	450.13	474.78	461.04	456.35	398.69	384.39	406.14	411.50
4 Utility	143.87	190.52	284.82	237.71	285.16	502.58	511.78	485.82	482.30	509.59	502.78	487.17
5 Finance	424.84	516.65	530.97	493.37	490.92	539.20	510.99	495.23	471.65	491.29	524.05	523.22
6 Standard & Poor's Corporation (1941–43 = 10)[1]	873.43	1,085.50	1,327.33	1,318.17	1,300.01	1,390.99	1,428.68	1,425.59	1,388.88	1,442.21	1,461.36	1,418.48
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	628.34	682.69	770.90	788.74	786.96	819.60	838.24	878.73	910.00	1,014.03	918.77	917.76
Volume of trading (thousands of shares)												
8 New York Stock Exchange	523,254	666,534	799,554	772,627	882,422	866,281	884,141	1,058,021	1,032,791	1,124,097	1,047,960	893,896
9 American Stock Exchange	24,390	28,870	32,629	32,540	35,762	33,330	41,076	47,530	51,134	59,449	63,054	44,146
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[3]	**126,090**	**140,980**	**228,530**	**179,316**	**182,272**	**206,280**	**228,530**	**243,490**	**265,210**	**278,530**	**251,700**	**240,660**
Free credit balances at brokers[4]												
11 Margin accounts[5]	31,410	40,250	55,130	47,125	51,040	49,480	55,130	57,800	56,470	65,020	65,930	66,170
12 Cash accounts	52,160	62,450	79,070	62,810	61,085	68,200	79,070	75,760	79,700	85,530	76,190	73,500

	Margin requirements (percent of market value and effective date)[6]					
	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. 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.
2. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.
3. 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.
4. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.
5. Series initiated in June 1984.
6. 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					
	1997	1998	1999	1999	2000				
				Dec.	Jan.	Feb.	Mar.	Apr.	May
U.S. budget[1]									
1 Receipts, total	1,579,292	1,721,798	1,827,454	201,196	189,478	108,675	135,582	295,148	146,002
2 On-budget	1,187,302	1,305,999	1,382,986	162,772	143,838	71,090	94,586	244,662	107,469
3 Off-budget	391,990	415,799	444,468	38,424	45,640	37,585	40,996	50,486	38,533
4 Outlays, total	1,601,235	1,652,552	1,702,940	168,114	127,326	150,409	170,962	135,651	149,612
5 On-budget	1,290,609	1,335,948	1,382,262	165,504	97,451	118,340	137,864	105,742	114,829
6 Off-budget	310,626	316,604	320,778	2,611	29,875	32,069	33,099	29,909	34,783
7 Surplus or deficit (−), total	−21,943	69,246	124,414	33,081	62,152	−41,734	−35,380	159,497	−3,611
8 On-budget	−103,307	−29,949	724	−2,732	46,387	−47,250	−43,278	138,920	−7,360
9 Off-budget	81,364	99,195	123,690	35,813	15,765	5,516	7,897	20,577	3,750
Source of financing (total)									
10 Borrowing from the public	38,171	−51,211	−88,304	35,749	−83,985	17,131	39,746	−112,667	−53,755
11 Operating cash (decrease, or increase (−))	604	4,743	−17,580	−77,248	20,592	40,773	−22,808	−47,787	69,470
12 Other[2]	−16,832	−22,778	−18,530	8,418	1,241	−16,170	18,442	957	−12,104
MEMO									
13 Treasury operating balance (level, end of period)	43,621	38,878	56,458	83,327	62,735	21,962	44,770	92,557	23,087
14 Federal Reserve Banks	7,692	4,952	6,641	28,402	6,119	5,004	4,357	15,868	5,445
15 Tax and loan accounts	35,930	33,926	49,817	54,925	56,615	16,958	40,413	76,689	17,642

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		Calendar year						
	1998	1999	1998		1999		2000		
			H1	H2	H1	H2	Mar.	Apr.	May
RECEIPTS									
1 **All sources**	**1,721,798**	**1,827,454**	**922,630**	**825,057**	**966,045**	**892,266**	**135,582**	**295,148**	**146,002**
2 Individual income taxes, net	828,586	879,480	447,514	392,332	481,907[r]	425,451	44,789	184,237	63,687
3 Withheld	646,483	693,940	316,309	339,144	351,068	372,012	75,161	56,113	65,946
4 Nonwithheld	281,527	308,185	219,136	65,204	240,278	68,302	7,855	155,452	23,349
5 Refunds	99,476	122,706	87,989	12,032	109,467	14,841	38,239	27,343	25,619
Corporation income taxes									
6 Gross receipts	213,008	216,324	109,353	104,163	106,861	110,111	27,546	30,256	7,427
7 Refunds	24,593	31,645	14,220	14,250	17,092	13,996	3,273	2,562	1,654
8 Social insurance taxes and contributions, net	571,831	611,833	312,713	268,466	324,831	292,551	53,329	68,022	60,394
9 Employment taxes and contributions[2]	540,014	580,880	293,520	256,142	306,235	280,059	52,565	65,095	49,212
10 Unemployment insurance	27,484	26,480	17,080	10,121	16,378	10,173	317	2,557	10,778
11 Other net receipts[3]	4,333	4,473	2,112	2,202	2,216	2,319	447	370	403
12 Excise taxes	57,673	70,414	29,922	33,366	31,015	34,262	5,722	5,934	5,391
13 Customs deposits	18,297	18,336	8,546	9,838	8,440	10,287	1,681	1,503	1,598
14 Estate and gift taxes	24,076	27,782	12,971	12,359	14,915	14,001	2,379	4,243	2,480
15 Miscellaneous receipts[4]	32,658	34,929	15,829	18,735	15,140	19,569	3,412	3,515	6,678
OUTLAYS									
16 **All types**	**1,652,552**	**1,702,940**	**815,884**	**877,414**	**817,227**	**882,795**	**170,962**	**135,651**	**149,612**
17 National defense	268,456	274,873	129,351	140,196	134,414	149,820	29,177[r]	21,305	23,640
18 International affairs	13,109	15,243	4,610	8,297	6,879	8,530	859	2,190	764
19 General science, space, and technology	18,219	18,125	9,426	10,142	9,319	10,089	1,725	1,530	1,686
20 Energy	1,270	912	957	699	797	−90	−737	135	−167
21 Natural resources and environment	22,396	23,970	10,051	12,671	10,351	12,100	1,872	1,711	1,839
22 Agriculture	12,206	23,011	2,387	16,757	9,803	20,887	1,588	1,196	615
23 Commerce and housing credit	1,014	2,649	−2,483	4,046	−1,629	7,353	699	−1	1,063
24 Transportation	40,332	42,531	16,196	20,836	17,082	22,972	3,739	3,178	3,892
25 Community and regional development	9,720	11,870	4,863	6,972	5,368	7,135	1,221	1,561	1,047
26 Education, training, employment, and social services	54,919	56,402	25,928	27,762	29,003	27,532	6,656	4,496	5,143
27 Health	131,440	141,079	65,053	67,838	69,320	74,490	14,333	12,421	12,532
28 Social security and Medicare	572,047	580,488	286,305	316,809	261,146	295,030	54,344	46,309	52,741
29 Income security	233,202	237,707	125,196	109,481	126,552	113,504	29,211	17,801	19,342
30 Veterans benefits and services	41,781	43,212	19,615	22,750	20,105	23,412	5,957[r]	2,189	4,028
31 Administration of justice	22,832	25,924	11,287	12,041	13,149	13,459	2,647	2,066	2,616
32 General government	13,444	15,771	6,139	9,136	6,641	7,006	1,942	1,010	1,201
33 Net interest[5]	243,359	229,735	122,345	116,954	116,655	112,420	19,002	19,403	21,325
34 Undistributed offsetting receipts[6]	−47,194	−40,445	−21,340	−25,793	−17,724	−22,850	−3,270	−2,849	−3,697

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 2001*; 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	1998				1999				2000
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 **Federal debt outstanding**	**5,573**	**5,578**	**5,556**	**5,643**	**5,681**	**5,668**	**5,685**	**5,805**	**5,802**
2 Public debt securities	5,542	5,548	5,526	5,614	5,652	5,639	5,656	5,776	5,773
3 Held by public	3,872	3,790	3,761	3,787	3,795	3,685	3,667	3,716	3,688
4 Held by agencies	1,670	1,758	1,766	1,827	1,857	1,954	1,989	2,061	2,085
5 Agency securities	31	30	29	29	29	29	29	29	28
6 Held by public	26	26	26	29	28	28	28	28	28
7 Held by agencies	5	4	4	1	1	1	1	1	0
8 **Debt subject to statutory limit**	**5,457**	**5,460**	**5,440**	**5,530**	**5,566**	**5,552**	**5,568**	**5,687**	**5,687**
9 Public debt securities	5,456	5,460	5,439	5,530	5,566	5,552	5,568	5,687	5,686
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	5,950	5,950	5,950	5,950	5,950	5,950	5,950	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	1996	1997	1998	1999	1999			2000
					Q2	Q3	Q4	Q1
1 **Total gross public debt**	**5,323.2**	**5,502.4**	**5,614.2**	**5,776.1**	**5,638.8**	**5,656.3**	**5,776.1**	**5,773.4**
By type								
2 Interest-bearing	5,317.2	5,494.9	5,605.4	5,766.1	5,629.5	5,647.2	5,766.1	5,763.8
3 Marketable	3,459.7	3,456.8	3.355.5	3,281.0	3,248.5	3,233.0	3,281.0	3,261.2
4 Bills	777.4	715.4	691.0	737.1	647.8	653.2	737.1	753.3
5 Notes	2,112.3	2,106.1	1,960.7	1,784.5	1,868.5	1,828.8	1,784.5	1,732.6
6 Bonds	555.0	587.3	621.2	643.7	632.5	643.7	643.7	653.0
7 Inflation-indexed notes and bonds[1]	n.a.	33.0	50.6	68.2	59.9	67.6	68.2	74.7
8 Nonmarketable[2]	1,857.5	2,038.1	2,249.9	2,485.1	2,381.0	2,414.2	2,485.1	2,502.6
9 State and local government series	101.3	124.1	165.3	165.7	172.6	168.1	165.7	161.9
10 Foreign issues[3]	37 4	36.2	34.3	31.3	30.9	31.0	31.3	28.8
11 Government	47.4	36.2	34.3	31.3	30.9	31.0	31.3	28.8
12 Public	.0	.0	.0	.0	.0	.0	.0	.0
13 Savings bonds and notes	182.4	181.2	180.3	179.4	180.0	180.0	179.4	178.6
14 Government account series[4]	1,505.9	1,666.7	1,840.0	2,078.7	1,967.5	2,005.2	2,078.7	2,103.3
15 Non-interest-bearing	6.0	7.5	8.8	10.0	9.3	9.0	10.0	9.60
By holder[5]								
16 U.S. Treasury and other federal agencies and trust funds	1,497.2	1,655.7	1,826.8	2,060.6	1,953.6	1,989.1	2,060.6	2,085.4
17 Federal Reserve Banks	410.9	451.9	471.7	477.7	493.8	496.5	477.7	501.7
18 Private investors	3,431.2	3,414.6	3,334.0	3,233.9	3,199.2[r]	3,175.4[r]	3,233.9	3,182.8
19 Depository institutions	296.6	300.3	237.3	245.1	240.6	239.3[r]	245.1	n.a.
20 Mutual funds	315.8	321.5	343.2	350.9	335.4	336.9[r]	350.9	n.a.
21 Insurance companies	214.1	176.6	144.5	136.2	142.5	138.6[r]	136.2	n.a.
22 State and local treasuries[6]	257.0	239.3	269.3	266.8	279.1	271.6	266.8	n.a.
Individuals								
23 Savings bonds	187.0	186.5	186.7	186.5	186.6	186.2[r]	186.5	185.3
24 Pension funds	392.7	421.0	434.7	445.1	449.1	444.8[r]	445.1	n.a.
25 Private	189.2	204.1	218.1	232.8	226.6	228.3	232.8	n.a.
26 State and Local	203.5	216.9	216.6	212.3	222.5	216.5[r]	212.3	n.a.
27 Foreign and international[7]	1,102.1	1,241.6	1,278.7	1,268.8	1,258.6	1,281.3	1,268.8	1,274.0
28 Other miscellaneous investors[6,8]	665.9	527.9	439.6	334.5	307.3[r]	276.7[r]	334.5	n.a.

1. The U.S. Treasury first issued inflation-indexed securities 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. 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.
7. Includes nonmarketable foreign series treasury securities and treasury deposit funds. Excludes treasury securities held under repurchase agreements in custody accounts at the Federal Reserve Bank of New York.
8. Includes individuals, government-sponsored enterprises, brokers and dealers, bank personal trusts and estates, corporate and noncorporate businesses, and other investors.

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	2000			2000, week ending								
	Feb.	Mar.	Apr.	Apr. 5	Apr 12	Apr. 19	Apr. 26	May 3	May 10	May 17	May 24	May 31
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	31,065	33,838	27,907	34,575	26,377	27,818	26,445	24,872	19,335	22,827	21,223	29,554
Coupon securities, by maturity												
2 Five years or less	116,615	102,265	114,115	133,292	110,349	118,971	91,814	127,230	113,583	114,737	125,687	100,865
3 More than five years	87,516	65,123	69,668	81,807	83,550	71,056	46,844	58,932	69,457	60,045	50,707	51,980
4 Inflation-indexed	937	1,022	1,201	1,527	833	1,331	1,043	1,623	915	600	656	670
Federal agency												
5 Discount notes	53,679	56,650	58,111	54,853	49,733	58,531	65,757	67,597	63,775	79,742	59,625	60,053
Coupon securities, by maturity												
6 One year or less	999	1,310	1,220	1,530	1,112	1,221	1,149	1,166	1,039	1,531	933	502
7 More than one year, but less than or equal to five years	8,722	7,906	9,675	10,884	10,409	8,343	8,950	10,802	7,107	7,638	10,215	8,139
8 More than five years	7,723	8,816	8,295	11,601	10,955	7,192	4,031	7,971	6,275	8,649	6,827	4,907
9 Mortgage-backed	67,758	59,390	72,104	60,795	119,830	55,177	42,864	70,554	89,251	68,603	41,711	36,075
By type of counterparty												
With interdealer broker												
10 U.S. Treasury	122,906	101,083	108,736	125,501	118,917	113,062	81,173	102,449	104,819	100,706	97,750	88,357
11 Federal agency	7,958	8,127	9,029	10,661	10,176	9,524	6,385	7,766	8,057	8,949	8,495	6,338
12 Mortgage-backed	27,071	22,089	26,543	23,420	40,455	19,714	20,368	25,873	31,154	27,020	19,995	14,940
With other												
13 U.S. Treasury	113,227	101,164	104,155	125,700	102,191	106,115	84,973	110,209	98,472	97,503	100,523	94,713
14 Federal agency	63,165	66,554	68,271	68,207	62,034	65,762	73,502	79,770	70,139	88,611	69,105	67,262
15 Mortgage-backed	40,687	37,301	45,561	37,375	79,375	35,463	22,495	44,681	58,096	41,583	21,716	21,135
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
16 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	n.a.	0	n.a.
Coupon securities, by maturity												
17 Five years or less	6,293	4,022	2,667	3,192	3,248	2,276	1,426	3,885	3,650	3,836	6,878	5,916
18 More than five years	21,702	15,073	15,366	17,244	18,521	15,026	11,143	13,956	17,140	13,349	12,706	16,539
19 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0	0
Federal agency												
20 Discount notes	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
21 One year or less	0	0	0	0	0	0	0	0	0	0	0	0
22 More than one year, but less than or equal to five years	0	0	0	0	0	n.a.	0	0	0	0	0	0
23 More than five years	0	19	56	39	43	79	n.a.	55	43	67	160	158
24 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
25 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
26 Five years or less	1,397	1,490	1,608	2,206	1,538	1,073	1,337	2,765	1,872	2,043	2,264	1,021
27 More than five years	5,601	3,565	4,256	4,571	4,195	3,835	4,275	4,951	5,405	3,977	3,808	4,329
28 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0	0
Federal agency												
29 Discount notes	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
30 One year or less	0	0	0	0	0	0	0	0	0	0	0	0
31 More than one year, but less than or equal to five years	0	0	0	n.a.	n.a.	n.a.	n.a.	0	n.a.	n.a.	n.a.	n.a.
32 More than five years	0	0	0	n.a.	n.a.	n.a.	0	n.a.	n.a.	0	n.a.	n.a.
33 Mortgage-backed	776	856	686	1,141	731	511	386	927	1,058	1,205	1,188	921

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.

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

Millions of dollars

Item	2000			2000, week ending							
	Feb.	Mar	Apr.	Apr 5	Apr. 12	Apr. 19	Apr. 26	May 3	May 10	May 17	May 24
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	2,930	8,065	6,568	16,864	16,392	6,150	−2,464	−6,953	−4,737	−8,719	−5,988
Coupon securities, by maturity											
2 Five years or less	−37,515	−28,507	−28,803	−20,890	−27,548	−30,888	−27,331	−39,815	−40,347	−51,585	−42,019
3 More than five years	−22,779	−20,433	−18,591	−21,368	−18,772	−17,765	−15,731	−21,250	−23,905	−24,238	−21,221
4 Inflation-indexed	3,197	2,612	2,192	2,334	2,451	2,208	1,979	1,908	1,821	2,141	1,837
Federal agency											
5 Discount notes	37,602	32,628	28,299	29,022	29,220	22,763	31,357	30,118	24,144	27,046	26,524
Coupon securities, by maturity											
6 One year or less	9,710	12,553	15,284	14,631	15,933	15,774	14,911	14,759	14,726	14,390	10,273
7 More than one year, but less than or equal to five years	5,852	3,418	894	679	−583	972	1,497	2,555	106	1,630	7,487
8 More than five years	4,106	2,753	3,316	3,010	2,659	3,710	3,802	3,306	2,763	1,481	2,096
9 Mortgage-backed	15,723	20,966	27,631	25,867	26,812	26,682	29,546	29,580	25,367	23,584	12,753
NET FUTURES POSITIONS[4]											
By type of deliverable security											
10 U.S. Treasury bills	n.a.	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
11 Five years or less	14,668	13,382	13,480	11,796	12,895	13,071	13,724	16,900	18,598	19,996	16,145
12 More than five years	−2,067	−7,040	−2,131	−5,602	−1,525	−1,769	−2,107	470	1,024	3,293	2,537
13 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0
Federal agency											
14 Discount notes	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
15 One year or less	0	0	0	0	0	0	0	0	0	0	0
16 More than one year, but less than or equal to five years	0	0	0	n.a.	n.a.	0	n.a.	0	0	0	0
17 More than five years	0	−11	−40	−22	17	−105	−59	−13	−145	−123	−125
18 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
19 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
20 Five years or less	−2,684	−101	74	−184	311	−208	172	302	818	−395	205
21 More than five years	2,770	5,265	6,471	7,261	6,161	6,728	7,002	4,645	3,685	4,163	549
22 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0
Federal agency											
23 Discount notes	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
24 One year or less	0	0	0	0	0	0	0	0	0	0	0
25 More than one year, but less than or equal to five years	n.a.	n.a.	139	n.a.	n.a.	n.a.	80	242	273	374	n.a.
26 More than five years	n.a.	91	70	102	88	29	n.a.	n.a.	184	182	778
27 Mortgage-backed	2,728	1,261	52	324	−769	−316	455	1,091	1,299	1,102	655
	Financing[5]										
Reverse repurchase agreements											
28 Overnight and continuing	301,114	289,942	298,607	299,001	283,522	312,370	292,747	310,680	297,306	328,312	295,751
29 Term	711,031	818,513	792,459	729,113	775,840	796,484	820,733	844,198	884,511	718,663	768,550
Securities borrowed											
30 Overnight and continuing	261,280	261,482	280,029	271,340	268,638	278,064	289,386	297,888	297,278	316,172	307,579
31 Term	98,511	103,451	112,178	105,653	111,331	111,587	116,685	114,967	114,545	101,483	103,676
Securities received as pledge											
32 Overnight and continuing	1,632	2,008	1,890	1,890	n.a.	n.a.	n.a.	n.a.	1,686	1,810	n.a.
33 Term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Repurchase agreements											
34 Overnight and continuing	729,491	715,903	732,319	736,338	728,373	736,302	728,756	733,463	716,480	762,432	711,311
35 Term	580,824	695,275	682,363	613,835	660,868	693,987	713,667	730,516	766,886	592,722	655,885
Securities loaned											
36 Overnight and continuing	10,660	8,550	7,750	7,554	7,456	8,093	7,796	7,830	7,676	8,546	8,773
37 Term	6,087	7,671	7,738	6,762	6,300	7,263	9,595	9,053	9,923	8,810	8,977
Securities pledged											
38 Overnight and continuing	51,230	58,304	61,754	62,868	58,139	61,451	65,493	60,672	59,059	63,031	60,489
39 Term	7,232	6,848	7,132	7,317	7,269	7,019	7,118	6,880	7,040	4,846	5,138
Collateralized loans											
40 Total	16,629	15,816	22,002	23,853	24,565	23,185	19,188	18,054	21,471	8,955	18,053

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.

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

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1996	1997	1998	1999	1999		2000		
					Nov.	Dec.	Jan.	Feb.	Mar.
1 **Federal and federally sponsored agencies**	**925,823**	**1,022,609**	**1,296,477**	**1,616,492**	n.a.	**1,616,492**	**1,620,814**	**1,635,828**	**1,644,276**
2 Federal agencies	29,380	27,792	26,502	26,376	28,218	26,376	26,277	26,168	26,231
3 Defense Department[1]	6	6	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	1,447	552	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Federal Housing Administration[4]	84	102	205	126	126	126	126	155	168
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]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Tennessee Valley Authority	27,853	27,786	26,496	26,370	28,212	26,370	26,271	26,162	26,225
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]	896,443	994,817	1,269,975	1,590,116	n.a.	1,590,116	1,594,537	1,609,660	1,618,045
11 Federal Home Loan Banks	263,404	313,919	382,131	529,005	502,842	529,005	522,692	527,835	535,284
12 Federal Home Loan Mortgage Corporation	156,980	169,200	287,396	360,711	357,317	360,711	372,586	380,660	378,006
13 Federal National Mortgage Association	331,270	369,774	460,291	547,619	540,364	547,619	544,360	547,100	557,543
14 Farm Credit Banks[8]	60,053	63,517	63,488	68,883	67,654	68,883	69,082	69,147	67,154
15 Student Loan Marketing Association[9]	44,763	37,717	35,399	41,988	44,402	41,988	43,762	42,723	38,089
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]	**58,172**	**49,090**	**44,129**	**42,152**	**42,843**	**42,152**	**40,753**	**40,182**	**39,306**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	1,431	552	↑	↑	↑	↑	↑	↑	↑
21 Postal Service[6]	n.a.	n.a.							
22 Student Loan Marketing Association	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23 Tennessee Valley Authority	n.a.	n.a.							
24 United States Railway Association[6]	n.a.	n.a.	↓	↓	↓	↓	↓	↓	↓
Other lending[14]									
25 Farmers Home Administration	18,325	13,530	9,500	6,665	6,775	6,665	6,565	6,515	6,350
26 Rural Electrification Administration	16,702	14,898	14,091	14,085	14,025	14,085	13,958	14,016	13,152
27 Other	21,714	20,110	20,538	21,402	22,043	21,402	20,230	19,651	19,804

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	1997	1998	1999	1999 Oct.	1999 Nov.	1999 Dec.	2000 Jan.	2000 Feb.	2000 Mar.	2000 Apr.	2000 May
1 **All issues, new and refunding**[1]	**214,694**	**262,342**	**215,427**	**17,497**	**17,428**	**14,751**	**8,969**	**10,905**	**16,780**	**14,233**	**14,136**
By type of issue											
2 General obligation	69,934	87,015	73,308	4,183	4,996	3,715	3,454	4,473	5,008	4,598	6,051
3 Revenue	134,989	175,327	142,120	13,314	12,433	11,035	5,516	6,433	11,773	9,635	8,086
By type of issuer											
4 State	18,237	23,506	16,376	1,753	929	834	863	1,730	1,570	1,371	1,102
5 Special district or statutory authority[2]	134,919	178,421	152,418	12,186	12,613	10,640	5,784	7,414	11,098	10,229	9,639
6 Municipality, county, or township	70,558	60,173	46,634	3,557	3,886	3,277	2,322	1,761	4,112	2,633	3,396
7 **Issues for new capital**	**135,519**	**160,568**	**161,065**	**14,908**	**14,084**	**11,475**	**8,009**	**9,382**	**13,508**	**12,029**	**12,481**
By use of proceeds											
8 Education	31,860	36,904	36,563	2,049	2,732	3,095	2,189	2,548	3,436	2,484	3,662
9 Transportation	13,951	19,926	17,394	1,674	892	1,201	1,064	723	2,723	768	1,778
10 Utilities and conservation	12,219	21,037	15,098	1,176	1,893	1,008	588	115	1,086	729	537
11 Social welfare	27,794	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Industrial aid	6,667	8,594	9,099	726	668	707	89	647	747	762	585
13 Other purposes	35,095	42,450	47,896	4,509	5,213	3,141	2,885	2,804	2,426	3,903	3,557

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	1997	1998	1999	1999 Sept.	1999 Oct.	1999 Nov.	1999 Dec.	2000 Jan.	2000 Feb.	2000 Mar.	2000 Apr.
1 **All issues**[1]	**929,256**	**1,128,491**	**1,072,866**	**82,414**	**58,613**	**85,016**	**50,805**	**55,714**	**85,679**	**113,093**[r]	**61,793**
2 **Bonds**[2]	**811,376**	**1,001,736**	**941,298**	**75,807**	**47,103**	**61,033**	**42,477**	**44,220**	**63,391**	**96,148**	**40,941**
By type of offering											
3 Sold in the United States	708,188	923,771	818,683	65,679	37,721	53,908	36,488	30,784	56,727	87,603	36,724
4 Sold abroad	103,188	77,965	122,615	10,128	9,382	7,125	5,989	13,436	6,664	8,545	4,217
MEMO											
5 Private placements, domestic	n.a.	n.a	n.a.	1,640	1,632	1,237	3,241	967	65	n.a.	n.a.
By industry group											
6 Nonfinancial	222,603	307,935	293,963	20,655	13,990	24,283	14,614	14,599	26,598	28,086	8,060
7 Financial	588,773	693,801	647,335	55,151	33,112	36,750	27,863	29,620	36,792	68,062	32,881
8 **Stocks**[3]	**117,880**	**126,755**	**131,568**	**6,607**	**11,510**	**23,983**	**8,328**	**11,494**	**22,288**	**16,945**[r]	**20,852**
By type of offering											
9 Public	117,880	126,755	131,568	6,607	11,510	23,983	8,328	11,494	22,288	16,945[r]	20,852
10 Private placement[4]	55,450	78,850	86,300	7,192	7,192	7,192	7,192	n.a.	n.a.	n.a.	n.a.
By industry group											
11 Nonfinancial	60,386	74,113	110,284	5,647	10,961	22,611	7,450	9,247	21,796	15,679[r]	16,593
12 Financial	57,494	52,642	21,284	960	549	1,372	878	2,247	492	1,266	4,259

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, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data include 144(a) offerings.
3. Monthly data cover only public offerings.
4. Data are not available.

SOURCE. 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	1998	1999	1999			2000				
			Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May
1 **Sales of own shares**[2]	**1,461,430**	**1,791,894**	**140,738**	**155,490**	**185,898**	**226,251**	**237,861**	**269,118**	**202,248**	**172,628**
2 Redemptions of own shares	1,217,022	1,621,987	124,052	143,688	178,855	204,380	197,423	243,194	176,671	163,034
3 Net sales[3]	244,408	169,906	16,686	11,801	7,042	21,871	40,438	25,924	25,577	9,595
4 **Assets**[4]	**4,173,531**	**5,233,191**	**4,705,746**	**4,874,733**	**5,233,191**	**5,114,482**	**5,375,874**	**5,606,254**	**5,391,187**	**5,232,267**
5 Cash[5]	191,393	219,189	225,762	214,751	219,189	222,729	231,480	221,623	254,819	260,543
6 Other	3,982,138	5,014,002	4,479,985	4,659,982	5,014,002	4,891,753	5,144,394	5,384,630	5,136,368	4,971,724

1. Data include stock, hybrid, and bond mutual funds and exclude money market mutual funds.
2. Excludes reinvestment of net income dividends and 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	1997	1998	1999	1998			1999				2000
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
1 Profits with inventory valuation and capital consumption adjustment	838.5	848.4	892.7	849.4	846.8	839.0	886.9	880.5	884.1	919.4	953.9
2 Profits before taxes	795.9	781.9	848.5	792.0	780.1	766.7	818.1	835.8	853.8	886.3	923.7
3 Profits-tax liability	238.3	240.2	259.4	241.1	244.3	235.6	248.0	254.4	259.4	275.7	288.7
4 Profits after taxes	557.6	541.7	589.1	550.9	535.8	531.0	570.1	581.4	594.3	610.6	635.0
5 Dividends	333.7	348.6	364.7	347.3	348.4	352.2	356.4	361.5	367.3	373.5	380.0
6 Undistributed profits	223.9	193.1	224.4	203.6	187.4	178.8	213.7	219.9	227.0	237.1	255.0
7 Inventory valuation	7.4	20.9	−13.0	13.6	19.8	20.8	13.3	−13.6	−26.7	−24.9	−26.7
8 Capital consumption adjustment	35.3	45.6	57.2	43.8	46.9	51.6	55.5	58.2	57.0	58.0	56.9

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	1997	1998	1999[r]	1998		1999				2000
				Q3	Q4	Q1	Q2	Q3	Q4	Q1
ASSETS										
1 Accounts receivable, gross[2]	663.3	711.7	811.5	687.6	711.7	733.8	756.5	776.3	811.5	848.8
2 Consumer	256.8	261.8	279.8	254.0	261.8	261.7	269.2	271.0	279.8	285.5
3 Business	318.5	347.5	405.2	335.1	347.5	362.8	373.7	383.0	405.2	434.6
4 Real estate	87.9	102.3	126.5	98.5	102.3	109.2	113.5	122.3	126.5	128.8
5 LESS: Reserves for unearned income	52.7	56.3	53.5	52.4	56.3	52.9	53.4	54.0	53.5	53.9
6 Reserves for losses	13.0	13.8	13.5	13.2	13.8	13.4	13.4	13.6	13.5	14.0
7 Accounts receivable, net	597.6	641.6	744.6	622.0	641.6	667.6	689.7	708.6	744.6	780.9
8 All other	312.4	337.9	406.3	313.7	337.9	363.3	373.2	368.5	406.3	412.5
9 **Total assets**	**910.0**	**979.5**	**1,150.9**	**935.7**	**979.5**	**1,030.8**	**1,062.9**	**1,077.2**	**1,150.9**	**1,193.4**
LIABILITIES AND CAPITAL										
10 Bank loans	24.1	26.3	35.1	24.9	26.3	24.8	25.1	27.0	35.1	30.7
11 Commercial paper	201.5	231.5	227.9	226.9	231.5	222.9	231.0	205.3	227.9	229.7
Debt										
12 Owed to parent	64.7	61.8	123.8	58.3	61.8	64.6	65.4	84.5	123.8	145.2
13 Not elsewhere classified	328.8	339.7	397.0	337.6	339.7	366.7	383.1	396.2	397.0	410.0
14 All other liabilities	189.6	203.2	222.7	185.4	203.2	220.3	226.1	216.0	222.7	241.6
15 Capital, surplus, and undivided profits	101.3	117.0	144.5	103.6	117.0	131.5	132.2	148.2	144.5	136.2
16 **Total liabilities and capital**	**910.0**	**979.5**	**1,150.9**	**936.6**	**979.5**	**1,030.8**	**1,062.9**	**1,077.2**	**1,150.9**	**1,193.4**

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. Excludes pools of securitized assets.

1.52 DOMESTIC FINANCE COMPANIES Owned and Managed Receivables[1]

Billions of dollars, amounts outstanding

Type of credit	1997	1998	1999	1999 Nov.	1999 Dec.	2000 Jan.	2000 Feb.	2000 Mar.	2000 Apr.[p]
	Seasonally adjusted								
1 **Total**	**810.5**	**875.8**	**993.9**	**984.8**	**993.9**	**1,022.4**	**1,032.2**	**1,054.1[r]**	**1,073.2**
2 Consumer	327.9	352.8	385.3	385.2	385.3	391.7	395.5	396.7[r]	398.2
3 Real estate	121.1	131.4	154.7	152.7	154.7	159.1	162.3	167.9	173.1
4 Business	361.5	391.6	453.9	446.9	453.9	471.6	474.4	489.4	501.9
	Not seasonally adjusted								
5 **Total**	**818.1**	**884.0**	**1,003.2**	**986.3**	**1,003.2**	**1,022.4**	**1,031.9**	**1,057.0[r]**	**1,073.4**
6 Consumer	330.9	356.1	388.8	386.5	388.8	391.1	392.3	392.8[r]	394.6
7 Motor vehicles loans	87.0	103.1	114.7	111.6	114.7	117.6	121.3	121.1	120.9
8 Motor vehicle leases	96.8	93.3	98.3	99.1	98.3	99.3	100.7	101.7	102.8
9 Revolving[2]	38.6	32.3	33.8	30.5	33.8	34.4	32.9	31.5	31.9
10 Other[3]	34.4	33.1	33.1	33.2	33.1	33.0	32.7	31.1[r]	31.4
Securitized assets[4]									
11 Motor vehicle loans	44.3	54.8	71.1	74.6	71.1	69.6	67.8	71.2	72.1
12 Motor vehicle leases	10.8	12.7	9.7	10.0	9.7	9.5	9.2	8.8	8.5
13 Revolving	.0	8.7	10.5	10.2	10.5	10.4	10.4	10.3	10.1
14 Other	19.0	18.1	17.7	17.4	17.7	17.4	17.3	17.1	16.8
15 Real estate	121.1	131.4	154.7	152.7	154.7	159.1	162.3	167.9	173.1
16 One- to four-family	59.0	75.7	88.3	89.4	88.3	91.1	91.7	90.4	93.6
17 Other	28.9	26.6	38.3	37.1	38.3	38.6	38.4	38.4	39.0
Securitized real estate assets[4]									
18 One- to four-family	33.0	29.0	28.0	25.9	28.0	29.2	32.0	38.9	40.2
19 Other	.2	.1	.2	.2	.2	.2	.2	.2	0.2
20 Business	366.1	396.5	459.6	447.1	459.6	472.2	477.4	496.3	505.7
21 Motor vehicles	63.5	79.6	87.8	85.4	87.8	87.9	89.6	90.2	93.6
22 Retail loans	25.6	28.1	33.2	33.7	33.2	33.3	33.7	32.3	32.7
23 Wholesale loans[5]	27.7	32.8	34.7	32.6	34.7	34.6	35.8	37.9	38.9
24 Leases	10.2	18.7	19.9	19.2	19.9	20.1	20.1	19.9	22.0
25 Equipment	203.9	198.0	221.9	211.2	221.9	222.3	225.1	238.0	243.1
26 Loans	51.5	50.4	52.2	49.1	52.2	51.9	52.8	54.9	55.6
27 Leases	152.3	147.6	169.7	162.1	169.7	170.4	172.3	183.1	187.5
28 Other business receivables[6]	51.1	69.9	95.5	98.2	95.5	99.6	101.4	106.4	107.0
Securitized assets[4]									
29 Motor vehicles	33.0	29.2	31.5	30.6	31.5	31.5	31.0	31.5	32.3
30 Retail loans	2.4	2.6	2.9	3.0	2.9	2.9	2.8	3.2	3.1
31 Wholesale loans	30.5	24.7	26.4	25.6	26.4	26.5	26.1	25.9	26.8
32 Leases	.0	1.9	2.1	2.0	2.1	2.1	2.1	2.4	2.4
33 Equipment	10.7	13.0	14.6	14.0	14.6	22.8	22.5	22.0	21.7
34 Loans	4.2	6.6	7.9	7.4	7.9	16.1	15.9	15.4	15.2
35 Leases	6.5	6.4	6.7	6.6	6.7	6.7	6.6	6.5	6.5
36 Other business receivables[6]	4.0	6.8	8.4	7.7	8.4	8.1	7.7	8.3	8.0

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	1997	1998	1999	1999 Nov.	1999 Dec.	2000 Jan.	2000 Feb.	2000 Mar.	2000 Apr.	2000 May
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	180.1	195.2	210.7	220.8	216.3	223.7	216.9	226.0	224.2	232.2
2 Amount of loan (thousands of dollars)	140.3	151.1	161.7	167.0	167.2	169.9	165.6	170.7	170.2	176.3
3 Loan-to-price ratio (percent)	80.4	80.0	78.7	77.4	78.6	77.9	78.4	77.7	77.9	78.0
4 Maturity (years)	28.2	28.4	28.8	29.0	29.0	29.1	29.1	29.0	29.1	29.2
5 Fees and charges (percent of loan amount)[2]	1.02	.89	.77	.73	.71	.75	.71	.68	.68	.71
Yield (percent per year)										
6 Contract rate[1]	7.57	6.95	6.94	7.13	7.18	7.34	7.43	7.49	7.52	7.44
7 Effective rate[1,3]	7.73	7.08	7.06	7.24	7.28	7.45	7.54	7.60	7.63	7.55
8 Contract rate (HUD series)[4]	7.76	7.00	7.45	7.79	7.95	8.21	8.20	8.19	8.29	8.26
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	7.89	7.04	7.74	8.06	8.55	8.56	8.53	8.35	8.33	8.58
10 GNMA securities[6]	7.26	6.43	7.03	7.37	7.58	7.84	7.96	7.79	7.64	8.06
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	316,678	414,515	523,941	518,337	523,941	527,977	535,096	538,751	539,181	545,803
12 FHA/VA insured	31,925	33,770	55,318	52,632	55,318	57,369	58,294	58,451	58,899	59,140
13 Conventional	284,753	380,745	468,623	465,705	468,623	470,608	476,802	480,300	480,282	486,663
14 Mortgage transactions purchased (during period)	70,465	188,448	195,210	14,683	11,416	9,035	11,484	8,801	6,257	12,872
Mortgage commitments (during period)										
15 Issued[7]	69,965	193,795	187,948	12,050	9,931	9,130	9,811	10,051	12,524	10,450
16 To sell[8]	1,298	1,880	5,900	381	1,592	1,287	612	1,954	1,340	1,594
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	164,421	255,010	324,443	323,027	324,443	325,914	328,598	336,338	339,207	347,370
18 FHA/VA insured	177	785	1,836	1,848	1,836	1,806	1,719	2,521	1,987	3,116
19 Conventional	164,244	254,225	322,607	321,179	322,607	324,108	326,879	333,817	337,220	344,254
Mortgage transactions (during period)										
20 Purchases	117,401	267,402	239,793	11,869	9,335	12,942	6,747	9,323	8,393	15,741
21 Sales	114,258	250,565	233,031	11,129	8,589	12,764	6,424	8,569	8,077	15,261
22 Mortgage commitments contracted (during period)[9]	120,089	281,899	228,432	10,501	11,587	8,341	7,156	10,122	8,750	13,807

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	1996	1997	1998	1999				2000
				Q1	Q2	Q3	Q4	Q1
1 **All holders**	**4,877,536[r]**	**5,211,286[r]**	**5,736,638[r]**	**5,876,132[r]**	**6,029,340[r]**	**6,238,187[r]**	**6,387,651[r]**	**6,503,518**
By type of property								
2 One- to four-family residences	3,718,723[r]	3,970,848[r]	4,355,376[r]	4,447,543[r]	4,561,061[r]	4,692,093[r]	4,788,204[r]	4,862,061
3 Multifamily residences	289,186[r]	302,517[r]	330,551[r]	341,889[r]	349,310[r]	359,904[r]	373,514[r]	382,602
4 Nonfarm, nonresidential	782,493[r]	847,623[r]	954,205[r]	989,302[r]	1,019,331[r]	1,084,794[r]	1,122,968[r]	1,154,354
5 Farm	87,134	90,299	96,506	97,398[r]	99,638[r]	101,396[r]	102,965[r]	104,501
By type of holder								
6 Major financial institutions	1,981,886[r]	2,083,981[r]	2,194,813	2,202,218[r]	2,242,431[r]	2,321,356[r]	2,393,684[r]	2,460,338
7 Commercial banks[2]	1,145,389	1,245,315	1,337,217	1,336,733	1,361,365	1,418,819	1,495,717	1,547,038
8 One- to four-family	677,603	745,510	797,492[r]	782,446[r]	790,372[r]	827,291[r]	879,676[r]	904,710
9 Multifamily	45,451	49,670	54,116[r]	58,036[r]	60,529[r]	63,964[r]	67,591[r]	72,431
10 Nonfarm, nonresidential	397,452	423,148	456,574[r]	466,738[r]	479,929[r]	496,246[r]	516,611[r]	537,224
11 Farm	24,883	26,986	29,035	29,513	30,536	31,320	31,839	32,673
12 Savings institutions[3]	628,335	631,826[r]	643,957	646,510	656,518	676,346	668,634	680,745
13 One- to four-family	513,712	520,782[r]	533,918[r]	534,898[r]	544,962[r]	560,622[r]	549,072[r]	560,046
14 Multifamily	61,570	59,540[r]	56,821[r]	56,759[r]	55,016[r]	57,282[r]	59,138[r]	57,759
15 Nonfarm, nonresidential	52,723	51,150[r]	52,801[r]	54,417[r]	56,096[r]	57,983[r]	59,948[r]	62,447
16 Farm	331	354	417	435	443	459	475	493
17 Life insurance companies	208,162[r]	206,840[r]	213,640	218,975[r]	224,548[r]	226,190[r]	229,333[r]	232,555
18 One- to four-family	6,977	7,187	6,590	6,953[r]	7,292[r]	7,432[r]	5,935[r]	6,137
19 Multifamily	30,750	30,402	31,522	31,515[r]	31,800[r]	31,998[r]	32,592[r]	32,983
20 Nonfarm, nonresidential	160,315[r]	158,779[r]	164,004	168,795[r]	173,495[r]	174,571[r]	177,817[r]	179,949
21 Farm	10,120	10,472	11,524	11,712[r]	11,961[r]	12,189[r]	12,989[r]	13,486
22 Federal and related agencies	295,192	286,167	292,636	288,176	288,038	320,850[r]	320,105[r]	318,240
23 Government National Mortgage Association	2	8	7	6	8	8	7	7
24 One- to four-family	2	8	7	6	8	8	7	7
25 Multifamily	0	0	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,596	41,195	40,851	40,691	40,766	73,705	73,871	72,899
27 One- to four-family	17,303	17,253	16,895	16,777	16,653	16,583	16,506	16,456
28 Multifamily	11,685	11,720	11,739	11,731	11,735	11,745	11,741	11,732
29 Nonfarm, nonresidential	6,841	7,370	7,705	7,769	7,943	41,068	41,355	40,509
30 Farm	5,768	4,852	4,513	4,413	4,435	4,308	4,268	4,202
31 Federal Housing and Veterans' Administrations	6,244	3,821	3,674	3,538	3,490	3,889	3,712[r]	3,773
32 One- to four-family	3,524	1,767	1,849	1,713	1,623	2,013	1,851[r]	1,826
33 Multifamily	2,719	2,054	1,825	1,825	1,867	1,876	1,861[r]	1,947
34 Resolution Trust Corporation	0	0	0	0	0	0	0	0
35 One- to four-family	0	0	0	0	0	0	0	0
36 Multifamily	0	0	0	0	0	0	0	0
37 Nonfarm, nonresidential	0	0	0	0	0	0	0	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	2,431	724	361	315	189	163	152	98
40 One- to four-family	365	109	54	47	28	24	23	15
41 Multifamily	413	123	61	54	32	28	26	17
42 Nonfarm, nonresidential	1,653	492	245	214	129	111	103	67
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	168,813	161,308	157,675	157,185	155,637	153,172[r]	151,500[r]	150,312
45 One- to four-family	155,008	149,831	147,594	147,063	145,033	142,982	141,195	139,986
46 Multifamily	13,805	11,477	10,081	10,122	10,604	10,190[r]	10,305[r]	10,326
47 Federal Land Banks	29,602	30,657	32,983	33,128	33,666	34,218	34,187[r]	34,142
48 One- to four-family	1,742	1,804	1,941	1,949	1,981	2,013	2,012[r]	2,009
49 Farm	27,860	28,853	31,042	31,179	31,685	32,205	32,175[r]	32,133
50 Federal Home Loan Mortgage Corporation	46,504	48,454	57,085	53,313	54,282	55,695	56,676	57,009
51 One- to four-family	41,758	42,629	49,106	44,140	43,574	44,010	44,321	43,384
52 Multifamily	4,746	5,825	7,979	9,173	10,708	11,685	12,355	13,625
53 Mortgage pools or trusts[5]	2,040,848[r]	2,239,350[r]	2,589,764[r]	2,715,196[r]	2.810,119	2,891,187[r]	2,954,836[r]	3,000,462
54 Government National Mortgage Association	506,246[r]	536,879	537,446	543,280	553,196	569,038	582,307[r]	589,385
55 One- to four-family	494,064[r]	523,225	522,498	527,886	537,287	552,670	565,233[r]	571,699
56 Multifamily	12,182	13,654	14,948	15,395	15,909	16,368	17,074	17,686
57 Federal Home Loan Mortgage Corporation	554,260	579,385	646,459	687,179	718,085	738,581	749,081	757,106
58 One- to four-family	551,513	576,846	643,465	684,240	714,844	735,088	744,619	752,607
59 Multifamily	2,747	2,539	2,994	2,939	3,241	3,493	4,462	4,499
60 Federal National Mortgage Association	650,780	709,582	834,518	881,815	911,435	938,484	960,883	975,815
61 One- to four-family	633,210	687,981	804,205	849,513	877,863	903,531	924,941	938,898
62 Multifamily	17,570	21,601	30,313	32,302	33,572	34,953	35,942	36,917
63 Farmers Home Administration[4]	3	2	1	1	1	0	0	0
64 One- to four-family	0	0	0	0	0	0	0	0
65 Multifamily	0	0	0	0	0	0	0	0
66 Nonfarm, nonresidential	0	0	0	0	0	0	0	0
67 Farm	3	2	1	1	1	0	0	0
68 Private mortgage conduits	329,559[r]	413,502[r]	571,340[r]	602,921[r]	627,402[r]	645,084[r]	662,565[r]	678,156
69 One- to four-family[6]	258,800[r]	316,400[r]	412,700[r]	430,653	447,938	455,276	462,600	471,390
70 Multifamily	16,369[r]	21,591[r]	34,323[r]	37,736[r]	39,435[r]	40,936[r]	42,628[r]	43,835
71 Nonfarm, nonresidential	54,390[r]	75,511[r]	124,317[r]	134,532[r]	140,029[r]	148,873[r]	157,337[r]	162,930
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[7]	559,609	601,788[r]	659,425[r]	670,542[r]	688,753[r]	704,794[r]	719,026[r]	724,478
74 One- to four-family	363,143	379,516[r]	417,063[r]	419,258[r]	431,603[r]	442,550[r]	450,213[r]	452,891
75 Multifamily	69,179	72,320[r]	73,829[r]	74,302[r]	74,863[r]	75,386[r]	77,799[r]	78,846
76 Nonfarm, nonresidential	109,119	131,173[r]	148,559[r]	156,836[r]	161,711[r]	165,943[r]	169,796[r]	171,228
77 Farm	18,169	18,779	19,974	20,145[r]	20,577[r]	20,916[r]	21,218[r]	21,513

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	1997	1998	1999	1999 Nov.	1999 Dec.	2000 Jan.	2000 Feb.	2000 Mar.	2000 Apr.[p]
	Seasonally adjusted								
1 **Total**	**1,234,461**	**1,301,023**	**1,393,657**	**1,382,727**	**1,393,657**	**1,409,387**	**1,418,756**	**1,429,431**	**1,438,201**
2 Revolving	531,163	560,504	595,610	588,972	595,610	603,782	608,523	615,510	622,005
3 Nonrevolving[2]	703,297	740,519	798,047	793,755	798,047	805,605	810,233	813,921	816,197
	Not seasonally adjusted								
4 **Total**	**1,264,103**	**1,331,742**	**1,426,151**	**1,389,747**	**1,426,151**	**1,419,258**	**1,413,585**	**1,416,228**	**1,425,998**
By major holder									
5 Commercial banks	512,563	508,932	499,758	480,763	499,758	498,589	499,148	497,120	502,679
6 Finance companies	160,022	168,491	181,573	175,296	181,573	184,887	186,896	183,705	184,050
7 Credit unions	152,362	155,406	167,921	165,951	167,921	168,109	168,209	169,487	171,257
8 Savings institutions	47,172	51,611	61,527	61,035	61,527	60,674	59,821	58,968	59,472
9 Nonfinancial business	78,927	74,877	80,311	70,286	80,311	76,048	73,509	72,908	72,979
10 Pools of securitized assets[3]	313,057	372,425	435,061	436,416	435,061	430,951	426,002	434,040	435,561
By major type of credit[4]									
11 Revolving	555,858	586,528	623,245	592,022	623,245	614,528	609,387	609,086	615,138
12 Commercial banks	219,826	210,346	189,352	172,345	189,352	185,451	186,379	184,901	188,691
13 Finance companies	38,608	32,309	33,814	30,512	33,814	34,352	32,885	31,456	31,928
14 Credit unions	19,552	19,930	20,641	19,582	20,641	20,175	19,941	19,764	19,929
15 Savings institutions	11,441	12,450	15,838	15,046	15,838	15,551	15,263	14,975	15,291
16 Nonfinancial business	44,966	39,166	42,783	36,002	42,783	39,746	37,918	37,430	37,418
17 Pools of securitized assets[3]	221,465	272,327	320,817	318,535	320,817	319,253	317,001	320,560	321,881
18 Nonrevolving	708,245	745,214	802,906	797,725	802,906	804,730	804,198	807,142	810,860
19 Commercial banks	292,737	298,586	310,406	308,418	310,406	313,138	312,769	312,219	313,988
20 Finance companies	121,414	136,182	147,759	144,784	147,759	150,535	154,011	152,249	152,122
21 Credit unions	132,810	135,476	147,280	146,369	147,280	147,934	148,268	149,723	151,328
22 Savings institutions	35,731	39,161	45,689	45,989	45,689	45,123	44,558	43,993	44,181
23 Nonfinancial business	33,961	35,711	37,528	34,284	37,528	36,302	35,591	35,478	35,561
24 Pools of securitized assets[3]	91,592	100,098	114,244	117,881	114,244	111,698	109,001	113,480	113,680

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals, excluding loans secured by real estate. 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 motor vehicle loans, mobile home loans, and all other loans that are not included in revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.
3. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.
4. 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	1997	1998	1999	1999 Oct.	1999 Nov.	1999 Dec.	2000 Jan.	2000 Feb.	2000 Mar.	2000 Apr.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	9.02	8.72	8.44	n.a.	8.66	n.a.	n.a.	8.88	n.a.	n.a.
2 24-month personal	13.90	13.74	13.39	n.a.	13.52	n.a.	n.a.	13.76	n.a.	n.a.
Credit card plan										
3 All accounts	15.77	15.71	15.21	n.a.	15.13	n.a.	n.a.	15.47	n.a.	n.a.
4 Accounts assessed interest	15.57	15.59	14.81	n.a.	14.77	n.a.	n.a.	14.32	n.a.	n.a.
Auto finance companies										
5 New car	7.12	6.30	6.66	7.07	7.44	7.32	7.18	7.34	6.76	6.38
6 Used car	13.27	12.64	12.60	13.28	13.27	13.28	12.95	13.27	13.45	13.52
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.1	52.1	52.7	53.2	53.9	53.4	52.9	52.7	53.1	53.8
8 Used car	51.0	53.5	55.9	55.8	55.8	55.6	57.0	57.1	57.1	57.1
Loan-to-value ratio										
9 New car	92	92	92	92	91	91	91	92	93	93
10 Used car	99	99	99	100	99	99	98	98	99	98
Amount financed (dollars)										
11 New car	18,077	19,083	19,880	20,335	20,517	20,699	20,503	20,206	20,395	20,542
12 Used car	12,281	12,691	13,642	13,613	13,777	13,970	13,809	13,697	13,666	13,871

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	1994	1995	1996	1997	1998	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Q3	1999 Q4	2000 Q1
						Nonfinancial sectors						
1 **Total net borrowing by domestic nonfinancial sectors**	**568.0**	**712.0**	**732.5**	**805.5**	**1,038.1**	**909.0**	**1,087.1**	**1,287.7**	**889.1**	**1,180.9**	**1,123.7**	**956.6**
By sector and instrument												
2 Federal government	155.8	144.4	145.0	23.1	−52.6	−113.5	−54.1	−75.2	−112.2	−83.1	−14.3	−204.0
3 Treasury securities	155.7	142.9	146.6	23.2	−54.6	−113.1	−66.3	−73.7	−112.8	−83.2	−14.3	−201.9
4 Budget agency securities and mortgages	.2	1.5	−1.6	−.1	2.0	−.4	12.2	−1.5	.6	.0	.0	−2.1
5 Nonfederal	412.2	567.6	587.5	782.4	1,090.7	1,022.5	1,141.3	1,363.0	1,001.3	1,264.0	1,138.0	1,160.6
By instrument												
6 Commercial paper	21.4	18.1	−.9	13.7	24.4	85.6	−43.0	58.3	−2.6	49.8	44.0	36.4
7 Municipal securities and loans	−35.9	−48.2	2.6	71.4	96.8	82.9	89.6	100.7	48.0	77.0	47.0	19.3
8 Corporate bonds	23.3	91.1	116.3	150.5	218.7	108.0	193.2	274.0	287.6	202.8	155.2	189.0
9 Bank loans n.e.c.	75.2	103.7	70.5	106.5	108.2	107.8	120.9	70.0	22.2	112.8	125.8	104.5
10 Other loans and advances	34.0	67.2	33.5	69.1	74.3	77.7	102.5	153.9	−14.5	79.0	56.2	172.0
11 Mortgages	169.3	196.7	276.9	318.7	500.6	480.9	608.1	575.4	599.2	666.4	600.4	496.4
12 Home	183.4	180.4	242.2	251.9	383.3	389.8	441.3	413.9	428.1	491.3	398.0	338.0
13 Multifamily residential	−3.7	5.9	9.5	8.4	18.8	11.1	26.3	35.3	33.4	45.9	48.1	33.8
14 Commercial	−12.7	8.9	22.7	55.2	92.3	74.6	131.9	122.6	128.7	122.1	151.8	120.7
15 Farm	2.2	1.6	2.6	3.2	6.2	5.5	8.6	3.6	9.0	7.0	2.5	3.9
16 Consumer credit	124.9	138.9	88.8	52.5	67.6	79.6	69.9	130.5	61.4	76.2	109.5	143.1
By borrowing sector												
17 Household	313.6	348.5	347.3	332.9	476.9	477.7	530.4	543.7	511.6	600.9	515.5	502.5
18 Nonfinancial business	144.8	270.6	247.0	393.4	533.5	474.7	535.8	731.8	454.0	606.2	591.5	643.5
19 Corporate	137.2	237.1	158.4	272.3	416.0	358.4	413.4	628.4	355.2	470.9	463.6	518.8
20 Nonfarm noncorporate	3.3	30.6	83.8	115.0	109.8	109.0	114.8	96.8	99.8	125.7	122.0	111.0
21 Farm	4.4	2.9	4.8	6.2	7.7	7.3	7.5	6.6	−1.0	9.5	5.9	13.8
22 State and local government	−46.2	−51.5	−6.8	56.1	80.3	70.0	75.1	87.4	35.7	57.0	31.0	14.6
23 Foreign net borrowing in United States	−13.9	71.1	77.2	57.6	33.6	−19.6	−38.9	17.0	−36.8	62.2	15.6	114.2
24 Commercial paper	−26.1	13.5	11.3	3.7	7.8	6.2	−4.7	18.0	−27.5	41.1	33.6	56.8
25 Bonds	12.2	49.7	55.8	47.2	25.1	−27.2	−34.2	.9	−12.6	29.4	−17.2	39.1
26 Bank loans n.e.c.	1.4	8.5	9.1	8.5	6.7	3.6	9.8	.9	5.6	−6.6	2.3	15.4
27 Other loans and advances	−1.4	−.5	1.0	−1.8	−6.0	−2.2	−9.7	−2.8	−2.3	−1.6	−3.0	2.9
28 **Total domestic plus foreign**	**554.1**	**783.1**	**809.7**	**863.1**	**1,071.6**	**889.4**	**1,048.3**	**1,304.7**	**852.3**	**1,243.1**	**1,139.3**	**1,070.8**
						Financial sectors						
29 **Total net borrowing by financial sectors**	**468.4**	**453.9**	**545.8**	**653.7**	**1,073.9**	**1,067.9**	**1,296.9**	**1,199.2**	**1,016.1**	**1,075.2**	**1,061.2**	**596.0**
By instrument												
30 Federal government-related	287.5	204.1	231.5	212.8	470.9	555.8	673.3	592.2	578.9	653.0	543.9	253.8
31 Government-sponsored enterprise securities	176.9	105.9	90.4	98.4	278.3	294.0	510.5	193.0	304.7	407.1	367.9	106.9
32 Mortgage pool securities	115.4	98.2	141.1	114.5	192.6	261.7	162.8	399.2	274.3	245.9	176.0	146.9
33 Loans from U.S. government	−4.8	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	180.9	249.8	314.4	440.9	603.0	512.1	623.6	607.0	437.2	422.3	517.3	342.3
35 Open market paper	40.5	42.7	92.2	166.7	161.0	141.0	130.7	78.3	57.8	89.8	478.9	130.2
36 Corporate bonds	121.8	195.9	173.8	210.5	296.9	189.0	280.1	475.9	263.2	182.1	−34.0	164.1
37 Bank loans n.e.c.	−13.7	2.5	12.6	13.2	30.1	60.2	12.4	−8.8	10.5	−6.2	−52.7	6.6
38 Other loans and advances	22.6	3.4	27.9	35.6	90.2	82.3	169.9	41.6	117.9	147.2	121.8	34.3
39 Mortgages	9.8	5.3	7.9	14.9	24.8	39.6	30.6	20.1	−12.3	9.4	3.2	7.0
By borrowing sector												
40 Commercial banking	20.1	22.5	13.0	46.1	72.9	61.7	66.3	31.1	72.7	111.3	53.8	56.5
41 Savings institutions	12.8	2.6	25.5	19.7	52.2	63.7	103.2	58.0	58.6	55.2	20.2	25.9
42 Credit unions	.2	−.1	.1	.1	.6	1.0	.4	1.5	1.4	2.8	3.3	−2.9
43 Life insurance companies	.3	−.1	1.1	.2	.7	1.6	1.8	3.3	3.0	1.1	−4.4	−.7
44 Government-sponsored enterprises	172.1	105.9	90.4	98.4	278.3	294.0	510.5	193.0	304.7	407.1	367.9	106.9
45 Federally related mortgage pools	115.4	98.2	141.1	114.5	192.6	261.7	162.8	399.2	274.3	245.9	176.0	146.9
46 Issuers of asset-backed securities (ABSs)	76.5	142.4	150.8	202.2	321.4	305.8	333.9	285.5	309.2	224.6	116.7	161.4
47 Finance companies	48.7	50.2	45.9	48.7	43.0	−12.0	17.8	71.2	88.4	−22.6	112.6	44.3
48 Mortgage companies	−11.5	−2.2	4.1	−4.6	1.6	2.3	3.0	−4.6	5.1	−6.1	6.2	−3.0
49 Real estate investment trusts (REITs)	10.2	4.5	11.9	39.6	62.7	79.3	44.0	25.6	−19.7	7.9	11.3	11.5
50 Brokers and dealers	.5	−5.0	−2.0	8.1	7.2	−2.6	12.4	−31.1	−17.4	16.9	−37.3	44.4
51 Funding corporations	23.1	34.9	64.1	80.7	40.7	11.2	40.9	166.5	−63.8	31.2	234.8	5.0

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1994	1995	1996	1997	1998	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Q3	1999 Q4	2000 Q1
	All sectors											
52 **Total net borrowing, all sectors**	**1,022.5**	**1,237.0**	**1,355.6**	**1,516.8**	**2,145.5**	**1,957.2**	**2,345.2**	**2,503.9**	**1,868.5**	**2,318.3**	**2,200.5**	**1,666.9**
53 Open market paper	35.7	74.3	102.6	184.1	193.1	232.7	83.0	154.6	27.7	180.6	556.5	223.4
54 U.S. government securities	448.1	348.5	376.5	235.9	418.3	442.3	619.1	517.0	466.8	569.8	529.6	49.8
55 Municipal securities	−35.9	−48.2	2.6	71.4	96.8	82.9	89.6	100.7	48.0	77.0	47.0	19.3
56 Corporate and foreign bonds	157.3	336.7	345.8	408.2	540.7	269.8	439.1	750.7	538.2	414.3	104.1	392.2
57 Bank loans n.e.c.	62.9	114.7	92.1	128.2	145.0	171.6	143.0	62.1	38.3	100.0	75.3	126.5
58 Other loans and advances	50.4	70.1	62.5	102.8	158.5	157.8	262.7	192.7	101.1	224.6	175.0	209.2
59 Mortgages	179.0	202.0	284.8	333.6	525.4	520.5	638.7	595.5	587.0	675.8	603.6	503.4
60 Consumer credit	124.9	138.9	88.8	52.5	67.6	79.6	69.9	130.5	61.4	76.2	109.5	143.1
	Funds raised through mutual funds and corporate equities											
61 **Total net issues**	**113.4**	**131.5**	**209.1**	**165.6**	**76.5**	**−166.6**	**−3.5**	**153.3**	**163.5**	**102.9**	**148.0**	**427.2**
62 Corporate equities	12.8	−16.0	−28.5	−99.6	−198.1	−340.0	−228.3	−99.9	−47.3	−20.4	−26.5	106.3
63 Nonfinancial corporations	−44.9	−58.3	−69.5	−114.4	−267.0	−308.4	−491.3	−52.1	−338.4	−128.4	−55.0	62.8
64 Foreign shares purchased by U.S. residents	48.1	50.4	60.0	42.0	77.8	−32.8	317.4	−33.4	270.9	108.4	45.2	63.0
65 Financial corporations	9.6	−8.1	−19.0	−27.1	−8.9	1.1	−54.5	−14.5	20.2	−.3	−16.7	−19.5
66 Mutual fund shares	100.6	147.4	237.6	265.1	274.6	173.4	224.8	253.3	210.9	123.2	174.5	320.9

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	1994	1995	1996	1997	1998	1998		1999				2000
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**1,022.5**	**1,237.0**	**1,355.6**	**1,516.8**	**2,145.5**	**1,957.2**	**2,345.2**	**2,503.9**	**1,868.5**	**2,318.3**	**2,200.5**	**1,666.9**
2 Domestic nonfederal nonfinancial sectors	223.4	−98.4	12.0	−43.7	74.7	88.8	−261.5	423.3	397.8	195.4	14.6	−120.5
3 Household	260.2	−3.0	60.3	−29.0	−73.8	−142.2	−439.7	246.4	288.3	186.3	20.7	−170.9
4 Nonfinancial corporate business	17.7	−8.8	−10.2	−12.7	14.0	15.2	36.4	42.0	25.0	52.2	−9.5	36.0
5 Nonfarm noncorporate business	.6	4.7	−4.3	−2.1	.1	.1	.1	2.8	1.2	.8	1.4	2.6
6 State and local governments	−55.0	−91.4	−33.7	.1	134.5	215.7	141.7	132.2	83.3	−43.9	2.0	11.9
7 Federal government	−27.4	−.2	−7.4	5.1	13.5	13.8	11.7	17.0	6.9	11.4	3.2	7.1
8 Rest of the world	132.3	273.9	414.4	310.7	249.3	60.8	390.7	253.3	37.4	382.2	141.3	338.9
9 Financial sectors	694.1	1,061.7	936.6	1,244.6	1,808.1	1,793.8	2,204.3	1,810.3	1,426.4	1,729.4	2,041.4	1,441.4
10 Monetary authority	31.5	12.7	12.3	38.3	21.1	41.6	3.5	71.8	62.4	34.1	−65.7	112.2
11 Commercial banking	163.4	265.9	187.5	324.3	305.2	250.1	531.5	68.9	135.4	435.5	593.1	382.4
12 U.S.-chartered banks	148.1	186.5	119.6	274.9	312.0	309.2	540.2	134.1	231.5	410.7	494.2	417.6
13 Foreign banking offices in United States	11.2	75.4	63.3	40.2	−11.9	−68.1	−12.1	−54.9	−105.7	30.6	49.7	1.9
14 Bank holding companies	.9	−.3	3.9	5.4	−.9	6.0	−7.4	−6.0	.4	−12.4	42.6	−42.5
15 Banks in U.S.-affiliated areas	3.3	4.2	.7	3.7	6.0	2.9	10.7	−4.4	9.2	6.6	6.6	5.4
16 Savings institutions	6.7	−7.6	19.9	−4.7	36.3	17.9	113.3	102.7	88.8	60.9	22.3	39.1
17 Credit unions	28.1	16.2	25.5	16.8	19.0	21.0	16.0	34.7	32.1	29.6	13.5	44.8
18 Bank personal trusts and estates	7.1	−8.3	−7.7	−25.0	−12.8	−16.0	−13.5	−7.6	−8.4	−8.6	−9.1	−9.5
19 Life insurance companies	72.0	100.0	69.6	104.8	76.9	65.6	86.0	72.1	63.4	38.4	22.5	75.9
20 Other insurance companies	24.9	21.5	22.5	25.2	20.4	−7.7	67.6	−19.7	26.7	−14.4	−7.7	.1
21 Private pension funds	46.1	56.0	52.3	65.5	118.6	95.5	174.4	60.6	150.1	45.4	131.0	62.1
22 State and local government retirement funds	30.9	33.6	37.3	63.8	66.0	68.7	49.5	76.5	27.3	38.5	59.8	−13.2
23 Money market mutual funds	30.0	86.5	88.8	87.5	244.0	255.5	353.1	227.6	−92.6	232.1	360.8	222.1
24 Mutual funds	−7.1	52.5	48.9	80.9	124.8	92.9	103.5	103.0	119.9	−18.8	−11.7	−70.6
25 Closed-end funds	−3.7	10.5	4.7	−2.9	4.5	4.5	4.5	3.1	3.1	3.1	3.1	3.1
26 Government-sponsored enterprises	117.8	86.7	84.2	94.3	260.8	264.7	429.5	157.2	259.2	287.5	234.1	100.4
27 Federally related mortgage pools	115.4	98.2	141.1	114.5	192.6	261.7	162.8	399.2	274.3	245.9	176.0	146.9
28 Asset-backed securities issuers (ABSs)	69.4	120.6	120.5	163.8	281.7	260.3	310.9	267.9	292.4	216.1	86.9	140.8
29 Finance companies	48.3	49.9	18.4	21.9	51.9	79.5	75.3	92.2	79.6	94.7	113.1	141.3
30 Mortgage companies	−24.0	−3.4	8.2	−9.1	3.2	4.5	6.0	−9.1	10.2	−12.1	12.3	−6.0
31 Real estate investment trusts (REITs)	−.7	1.4	4.4	20.2	−5.1	−11.3	−40.8	1.7	−2.2	−2.7	−7.0	−16.3
32 Brokers and dealers	−44.2	90.1	−15.7	14.9	6.8	146.0	−226.1	88.0	−193.7	16.3	−33.7	169.2
33 Funding corporations	−17.8	−21.2	14.0	49.8	−7.9	−101.5	−2.8	19.5	98.4	8.0	347.6	−83.3
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 **Net flows through credit markets**	**1,022.5**	**1,237.0**	**1,355.6**	**1,516.8**	**2,145.5**	**1,957.2**	**2,345.2**	**2,503.9**	**1,868.5**	**2,318.3**	**2,200.5**	**1,666.9**
Other financial sources												
35 Official foreign exchange	−5.8	8.8	−6.3	.7	6.6	8.9	8.6	−14.0	−5.4	−8.5	−7.0	.8
36 Special drawing rights certificates	.0	2.2	−.5	−.5	.0	.0	.0	−4.0	.0	−4.0	−4.0	.0
37 Treasury currency	.7	.6	.1	.0	.0	1.7	−2.3	.0	2.1	2.0	−4.1	2.2
38 Foreign deposits	52.9	35.3	85.9	106.8	−.2	84.9	−131.9	127.7	99.3	55.1	−12.9	52.0
39 Net interbank transactions	89.8	10.0	−51.6	−19.7	−32.3	44.7	−118.7	49.9	90.9	−35.9	−62.9	−100.6
40 Checkable deposits and currency	−9.7	−12.7	15.8	41.5	47.6	−24.9	72.8	61.1	10.1	141.0	394.3	−224.2
41 Small time and savings deposits	−39.9	96.6	97.2	97.1	152.4	144.7	281.2	−68.0	100.0	141.9	3.6	113.8
42 Large time deposits	19.6	65.6	114.0	122.5	92.1	81.8	104.4	−5.9	42.6	105.2	379.2	121.1
43 Money market fund shares	43.3	142.3	145.8	157.6	285.5	367.9	313.1	204.9	100.5	180.3	516.7	217.5
44 Security repurchase agreements	78.2	110.5	41.4	120.9	91.3	274.8	−181.8	253.3	−27.9	114.6	346.7	275.4
45 Corporate equities	12.8	−16.0	−28.5	−99.6	−198.1	−340.0	−228.3	−99.9	−47.3	−20.4	−26.5	106.3
46 Mutual fund shares	100.6	147.4	237.6	265.1	274.6	173.4	224.8	253.3	210.9	123.2	174.5	320.9
47 Trade payables	120.0	128.9	114.8	130.5	27.4	58.8	−61.9	139.9	241.2	218.1	96.9	168.3
48 Security credit	−.1	26.7	52.4	111.0	103.3	149.5	−25.7	−66.6	139.9	29.5	271.3	517.5
49 Life insurance reserves	35.5	45.8	44.5	59.3	53.3	51.7	59.0	40.8	75.6	65.5	52.4	49.2
50 Pension fund reserves	254.4	235.4	247.6	304.4	303.9	296.2	349.6	272.4	293.4	271.9	311.8	287.9
51 Taxes payable	2.6	6.2	16.0	15.6	11.8	27.0	7.8	−7.6	42.4	−3.1	24.4	.5
52 Investment in bank personal trusts	17.8	4.0	−8.6	−56.3	−48.0	−51.2	−48.8	−32.0	−25.9	−34.3	−32.3	−40.4
53 Noncorporate proprietors' equity	43.0	35.7	−2.3	−44.4	−45.6	−102.2	−7.9	−7.9	8.9	−66.2	−15.8	−29.7
54 Miscellaneous	250.7	451.1	504.5	481.6	816.8	854.2	668.3	184.6	1,189.7	356.1	501.0	475.0
55 **Total financial sources**	**2,088.9**	**2,761.5**	**2,975.5**	**3,311.1**	**4,087.9**	**4,059.2**	**3,627.4**	**3,786.0**	**4,409.3**	**3,950.3**	**5,107.9**	**3,980.3**
Liabilities not identified as assets (−)												
56 Treasury currency	−.2	−.5	−.9	−.6	−.7	1.1	−3.4	−1.5	.6	.2	−6.3	.6
57 Foreign deposits	43.0	25.1	59.6	105.6	−8.1	70.3	−157.4	61.8	86.2	9.5	32.4	−8.5
58 Net interbank liabilities	−2.7	−3.1	−3.3	−19.9	3.4	22.3	−52.8	58.7	−1.7	−1.0	−39.8	34.5
59 Security repurchase agreements	67.7	20.2	4.5	62.2	54.1	153.8	−11.1	209.3	62.4	48.0	−192.6	571.0
60 Taxes payable	16.6	21.1	22.8	26.8	18.0	28.7	19.6	−14.8	5.8	1.6	−3.1	−16.5
61 Miscellaneous	−146.4	−204.8	−70.7	−63.8	−47.4	−14.4	−4.9	−411.4	−430.5	−460.4	−131.6	−392.7
Floats not included in assets (−)												
62 Federal government checkable deposits	−4.8	−6.0	.5	−2.7	2.6	32.4	14.0	−1.8	−41.4	23.0	−9.5	28.8
63 Other checkable deposits	−2.8	−3.8	−4.0	−3.9	−3.1	−3.6	−1.8	−1.9	−1.0	−.5	.1	.8
64 Trade credit	27.4	15.6	−21.2	−29.3	−42.0	−73.3	−44.3	40.8	−15.5	93.8	60.3	.4
65 **Total identified to sectors as assets**	**2,091.1**	**2,897.9**	**2,988.3**	**3,236.7**	**4,111.2**	**3,841.8**	**3,869.3**	**3,846.8**	**4,744.3**	**4,236.0**	**5,398.0**	**3,761.8**

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	1995	1996	1997	1998	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Q3	1999 Q4	2000 Q1
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**13,723.8**	**14,456.3**	**15,260.3**	**16,298.4**	**15,967.4**	**16,298.4**	**16,613.9**	**16,791.8**	**17,113.5**	**17,453.5**	**17,686.5**
By sector and instrument											
2 Federal government	3,636.7	3,781.8	3,804.9	3,752.2	3,720.2	3,752.2	3,759.7	3,651.7	3,632.7	3,681.0	3,653.5
3 Treasury securities	3,608.5	3,755.1	3,778.3	3,723.7	3,694.7	3,723.7	3,731.6	3,623.4	3,604.5	3,652.8	3,625.8
4 Budget agency securities and mortgages	28.2	26.6	26.5	28.5	25.5	28.5	28.1	28.3	28.3	28.3	27.8
5 Nonfederal	10,087.1	10,674.6	11,455.5	12,546.2	12,247.2	12,546.2	12,854.2	13,140.1	13,480.7	13,772.5	14,033.0
By instrument											
6 Commercial paper	157.4	156.4	168.6	193.0	216.9	193.0	223.9	232.4	239.3	230.3	260.8
7 Municipal securities and loans	1,293.5	1,296.0	1,367.5	1,464.3	1,439.9	1,464.3	1,491.0	1,510.0	1,518.6	1,532.5	1,539.2
8 Corporate bonds	1,344.1	1,460.4	1,610.9	1,829.6	1,781.3	1,829.6	1,898.1	1,970.0	2,020.7	2,059.5	2,106.7
9 Bank loans n.e.c.	863.6	934.1	1,040.5	1,148.8	1,120.6	1,148.8	1,165.2	1,178.5	1,202.9	1,231.5	1,256.8
10 Other loans and advances	736.9	770.4	839.5	913.8	886.8	913.8	957.4	953.5	967.1	982.8	1,030.4
11 Mortgages	4,568.8	4,845.7	5,164.4	5,665.0	5,515.2	5,665.0	5,799.4	5,955.4	6,162.0	6,309.9	6,422.8
12 Home	3,510.4	3,718.8	3,970.7	4,354.0	4,245.9	4,354.0	4,446.5	4,559.7	4,689.6	4,786.8	4,860.2
13 Multifamily residential	265.5	278.7	287.1	305.9	299.3	305.9	315.0	323.3	334.8	346.9	355.3
14 Commercial	708.4	761.1	816.4	908.7	875.7	908.7	940.5	972.8	1,036.2	1,074.2	1,104.4
15 Farm	84.6	87.1	90.3	96.5	94.4	96.5	97.4	99.6	101.4	102.0	103.0
16 Consumer credit	1,122.8	1,211.6	1,264.1	1,331.7	1,286.6	1,331.7	1,319.3	1,340.4	1,370.1	1,426.2	1,416.2
By borrowing sector											
17 Household	4,782.8	5,104.9	5,441.9	5,920.1	5,761.5	5,920.1	6,000.0	6,142.4	6,308.8	6,464.4	6,532.8
18 Nonfinancial business	4,234.1	4,506.2	4,894.1	5,426.2	5,306.9	5,426.2	5,631.0	5,759.4	5,929.5	6,055.5	6,242.1
19 Corporate	2,936.6	3,120.2	3,386.8	3,801.5	3,712.2	3,801.5	3,983.3	4,083.1	4,220.0	4,314.4	4,472.9
20 Nonfarm noncorporate	1,152.4	1,236.1	1,351.1	1,460.9	1,431.6	1,460.9	1,485.2	1,510.2	1,540.9	1,572.0	1,599.9
21 Farm	145.1	149.9	156.1	163.8	163.1	163.8	162.4	166.1	168.6	169.1	169.4
22 State and local government	1,070.2	1,063.4	1,119.5	1,199.8	1,178.8	1,199.8	1,223.2	1,238.2	1,242.4	1,252.5	1,258.1
23 **Foreign credit market debt held in United States**	**441.4**	**518.7**	**570.1**	**603.7**	**612.8**	**603.7**	**607.8**	**598.2**	**614.7**	**618.2**	**646.6**
24 Commercial paper	56.2	67.5	65.1	72.9	74.0	72.9	77.2	70.1	81.8	89.2	101.6
25 Bonds	291.9	347.7	394.9	420.0	428.6	420.0	420.2	417.1	424.4	420.1	429.9
26 Bank loans n.e.c.	34.6	43.7	52.1	58.9	56.4	58.9	59.1	60.5	58.8	59.4	63.3
27 Other loans and advances	58.8	59.8	58.0	52.0	53.8	52.0	51.3	50.5	49.7	49.5	51.8
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**14,165.3**	**14,975.0**	**15,830.5**	**16,902.1**	**16,580.2**	**16,902.1**	**17,221.7**	**17,390.0**	**17,728.2**	**18,071.8**	**18,333.1**
	Financial sectors										
29 **Total credit market debt owed by financial sectors**	**4,278.8**	**4,824.6**	**5,445.2**	**6,519.1**	**6,199.5**	**6,519.1**	**6,809.0**	**7,073.3**	**7,346.9**	**7,607.0**	**7,745.5**
By instrument											
30 Federal government-related	2,376.8	2,608.3	2,821.1	3,292.0	3,121.7	3,292.0	3,434.1	3,580.7	3,745.9	3,884.0	3,940.8
31 Government-sponsored enterprise securities	806.5	896.9	995.3	1,273.6	1,146.0	1,273.6	1,321.8	1,398.0	1,499.8	1,591.7	1,618.5
32 Mortgage pool securities	1,570.3	1,711.4	1,825.8	2,018.4	1,975.7	2,018.4	2,112.3	2,182.7	2,246.1	2,292.3	2,322.3
33 Loans from U.S. government	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	1,901.9	2,216.3	2,624.1	3,227.1	3,077.8	3,227.1	3,374.9	3,492.6	3,601.1	3,723.0	3,804.7
35 Open market paper	486.9	579.1	745.7	906.7	874.2	906.7	926.4	940.9	963.4	1,082.9	1,115.7
36 Corporate bonds	1,204.7	1,378.4	1,555.9	1,852.8	1,790.2	1,852.8	1,968.6	2,042.8	2,091.2	2,074.6	2,112.6
37 Bank loans n.e.c.	51.4	64.0	77.2	107.2	103.2	107.2	104.1	106.8	105.2	92.9	93.6
38 Other loans and advances	135.0	162.9	198.5	288.7	246.2	288.7	299.1	328.6	365.4	395.8	404.4
39 Mortgages	24.1	31.9	46.8	71.6	64.0	71.6	76.6	73.6	75.9	76.7	78.5
By borrowing sector											
40 Commercial banks	102.6	113.6	140.6	188.6	169.6	188.6	187.5	202.7	224.2	230.0	242.2
41 Bank holding companies	148.0	150.0	168.6	193.5	196.1	193.5	202.6	205.5	211.9	219.3	221.4
42 Savings institutions	115.0	140.5	160.3	212.4	186.6	212.4	226.9	241.6	255.4	260.4	266.9
43 Credit unions	.4	.4	.6	1.1	1.0	1.1	1.5	1.8	2.5	3.4	2.6
44 Life insurance companies	.5	1.6	1.8	2.5	2.0	2.5	3.3	4.0	4.3	3.2	3.0
45 Government-sponsored enterprises	806.5	896.9	995.3	1,273.6	1,146.0	1,273.6	1,321.8	1,398.0	1,499.8	1,591.7	1,618.5
46 Federally related mortgage pools	1,570.3	1,711.4	1,825.8	2,018.4	1,975.7	2,018.4	2,112.3	2,182.7	2,246.1	2,292.3	2,322.3
47 Issuers of asset-backed securities (ABSs)	712.5	863.3	1,076.6	1,398.0	1,310.9	1,398.0	1,463.1	1,539.9	1,599.1	1,632.0	1,665.8
48 Brokers and dealers	29.3	27.3	35.3	42.5	39.4	42.5	34.8	30.4	34.6	25.3	36.4
49 Finance companies	483.9	529.8	554.5	597.5	589.4	597.5	614.4	639.2	628.5	659.9	670.4
50 Mortgage companies	16.5	20.6	16.0	17.7	16.9	17.7	16.5	17.8	16.3	17.8	17.1
51 Real estate investment trusts (REITs)	44.6	56.5	96.1	158.8	147.8	158.8	165.2	160.3	162.2	165.1	167.9
52 Funding corporations	248.6	312.7	373.7	414.4	417.9	414.4	459.1	449.5	462.0	506.6	510.9
	All sectors										
53 **Total credit market debt, domestic and foreign**	**18,444.0**	**19,799.6**	**21,275.7**	**23,421.2**	**22,779.6**	**23,421.2**	**24,030.7**	**24,463.3**	**25,075.1**	**25,678.8**	**26,078.6**
54 Open market paper	700.4	803.0	979.4	1,172.6	1,165.1	1,172.6	1,227.6	1,243.3	1,284.5	1,402.4	1,478.1
55 U.S. government securities	6,013.6	6,390.0	6,626.0	7,044.3	6,841.9	7,044.3	7,193.8	7,232.4	7,378.6	7,565.0	7,594.3
56 Municipal securities	1,293.5	1,296.0	1,367.5	1,464.3	1,439.9	1,464.3	1,491.0	1,510.0	1,518.6	1,532.5	1,539.2
57 Corporate and foreign bonds	2,840.7	3,186.5	3,561.7	4,102.4	4,000.0	4,102.4	4,286.9	4,429.9	4,536.2	4,554.2	4,649.2
58 Bank loans n.e.c.	949.6	1,041.7	1,169.8	1,314.9	1,280.3	1,314.9	1,328.3	1,345.7	1,366.9	1,383.8	1,413.6
59 Other loans and advances	930.6	993.1	1,095.9	1,254.4	1,186.8	1,254.4	1,307.8	1,332.6	1,382.2	1,428.1	1,486.6
60 Mortgages	4,592.9	4,877.7	5,211.2	5,736.7	5,579.2	5,736.7	5,876.0	6,029.0	6,237.9	6,386.6	6,501.3
61 Consumer credit	1,122.8	1,211.6	1,264.1	1,331.7	1,286.6	1,331.7	1,319.3	1,340.4	1,370.1	1,426.2	1,416.2

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	1995	1996	1997	1998	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Q3	1999 Q4	2000 Q1
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**18,444.0**	**19,799.6**	**21,275.7**	**23,421.2**	**22,779.6**	**23,421.2**	**24,030.7**	**24,463.3**	**25,075.1**	**25,678.8**	**26,078.6**
2 Domestic nonfederal nonfinancial sectors	2,846.3	2,903.6	2,816.2	2,862.6	2,911.9	2,862.6	2,953.6	3,006.2	3,064.9	3,118.0	3,072.7
3 Household	1,885.0	1,990.6	1,917.9	1,815.8	1,927.2	1,815.8	1,885.2	1,907.8	1,962.7	1,998.8	1,963.6
4 Nonfinancial corporate business	280.4	270.2	257.5	271.5	245.2	271.5	259.8	266.7	283.2	298.9	285.5
5 Nonfarm noncorporate business	42.3	38.0	35.9	35.9	35.9	35.9	36.6	36.9	37.1	37.5	38.1
6 State and local governments	638.6	604.8	605.0	739.4	703.6	739.4	772.1	794.8	781.9	782.8	785.4
7 Federal government	202.7	195.3	200.4	213.9	210.9	213.9	218.1	219.8	255.6	256.4	259.7
8 Rest of the world	1,531.1	1,926.6	2,256.8	2,534.3	2,412.2	2,534.3	2,601.8	2,609.8	2,706.2	2,737.9	2,826.5
9 Financial sectors	13,863.9	14,774.1	16,002.3	17,810.4	17,244.6	17,810.4	18,257.1	18,627.5	19,048.5	19,566.5	19,919.7
10 Monetary authority	380.8	393.1	431.4	452.5	446.5	452.5	466.0	485.1	489.3	478.1	501.9
11 Commercial banking	3,520.1	3,707.7	4,031.9	4,335.7	4,195.7	4,335.7	4,338.4	4,383.4	4,488.3	4,644.0	4,724.7
12 U.S.-chartered banks	3,056.1	3,175.8	3,450.7	3,761.2	3,616.2	3,761.2	3,782.9	3,847.6	3,944.3	4,078.9	4,171.2
13 Foreign banking offices in United States	412.6	475.8	516.1	504.2	510.1	504.2	487.8	465.7	475.3	484.1	481.9
14 Bank holding companies	18.0	22.0	27.4	26.5	28.3	26.5	25.0	25.1	22.0	32.7	22.0
15 Banks in U.S.-affiliated areas	33.4	34.1	37.8	43.8	41.1	43.8	42.7	45.0	46.7	48.3	49.7
16 Savings institutions	913.3	933.2	928.5	964.8	939.3	964.8	990.8	1,011.4	1,030.8	1,033.4	1,044.0
17 Credit unions	263.0	288.5	305.3	324.2	320.5	324.2	330.2	341.0	348.5	351.7	360.1
18 Bank personal trusts and estates	239.7	232.0	207.0	194.1	197.5	194.1	192.2	190.1	188.0	185.7	183.3
19 Life insurance companies	1,587.5	1,657.0	1,751.1	1,828.0	1,810.6	1,828.0	1,853.5	1,869.6	1,880.4	1,881.7	1,903.8
20 Other insurance companies	468.7	491.2	515.3	535.7	518.8	535.7	530.8	537.5	533.9	532.0	532.0
21 Private pension funds	716.9	769.2	834.7	953.4	909.8	953.4	968.5	1,006.0	1,017.4	1,050.1	1,065.7
22 State and local government retirement funds	531.0	568.2	632.0	698.0	685.7	698.0	717.2	724.0	733.6	748.6	745.3
23 Money market mutual funds	545.5	634.3	721.9	965.9	869.9	965.9	1,036.2	1,001.8	1,049.7	1,147.8	1,217.1
24 Mutual funds	771.3	820.2	901.1	1,025.9	1,005.9	1,025.9	1,050.8	1,083.8	1,083.1	1,074.0	1,055.0
25 Closed-end funds	96.4	101.1	98.3	102.8	101.7	102.8	103.6	104.3	105.1	105.9	106.7
26 Government-sponsored enterprises	750.0	807.9	902.2	1,163.0	1,055.4	1,163.0	1,201.9	1,267.0	1,338.6	1,397.5	1,422.2
27 Federally related mortgage pools	1,570.3	1,711.4	1,825.8	2,018.4	1,975.7	2,018.4	2,112.3	2,182.7	2,246.1	2,292.3	2,322.3
28 Asset-backed securities issuers (ABSs)	653.4	773.9	937.7	1,219.4	1,138.1	1,219.4	1,280.1	1,352.7	1,409.8	1,435.3	1,463.9
29 Finance companies	526.2	544.5	566.4	618.4	592.7	618.4	639.9	660.9	678.2	713.3	747.0
30 Mortgage companies	33.0	41.2	32.1	35.3	33.8	35.3	33.0	35.6	32.5	35.6	34.1
31 Real estate investment trusts (REITs)	26.0	30.4	50.6	45.5	55.7	45.5	45.9	45.3	44.7	42.9	38.8
32 Brokers and dealers	183.4	167.7	182.6	189.4	245.9	189.4	211.4	162.9	167.0	158.6	200.9
33 Funding corporations	87.4	101.4	146.5	140.0	145.7	140.0	154.4	182.2	183.5	258.1	250.9
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
34 **Total credit market debt**	**18,444.0**	**19,799.6**	**21,275.7**	**23,421.2**	**22,779.6**	**23,421.2**	**24,030.7**	**24,463.3**	**25,075.1**	**25,678.8**	**26,078.6**
Other liabilities											
35 Official foreign exchange	63.7	53.7	48.9	60.1	54.5	60.1	53.6	50.9	52.1	50.1	49.4
36 Special drawing rights certificates	10.2	9.7	9.2	9.2	9.2	9.2	8.2	8.2	7.2	6.2	6.2
37 Treasury currency	18.2	18.3	18.3	18.3	18.8	18.3	18.3	18.8	19.3	18.3	18.8
38 Foreign deposits	418.8	516.1	618.8	639.9	651.7	639.9	671.8	696.6	710.4	707.2	720.2
39 Net interbank liabilities	290.7	240.8	219.4	189.0	198.9	189.0	182.0	203.5	196.0	197.4	152.7
40 Checkable deposits and currency	1,229.3	1,245.1	1,286.6	1,334.2	1,282.3	1,334.2	1,311.4	1,354.1	1,354.9	1,485.8	1,393.5
41 Small time and savings deposits	2,279.7	2,377.0	2,474.1	2,626.5	2,553.8	2,626.5	2,637.6	2,644.6	2,665.9	2,670.9	2,728.5
42 Large time deposits	476.9	590.9	713.4	805.5	776.5	805.5	804.3	809.0	837.5	935.8	966.1
43 Money market fund shares	745.3	891.1	1,048.7	1,334.2	1,249.7	1,334.2	1,416.0	1,398.1	1,449.6	1,584.8	1,671.2
44 Security repurchase agreements	660.0	701.5	822.4	913.7	960.5	913.7	980.3	970.8	999.3	1,085.4	1,157.0
45 Mutual fund shares	1,852.8	2,342.4	2,989.4	3,610.5	3,137.3	3,610.5	3,758.4	4,049.1	3,932.1	4,552.4	4,751.9
46 Security credit	305.7	358.1	469.1	572.3	573.6	572.3	552.7	589.3	593.2	665.9	792.7
47 Life insurance reserves	566.2	610.6	665.0	718.3	703.5	718.3	730.9	749.8	766.2	779.3	791.6
48 Pension fund reserves	5,766.9	6,642.6	7,895.8	9,097.6	8,123.6	9,097.6	9,275.8	9,731.4	9,479.4	10,386.8	10,395.6
49 Trade payables	1,698.0	1,812.8	1,943.3	1,970.7	1,958.4	1,970.7	1,972.9	2,032.7	2,092.8	2,144.7	2,153.7
50 Taxes payable	107.6	123.6	139.2	151.0	153.3	151.0	157.9	160.5	163.6	165.0	174.2
51 Investment in bank personal trusts	803.0	871.7	942.5	1,001.0	908.6	1,001.0	1,012.5	1,059.8	998.3	1,116.6	1,135.2
52 Miscellaneous	5,645.8	6,017.1	6,333.6	6,868.7	6,806.7	6,868.7	6,843.5	6,954.3	6,965.4	6,821.6	7,169.1
53 **Total liabilities**	**41,382.7**	**45,222.6**	**49,913.2**	**55,341.8**	**52,900.6**	**55,341.8**	**56,418.8**	**57,944.8**	**58,358.3**	**61,053.1**	**62,306.1**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	22.1	21.4	21.1	21.6	21.2	21.6	20.7	20.8	21.3	21.4	21.4
55 Corporate equities	8,495.7	10,255.8	13,181.4	15,413.4	13,121.2	15,413.4	15,893.6	17,018.0	16,008.3	18,876.7	19,557.9
56 Household equity in noncorporate business	3,672.2	3,878.2	4,149.8	4,387.2	4,322.3	4,387.2	4,442.5	4,499.8	4,557.5	4,602.6	4,639.6
Liabilities not identified as assets (−)											
57 Treasury currency	−5.8	−6.7	−7.3	−8.0	−7.2	−8.0	−8.4	−8.2	−8.2	−9.7	−9.6
58 Foreign deposits	360.2	431.4	532.9	545.9	564.1	545.9	561.4	582.9	585.3	593.4	591.3
59 Net interbank transactions	−9.0	−10.6	−32.2	−27.0	−15.4	−27.0	−11.3	−10.6	−13.0	−25.0	−13.7
60 Security repurchase agreements	86.4	90.9	153.0	207.2	216.7	207.2	263.5	275.4	293.9	238.9	386.0
61 Taxes payable	62.4	76.7	92.3	101.5	100.4	101.5	88.9	110.2	92.5	93.1	82.8
62 Miscellaneous	−1,241.8	−1,692.7	−2,075.3	−2,659.9	−2,338.1	−2,659.9	−2,882.3	−2,998.6	−3,375.9	−3,717.7	−3,554.4
Floats not included in assets (−)											
63 Federal government checkable deposits	3.1	−1.6	−8.1	−3.9	−12.0	−3.9	−7.2	−12.4	−10.2	−9.9	−6.5
64 Other checkable deposits	34.2	30.1	26.2	23.1	15.7	23.1	18.9	22.1	14.5	22.3	18.7
65 Trade credit	198.2	176.7	137.0	94.3	31.3	94.3	48.7	29.2	49.7	139.2	83.9
66 **Total identified to sectors as assets**	**54,084.9**	**60,283.8**	**68,447.0**	**76,890.6**	**71,809.7**	**76,890.6**	**78,703.5**	**81,493.2**	**81,316.7**	**87,229.1**	**88,946.4**

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	1997	1998	1999	1999				2000				
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.[r]	Apr.	May[p]
1 **Industrial production**[1]	**127.1**	**132.4**	**137.1**	**138.1**	**139.1**	**139.4**	**140.1**	**141.1**	**141.6**	**142.6**	**143.6**	**144.2**
Market groupings												
2 Products, total	119.6	123.7	126.5	127.6	128.5	128.0	128.5	129.7	130.1	130.5	131.2	131.4
3 Final, total	121.1	125.4	128.0	129.1	130.2	129.8	130.3	131.6	131.8	132.2	133.1	133.5
4 Consumer goods	115.1	116.2	116.9	117.1	118.2	117.6	118.1	118.8	118.7	118.5	119.1	119.0
5 Equipment	132.1	142.7	148.9	150.2	151.2	151.4	151.8	154.2	155.0	156.6	158.1	159.4
6 Intermediate	115.3	118.8	122.1	122.6	123.2	122.4	123.1	123.7	124.8	125.0	125.0	124.8
7 Materials	139.0	146.5	154.8	155.7	156.8	158.8	159.7	160.5	161.2	163.2	164.9	166.0
Industry groupings												
8 Manufacturing	130.1	136.4	142.3	142.9	144.2	145.0	145.6	146.7	147.2	148.3	149.3	149.7
9 Capacity utilization, manufacturing (percent)[2]	82.4	80.9	79.8	79.7	80.2	80.3	80.3	80.7	80.7	81.0	81.3	81.2
10 Construction contracts[3]	144.1[r]	160.9[r]	176.9[r]	173.0	173.0	175.0	173.0[r]	173.0	177.0	188.0	177.0	169.0
11 Nonagricultural employment, total[4]	120.3	123.4	126.2	126.8[r]	127.0[r]	127.3[r]	127.5[r]	127.9[r]	128.0	128.5	128.9	129.1
12 *Goods-producing, total*	*101.2*	*102.7*	*102.3*	*103.2*[r]	*103.3*[r]	*103.5*[r]	*103.6*[r]	*104.1*[r]	*103.9*	*104.3*	*104.2*	*104.0*
13 Manufacturing, total	98.3	98.8	97.0	97.3[r]	97.3[r]	97.3[r]	97.3[r]	97.4[r]	97.2	97.3	97.3	97.2
14 Manufacturing, production workers	99.6	99.8	97.8	98.1[r]	98.1[r]	98.1[r]	98.1[r]	98.2[r]	98.0	97.9	98.0	97.9
15 Service-producing	126.5	130.0	133.8	134.3[r]	134.6[r]	134.9[r]	135.2[r]	135.5[r]	135.7	136.2	136.8	137.1
16 Personal income, total	175.4	185.7	196.6	198.1	200.5	201.3	201.9	203.3	204.0	205.4	206.8	n.a.
17 Wages and salary disbursements	171.3	184.4	197.0	199.5	200.7	201.3	202.6	204.4	205.0	206.3	208.2	n.a.
18 Manufacturing	144.6	152.4	156.9	158.6	159.7	158.8	158.8	160.2	160.9	161.2	163.2	n.a.
19 Disposable personal income[5]	172.9	181.7	191.9	193.0	195.6	196.4	196.7	198.0[r]	198.6	200.0	201.3	n.a.
20 Retail sales[5]	169.8	178.4[r]	194.5[r]	197.9[r]	198.8[r]	200.8[r]	204.0[r]	205.5[r]	208.3	209.3	208.1	207.4
Prices[6]												
21 Consumer (1982–84=100)	160.5	163.0	166.6	167.9	168.2	168.3	168.3	168.7	169.7	171.1	171.2	171.3
22 Producer finished goods (1982=100)	131.8	130.7	133.0	134.7	135.1	134.9	134.9	134.7	136.0	137.0	137.0	137.5

1. Data in this table appear in the Board's G.17 (419) monthly statistical release. The data are also available on the Board's web site, http://www.federalreserve.gov/releases/g17. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1999. The recent annual revision is described in an article in the March 2000 issue of the *Bulletin*. For a description of the methods of estimating 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, and the references cited therein. 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, 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 the 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*.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1997	1998	1999	1999[r]			2000				
				Oct.	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.[r]	Apr.	May[p]
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	136,297	137,673	139,368	139,697	139,834	140,108	140,910	141,165	140,867	141,230	140,489
Employment											
2 Nonagricultural industries[3]	126,159	128,085	130,207	130,702	130,788	131,141	131,850	131,954	131,801	132,351	131,417
3 Agriculture	3,399	3,378	3,281	3,238	3,310	3,279	3,371	3,408	3,359	3,355	3,298
Unemployment											
4 Number	6,739	6,210	5,880	5,757	5,736	5,688	5,689	5,804	5,708	5,524	5,774
5 Rate (percent of civilian labor force)	4.9	4.5	4.2	4.1	4.1	4.1	4.0	4.1	4.1	3.9	4.1
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**122,690**	**125,826**	**128,616**	**129,523**	**129,788**	**130,038**	**130,387**	**130,482**	**131,009**	**131,423**	**131,654**
7 Manufacturing	18,675	18,772	18,431	18,484	18,484	18,479	18,495	18,473	18,476	18,486	18,469
8 Mining	596	590	535	529	527	530	530	533	536	539	538
9 Contract construction	5,691	5,985	6,273	6,470	6,516	6,552	6,652	6,618	6,726	6,692	6,663
10 Transportation and public utilities	6,408	6,600	6,792	6,875	6,898	6,911	6,925	6,937	6,953	6,973	6,962
11 Trade	28,614	29,127	29,792	29,836	29,882	29,938	29,978	29,989	30,060	30,254	30,183
12 Finance	7,109	7,407	7,632	7,599	7,604	7,613	7,612	7,624	7,621	7,611	7,607
13 Service	36,040	37,526	39,000	39,482	39,606	39,707	39,844	39,914	40,090	40,203	40,220
14 Government	19,557	19,819	20,161	20,248	20,271	20,308	20,351	20,394	20,547	20,665	21,012

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	1999			2000	1999			2000	1999			2000
	Q2	Q3	Q4	Q1[r]	Q2	Q3	Q4	Q1[r]	Q2	Q3	Q4	Q1[r]
	Output (1992=100)				Capacity (percent of 1992 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**136.1**	**137.7**	**139.5**	**141.8**	**169.2**	**170.7**	**172.3**	**173.8**	**80.5**	**80.7**	**81.0**	**81.6**
2 Manufacturing	140.9	142.5	144.9	147.4	176.9	178.7	180.6	182.4	79.6	79.7	80.3	80.8
3 Primary processing[3]	122.5	123.4	125.4	126.0	148.2	149.0	149.8	150.4	82.7	82.8	83.7	83.7
4 Advanced processing[4]	150.5	152.5	155.2	158.7	191.4	193.7	196.1	198.7	78.6	78.7	79.1	79.9
5 Durable goods	170.8	174.4	177.4	182.4	214.2	217.6	221.0	224.8	79.8	80.2	80.3	81.2
6 Lumber and products	122.5	120.5	120.6	121.1	146.3	147.4	148.4	149.0	83.7	81.7	81.2	81.2
7 Primary metals	125.1	128.7	130.9	132.4	148.5	149.3	150.1	150.7	84.2	86.2	87.2	87.8
8 Iron and steel	121.4	126.6	129.1	130.9	150.0	151.3	152.5	153.5	80.9	83.7	84.6	85.3
9 Nonferrous	129.6	131.2	133.3	134.2	146.8	147.0	147.2	147.5	88.3	89.3	90.5	91.0
10 Industrial machinery and equipment	227.9	232.3	239.9	252.4	275.5	285.3	295.8	306.1	82.7	81.4	81.1	82.5
11 Electrical machinery	374.6	400.9	419.0	458.2	482.0	498.5	514.6	537.2	77.7	80.4	81.4	85.3
12 Motor vehicles and parts	150.6	153.3	154.7	155.2	184.8	184.9	185.0	185.7	81.5	82.9	83.6	83.6
13 Aerospace and miscellaneous transportation equipment	95.9	93.8	89.9	87.7	126.6	126.2	125.8	125.2	75.7	74.3	71.5	70.0
14 Nondurable goods	111.6	111.5	113.4	113.7	139.5	139.9	140.3	140.5	80.0	79.7	80.9	80.9
15 Textile mill products	111.1	111.6	111.4	111.3	131.5	131.6	131.8	131.9	84.5	84.8	84.5	84.4
16 Paper and products	115.1	116.0	117.9	117.1	134.5	135.3	136.1	136.6	85.6	85.7	86.6	85.7
17 Chemicals and products	116.3	117.0	121.8	121.7	150.4	150.7	151.0	151.4	77.3	77.6	80.7	80.4
18 Plastics materials	123.5	124.2	132.3	134.0	137.2	138.4	139.6	140.8	90.0	89.7	94.8	95.2
19 Petroleum products	114.1	114.6	114.1	115.9	122.2	122.7	123.1	123.4	93.3	93.4	92.7	93.9
20 Mining	97.1	98.2	99.5	100.4	120.3	120.2	120.2	119.8	80.7	81.7	82.8	83.8
21 Utilities	116.6	118.4	113.2	114.4	127.3	127.8	128.2	128.6	91.6	92.7	88.3	88.9
22 Electric	118.9	120.8	116.5	116.0	125.2	125.6	126.1	126.6	95.0	96.2	92.4	91.6

Series	1973	1975	Previous cycle[5]		Latest cycle[6]		1999	1999	2000				
	High	Low	High	Low	High	Low	May	Dec.	Jan.	Feb.[r]	Mar.[r]	Apr.	May[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.1**	**85.4**	**78.1**	**80.5**	**81.1**	**81.4**	**81.5**	**81.8**	**82.1**	**82.1**
2 Manufacturing	88.5	70.5	86.9	69.0	85.7	76.6	79.7	80.3	80.7	80.7	81.0	81.3	81.2
3 Primary processing[3]	91.2	68.2	88.1	66.2	88.9	77.7	82.7	83.9	83.9	83.7	83.6	83.9	83.5
4 Advanced processing[4]	87.2	71.8	86.7	70.4	84.2	76.1	78.7	79.2	79.7	79.7	80.2	80.4	80.5
5 Durable goods	89.2	68.9	87.7	63.9	84.6	73.1	79.7	80.3	81.0	80.9	81.6	81.9	82.0
6 Lumber and products	88.7	61.2	87.9	60.8	93.6	75.5	84.7	81.6	82.0	81.3	80.4	80.2	80.1
7 Primary metals	100.2	65.9	94.2	45.1	92.7	73.7	83.5	88.3	88.2	86.9	88.4	88.6	88.1
8 Iron and steel	105.8	66.6	95.8	37.0	95.2	71.8	80.1	86.1	85.4	84.1	86.3	86.0	85.7
9 Nonferrous	90.8	59.8	91.1	60.1	89.3	74.2	87.6	91.0	91.7	90.3	90.9	91.8	91.1
10 Industrial machinery and equipment	96.0	74.3	93.2	64.0	85.4	72.3	82.9	80.7	81.8	82.5	83.1	83.3	83.0
11 Electrical machinery	89.2	64.7	89.4	71.6	84.0	75.0	77.4	82.0	84.0	84.9	86.9	88.0	88.3
12 Motor vehicles and parts	93.4	51.3	95.0	45.5	89.1	55.9	81.5	82.5	84.5	82.6	83.6	83.6	84.1
13 Aerospace and miscellaneous transportation equipment	78.4	67.6	81.9	66.6	87.3	79.2	75.8	71.4	70.6	69.9	69.6	69.2	69.3
14 Nondurable goods	87.8	71.7	87.5	76.4	87.3	80.7	80.2	81.0	80.8	81.0	80.8	80.8	80.6
15 Textile mill products	91.4	60.0	91.2	72.3	90.4	77.7	84.4	83.5	84.5	84.0	84.7	85.3	84.6
16 Paper and products	97.1	69.2	96.1	80.6	93.5	85.0	85.2	86.3	85.7	85.3	86.1	87.2	86.4
17 Chemicals and products	87.6	69.7	84.6	69.9	86.2	79.3	77.8	81.3	80.4	80.8	79.9	79.8	79.4
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	90.5	94.9	91.9	102.4	91.3	92.4	91.6
19 Petroleum products	96.7	81.1	90.0	66.8	88.5	85.1	93.4	93.3	91.8	93.7	96.2	95.2	95.8
20 Mining	94.3	88.2	96.0	80.3	88.0	87.0	81.0	82.8	83.1	83.5	84.9	85.3	85.7
21 Utilities	96.2	82.9	89.1	75.9	92.6	83.4	91.1	88.4	89.2	89.7	87.9	90.1	91.3
22 Electric	99.0	82.7	88.2	78.9	95.0	87.1	94.6	92.6	91.8	91.7	91.4	93.3	94.9

1. Data in this table appear in the Board's G.17 (419) monthly statistical release. The data are also available on the Board's web site, http://www.federalreserve.gov/releases/g17. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1999. The recent annual revision is described in an article in the March 2000 issue of the *Bulletin*. For a description of the methods of estimating 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, and the references cited therein. 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	1999 avg.	1999 May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	2000 Jan.	Feb.[r]	Mar.[r]	Apr.	May[p]
			Index (1992 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**137.1**	**136.2**	**136.6**	**137.4**	**137.7**	**138.1**	**139.1**	**139.4**	**140.1**	**141.1**	**141.6**	**142.6**	**143.6**	**144.2**
2 Products	60.5	126.5	126.8	126.8	126.9	127.6	127.6	128.5	128.0	128.5	129.7	130.1	130.5	131.2	131.4
3 Final products	46.3	128.0	128.2	128.3	128.6	129.5	129.1	130.2	129.8	130.3	131.6	131.8	132.2	133.1	133.5
4 Consumer goods, total	29.1	116.9	116.8	117.0	116.8	117.6	117.1	118.2	117.6	118.1	118.8	118.7	118.5	119.1	119.0
5 Durable consumer goods	6.1	152.6	152.8	154.0	153.4	155.5	153.5	157.4	154.4	155.7	158.9	156.4	156.9	159.3	158.7
6 Automotive products	2.6	144.7	145.4	147.4	143.7	150.6	145.5	147.9	146.2	144.4	149.1	145.4	146.0	148.7	148.5
7 Autos and trucks	1.7	151.8	153.2	157.5	148.9	162.9	152.8	155.1	154.3	148.7	155.0	150.7	151.9	156.1	155.4
8 Autos, consumer	.9	102.6	99.9	101.8	102.4	105.0	105.5	103.9	107.2	99.8	105.4	105.0	103.1	107.4	108.7
9 Trucks, consumer	.7	202.4	207.4	214.2	197.2	221.6	201.9	207.8	203.6	199.0	206.3	198.3	202.3	206.7	204.3
10 Auto parts and allied goods	.9	133.9	133.6	132.5	135.3	132.8	134.4	136.7	133.8	137.1	139.6	136.9	136.6	137.3	137.6
11 Other	3.5	158.6	158.3	158.8	161.1	158.7	159.7	165.0	160.7	164.9	166.6	165.4	165.8	167.9	166.8
12 Appliances, televisions, and air conditioners	1.0	324.3	311.1	319.0	329.9	319.0	326.3	363.1	348.4	357.6	361.6	362.8	366.7	370.3	369.4
13 Carpeting and furniture	.8	121.7	121.0	121.0	124.1	122.1	124.1	124.8	117.4	123.0	126.9	122.6	123.7	127.5	126.8
14 Miscellaneous home goods	1.6	114.7	117.2	116.2	115.9	115.4	114.4	114.8	115.0	116.7	116.6	116.6	115.9	116.5	115.3
15 Nondurable consumer goods	23.0	108.7	108.4	108.4	108.3	108.9	108.7	109.3	109.1	109.5	109.7	110.0	109.7	110.0	110.0
16 Foods and tobacco	10.3	107.3	107.7	107.3	106.7	106.5	106.2	106.8	107.3	107.4	107.6	107.9	107.8	107.9	107.8
17 Clothing	2.4	90.6	90.2	90.2	89.2	90.1	89.9	89.4	90.6	89.1	89.3	89.6	89.2	89.8	88.9
18 Chemical products	4.5	121.8	120.5	120.2	119.4	122.7	120.9	123.1	126.0	126.5	125.8	125.1	125.9	125.6	125.0
19 Paper products	2.9	102.3	100.3	101.5	102.0	103.2	104.7	106.3	105.1	103.1	104.3	104.5	103.0	103.2	103.8
20 Energy	2.9	114.0	114.7	115.3	118.6	116.6	117.6	114.5	106.7	112.0	113.0	114.8	113.4	115.3	116.8
21 Fuels	.8	111.3	110.9	109.9	111.1	110.0	112.0	112.4	110.1	111.7	108.4	111.5	114.8	113.1	114.3
22 Residential utilities	2.1	115.0	116.1	117.4	121.7	119.3	119.7	114.9	104.3	111.6	114.6	115.8	112.1	115.7	117.5
23 Equipment	17.2	148.9	148.4	148.3	149.3	150.5	150.2	151.2	151.4	151.8	154.2	155.0	156.6	158.1	159.4
24 Business equipment	13.2	171.6	171.2	171.2	172.6	173.9	173.7	174.8	175.0	175.5	179.4	180.6	182.7	184.8	186.0
25 Information processing and related	5.4	248.6	244.3	248.2	253.8	259.9	261.3	265.6	266.7	270.1	277.9	281.2	286.0	290.9	296.8
26 Computer and office equipment	1.1	840.1	805.8	830.2	851.9	892.8	926.9	950.5	970.0	985.6	1,015.3	1,059.5	1,094.5	1,126.1	1,156.4
27 Industrial	4.0	135.3	135.3	133.7	135.4	133.6	133.9	134.9	134.6	135.0	138.4	140.1	139.7	140.2	140.1
28 Transit	2.5	126.9	128.9	128.2	127.5	128.1	124.0	122.3	121.2	118.5	119.9	117.6	117.0	116.9	116.6
29 Autos and trucks	1.2	131.4	131.2	132.2	131.2	135.3	132.0	133.4	134.2	127.8	134.3	134.0	133.9	135.3	136.6
30 Other	1.3	131.4	134.0	130.2	123.8	123.2	126.4	125.1	127.5	128.1	126.8	128.6	137.0	141.4	137.4
31 Defense and space equipment	3.3	74.4	75.2	74.6	74.5	74.7	73.6	73.7	73.0	72.4	70.6	69.7	69.8	69.3	70.1
32 Oil and gas well drilling	.6	106.8	99.8	100.1	102.0	107.1	111.3	115.7	121.3	124.3	125.5	129.9	130.6	132.2	139.6
33 Manufactured homes	.2	155.2	161.3	158.9	151.5	151.3	144.4	142.6	139.3	138.3	135.4	129.6	129.3	125.5	124.5
34 Intermediate products, total	14.2	122.1	122.3	121.7	121.5	121.7	122.6	123.2	122.4	123.1	123.7	124.8	125.0	125.0	124.8
35 Construction supplies	5.3	133.4	132.9	132.6	133.2	132.9	134.1	135.4	134.3	134.9	136.4	137.5	138.6	138.7	137.9
36 Business supplies	8.9	115.3	116.1	115.3	114.6	115.1	115.8	115.9	115.2	116.0	116.1	117.2	116.8	116.8	117.1
37 Materials	39.5	154.8	151.7	153.1	155.0	154.6	155.7	156.8	158.8	159.7	160.5	161.2	163.2	164.9	166.0
38 Durable goods materials	20.8	198.9	194.3	197.2	200.3	199.9	202.3	203.4	206.7	208.8	211.7	213.1	217.6	220.2	222.6
39 Durable consumer parts	4.0	150.7	148.4	150.5	153.9	147.2	156.0	153.7	154.8	155.0	156.0	153.1	154.8	153.4	155.1
40 Equipment parts	7.6	360.9	345.0	355.2	364.6	369.0	371.4	377.5	386.8	394.9	404.9	418.0	436.0	449.5	460.6
41 Other	9.2	131.3	130.4	130.6	131.1	131.6	131.2	131.7	133.4	134.0	134.8	134.1	134.6	134.8	134.3
42 Basic metal materials	3.1	121.8	119.9	122.6	122.8	123.3	122.1	123.5	125.6	126.3	126.2	124.2	126.3	127.0	126.4
43 Nondurable goods materials	8.9	114.6	113.8	114.2	114.5	114.4	114.7	117.4	119.1	118.7	117.0	117.6	116.7	117.1	116.5
44 Textile materials	1.1	101.0	101.8	101.2	101.2	101.1	100.3	102.3	103.3	100.9	99.3	101.9	102.7	100.9	100.2
45 Paper materials	1.8	117.0	115.3	117.7	116.3	116.3	118.6	118.5	119.3	118.5	117.9	116.6	118.4	119.8	119.1
46 Chemical materials	3.9	117.3	116.0	116.9	117.7	117.4	117.7	122.0	125.1	124.2	122.1	124.5	121.1	121.7	121.3
47 Other	2.1	113.5	114.2	112.0	113.0	113.2	112.5	114.9	114.9	116.8	114.8	112.7	113.4	113.7	112.8
48 Energy materials	9.7	101.7	102.2	101.6	102.9	102.3	101.8	101.5	101.6	101.4	101.2	100.5	101.1	102.4	102.9
49 Primary energy	6.3	99.2	98.3	98.9	100.2	100.3	99.6	98.8	100.1	99.5	98.3	96.7	98.5	99.5	99.9
50 Converted fuel materials	3.3	107.0	109.9	106.8	108.0	106.1	106.1	106.5	104.1	104.8	106.8	108.2	106.2	108.0	108.7
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.1	137.0	136.1	136.4	137.3	137.4	138.0	138.9	139.3	140.2	141.0	141.6	142.6	143.6	144.1
52 Total excluding motor vehicles and parts	95.1	136.4	135.6	135.9	136.7	137.1	137.2	138.3	138.7	139.5	140.4	141.1	142.0	143.1	143.6
53 Total excluding computer and office equipment	98.2	131.1	130.2	130.6	131.2	131.4	131.5	132.4	132.7	133.2	134.1	134.4	135.2	136.0	136.4
54 Consumer goods excluding autos and trucks	27.4	115.0	114.8	114.8	115.0	115.2	115.2	116.3	115.6	116.4	116.9	117.0	116.7	117.2	117.1
55 Consumer goods excluding energy	26.2	117.3	117.0	117.2	116.6	117.7	117.1	118.7	118.8	118.8	119.5	119.1	119.1	119.6	119.3
56 Business equipment excluding autos and trucks	12.0	176.2	175.7	175.7	177.4	178.3	178.5	179.5	179.7	181.1	184.5	186.0	188.3	190.5	191.7
57 Business equipment excluding computer and office equipment	12.1	143.8	144.2	143.6	144.4	144.6	143.6	144.0	143.7	143.8	146.8	146.9	148.0	149.2	149.6
58 Materials excluding energy	29.8	172.0	167.4	169.5	171.6	171.3	173.0	174.7	177.4	178.6	179.8	181.0	183.6	185.4	186.7

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Group	SIC code[2]	1992 proportion	1999 avg.	1999 May	1999 June	1999 July	1999 Aug.	1999 Sept.	1999 Oct.	1999 Nov.	1999 Dec.	2000 Jan.	2000 Feb.r	2000 Mar.r	2000 Apr.	2000 May p
				Index (1992 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	...	**100.0**	**137.1**	**136.2**	**136.6**	**137.4**	**137.7**	**138.1**	**139.1**	**139.4**	**140.1**	**141.1**	**141.6**	**142.6**	**143.6**	**144.2**
60 Manufacturing	...	85.4	142.3	141.0	141.4	142.0	142.5	142.9	144.2	145.0	145.6	146.7	147.2	148.3	149.3	149.7
61 Primary processing	...	26.5	123.3	122.5	122.7	123.3	123.4	123.6	124.8	125.6	125.9	126.0	125.9	125.9	126.5	126.0
62 Advanced processing	...	58.9	151.8	150.7	151.2	151.8	152.6	153.1	154.5	155.2	155.9	157.5	158.4	160.1	161.3	162.3
63 Durable goods	...	45.0	172.8	170.8	172.2	173.8	174.4	175.0	176.5	177.4	178.4	181.0	181.8	184.5	186.5	187.8
64 Lumber and products	24	2.0	121.6	123.9	122.2	121.5	120.2	119.7	120.5	119.8	121.4	122.1	121.2	119.9	119.6	119.5
65 Furniture and fixtures	25	1.4	125.5	124.4	124.4	125.7	126.4	127.9	127.0	125.2	128.6	126.9	126.8	127.6	128.0	128.1
66 Stone, clay, and glass products	32	2.1	130.5	128.5	127.8	129.3	130.2	129.6	131.2	132.4	131.4	130.9	131.7	132.3	133.4	132.3
67 Primary metals	33	3.1	126.6	123.9	127.4	128.0	129.6	128.3	129.0	131.1	132.8	132.8	130.9	133.4	133.9	133.4
68 Iron and steel	331,2	1.7	123.2	120.1	124.5	126.2	127.6	125.9	124.9	130.7	131.7	130.8	129.1	132.7	132.5	132.3
69 Raw steel	331PT	.1	113.3	111.4	110.7	111.1	115.9	112.4	121.8	124.0	124.2	123.1	118.7	121.1	124.1	124.1
70 Nonferrous	333–6,9	1.4	130.9	128.6	130.8	130.2	132.1	131.4	134.0	131.7	134.1	135.2	133.2	134.3	135.6	134.8
71 Fabricated metal products	34	5.0	128.7	127.2	128.3	128.6	128.5	128.4	128.8	129.7	129.0	130.8	130.4	130.6	131.2	130.9
72 Industrial machinery and equipment	35	8.0	230.1	228.4	228.2	230.0	231.4	235.5	238.3	239.7	241.8	247.7	252.6	256.9	260.2	261.6
73 Computer and office equipment	357	1.8	1,061.4	1,021.6	1,048.2	1,075.1	1,123.7	1,167.5	1,196.6	1,222.8	1,244.6	1,284.5	1,342.2	1,389.1	1,428.4	1,466.2
74 Electrical machinery	36	7.3	390.2	373.3	384.2	399.2	401.3	402.1	412.6	418.1	426.4	443.5	455.6	475.5	491.2	503.8
75 Transportation equipment	37	9.5	122.4	122.8	123.5	122.9	122.9	123.1	122.3	121.8	120.4	121.7	119.6	120.4	120.2	120.7
76 Motor vehicles and parts	371	4.9	151.0	150.6	152.9	152.2	152.2	155.6	155.7	155.8	152.7	156.6	153.4	155.6	155.9	157.0
77 Autos and light trucks	371PT	2.6	137.8	138.3	142.0	135.8	146.8	139.4	140.7	141.0	135.0	141.0	137.7	138.1	142.3	142.1
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.6	94.9	96.0	95.2	94.7	94.7	92.2	90.6	89.5	89.7	88.6	87.5	87.0	86.4	86.4
79 Instruments	38	5.4	116.5	116.7	117.0	117.2	117.7	117.2	118.3	118.9	119.7	118.4	117.3	117.5	117.7	118.6
80 Miscellaneous	39	1.3	124.7	125.5	124.5	125.2	125.2	125.1	125.0	125.0	126.4	126.9	125.5	124.8	125.2	124.6
81 Nondurable goods	...	40.4	111.8	111.9	111.3	111.0	111.5	111.8	113.0	113.6	113.7	113.5	113.8	113.6	113.7	113.4
82 Foods	20	9.4	110.1	110.6	110.0	108.9	108.9	109.6	110.1	110.3	110.0	109.8	110.7	111.2	111.1	111.0
83 Tobacco products	21	1.6	94.3	95.4	94.5	96.0	94.8	90.9	91.9	93.1	94.7	96.7	94.5	91.4	92.7	92.8
84 Textile mill products	22	1.8	110.9	110.9	110.8	112.3	111.7	110.8	112.7	111.4	110.1	111.5	110.8	111.7	112.6	111.6
85 Apparel products	23	2.2	90.7	91.2	90.7	89.8	89.2	89.0	89.1	89.1	89.1	89.0	89.7	89.4	89.9	88.5
86 Paper and products	26	3.6	116.2	114.6	115.7	115.0	115.8	117.2	118.0	118.1	117.7	117.1	116.5	117.7	119.2	118.0
87 Printing and publishing	27	6.7	104.4	104.1	103.5	102.8	103.6	104.6	106.0	105.7	105.3	105.3	105.7	105.9	105.1	105.5
88 Chemicals and products	28	9.9	117.5	117.0	116.3	115.8	117.7	117.4	119.8	122.7	122.9	121.6	122.4	121.0	121.0	120.5
89 Petroleum products	29	1.4	114.7	114.2	113.4	115.1	114.1	114.6	114.5	112.8	114.9	113.2	115.6	118.8	117.6	118.4
90 Rubber and plastic products	30	3.5	137.7	137.4	136.4	138.0	137.6	139.3	138.9	139.3	141.4	142.2	141.2	140.3	140.5	140.0
91 Leather and products	31	.3	69.8	70.9	71.3	69.1	70.2	69.5	68.2	67.7	65.4	68.1	66.2	65.0	64.0	63.7
92 Mining	...	6.9	98.0	97.4	97.1	97.8	98.5	98.3	99.2	99.7	99.5	99.7	100.0	101.6	102.0	102.3
93 Metal	10	.5	97.1	100.2	98.9	96.2	93.0	91.4	94.2	94.5	95.2	95.5	94.1	93.3	93.0	92.5
94 Coal	12	1.0	108.1	106.1	107.0	110.0	110.7	109.4	108.8	110.0	109.5	106.3	101.9	109.3	112.0	110.1
95 Oil and gas extraction	13	4.8	92.5	91.8	91.4	92.3	93.2	93.0	94.0	94.5	94.6	95.7	96.2	96.4	96.7	98.0
96 Stone and earth minerals	14	.6	124.4	123.9	123.3	120.5	123.0	125.5	126.3	125.0	122.4	120.8	127.5	133.0	131.3	127.8
97 Utilities	...	7.7	115.6	116.1	117.4	119.8	117.8	117.7	115.2	110.9	113.5	114.6	115.3	113.2	116.1	117.7
98 Electric	491,493PT	6.2	118.2	118.4	119.6	122.6	120.0	119.8	116.9	115.8	116.9	116.0	116.0	115.9	118.5	120.7
99 Gas	492,493PT	1.6	104.8	105.8	107.5	107.4	108.2	108.5	107.9	88.2	98.1	108.4	112.6	100.9	105.5	104.5
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	..	80.5	141.7	140.5	140.8	141.4	142.0	142.3	143.6	144.5	145.2	146.2	146.9	148.0	149.0	149.4
101 Manufacturing excluding computer and office equipment	..	83.6	135.3	134.1	134.3	134.8	135.1	135.3	136.5	137.1	137.6	138.5	138.7	139.7	140.4	140.7
102 Computers, communications equipment, and semiconductors	.	5.9	794.1	753.3	780.5	812.1	830.4	843.0	863.9	887.7	908.5	952.4	994.7	1,045.0	1,085.2	1,120.8
103 Manufacturing excluding computers and semiconductors	..	81.1	121.6	121.3	121.2	121.3	121.6	121.7	122.6	122.9	123.1	123.6	123.4	123.7	124.0	124.0
104 Manufacturing excluding computers, communications equipment, and semiconductors	.	79.5	119.3	119.1	118.9	118.9	119.1	119.3	120.1	120.4	120.6	120.9	120.7	120.9	121.1	120.9
		Gross value (billions of 1992 dollars, annual rates)														
Major Markets																
105 **Products, total**	..	**2,001.9**	**2,726.1**	**2,721.9**	**2,723.6**	**2,726.1**	**2,742.0**	**2,740.2**	**2,762.6**	**2,740.0**	**2,751.5**	**2,781.7**	**2,791.9**	**2,799.9**	**2,814.5**	**2,821.0**
106 Final	..	1,552.1	2,101.6	2,095.3	2,100.3	2,102.8	2,118.5	2,112.5	2,132.5	2,115.8	2,122.4	2,147.5	2,152.5	2,160.1	2,173.8	2,181.0
107 Consumer goods	.	1,049.6	1,294.9	1,290.1	1,295.1	1,292.4	1,301.3	1,297.0	1,311.7	1,294.7	1,301.5	1,309.9	1,309.9	1,309.1	1,314.9	1,315.2
108 Equipment	...	502.5	808.3	806.7	806.7	812.3	819.0	817.5	822.5	823.4	822.9	840.3	845.6	854.5	862.6	869.8
109 Intermediate	...	449.9	623.3	625.2	622.1	622.0	622.4	626.4	628.9	623.0	627.9	633.0	638.1	638.5	639.5	638.9

1. Data in this table appear in the Board's G.17 (419) monthly statistical release. The data are also available on the Board's web site, http://www.federalreserve.gov/releases/g17. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1999. The recent annual revision is described in an article in the March 2000 issue of the *Bulletin*. For a description of the methods of estimating 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, and the references cited therein. 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	1997	1998	1999	1999						2000			
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.[r]	Apr.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,441	1,612	1,664	1,673	1,658	1,553	1,636	1,678	1,683	1,762	1,661	1,597	1,559
2 One-family	1,062	1,188	1,247	1,263	1,233	1,200	1,204	1,238	1,266	1,317	1,223	1,238	1,164
3 Two-family or more	379	425	417	410	425	353	432	440	417	445	438	359	395
4 Started	1,474	1,617	1,667	1,704	1,657	1,628	1,636	1,663	1,769	1,744	1,822	1,630	1,656
5 One-family	1,134	1,271	1,335	1,348	1,285	1,290	1,343	1,344	1,441	1,361	1,324	1,327	1,321
6 Two-family or more	340	346	332	356	372	338	293	319	328	383	498	303	335
7 Under construction at end of period[1]	833	935	1,022	1,017	1,026	1,021	1,020	1,022	1,025	1,033	1,041	1,031	1,031
8 One-family	570	637	704	702	706	702	706	708	710	712	712	707	704
9 Two-family or more	264	297	318	315	320	319	314	314	315	321	329	324	327
10 Completed	1,404	1,473	1,636	1,619	1,581	1,642	1,608	1,653	1,675	1,599	1,732	1,734	1,668
11 One-family	1,120	1,158	1,308	1,262	1,251	1,307	1,274	1,345	1,340	1,296	1,382	1,382	1,369
12 Two-family or more	285	315	328	357	330	335	334	308	335	303	350	352	299
13 Mobile homes shipped	354	374	348	336	340	320	321	316	304	307	291	287	271
Merchant builder activity in one-family units													
14 Number sold	804	886	907	936	914	848	906	895	916	927[r]	912	965	909
15 Number for sale at end of period[1]	287	300	326	306	307	311	314	317	320	321[r]	308	320	319
Price of units sold (thousands of dollars)[2]													
16 Median	146.0	152.5	160.0	157.9	154.9	162.0	160.0	172.9	165.0	163.0[r]	162.5	165.0	161.4
17 Average	176.2	181.9	195.8	188.8	193.3	194.4	200.3	212.4	203.0	200.1[r]	199.5	202.3	208.0
EXISTING UNITS (one-family)													
18 Number sold	4,382	4,970	5,197	5,310	5,300	5,150	4,880	5,150	5,140	4,450	4,760	5,200	4,880
Price of units sold (thousands of dollars)[2]													
19 Median	121.8	128.4	133.3	136.0	137.4	134.4	132.5	133.2	133.7	132.2	133.7	134.7	136.1
20 Average	150.5	159.1	168.3	171.9	174.3	170.2	167.2	168.9	168.8	168.9	168.1	171.5	173.3
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 Total put in place	**617,877**	**664,451**	**706,431**	**701,961**	**698,439**	**698,168**	**703,447**	**717,585**	**731,771**	**746,204**	**756,004**	**761,738**	**757,259**
22 Private	474,842	518,987	547,514	545,992	541,793	540,939	544,532	550,018	557,688	565,804	581,807	587,202	583,821
23 Residential	265,908	293,569	321,795	320,350	319,656	320,048	322,876	326,091	330,141	337,230	339,786	343,770	340,062
24 Nonresidential	208,933	225,418	225,720	225,642	222,137	220,891	221,656	223,927	227,547	228,574	242,021	243,432	243,759
25 Industrial buildings	31,355	32.308	26,698	26,246	25,703	25,566	25,387	26,136	26,771	25,954	30,267	30,030	30,105
26 Commercial buildings	86,190	95,252	103,111	103,355	102,407	102,728	102,746	104,208	104,172	104,207	112,612	113,031	114,443
27 Other buildings	37,198	39,438	38,774	38,412	37,791	37,727	38,478	37,820	38,735	39,752	42,268	41,716	41,809
28 Public utilities and other	54,190	58,421	57,136	57,629	56,236	54,870	55,045	55,763	57,869	58,661	56,874	58,655	57,402
29 Public	143,035	145,464	158,917	155,969	156,646	157,229	158,915	167,566	174,083	180,401	174,197	174,535	173,438
30 Military	2,559	2,588	2,133	2,275	1,682	1,947	2,090	1,961	2,362	1,775	2,860	2,278	2,129
31 Highway	44,295	45,067	50,495	47,822	48,182	49.031	47,058	53,487	56,887	63,677	53,495	55,225	54,273
32 Conservation and development	5.576	5,487	6,173	5,820	6.598	6.268	6,283	6,555	7,104	6,629	7,114	6,674	6,078
33 Other	90.605	92,322	100,117	100,052	100.184	99,983	103,484	105,563	107,730	108,320	110.728	110,358	110,958

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, May, 2000[1]
	1999 May	2000 May	1999			2000	2000					
			June	Sept.	Dec.	Mar.	Jan.	Feb.	Mar.	Apr.	May	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**2.1**	**3.1**	**2.7**	**3.9**	**2.4**	**5.8**	**.2**	**.5**	**.7**	**.0**	**.1**	**171.3**
2 Food	2.1	2.2	1.5	2.5	2.2	1 7	−.1	.4	.1	.1	.5	167.3
3 Energy items	1.7	14.6	16.5	26.0	7.8	50.5	1.0	4.6	4.9	−1.9	−1.9	121.0
4 All items less food and energy	2.0	2.4	2.1	2.5	1.8	3.2	.2	.2	.4	.2	2	180.8
5 Commodities	.6	.7	1.7	2.5	−.6	.3	−.2	.0	.3	.2	0	145.5
6 Services	2.7	3.0	2.3	2.5	3.1	4.1	.3	.3	.5	.2	2	200.9
PRODUCER PRICES (1982=100)												
7 Finished goods	1.4	3.9	2.5	6.8	.9	8.6	.1	1.0	1.0	−.3	.0	137.5
8 Consumer foods	.7	2.6	−.6	3.3	−2.0	3.3	.2	.4	.1	1.0	−.2	138.0
9 Consumer energy	1.6	18.1	22.4	37.6	5.9	59.0	.9	5.2	5.8	−4.1	−.5	91.5
10 Other consumer goods	2.5	1.9	.8	3.8	1.1	.8	−.4	.5	.1	.1	.2	153.8
11 Capital equipment	.2	.8	.0	.3	1.2	.9	.1	−.1[r]	.1	.2	.1	138.7
Intermediate materials												
12 Excluding foods and feeds	−.8	5.1	5.7	6.6	3.6	9.8	.5[r]	.9[r]	1.0	−.2	−.1	129.2
13 Excluding energy	−1.0	3.2	2.8	3.4	2.1	3.9	.4	.2	.4	.4	.1	136.7
Crude materials												
14 Foods	−6.2	5.0	−7.7	3.7	−3.6	21.0	.7[r]	.6[r]	3.5	1.7	−1.8	104.6
15 Energy	6.1	37.2	163.8	134.4	−27.9	91.5	4.7[r]	11.1[r]	1.2	−6.9	9.9	105.8
16 Other	−10.7	13.0	7.0	22.6	26.2	10.2	2.3[r]	.3[r]	−.2	−1.2	−.3	148.5

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	1997	1998	1999	1999 Q1	1999 Q2	1999 Q3	1999 Q4	2000 Q1[r]
GROSS DOMESTIC PRODUCT								
1 **Total**	**8,300.8**	**8,759.9**	**9,256.1**	**9,072.7**	**9,146.2**	**9,297.8**	**9,507.9**	**9,697.6**
By source								
2 Personal consumption expenditures	5,524.4	5,848.6	6,257.3	6,090.8	6,200.8	6,303.7	6,434.1	6,602.5
3 Durable goods	642.9	698.2	758.6	739.0	751.6	761.8	782.1	818.6
4 Nondurable goods	1,641.7	1,708.9	1,843.1	1,787.8	1,824.8	1,853.9	1,905.8	1,957.2
5 Services	3,239.8	3,441.5	3,655.6	3,564.0	3,624.3	3,688.0	3,746.2	3,826.7
6 Gross private domestic investment	1,383.7	1,531.2	1,622.7	1,594.3	1,585.4	1,635.0	1,675.8	1,719.3
7 Fixed investment	1,315.4	1,460.0	1,578.0	1,543.3	1,567.8	1,594.2	1,606.8	1,685.4
8 Nonresidential	986.1	1,091.3	1,166.7	1,139.9	1,155.4	1,181.6	1,190.0	1,259.2
9 Structures	254.1	272.8	273.4	274.7	272.5	272.1	274.1	290.1
10 Producers' durable equipment	732.1	818.5	893.4	865.2	882.9	909.5	916.0	969.2
11 Residential structures	329.2	368.7	411.3	403.4	412.4	412.7	416.7	426.1
12 Change in business inventories	68.3	71.2	44.6	51.0	17.6	40.8	69.1	34.0
13 Nonfarm	65.6	70.9	41.3	40.9	12.8	40.1	71.3	36.3
14 Net exports of goods and services	−88.3	−149.6	−253.9	−201.6	−245.8	−278.2	−290.1	−330.9
15 Exports	968.0	966.3	998.3	966.9	978.2	1,008.5	1,039.5	1,058.9
16 Imports	1,056.3	1,115.9	1,252.2	1,168.5	1,224.0	1,286.6	1,329.6	1,389.8
17 Government consumption expenditures and gross investment	1,481.0	1,529.7	1,630.1	1,589.1	1,605.9	1,637.2	1,688.0	1,706.7
18 Federal	537.8	538.7	570.6	557.4	561.6	569.8	593.6	579.9
19 State and local	943.2	991.0	1,059.4	1,031.8	1,044.3	1,067.4	1,094.4	1,126.7
By major type of product								
20 Final sales, total	8,232.4	8,688.7	9,211.5	9,021.6	9,128.6	9,257.0	9,438.8	9,663.7
21 Goods	3,074.1	3,239.1	3,437.5	3,365.6	3,406.6	3,453.2	3,524.6	3,634.4
22 Durable	1,424.8	1,528.9	1,618.7	1,584.3	1,601.7	1,631.1	1,657.8	1,729.6
23 Nondurable	1,649.3	1,710.3	1,818.8	1,781.3	1,804.9	1,822.2	1,866.9	1,904.9
24 Services	4,434.7	4,664.6	4,932.0	4,820.7	4,885.5	4,963.7	5,058.2	5,138.1
25 Structures	723.7	785.1	842.0	835.3	836.5	840.1	856.0	891.1
26 Change in business inventories	68.3	71.2	44.6	51.0	17.6	40.8	69.1	34.0
27 Durable goods	35.6	39.0	25.8	24.1	6.3	23.0	49.8	23.2
28 Nondurable goods	32.8	32.3	18.9	27.0	11.4	17.8	19.2	10.8
MEMO								
29 **Total GDP in chained 1996 dollars**	**8,144.8**	**8,495.7**	**8,848.2**	**8,717.6**	**8,758.3**	**8,879.8**	**9,037.2**	**9,156.7**
NATIONAL INCOME								
30 **Total**	**6,635.5**	**7,038.8**	**7,496.3**	**7,339.4**	**7,428.1**	**7,527.0**	**7,690.9**	**7,828.0**
31 Compensation of employees	4,675.7	5,011.2	5,331.7	5,217.7	5,287.1	5,373.6	5,448.3	5,546.2
32 Wages and salaries	3,884.7	4,189.5	4,472.3	4,371.5	4,432.6	4,509.4	4,575.6	4,659.8
33 Government and government enterprises	664.4	692.8	726.5	715.8	721.3	730.3	738.5	754.3
34 Other	3,220.3	3,496.7	3,745.8	3,655.7	3,711.3	3,779.1	3,837.1	3,905.5
35 Supplement to wages and salaries	791.0	821.7	859.4	846.2	854.5	864.2	872.7	886.4
36 Employer contributions for social insurance	290.1	306.0	323.6	318.3	321.5	325.7	329.0	335.9
37 Other labor income	500.9	515.7	535.8	528.0	533.0	538.5	543.7	550.5
38 Proprietors' income[1]	578.6	606.1	658.5	639.9	655.3	654.0	685.0	685.4
39 Business and professional[1]	549.1	581.0	627.3	607.5	621.2	633.0	647.4	661.7
40 Farm[1]	29.5	25.1	31.3	32.5	34.1	21.0	37.6	23.7
41 Rental income of persons[2]	130.2	137.4	145.9	148.6	148.8	139.0	147.3	145.2
42 Corporate profits[1]	838.5	848.4	892.7	886.9	880.5	884.1	919.4	953.9
43 Profits before tax[3]	795.9	781.9	848.5	818.1	835.8	853.8	886.3	923.7
44 Inventory valuation adjustment	7.4	20.9	−13.0	13.3	−13.6	−26.7	−24.9	−26.7
45 Capital consumption adjustment	35.3	45.6	57.2	55.5	58.2	57.0	58.0	56.9
46 Net interest	412.5	435.7	467.5	446.3	456.4	476.3	491.0	497.3

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	1997	1998	1999	1999				2000
				Q1	Q2	Q3	Q4	Q1[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**6,951.1**	**7,358.9**	**7,791.8**	**7,630.2**	**7,732.6**	**7,831.4**	**7,972.9**	**8,092.5**
2 Wage and salary disbursements	3,888.9	4,186.0	4,472.3	4,371.5	4,432.6	4,509.4	4,575.6	4,659.8
3 Commodity-producing industries	975.5	1,038.7	1,082.4	1,062.9	1,075.1	1,090.2	1,101.4	1,120.7
4 Manufacturing	718.8	757.5	779.7	767.0	774.8	786.4	790.7	798.9
5 Distributive industries	879.1	944.6	1,005.8	986.3	997.6	1,013.4	1,025.8	1,042.8
6 Service industries	1,369.8	1,509.9	1,657.6	1,606.6	1,638.5	1,675.5	1,709.9	1,742.0
7 Government and government enterprises	664.4	692.8	726.5	715.8	721.3	730.3	738.5	754.3
8 Other labor income	500.9	515.7	535.8	528.0	533.0	538.5	543.7	550.5
9 Proprietors' income[1]	578.6	606.1	658.5	639.9	655.3	654.0	685.0	685.4
10 Business and professional[1]	549.1	581.0	627.3	607.5	621.2	633.0	647.4	661.7
11 Farm[1]	29.5	25.1	31.3	32.5	34.1	21.0	37.6	23.7
12 Rental income of persons[2]	130.2	137.4	145.9	148.6	148.8	139.0	147.3	145.2
13 Dividends	333.4	348.3	364.3	356.1	361.2	367.0	373.1	379.6
14 Personal interest income	854.9	897.8	931.3	907.4	920.5	938.8	958.5	972.5
15 Transfer payments	962.4	983.6	1,018.2	1,007.8	1,013.6	1,021.3	1,030.2	1,047.1
16 Old-age survivors, disability, and health insurance benefits	565.8	578.1	596.4	588.9	593.0	599.0	604.7	617.7
17 LESS: Personal contributions for social insurance	298.1	315.9	334.6	328.9	332.3	336.7	340.4	347.6
18 EQUALS: Personal income	6,951.1	7,358.9	7,791.8	7,630.2	7,732.6	7,831.4	7,972.9	8,092.5
19 LESS: Personal tax and nontax payments	968.3	1,072.6	1,152.1	1,124.8	1,139.4	1,160.4	1,183.8	1,212.7
20 EQUALS: Disposable personal income	5,982.8	6,286.2	6,639.7	6,505.4	6,593.2	6,671.0	6,789.1	6,879.8
21 LESS: Personal outlays	5,711.7	6,056.6	6,483.3	6,310.3	6,425.2	6,531.5	6,666.3	6,839.2
22 EQUALS: Personal saving	271.1	229.7	156.3	195.1	168.0	139.5	122.8	40.6
MEMO								
Per capita (chained 1996 dollars)								
23 Gross domestic product	30,391.0	31,395.8	32,387.3	32,038.3[r]	32,105.0[r]	32,467.4[r]	32,958.4	33,333.5
24 Personal consumption expenditures	20,213.8	20,997.0	21,901.9	21,577.7	21,790.5[r]	21,995.2	22,257.1	22,622.3
25 Disposable personal income	21,887.0	22,569.0	23,244.0	23,043.0	23,172.0	23,275.0	23,485.0	23,571.0
26 Saving rate (percent)	4.5	3.7	2.4	3.0	2.5	2.1	1.8	.6
GROSS SAVING								
27 **Gross saving**	**1,521.3**	**1,646.0**	**1,727.1**	**1,727.8**	**1,709.5**	**1,735.6**	**1,735.8**	**1,752.9**
28 Gross private saving	1,362.0	1,371.2	1,364.7	1,389.4	1,359.3	1,355.7	1,354.3	1,306.5
29 Personal saving	271.1	229.7	156.3	195.1	168.0	139.5	122.8	40.6
30 Undistributed corporate profits[1]	266.6	259.6	268.6	282.5	264.5	257.4	270.1	285.2
31 Corporate inventory valuation adjustment	7.4	20.9	−13.0	13.3	−13.6	−26.7	−24.9	−26.7
Capital consumption allowances								
32 Corporate	578.8	616.9	661.1	640.9	652.2	671.6	679.7	694.6
33 Noncorporate	249.8	261.5	278.6	271.0	274.6	287.2	281.6	286.1
34 Gross government saving	159.3	274.8	362.5	338.3	350.2	379.9	381.4	446.4
35 Federal	37.7	134.3	206.3	187.2	208.3	225.1	204.6	279.7
36 Consumption of fixed capital	86.6	87.4	90.9	89.6	90.2	91.2	92.4	93.4
37 Current surplus or deficit (−), national accounts	−48.8	46.9	115.4	97.6	118.1	133.8	112.2	186.3
38 State and local	121.5	140.5	156.2	151.1	141.9	154.8	176.9	166.7
39 Consumption of fixed capital	94.0	98.8	105.2	102.4	104.3	106.0	108.1	109.9
40 Current surplus or deficit (−), national accounts	27.5	41.7	51.0	48.7	37.6	48.9	68.8	56.7
41 **Gross investment**	**1,518.1**	**1,598.4**	**1,602.0**	**1,628.4**	**1,574.0**	**1,594.4**	**1,611.3**	**1,624.8**
42 Gross private domestic investment	1,383.7	1,531.2	1,622.7	1,594.3	1,585.4	1,635.0	1,675.8	1,719.3
43 Gross government investment	258.1	268.7	297.9	289.8	292.2	295.7	313.7	321.1
44 Net foreign investment	−123.7	−201.5	−318.5	−255.7	−303.7	−336.3	−378.2	−415.7
45 **Statistical discrepancy**	**−3.2**	**−47.6**	**−125.1**	**−99.4**	**−135.5**	**−141.2**	**−124.5**	**−128.1**

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	1997	1998	1999	1999				2000
				Q1	Q2	Q3	Q4	Q1[p]
1 Balance on current account	−143,465	−220,562	−338,918	−68,902	−81,157	−89,085	−99,779	−102,301
2 Balance on goods and services	−104,730	−164,282	−267,548	−54,177	−65,290	−72,588	−75,496	−86,176
3 Exports	938,543	933,907	960,088	231,567	234,174	243,254	251,092	255,037
4 Imports	−1,043,273	−1,098,189	−1,227,636	−285,744	−299,464	−315,842	−326,588	−341,213
5 Income, net	3,231	−12,205	−24,789	−4,419	−4,692	−5,289	−10,391	−4,200
6 Investment, net	8,185	−6,956	−19,186	−3,029	−3,308	−3,887	−8,964	−2,820
7 Direct	69,220	59,405	58,433	14,757	13,913	16,543	13,218	17,687
8 Portfolio	−61,035	−66,361	−77,619	−17,786	−17,221	−20,430	−22,182	−20,507
9 Compensation of employees	−4,954	−5,249	−5,603	−1,390	−1,384	−1,402	−1,427	−1,380
10 Unilateral current transfers, net	−41,966	−44,075	−46,581	−10,306	−11,175	−11,208	−13,892	−11,925
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	68	−429	−365	119	−392	−686	594	−82
12 Change in U.S. official reserve assets (increase, −)	−1,010	−6,784	8,749	4,068	1,159	1,950	1,572	−554
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−350	−149	12	563	−190	−185	−176	−180
15 Reserve position in International Monetary Fund	−3,575	−5,118	5,485	3	1,413	2,268	1,801	−237
16 Foreign currencies	2,915	−1,517	3,252	3,502	−64	−133	−53	−137
17 Change in U.S. private assets abroad (increase, −)	−464,354	−285,605	−380,951	−19,581	−155,726	−114,652	−90,988	−142,647
18 Bank-reported claims[3]	−144,822	−24,918	−61,424	27,771	−42,519	−8,799	−37,877	−45,084
19 Nonbank-reported claims	−120,403	−25,041	−69,493	−13,853	−16,816	−24,066	−14,758	−35,183
20 U.S. purchases of foreign securities, net	−89,174	−102,817	−97,882	8,132	−64,579	−34,431	−7,004	−27,535
21 U.S. direct investments abroad, net	−109,955	−132,829	−152,152	−41,631	−31,812	−47,356	−31,349	−34,845
22 Change in foreign official assets in United States (increase, +)	18,119	−21,684	44,570	4,708	−628	11,881	28,609	20,442
23 U.S. Treasury securities	−6,690	−9,957	12,073	800	−6,708	12,963	5,018	16,198
24 Other U.S. government obligations	4,529	6,332	20,350	5,993	5,792	1,835	6,730	8,107
25 Other U.S. government liabilities[3]	−1,798	−3,113	−3,698	−1,594	−647	−1,070	−387	−644
26 Other U.S. liabilities reported by U.S. banks[3]	22,286	−11,469	14,937	−589	1,437	−2,032	16,121	−4,150
27 Other foreign official assets[4]	−208	−3,477	908	98	−502	185	1,127	931
28 Change in foreign private assets in United States (increase, +)	733,542	524,321	706,195	84,260	275,007	195,854	151,077	194,566
29 U.S. bank-reported liabilities[2]	149,026	40,731	67,713	−14,184	34,938	22,629	24,330	−6,701
30 U.S. nonbank-reported liabilities	107,779	9,412	29,411	20,188	8,871	3,475	−3,123	42,035
31 Foreign private purchases of U.S. Treasury securities, net	146,433	46,155	−21,756	−8,781	−5,407	9,639	−17,207	−9,254
32 U.S. currency flows	24,782	16,622	22,407	2,440	3,057	4,697	12,213	−6,847
33 Foreign purchases of other U.S. securities, net	196,258	218,026	325,913	61,540	79,067	94,573	90,733	133,000
34 Foreign direct investments in United States, net	109,264	193,375	282,507	23,057	154,481	60,841	44,131	42,333
35 Capital account transactions, net[5]	292	617	−172	166	178	175	−691	166
36 Discrepancy	−143,192	10,126	−39,108	−4,838	−38,441	−5,437	9,606	30,410
37 Due to seasonal adjustment	...	...	...	5,650	662	−9,615	3,301	5,588
38 Before seasonal adjustment	−143,192	10,126	−39,108	−10,488	−39,103	4,178	6,305	24,822
MEMO								
Changes in official assets								
39 U.S. official reserve assets (increase, −)	−1,010	−6,784	8,749	4,068	1,159	1,950	1,572	−554
40 Foreign official assets in United States, excluding line 25 (increase, +)	19,917	−18,571	48,268	6,302	19	12,951	28,996	21,086
41 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	12,124	−11,499	968	2,058	1,966	−983	−2,073	5,951

1. Seasonal factors are not calculated for lines 11–16, 18–20, 22–35, and 38–41.
2. Reporting banks included all types of depository institutions as well as some brokers and dealers.
3. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies
4. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.
5. Consists of capital transfers (such as those of accompanying migrants entering or leaving the country and debt forgiveness) and the acquisition and disposal of nonproduced nonfinancial assets.

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	1997	1998	1999r	1999r Oct.	Nov.	Dec.	2000 Jan.r	Feb.r	Mar.r	Apr.p
1 Goods and services, balance	−104,731	−166,897	−264,971	−24,910	−25,711	−25,657	−27,425	−28,144	−30,606	−30,438
2 Merchandise	−196,652	−246,853	−345,559	−31,576	−32,400	−32,255	−34,049	−34,641	−37,148	−36,909
3 Services	91,921	79,956	80,588	6,666	6,689	6,598	6,624	6,497	6,542	6,471
4 Goods and services, exports	938,543	932,977	956,242	82,349	83,198	84,107	83,583	84,731	86,723	86,699
5 Merchandise	679,715	670,324	684,358	59,193	59,682	61,211	60,321	60,894	62,513	62,632
6 Services	258,828	262,653	271,884	23,156	23,516	22,896	23,262	23,837	24,210	24,067
7 Goods and services, imports	−1,043,273	−1,099,875	−1,221,213	−107,259	−108,909	−109,764	−111,008	−112,875	−117,329	−117,137
8 Merchandise	−876,366	−917,178	−1,029,917	−90,769	−92,082	−93,466	−94,370	−95,535	−99,661	−99,541
9 Services	−166,907	−182,697	−191,296	−16,490	−16,827	−16,298	−16,638	−17,340	−17,668	−17,596

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	1996	1997	1998	1999 Nov.	Dec.	2000 Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **Total**	**75,090**	**69,954**	**81,755**	**72,318**	**71,516**	**69,898**	**69,309**	**70,789**	**66,587**	**67,160**	**67,957**
2 Gold stock, including Exchange Stabilization Fund[1]	11,049	11,050	11,041	11,049	11,089	11,048	11,048	11,048	11,048	11,048	11,048
3 Special drawing rights[2,3]	10,312	10,027	10,603	10,326	10,336	10,199	10,277	10,335	10,122	10,310	10,444
4 Reserve position in International Monetary Fund[2]	15,435	18,071	24,111	18,707	17,950	17,710	17,578	17,871	15,403	15,373	15,428
5 Foreign currencies[4]	38,294	30,809	36,001	32,236	32,182	30,941	30,406	31,535	30,014	30,429	31,037

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	1996	1997	1998	1999 Nov.	Dec.	2000 Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **Deposits**	**167**	**457**	**167**	**501**	**71**	**82**	**87**	**125**	**142**	**110**	**104**
Held in custody											
2 U.S. Treasury securities[2]	638,049	620,885	607,574	629,430	632,482	627,326	631,421	641,830	632,216	623,553	627,081
3 Earmarked gold[3]	11,197	10,763	10,343	10,015	9,933	9,866	9,771	9,711	9,711	9,711	9,688

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	1997	1998	1999 Oct.	1999 Nov.	1999 Dec.	2000 Jan.	2000 Feb.	2000 Mar.	2000 Apr.p
1 **Total**[1]	**776,505**	**759,928**	**782,865**	**779,191**	**806,046**	**808,231**	**812,353r**	**827,394**	**834,533**
By type									
2 Liabilities reported by banks in the United States[2]	135,384	125,883	124,523	122,505	138,575	134,510	130,268r	134,687	138,103
3 U.S. Treasury bills and certificates[3]	148,301	134,177	154,582	153,465	156,177	153,548	156,995	164,781	157,607
U.S. Treasury bonds and notes									
4 Marketable	428,004	432,127	419,629	417,304	422,266	429,029	430,806	430,237	436,640
5 Nonmarketable[4]	5,994	6,074	6,139	6,177	6,111	6,152	6,191	5,734	5,770
6 U.S. securities other than U.S. Treasury securities[5]	58,822	61,667	77,992	79,740	82,917	84,992	88,093	91,955	96,413
By area									
7 Europe[1]	252,289	256,026	243,412	242,587	244,805	246,022	248,792	249,545	249,685
8 Canada	36,177	36,715	39,682	39,081	38,666	39,439	39,358	39,846	39,501
9 Latin America and Caribbean	96,942	79,503	73,627	70,632	73,518	71,888	71,180	77,014	72,026
10 Asia	400,144	400,631	439,811	441,070	463,434	463,561	466,087r	474,828	486,893
11 Africa	9,981	10,059	7,868	7,174	7,520	8,205	7,976r	7,979	8,024
12 Other countries	7,058	3,080	4,551	4,733	4,189	5,202	5,046	4,268	4,490

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 1994 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	1996	1997	1998	1999r June	1999r Sept.	1999r Dec.	2000 Mar.
1 Banks' liabilities	103,383	117,524	101,125	90,305	100,112	88,144	85,344
2 Banks' claims	66,018	83,038	78,162	59,597	67,032	67,355	63,573
3 Deposits	22,467	28,661	45,985	31,452	32,713	34,416	32,804
4 Other claims	43,551	54,377	32,177	28,145	34,319	32,939	30,769
5 Claims of banks' domestic customers[2]	10,978	8,191	20,718	23,474	11,534	20,826	21,753

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	1997	1998	1999	1999			2000			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**1,283,027**	**1,347,837**	**1,413,074**	**1,377,112**	**1,422,378**	**1,413,074**	**1,413,612**	**1,407,178[r]**	**1,404,226**	**1,403,855**
2 Banks' own liabilities	882,980	884,939	975,791	932,195	976,348	975,791	981,262	970,629[r]	958,053	972,223
3 Demand deposits	31,344	29,558	42,917	39,452	42,889	42,917	36,558	39,678[r]	29,793	31,186
4 Time deposits[2]	198,546	151,761	167,182	162,271	166,483	167,182	165,205	171,066[r]	170,919	186,632
5 Other[3]	168,011	140,752	162,485	155,705	162,708	162,485	174,797	163,872[r]	161,469	164,910
6 Own foreign offices[4]	485,079	562,868	603,207	574,767	604,268	603,207	604,702	596,013[r]	595,872	589,495
7 Banks' custodial liabilities[5]	400,047	462,898	437,283	444,917	446,030	437,283	432,350	436,549	446,173	431,632
8 U.S. Treasury bills and certificates[6]	193,239	183,494	185,797	188,486	184,675	185,797	181,879	184,604	195,050	184,222
9 Other negotiable and readily transferable instruments[7]	93,641	141,699	132,575	131,464	131,859	132,575	129,551	128,673	127,630	125,011
10 Other	113,167	137,705	118,911	124,967	129,496	118,911	120,920	123,272	123,493	122,399
11 Nonmonetary international and regional organizations[8]	11,690	11,883	14,872	17,893	14,043	14,872	21,756	20,436[r]	18,311	20,068
12 Banks' own liabilities	11,486	10,850	13,953	17,052	13,156	13,953	20,900	19,513[r]	17,536	19,278
13 Demand deposits	16	172	98	187	70	98	202	148	71	58
14 Time deposits[2]	5,466	5,793	10,349	8,772	7,675	10,349	9,621	9,251	9,741	11,338
15 Other[3]	6,004	4,885	3,506	8,093	5,411	3,506	11,077	10,114[r]	7,724	7,882
16 Banks' custodial liabilities[5]	204	1,033	919	841	887	919	856	923	775	790
17 U.S. Treasury bills and certificates[6]	69	636	680	628	658	680	625	704	695	623
18 Other negotiable and readily transferable instruments[7]	133	397	233	213	229	233	225	213	71	77
19 Other	2	0	6	0	0	6	6	6	9	90
20 Official institutions[9]	283,685	260,060	294,752	279,105	275,970	294,752	288,058	287,263[r]	299,468	295,710
21 Banks' own liabilities	102,028	80,256	97,373	79,376	80,029	97,373	82,435	79,652[r]	85,634	87,758
22 Demand deposits	2,314	3,003	3,341	2,314	2,829	3,341	2,645	3,306	2,854	3,509
23 Time deposits[2]	41,396	29,506	28,700	29,152	27,009	28,700	25,666	27,690[r]	30,117	36,337
24 Other[3]	58,318	47,747	65,332	47,910	50,191	65,332	54,124	48,656	52,663	47,912
25 Banks' custodial liabilities[5]	181,657	179,804	197,379	199,729	195,941	197,379	205,623	207,611	213,834	207,952
26 U.S. Treasury bills and certificates[6]	148,301	134,177	156,177	154,582	153,465	156,177	153,548	156,995	164,781	157,607
27 Other negotiable and readily transferable instruments[7]	33,151	44,953	41,152	44,804	42,331	41,152	51,522	50,298	48,689	50,118
28 Other	205	674	50	343	145	50	553	318	364	227
29 Banks[10]	815,247	885,336	901,425	877,167	923,780	901,425	901,621	887,476[r]	883,267	884,547
30 Banks' own liabilities	641,447	676,057	729,398	698,718	739,978	729,398	736,931	725,301[r]	719,170	723,984
31 Unaffiliated foreign banks	156,368	113,189	126,191	123,951	135,710	126,191	132,229	129,288[r]	123,298	134,489
32 Demand deposits	16,767	14,071	17,583	17,111	14,402	17,583	12,964	12,424	13,930	14,407
33 Time deposits[2]	83,433	45,904	48,199	48,693	54,388	48,199	51,218	51,518[r]	49,724	57,498
34 Other[3]	56,168	53,214	60,409	58,147	66,920	60,409	68,047	65,346[r]	59,644	62,584
35 Own foreign offices[4]	485,079	562,868	603,207	574,767	604,268	603,207	604,702	596,013[r]	595,872	589,495
36 Banks' custodial liabilities[5]	173,800	209,279	172,027	178,449	183,802	172,027	164,690	162,175	164,097	160,563
37 U.S. Treasury bills and certificates[6]	31,915	35,359	16,936	22,203	19,512	16,936	17,582	14,635	15,770	13,993
38 Other negotiable and readily transferable instruments[7]	35,393	45,332	45,695	41,529	44,889	45,695	36,426	34,629	35,453	34,592
39 Other	106,492	128,588	109,396	114,717	119,401	109,396	110,682	112,911	112,874	111,978
40 Other foreigners	172,405	190,558	202,025	202,947	208,585	202,025	202,177	212,003[r]	203,180	203,530
41 Banks' own liabilities	128,019	117,776	135,067	137,049	143,185	135,067	140,996	146,163[r]	135,713	141,203
42 Demand deposits	12,247	12,312	21,895	19,840	25,588	21,895	20,747	23,800[r]	12,938	13,212
43 Time deposits[2]	68,251	70,558	79,934	75,654	77,411	79,934	78,700	82,607[r]	81,337	81,459
44 Other[3]	47,521	34,906	33,238	41,555	40,186	33,238	41,549	39,756[r]	41,438	46,532
45 Banks' custodial liabilities[5]	44,386	72,782	66,958	65,898	65,400	66,958	61,181	65,840	67,467	62,327
46 U.S. Treasury bills and certificates[6]	12,954	13,322	12,004	11,073	11,040	12,004	10,124	12,270	13,804	11,999
47 Other negotiable and readily transferable instruments[7]	24,964	51,017	45,495	44,918	44,410	45,495	41,378	43,533	43,417	40,224
48 Other	6,468	8,443	9,459	9,907	9,950	9,459	9,679	10,037	10,246	10,104
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	16,083	27,026	30,345	26,550	28,320	30,345	28,344	27,266	28,056	26,087

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	1997	1998	1999	1999			2000			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]
AREA										
50 **Total, all foreigners**	**1,283,027**	**1,347,837**	**1,413,074**	**1,377,112**	**1,422,378**	**1,413,074**	**1,413,612**	**1,407,178[r]**	**1,404,226**	**1,403,855**
51 **Foreign countries**	**1,271,337**	**1,335,954**	**1,398,202**	**1,359,219**	**1,408,335**	**1,398,202**	**1,391,856**	**1,386,742[r]**	**1,385,915**	**1,383,787**
52 Europe	419,672	427,375	448,004	442,633	470,893	448,004	449,970	450,970[r]	449,599	433,581
53 Austria	2,717	3,178	2,789	3,299	2,842	2,789	2,648	2,997	2,570	2,536
54 Belgium and Luxembourg	41,007	42,818	44,692	38,750	41,331	44,692	42,433	38,783	36,385	32,866
55 Denmark	1,514	1,437	2,196	2,658	3,197	2,196	2,510	2,533	3,235	2,601
56 Finland	2,246	1,862	1,658	1,269	1,894	1,658	1,290	1,479	2,015	1,744
57 France	46,607	44,616	49,790	45,763	50,261	49,790	48,530	49,839	43,666	45,324
58 Germany	23,737	21,357	24,748	25,472	26,530	24,748	24,097	24,201	25,176	23,710
59 Greece	1,552	2,066	3,748	3,322	3,365	3,748	3,145	4,000	3,216	3,188
60 Italy	11,378	7,103	6,775	6,305	5,264	6,775	6,261	5,405	5,278	4,789
61 Netherlands	7,385	10,793	8,310	13,874	12,775	8,310	7,271	7,797	7,617	7,319
62 Norway	317	710	1,327	951	1,364	1,327	834	1,169	1,336	1,197
63 Portugal	2,262	3,236	2,228	1,875	2,148	2,228	2,034	2,113	2,006	1,913
64 Russia	7,968	2,439	5,475	3,713	3,655	5,475	6,404	7,543	7,360	10,065
65 Spain	18,989	15,781	10,426	9,287	11,181	10,426	12,531	12,130	12,518	11,209
66 Sweden	1,628	3,027	4,652	5,381	5,518	4,652	4,673	4,792	5,425	5,165
67 Switzerland	39,023	50,654	65,985	65,966	67,025	65,985	64,282	61,335	81,934	69,198
68 Turkey	4,054	4,286	7,842	8,250	8,817	7,842	6,912	7,714	7,995	8,016
69 United Kingdom	181,904	181,554	176,168	177,992	195,453	176,168	184,457	187,295[r]	168,995	168,985
70 Yugoslavia[11]	239	233	286	267	267	286	273	294	270	265
71 Other Europe and other former U.S.S.R.[12]	25,145	30,225	28,909	28,239	28,006	28,909	29,385	29,551	32,602	33,491
72 Canada	28,341	30,212	34,119	34,995	33,746	34,119	32,965	33,387	36,147	40,563
73 Latin America and Caribbean	536,393	554,866	577,599	576,142	594,400	577,599	599,486	596,206	593,705	602,198
74 Argentina	20,199	19,014	18,633	17,547	15,042	18,633	15,333	16,327	17,906	18,487
75 Bahamas	112,217	118,085	134,407	134,111	139,179	134,407	149,727	155,720	141,370	159,115
76 Bermuda	6,911	6,846	7,877	10,902	8,859	7,877	9,910	9,106	10,108	9,710
77 Brazil	31,037	15,815	12,860	13,252	14,184	12,860	12,230	12,785	14,889	10,305
78 British West Indies	276,418	302,486	312,664	311,509	328,052	312,664	320,245	311,923	317,614	312,515
79 Chile	4,072	5,015	7,008	6,559	6,521	7,008	6,366	6,244	5,752	5,933
80 Colombia	3,652	4,624	5,656	5,011	4,783	5,656	4,438	4,304	4,314	4,243
81 Cuba	66	62	75	72	73	75	75	75	100	77
82 Ecuador	2,078	1,572	1,956	1,833	1,930	1,956	1,985	2,035	2,141	2,193
83 Guatemala	1,494	1,336	1,621	1,484	1,577	1,621	1,636	1,617	1,706	1,628
84 Jamaica	450	577	520	549	546	520	540	571	671	670
85 Mexico	33,972	37,157	30,718	32,210	31,189	30,718	32,090	32,216	31,393	32,832
86 Netherlands Antilles	5,085	5,010	3,997	2,696	3,389	3,997	4,269	3,692	4,528	5,067
87 Panama	4,241	3,864	4,415	4,007	3,834	4,415	4,042	3,737	4,157	3,788
88 Peru	893	840	1,142	958	997	1,142	1,073	1,051	975	1,021
89 Uruguay	2,382	2,486	2,386	2,219	2,585	2,386	2,260	2,262	2,377	2,431
90 Venezuela	21,601	19,894	20,189	19,914	20,311	20,189	21,517	21,297	22,572	21,140
91 Other	9,625	10,183	11,475	11,309	11,349	11,475	11,750	11,244	11,132	11,043
92 Asia	269,379	307,960	319,361	287,963	292,078	319,361	290,432	287,371[r]	288,103	289,662
China										
93 Mainland	18,252	13,441	12,325	10,460	13,981	12,325	11,570	11,661	8,096	8,530
94 Taiwan	11,840	12,708	13,595	12,023	14,791	13,595	11,677	11,211[r]	14,642	14,488
95 Hong Kong	17,722	20,900	27,697	24,299	22,276	27,697	25,951	24,038	23,144	23,732
96 India	4,567	5,250	7,367	5,659	5,610	7,367	5,491	5,405	6,258	5,586
97 Indonesia	3,554	8,282	6,567	6,037	6,486	6,567	6,853	7,495	7,837	7,275
98 Israel	6,281	7,749	7,488	5,175	5,071	7,488	6,581	7,680	8,338	7,063
99 Japan	143,401	168,563	159,075	151,632	152,095	159,075	149,033	145,314	145,074	147,404
100 Korea (South)	13,060	12,524	12,840	9,935	8,474	12,840	11,573	12,625	16,420	16,820
101 Philippines	3,250	3,324	3,253	2,134	2,639	3,253	1,938	2,540[r]	2,277	2,290
102 Thailand	6,501	7,359	6,050	4,983	5,164	6,050	5,389	5,134	4,370	3,628
103 Middle Eastern oil-exporting countries[13]	14,959	15,609	21,280	16,825	17,944	21,280	16,923	15,807	16,127	19,001
104 Other	25,992	32,251	41,824	38,801	37,547	41,824	37,453	38,461[r]	35,520	33,845
105 Africa	10,347	8,905	9,469	8,037	7,799	9,469	8,106	8,270[r]	8,614	8,576
106 Egypt	1,663	1,339	2,022	1,364	1,846	2,022	1,616	1,703	1,770	1,663
107 Morocco	138	97	179	174	166	179	176	262	115	106
108 South Africa	2,158	1,522	1,495	828	957	1,495	730	698	673	687
109 Zaire	10	5	14	14	13	14	7	13	13	7
110 Oil-exporting countries[14]	3,060	3,088	2,915	2,912	2,248	2,915	2,953	3,098[r]	3,318	3,586
111 Other	3,318	2,854	2,844	2,745	2,569	2,844	2,624	2,496	2,725	2,527
112 Other	7,205	6,636	9,650	9,449	9,419	9,650	10,897	10,538	9,747	9,207
113 Australia	6,304	5,495	8,377	8,199	8,394	8,377	9,910	9,335	8,669	8,414
114 Other	901	1,141	1,273	1,250	1,025	1,273	987	1,203	1,078	793
115 Nonmonetary international and regional organizations	11,690	11,883	14,872	17,893	14,043	14,872	21,756	20,436[r]	18,311	20,068
116 International[15]	10,517	10,221	12,972	16,009	12,710	12,972	19,657	17,861[r]	16,256	18,685
117 Latin American regional[16]	424	594	650	960	345	650	1,128	1,558	1,244	518
118 Other regional[17]	749	1,068	1,250	924	988	1,250	971	1,017	811	865

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	1997	1998	1999	1999			2000			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]
1 **Total, all foreigners**	**708,225**	**734,995**	**793,421**	**752,319**	**779,765**	**793,421**	**755,370**	**750,751[r]**	**813,504**	**815,351**
2 **Foreign countries**	**705,762**	**731,378**	**788,855**	**747,029**	**774,100**	**788,855**	**749,752**	**746,084[r]**	**809,195**	**810,349**
3 Europe	199,880	233,321	313,955	293,618	313,288	313,955	306,304	314,283[r]	361,084	349,493
4 Austria	1,354	1,043	2,643	2,752	2,407	2,643	3,020	2,471	2,493	2,429
5 Belgium and Luxembourg	6,641	7,187	10,193	9,624	9,332	10,193	8,898	9,777	8,022	7,939
6 Denmark	980	2,383	1,669	2,352	1,756	1,669	1,702	1,743	1,625	1,940
7 Finland	1,233	1,070	2,020	1,669	2,034	2,020	2,328	1,846	2,093	2,087
8 France	16,239	15,251	29,142	21,533	24,592	29,142	30,051	28,303	28,127	30,932
9 Germany	12,676	15,923	29,205	23,616	22,365	29,205	29,871	28,890	35,371	33,975
10 Greece	402	575	806	743	754	806	793	683	842	728
11 Italy	6,230	7,284	8,496	6,682	7,297	8,496	8,614	6,785	7,048	7,034
12 Netherlands	6,141	5,697	10,477	8,940	8,100	10,477	10,144	11,617[r]	14,222	14,054
13 Norway	555	827	867	949	920	867	1,243	1,013	999	1,355
14 Portugal	777	669	1,571	1,691	1,430	1,571	1,307	1,155	1,043	1,085
15 Russia	1,248	789	713	871	711	713	701	743	709	709
16 Spain	2,942	5,735	3,796	4,073	4,641	3,796	4,581	4,339	3,187	3,217
17 Sweden	1,854	4,223	3,213	4,325	3,853	3,213	4,505	5,382[r]	7,492	8,100
18 Switzerland	28,846	46,874	79,086	78,448	91,493	79,086	68,904	70,250[r]	111,544	97,687
19 Turkey	1,558	1,982	2,617	2,403	2,491	2,617	2,969	3,031	3,053	3,148
20 United Kingdom	103,143	106,349	119,829	114,209	120,836	119,829	119,886	128,031[r]	124,776	125,439
21 Yugoslavia[2]	52	53	50	51	50	50	50	50	50	186
22 Other Europe and other former U.S.S.R.[3]	7,009	9,407	7,562	8,687	8,226	7,562	6,737	8,174	8,388	7,449
23 Canada	27,189	47,037	37,196	35,903	37,060	37,196	36,474	38,541	42,686	43,259
24 Latin America and Caribbean	343,730	342,654	353,409	335,163	335,356	353,409	323,537	314,839	323,816	328,885
25 Argentina	8,924	9,552	10,167	10,148	10,034	10,167	9,962	10,095	9,845	9,760
26 Bahamas	89,379	96,455	99,324	87,083	87,177	99,324	78,641	68,914	74,018	72,312
27 Bermuda	8,782	5,011	8,007	9,887	9,449	8,007	10,145	11,771	7,441	5,685
28 Brazil	21,696	16,184	15,706	14,218	14,973	15,706	15,031	15,382	14,981	16,278
29 British West Indies	145,471	153,749	167,182	159,171	158,937	167,182	157,469	156,776	166,284	173,907
30 Chile	7,913	8,250	6,607	6,846	6,591	6,607	6,672	6,224	6,511	6,447
31 Colombia	6,945	6,507	4,529	4,800	4,745	4,529	4,326	4,176	3,937	3,917
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	1,311	1,400	760	792	761	760	692	730	688	662
34 Guatemala	886	1,127	1,133	1,084	1,090	1,133	1,067	1,170	1,181	1,252
35 Jamaica	424	239	295	319	309	295	298	332	328	325
36 Mexico	19,428	21,212	17,899	17,792	17,924	17,899	17,848	17,489	16,998	16,945
37 Netherlands Antilles	17,838	6,779	5,982	7,497	8,078	5,982	6,194	6,341	6,385	6,388
38 Panama	4,364	3,584	3,387	2,917	3,050	3,387	3,067	2,972	2,912	2,844
39 Peru	3,491	3,275	2,529	2,442	2,507	2,529	2,462	2,414	2,223	2,375
40 Uruguay	629	1,126	801	778	775	801	709	777	761	714
41 Venezuela	2,129	3,089	3,494	4,103	3,587	3,494	3,571	3,524	3,580	3,474
42 Other	4,120	5,115	5,607	5,286	5,369	5,607	5,383	5,752	5,743	5,600
43 Asia	125,092	98,607	74,922	73,099	78,454	74,922	73,327	69,074[r]	72,692	79,024
China										
44 Mainland	1,579	1,261	2,090	1,998	2,082	2,090	2,221	2,726	3,161	4,532
45 Taiwan	922	1,041	1,390	816	1,495	1,390	1,462	1,501	925	1,080
46 Hong Kong	13,991	9,080	5,893	4,740	6,010	5,893	5,240	4,453	4,519	4,546
47 India	2,200	1,440	1,738	1,856	1,972	1,738	1,616	1,802	1,749	1,786
48 Indonesia	2,651	1,942	1,776	1,636	1,681	1,776	1,711	1,743	1,817	1,821
49 Israel	768	1,166	1,875	851	1,053	1,875	1,853	1,832	3,412	3,293
50 Japan	59,549	46,713	28,636	28,363	30,305	28,636	28,597	25,559[r]	27,310	31,148
51 Korea (South)	18,162	8,289	9,267	12,441	13,262	9,267	11,378	12,066	11,466	12,209
52 Philippines	1,689	1,465	1,410	1,562	990	1,410	1,088	1,058	1,698	1,714
53 Thailand	2,259	1,807	1,518	1,411	1,433	1,518	1,155	1,275	1,154	1,081
54 Middle Eastern oil-exporting countries[4]	10,790	16,130	14,252	10,667	11,631	14,252	10,774	10,947	11,612	10,765
55 Other	10,532	8,273	5,077	6,758	6,540	5,077	6,232	4,112	3,869	5,049
56 Africa	3,530	3,122	2,268	2,299	2,473	2,268	2,786	2,453	1,991	2,054
57 Egypt	247	257	258	251	233	258	222	207	243	206
58 Morocco	511	372	352	439	354	352	299	313	279	300
59 South Africa	805	643	622	589	873	622	943	889	428	360
60 Zaire	0	0	24	0	9	24	0	0	0	0
61 Oil-exporting countries[5]	1,212	936	276	253	275	276	494	228	198	394
62 Other	755	914	736	767	729	736	828	816	843	794
63 Other	6,341	6,637	7,105	6,947	7,469	7,105	7,324	6,894	6,926	7,634
64 Australia	5,300	6,173	6,824	6,696	7,272	6,824	7,113	6,682	6,674	7,225
65 Other	1,041	464	281	251	197	281	211	212	252	409
66 Nonmonetary international and regional organizations[6]	2,463	3,617	4,566	5,290	5,665	4,566	5,618	4,667	4,309	5,002

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	1997	1998	1999	1999			2000			
				Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.	Apr.[p]
1 **Total**	**852,852**	**875,891**	**943,378[r]**	.	.	**943,378[r]**	.	.	**1,008,616**	.
2 Banks' claims	708,225	734,995	793,421	752,319	779,765	793,421	755,370	750,751	813,504	815,351
3 Foreign public borrowers	20,581	23,542	35,213	40,948	39,910	35,213	42,344	36,541	34,432	37,245
4 Own foreign offices[2]	431,685	484,535	528,036	487,624	511,669	528,036	490,010	496,550	551,832	556,973
5 Unaffiliated foreign banks	109,230	106,206	101,230	97,262	99,497	101,230	93,524	87,666	97,634	91,901
6 Deposits	30,995	27,230	34,320	24,865	27,835	34,320	24,259	21,275	24,361	22,399
7 Other	78,235	78,976	66,910	72,397	71,662	66,910	69,265	66,391	73,273	69,502
8 All other foreigners	146,729	120,712	128,942	126,485	128,689	128,942	129,492	129,994	129,606	129,232
9 Claims of banks' domestic customers[3]	144,627	140,896	149,957[r]	.	.	149,957[r]	.	..	195,112	..
10 Deposits	73,110	79,363	86,164[r]	.		86,164[r]	.	.	127,077	..
11 Negotiable and readily transferable instruments[4]	53,967	47,914	51,161[r]	...	.	51,161[r]	.	.	56,032	.
12 Outstanding collections and other claims	17,550	13,619	12,632	.	.	12,632	..	..	12,003	.
MEMO										
13 Customer liability on acceptances	9,624	4,520	4,672	..	..	4,672	.	.	4,466	.
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	33,816	39,978	31,125	33,847	32,592	31,125	41,544	48,225	53,657	45,383

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]	1996	1997	1998	1999			2000
				June[r]	Sept.	Dec.[r]	Mar.[p]
1 **Total**	**258,106**	**276,550**	**250,418**	**261,268**	**270,102[r]**	**266,330**	**261,095**
By borrower							
2 Maturity of one year or less	211,859	205,781	186,526	186,494	196,821[r]	187,454	180,047
3 Foreign public borrowers	15,411	12,081	13,671	25,354	22,603	22,904	21,332
4 All other foreigners	196,448	193,700	172,855	161,140	174,218[r]	164,550	158,715
5 Maturity of more than one year	46,247	70,769	63,892	74,774	73,281[r]	78,876	81,048
6 Foreign public borrowers	6,790	8,499	9,839	11,704	12,193	12,043	12,803
7 All other foreigners	39,457	62,270	54,053	63,070	61,088[r]	66,833	68,245
By area							
Maturity of one year or less							
8 Europe	55,690	58,294	68,679	84,717	82,567	80,843	79,673
9 Canada	8,339	9,917	10,968	6,674	8,545	7,860	8,408
10 Latin America and Caribbean	103,254	97,207	81,766	64,879	78,102[r]	69,035	62,377
11 Asia	38,078	33,964	18,007	22,587	20,864[r]	21,820	22,510
12 Africa	1,316	2,211	1,835	1,543	1,119	1,122	957
13 All other[3]	5,182	4,188	5,271	6,094	5,624	6,774	6,122
Maturity of more than one year							
14 Europe	6,965	13,240	14,923	18,962	18,618	22,950	23,949
15 Canada	2,645	2,525	3,140	3,292	3,192	3,191	3,134
16 Latin America and Caribbean	24,943	42,049	33,442	39,090	38,111[r]	38,741	39,153
17 Asia	9,392	10,235	10,018	10,482	10,641[r]	11,257	12,093
18 Africa	1,361	1,236	1,232	1,105	1,087	1,065	965
19 All other[3]	941	1,484	1,137	1,843	1,632	1,672	1,754

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	1996	1997	1998				1999				2000
			Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.[p]
1 **Total**	**645.8**	**721.8**	**1029.8**	**1017.2**	**1071.9**	**1051.6**	**992.6**	**938.5**	**936.8**	**935.5**	**950.0**
2 G-10 countries and Switzerland	228.3	242.8	250.9	273.9	240.0	217.7	208.5	222.2	205.5	235.5	283.6
3 Belgium and Luxembourg	11.7	11.0	12.0	14.0	11.7	10.7	15.6	16.1	15.7	14.3	14.2
4 France	16.6	15.4	16.5	21.7	20.3	18.4	21.6	20.4	19.9	29.0	27.1
5 Germany	29.8	28.6	27.0	30.5	31.4	30.9	34.7	32.1	37.4	38.7	37.3
6 Italy	16.0	15.5	20.8	21.1	18.5	11.5	17.8	16.4	15.0	18.1	20.0
7 Netherlands	4.0	6.2	7.7	8.6	8.4	7.8	10.7	13.3	10.6	11.0	17.2
8 Sweden	2.6	3.3	4.8	3.1	2.1	2.3	4.0	2.6	3.6	2.9	3.9
9 Switzerland	5.3	7.2	5.9	7.0	7.6	8.5	7.8	8.2	8.8	10.2	10.1
10 United Kingdom	104.7	113.4	114.6	125.9	100.1	85.4	55.9	73.4	51.1	72.8	112.8
11 Canada	14.0	13.7	14.2	16.7	15.9	16.8	15.9	17.1	17.8	16.3	17.5
12 Japan	23.7	28.6	27.3	25.3	23.9	25.4	24.6	22.6	25.6	22.0	23.5
13 Other industrialized countries	66.1	65.5	78.2	78.7	78.5	69.0	80.1	79.7	71.7	68.2	62.6
14 Austria	1.1	1.5	1.7	1.9	2.1	1.4	2.8	2.8	3.0	3.5	2.6
15 Denmark	1.5	2.4	2.1	2.2	3.0	2.2	3.4	2.9	2.1	2.6	1.5
16 Finland	.8	1.3	1.5	1.4	1.6	1.4	1.5	.9	.9	.9	.8
17 Greece	6.7	5.1	6.1	5.8	5.8	5.9	6.5	5.9	6.6	6.0	5.7
18 Norway	8.0	3.6	4.0	3.4	3.2	3.2	3.1	3.0	3.8	3.2	2.9
19 Portugal	.9	.9	.8	1.4	1.1	1.4	1.4	1.2	1.2	1.0	1.0
20 Spain	13.3	12.6	18.1	17.5	19.5	13.7	15.7	16.6	15.1	12.1	11.3
21 Turkey	2.7	4.5	4.9	6.5	5.2	4.8	5.2	4.9	4.7	4.8	5.1
22 Other Western Europe	4.9	8.3	10.2	9.9	10.4	10.4	10.2	10.2	9.2	6.8	8.3
23 South Africa	2.0	2.2	5.5	6.9	5.4	4.4	4.8	4.7	4.0	3.8	4.8
24 Australia	24.0	23.1	23.2	21.8	21.4	20.3	25.4	26.6	21.1	23.5	18.6
25 OPEC[2]	19.8	26.0	26.0	25.5	26.0	27.1	26.2	26.1	30.1	31.4	28.9
26 Ecuador	1.1	1.3	1.3	1.2	1.2	1.3	1.2	1.1	.9	.8	.7
27 Venezuela	2.4	2.5	3.4	3.3	3.1	3.2	3.5	3.2	3.0	2.8	3.0
28 Indonesia	5.2	6.7	5.6	5.1	4.7	4.7	4.5	5.0	4.4	4.2	3.9
29 Middle East countries	10.7	14.4	14.4	15.6	16.1	17.0	16.7	16.5	21.4	23.0	21.1
30 African countries	.4	1.2	1.4	.3	.8	1.0	.4	.4	.5	.5	.2
31 Non-OPEC developing countries	130.3	139.2	149.8	146.1	140.4	143.4	146.7	148.6	142.5	147.3	152.2
Latin America											
32 Argentina	14.3	18.4	20.0	20.9	22.9	23.1	24.3	22.8	22.1	22.4	21.3
33 Brazil	20.7	28.6	33.4	30.3	24.0	24.7	24.2	25.1	22.1	26.4	26.9
34 Chile	7.0	8.7	9.0	9.1	8.5	8.3	8.6	8.2	7.7	7.4	8.2
35 Colombia	4.1	3.4	3.3	3.6	3.4	3.2	3.3	3.1	2.7	2.5	2.5
36 Mexico	16.2	17.4	17.8	18.1	18.7	18.9	19.7	18.5	19.4	18.7	18.3
37 Peru	1.6	2.0	2.1	2.2	2.2	2.2	2.2	2.1	1.8	1.7	1.9
38 Other	3.3	4.1	4.0	4.4	4.6	5.4	5.3	5.5	5.5	5.9	6.1
Asia											
China											
39 Mainland	2.5	3.2	4.2	3.9	2.8	3.0	5.0	5.3	3.3	3.6	4.6
40 Taiwan	10.3	9.5	12.1	11.8	12.5	13.3	11.8	12.6	12.3	12.0	12.6
41 India	4.3	4.9	5.0	4.9	5.3	5.5	5.5	6.7	7.0	7.7	7.9
42 Israel	.5	.7	.7	.9	.9	1.1	1.1	2.0	1.0	1.8	3.3
43 Korea (South)	21.5	15.6	16.2	14.6	13.1	13.7	13.7	15.3	16.0	15.1	17.3
44 Malaysia	6.0	5.1	4.5	4.7	5.0	5.6	5.9	6.0	6.1	6.1	6.5
45 Philippines	5.8	5.7	5.1	5.4	4.7	5.1	5.4	5.7	5.8	6.2	5.3
46 Thailand	5.7	5.4	5.5	5.0	5.3	4.7	4.5	4.2	4.0	4.1	4.3
47 Other Asia	4.1	4.3	4.2	3.7	3.1	2.9	3.0	2.8	2.8	2.9	2.6
Africa											
48 Egypt	.7	.9	1.0	1.5	1.7	1.3	1.4	1.4	1.3	1.4	1.4
49 Morocco	.7	.6	.6	.6	.5	.5	.5	.5	.5	.4	.3
50 Zaire	.1	.0	.0	.0	.0	.0	.0	.0	0	.0	.0
51 Other Africa[3]	.9	.8	1.1	.8	1.1	1.0	1.2	1.0	1.0	1.0	.9
52 Eastern Europe	6.9	9.1	12.3	11.3	6.3	5.5	7.1	5.8	5.4	5.2	4.7
53 Russia[4]	3.7	5.1	7.5	6.9	2.8	2.2	2.3	2.1	2.0	1.6	1.7
54 Other	3.2	4.0	4.7	4.4	3.5	3.3	4.8	3.7	3.4	3.6	3.0
55 Offshore banking centers	135.1	140.2	133.1	130.0	121.0	93.9	93.6	75.9	90.3	60.1	42.0
56 Bahamas	20.5	24.2	32.6	28.6	30.7	35.4	32.6	20.4	29.4	13.9	2.4
57 Bermuda	4.5	9.8	9.1	9.4	10.4	4.6	3.9	5.7	8.2	8.0	7.3
58 Cayman Islands and other British West Indies	37.2	43.4	24.9	34.3	27.8	12.8	13.9	7.2	6.3	1.3	.0
59 Netherlands Antilles	26.1	14.6	14.0	10.5	6.0	2.6	2.7	1.3	9.1	1.7	2.5
60 Panama[5]	2.0	3.1	3.2	3.3	4.0	3.9	3.9	3.9	3.9	3.9	3.4
61 Lebanon	.1	.1	.1	.1	.2	.1	.1	.1	.2	.1	.1
62 Hong Kong, China	27.9	32.2	33.9	30.0	30.6	23.3	22.8	22.0	22.4	21.0	22.2
63 Singapore	16.7	12.7	15.0	13.6	11.1	11.1	13.5	15.2	10.6	10.1	4.1
64 Other[6]	.1	.1	.1	.2	.2	.2	.2	.1	.2	.1	.1
65 Miscellaneous and unallocated[7]	59.6	99.1	379.7	351.7	459.9	495.1	430.4	380.2	391.2	387.9	376.0

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	1996	1997	1998	1998 Sept.	1998 Dec.	1999 Mar.	1999 June	1999 Sept.	1999 Dec.
1 **Total**	**61,782**	**57,382**	**46,570**	**49,279**	**46,570**	**46,663**	**49,337**	**52,979**	**53,044[r]**
2 Payable in dollars	39,542	41,543	36,668	38,410	36,668	34,030	36,032	36,296	37,605[r]
3 Payable in foreign currencies	22,240	15,839	9,902	10,869	9,902	12,633	13,305	16,683	15,415
By type									
4 Financial liabilities	33,049	26,877	19,255	19,331	19,255	22,458	25,058	27,422	27,980
5 Payable in dollars	11,913	12,630	10,371	9,812	10,371	11,225	13,205	12,231	13,883
6 Payable in foreign currencies	21,136	14,247	8,884	9,519	8,884	11,233	11,853	15,191	14,097
7 Commercial liabilities	28,733	30,505	27,315	29,948	27,315	24,205	24,279	25,557	25,064[r]
8 Trade payables	12,720	10,904	10,978	10,276	10,978	9,999	10,935	12,651	12,857[r]
9 Advance receipts and other liabilities	16,013	19,601	16,337	19,672	16,337	14,206	13,344	12,906	12,207[r]
10 Payable in dollars	27,629	28,913	26,297	28,598	26,297	22,805	22,827	24,065	23,722[r]
11 Payable in foreign currencies	1,104	1,592	1,018	1,350	1,018	1,400	1,452	1,492	1,318
By area or country									
Financial liabilities									
12 Europe	23,179	18,027	12,589	12,905	12,589	16,098	19,578	21,695	23,241
13 Belgium and Luxembourg	632	186	79	150	79	50	70	50	31
14 France	1,091	1,425	1,097	1,457	1,097	1,178	1,287	1,675	1,659
15 Germany	1,834	1,958	2,063	2,167	2,063	1,906	1,959	1,712	1,974
16 Netherlands	556	494	1,406	417	1,406	1,337	2,104	2,066	1,996
17 Switzerland	699	561	155	179	155	141	143	133	147
18 United Kingdom	17,161	11,667	5,980	6,610	5,980	9,729	13,097	15,096	16,521
19 Canada	1,401	2,374	693	389	693	781	320	344	284
20 Latin America and Caribbean	1,668	1,386	1,495	1,351	1,495	1,528	1,369	1,180	892
21 Bahamas	236	141	7	1	7	1	1	1	1
22 Bermuda	50	229	101	73	101	78	52	26	5
23 Brazil	78	143	152	154	152	137	131	122	126
24 British West Indies	1,030	604	957	834	957	1,064	944	786	492
25 Mexico	17	26	59	23	59	22	19	28	25
26 Venezuela	1	1	2	1	2	2	1	0	0
27 Asia	6,423	4,387	3,785	4,005	3,785	3,475	3,217	3,622	3,437
28 Japan	5,869	4,102	3,612	3,754	3,612	3,337	3,035	3,384	3,142
29 Middle Eastern oil-exporting countries[1]	25	27	0	0	0	1	2	3	3
30 Africa	38	60	28	31	28	31	29	31	28
31 Oil-exporting countries[2]	0	0	0	0	0	2	0	0	0
32 All other[3]	340	643	665	650	665	545	545	550	98
Commercial liabilities									
33 Europe	9,767	10,228	10,030	11,010	10,030	8,580	8,718	9,265	9,262[r]
34 Belgium and Luxembourg	479	666	278	623	278	229	189	128	140
35 France	680	764	920	740	920	654	656	620	672[r]
36 Germany	1,002	1,274	1,392	1,408	1,392	1,088	1,143	1,201	1,131[r]
37 Netherlands	766	439	429	440	429	361	432	535	507[r]
38 Switzerland	624	375	499	507	499	535	497	593	626
39 United Kingdom	4,303	4,086	3,697	4,286	3,697	3,008	2,959	3,175	3,071[r]
40 Canada	1,090	1,175	1,390	1,504	1,390	1,597	1,670	1,753	1,775[r]
41 Latin America and Caribbean	2,574	2,176	1,618	1,840	1,618	1,612	1,674	1,957	2,310[r]
42 Bahamas	63	16	14	48	14	11	19	24	22[r]
43 Bermuda	297	203	198	168	198	225	180	178	152
44 Brazil	196	220	152	256	152	107	112	120	145
45 British West Indies	14	12	10	5	10	7	5	39	48
46 Mexico	665	565	347	511	347	437	490	704	887[r]
47 Venezuela	328	261	202	230	202	155	149	182	305
48 Asia	13,422	14,966	12,342	13,539	12,342	10,428	10,039	10,428	9,886
49 Japan	4,614	4,500	3,827	3,779	3,827	2,715	2,753	2,689	2,609
50 Middle Eastern oil-exporting countries[1]	2,168	3,111	2,852	3,582	2,852	2,479	2,209	2,618	2,551
51 Africa	1,040	874	794	810	794	727	832	959	950
52 Oil-exporting countries[2]	532	408	393	372	393	377	392	584	499
53 Other[3]	840	1,086	1,141	1,245	1,141	1,261	1,346	1,195	881[r]

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	1996	1997	1998	1998		1999			
					Sept.	Dec.	Mar.	June	Sept.	Dec.
1	**Total**	**65,897**	**68,128**	**77,462**	**67,976**	**77,462**	**69,054**	**63,884**	**67,566**	**76,669[r]**
2	Payable in dollars	59,156	62,173	72,171	62,034	72,171	64,026	57,006	60,456	69,170[r]
3	Payable in foreign currencies	6,741	5,955	5,291	5,942	5,291	5,028	6,878	7,110	7,472[r]
	By type									
4	Financial claims	37,523	36,959	46,260	37,262	46,260	38,217	31,957	33,877	40,231[r]
5	Deposits	21,624	22,909	30,199	15,406	30,199	18,686	13,350	15,192	18,566[r]
6	Payable in dollars	20,852	21,060	28,549	13,374	28,549	17,101	11,636	13,240	16,373[r]
7	Payable in foreign currencies	772	1,849	1,650	2,032	1,650	1,585	1,714	1,952	2,193[r]
8	Other financial claims	15,899	14,050	16,061	21,856	16,061	19,531	18,607	18,685	21,665
9	Payable in dollars	12,374	11,806	14,049	19,867	14,049	17,457	14,800	15,718	18,593
10	Payable in foreign currencies	3,525	2,244	2,012	1,989	2,012	2,074	3,807	2,967	3,072
11	Commercial claims	28,374	31,169	31,202	30,714	31,202	30,837	31,927	33,689	36,438[r]
12	Trade receivables	25,751	27,536	27,202	26,330	27,202	26,724	27,791	29,397	32,629[r]
13	Advance payments and other claims	2,623	3,633	4,000	4,384	4,000	4,113	4,136	4,292	3,809
14	Payable in dollars	25,930	29,307	29,573	28,793	29,573	29,468	30,570	31,498	34,204[r]
15	Payable in foreign currencies	2,444	1,862	1,629	1,921	1,629	1,369	1,357	2,191	2,207
	By area or country									
	Financial claims									
16	Europe	11,085	14,999	12,294	14,473	12,294	12,881	13,978	13,878	13,023[r]
17	Belgium and Luxembourg	185	406	661	496	661	469	457	574	529
18	France	694	1,015	864	1,140	864	913	1,368	1,212	967
19	Germany	276	427	304	359	304	302	367	549	504
20	Netherlands	493	677	875	867	875	993	997	1,067	1,229
21	Switzerland	474	434	414	409	414	530	504	559	643
22	United Kingdom	7,922	10,337	7,766	9,849	7,766	8,400	8,631	8,157	7,561[r]
23	Canada	3,442	3,313	2,503	4,090	2,503	3,111	2,828	3,172	2,553[r]
24	Latin America and Caribbean	20,032	15,543	27,714	15,758	27,714	18,825	11,486	12,749	18,206[r]
25	Bahamas	1,553	2,308	403	2,105	403	666	467	755	1,593[r]
26	Bermuda	140	108	39	63	39	41	39	524	11
27	*Brazil*	*1,468*	*1,313*	*835*	*710*	835	*1,112*	*1,102*	*1,265*	1,476
28	British West Indies	15,536	10,462	24,388	10,960	24,388	14,621	7,393	7,263	12,099[r]
29	Mexico	457	537	1,245	1,122	1,245	1,583	1,702	1,791	1,798
30	Venezuela	31	36	55	50	55	72	71	47	48
31	Asia	2,221	2,133	3,027	2,121	3,027	2,648	2,801	3,205	5,457
32	Japan	1,035	823	1,194	928	1,194	942	949	1,250	3,262
33	Middle Eastern oil-exporting countries[1]	22	11	9	13	9	8	5	5	21
34	Africa	174	319	159	157	159	174	228	251	286[r]
35	Oil-exporting countries[2]	14	15	16	16	16	26	5	12	15
36	All other[3]	569	652	563	663	563	578	636	622	706
	Commercial claims									
37	Europe	10,443	12,120	13,246	13,029	13,246	12,782	12,961	14,367	16,389[r]
38	Belgium and Luxembourg	226	328	238	219	238	281	286	289	316
39	France	1,644	1,796	2,171	2,098	2,171	2,173	2,094	2,375	2,236[r]
40	Germany	1,337	1,614	1,822	1,502	1,822	1,599	1,660	1,944	1,960[r]
41	Netherlands	562	597	467	463	467	415	389	617	1,429[r]
42	Switzerland	642	554	483	546	483	367	385	714	610
43	United Kingdom	2,946	3,660	4,769	4,681	4,769	4,529	4,615	4,789	5,827[r]
44	Canada	2,165	2,660	2,617	2,291	2,617	2,983	2,855	2,638	2,757[r]
45	Latin America and Caribbean	5,276	5,750	6,296	5,773	6,296	5,930	6,278	5,879	5,959[r]
46	Bahamas	35	27	24	39	24	10	21	29	20
47	Bermuda	275	244	536	173	536	500	583	549	390
48	Brazil	1,303	1,162	1,024	1,062	1,024	936	887	763	905[r]
49	British West Indies	190	109	104	91	104	117	127	157	181[r]
50	Mexico	1,128	1,392	1,545	1,356	1,545	1,431	1,478	1,613	1,678[r]
51	Venezuela	357	576	401	566	401	361	384	365	439
52	Asia	8,376	8,713	7,192	7,190	7,192	7,080	7,690	8,579	9,165[r]
53	Japan	2,003	1,976	1,681	1,789	1,681	1,486	1,511	1,823	2,074
54	Middle Eastern oil-exporting countries[1]	971	1,107	1,135	967	1,135	1,286	1,465	1,479	1,625
55	Africa	746	680	711	740	711	685	738	682	631
56	Oil-exporting countries[2]	166	119	165	128	165	116	202	221	171
57	Other[3]	1,368	1,246	*1,140*	*1,691*	*1,140*	1,377	1,405	*1,544*	1,537

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	1998	1999	2000	1999			2000			
			Jan. – Apr	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	1,574,192	2,340,659	1,269,222	218,983	240,329	256,414	263,947	293,110	402,373	309,792
2 Foreign sales	1,524,203	2,233,137	1,203,361	211,213	221,911	247,460	253,365	265,365	378,141	306,490
3 **Net purchases, or sales (−)**	**49,989**	**107,522**	**65,861**	**7,770**	**18,418**	**8,954**	**10,582**	**27,745**	**24,232**	**3,302**
4 **Foreign countries**	**50,369**	**107,578**	**65,821**	**7,796**	**18,393**	**8,983**	**10,540**	**27,626**	**24,414**	**3,241**
5 Europe	68,124	98,060	70,960	7,760	10,695	13,283	15,704	24,375	18,594	12,287
6 France	5,672	3,813	3,461	1,020	−369	66	−240	529	1,831	1,341
7 Germany	9,195	13,410	19,021	1,719	2,467	1,587	5,633	5,425	4,532	3,431
8 Netherlands	8,249	8,083	625	159	1,375	1,640	−281	516	277	113
9 Switzerland	5,001	5,650	8,506	−1,418	384	1,495	2,926	4,804	−913	1,689
10 United Kingdom	23,952	42,902	14,280	3,836	3,966	3,080	2,246	6,685	4,794	555
11 Canada	−4,689	−335	1,851	543	−958	−940	666	890	286	9
12 Latin America and Caribbean	757	5,187	−9,802	−3,162	7,746	−4,735	−5,190	1,989	4,840	−11,441
13 Middle East[1]	−1,449	−1,068	6,054	−14	−1,197	465	677	1,182	2,125	2,070
14 Other Asia	−12,351	4,447	−4,172	2,386	2,350	752	−1,645	−863	−1,717	53
15 Japan	−1,171	5,723	−5,768	1,695	630	211	−1,603	−1,115	−2,604	−446
16 Africa	639	372	582	−23	1	−18	151	−2	205	228
17 Other countries	−662	915	348	306	−244	176	177	55	81	35
18 **Nonmonetary international and regional organizations**	**−380**	**−56**	**40**	**−26**	**25**	**−29**	**42**	**119**	**−182**	**61**
BONDS[2]										
19 Foreign purchases	905,782	856,804	373,107	81,301[r]	74,940	56,928	79,045[r]	99,605	106,302	88,155
20 Foreign sales	727,044	602,109	276,244	55,120	50,839	41,321	58,889	69,476	76,979	70,900
21 **Net purchases, or sales (−)**	**178,738**	**254,695**	**96,863**	**26,181[r]**	**24,101**	**15,607**	**20,156[r]**	**30,129**	**29,323**	**17,255**
22 **Foreign countries**	**179,081**	**255,097**	**96,990**	**27,045[r]**	**24,172**	**15,626**	**20,161[r]**	**30,147**	**29,422**	**17,260**
23 Europe	130,057	140,674	54,240	14,751[r]	11,639	7,500	10,083[r]	17,063	19,454	7,640
24 France	3,386	1,870	1,596	52	53	269	−114	1,124	620	−34
25 Germany	4,369	7,723	720	1,203	1,327	−228	−618	702	348	288
26 Netherlands	3,443	2,446	253	103	133	183	−23	−97	94	279
27 Switzerland	4,826	4,553	663	360	429	462	−47	526	202	−18
28 United Kingdom	99,637	106,344	43,555	11,043[r]	9,241	6,040	10,324[r]	13,478	15,479	4,274
29 Canada	6,121	6,043	4,910	271	1,506	961	2,133	1,324	689	764
30 Latin America and Caribbean	23,938	60,861	22,721	6,396	6,652	4,094	4,658	9,659	3,680	4,724
31 Middle East[1]	4,997	1,979	754	178	−506	309	−86	−177	670	347
32 Other Asia	12,662	42,842	13,427	4,847	4,566	2,591	2,623[r]	2,545	4,506	3,753
33 Japan	8,384	17,541	4,876	2,081	2,297	1,437	1,113[r]	1,173	2,010	580
34 Africa	190	1,411	571	343	146	257	677	−130	−11	35
35 Other countries	1,116	1,287	367	259	169	−86	73	−137	434	−3
36 **Nonmonetary international and regional organizations**	**−343**	**−402**	**−127**	**−864**	**−71**	**−19**	**−5**	**−18**	**−99**	**−5**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	6,227	15,643	−15,218	−8,206	3,816	−1,504	1,107	−8,882[r]	−8,171	728
38 Foreign purchases	929,923	1,177,306	643,284	96,523	129,534	125,956	134,949	176,938[r]	177,087	154,310
39 Foreign sales	923,696	1,161,663	658,502	104,729	125,718	127,460	133,842	185,820[r]	185,258	153,582
40 Bonds, net purchases, or sales (−)	−17,350	−5,676	−8,121	−1,320	−512	3,872	−3,502	−1,986	−3,431	798
41 Foreign purchases	1,328,281	798,267	284,323	62,533	59,650	52,227	62,189	74,380	83,838	63,916
42 Foreign sales	1,345,631	803,943	292,444	63,853	60,162	48,355	65,691	76,366	87,269	63,118
43 **Net purchases, or sales (−), of stocks and bonds**	**−11,123**	**9,967**	**−23,339**	**−9,526**	**3,304**	**2,368**	**−2,395**	**−10,868[r]**	**−11,602**	**1,526**
44 **Foreign countries**	**−10,778**	**9,682**	**−23,792**	**−9,532**	**3,496**	**2,210**	**−2,555**	**−10,897[r]**	**−11,701**	**1,361**
45 Europe	12,632	59,247	−8,358	2,202	2,238	5,001	754	−4,968[r]	−5,922	1,778
46 Canada	−1,901	−999	−4,158	315	−1,671	1,342	−471	−1,865	−1,400	−422
47 Latin America and Caribbean	−13,798	−4,726	−15,121	−1,950	6,403	524	−4,868	−4,252	−701	−5,300
48 Asia	−3,992	−42,961	2,851	−9,603	−4,048	−4,945	1,951	−711	−4,085	5,696
49 Japan	−1,742	−43,637	3,219	−10,006	−4,453	−3,596	866	−879	−1,457	4,689
50 Africa	−1,225	713	523	63	160	535	99	183	384	−143
51 Other countries	−2,494	−1,592	471	−559	414	−247	−20	716	23	−248
52 **Nonmonetary international and regional organizations**	**−345**	**285**	**453**	**6**	**−192**	**158**	**160**	**29**	**99**	**165**

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	1998	1999	2000	1999			2000			
			Jan.–Apr.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]
1 **Total estimated**	**49,039**	**−9,953**	**12,755**	**−9,733**	**−3,615**	**4,642**	**9,543**	**5,563**	**−16,871**	**14,520**
2 Foreign countries	46,570	−10,518	12,740	−9,904	−3.802	4,566	9,578	5.770	−17,092	14.484
3 Europe	23,797	−38,228	−12,832	−405	8,643	−5,533	214	−2,443	−9,971	−632
4 Belgium and Luxembourg	3,805	−81	414	−351	−357	−798	731	65	116	−498
5 Germany	144	2,285	−2,188	78	510	607	1,706	−866	−1,352	−1,676
6 Netherlands	−5,533	2,122	4,520	130	360	268	806	2,475	539	700
7 Sweden	1,486	1,699	373	−6	369	317	499	−100	263	−289
8 Switzerland	5,240	−1,761	−5,072	365	144	1,403	−3,407	−1,382	5	−288
9 United Kingdom	14,384	−20,232	−7,394	−1,854	5,837	−3,481	−450	−1,261	−5,150	−533
10 Other Europe and former U.S.S.R.	4,271	−22,260	−3,485	1,233	1,780	−3,849	329	−1,374	−4,392	1,952
11 Canada	615	7,348	1,885	−656	−550	218	−582	8	640	1,819
12 Latin America and Caribbean	−3,662	−7,523	2.155	−9,911	−5,417	806	−2,409	6,844	−4,789	2,509
13 Venezuela	59	362	117	25	154	−33	54	13	24	26
14 Other Latin America and Caribbean	9,523	1,661	−2,693	−1,777	1,362	576	−3,837	2,482	−1,596	258
15 Netherlands Antilles	−13,244	−9,546	4,731	−8.159	−6,933	263	1,374	4,349	−3,217	2,225
16 Asia	27,433	29,359	21,690	942	−6,630	9,718	12.403	1,064	−2,943	11,166
17 Japan	13,048	20,102	10,772	344	−4,378	8,263	1,297	−1,874	494	10,855
18 Africa	751	−3,021	22	−202	−680	−541	−43	80	−19	4
19 Other	−2,364	1,547	−180	328	832	−102	−5	217	−10	−382
20 Nonmonetary international and regional organizations	2,469	565	15	171	187	76	−35	−207	221	36
21 International	1,502	190	−20	184	125	75	−7	−194	151	30
22 Latin American regional	199	666	76	−1	−4	1	0	0	70	6
MEMO										
23 Foreign countries	46,570	−10,518	12,740	−9,904	−3,802	4,566	9,578	5,770	−17,092	14,484
24 Official institutions	4,123	−9,861	14,374	−1,248	−2,325	4,962	6,763	1,777	−569	6,403
25 Other foreign	42,447	−657	−1,634	−8,656	−1,477	−396	2,815	3.993	−16,523	8,081
Oil-exporting countries										
26 Middle East[2]	−16.554	2,207	4,177	201	−2,050	−3,556	2,913	170	283	811
27 Africa[3]	2	0	0	0	0	−1	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.

3.28 FOREIGN EXCHANGE RATES AND INDEXES OF THE FOREIGN EXCHANGE VALUE OF THE U.S. DOLLAR[1]

Currency units per U.S. dollar except as noted

Item	1997	1998	1999	2000 Jan.	Feb.	Mar.	Apr.	May	June
	Exchange Rates								
COUNTRY/CURRENCY UNIT									
1 Australia/dollar[2]	74.37	62.91	64.54	65.60	62.78	60.94	59.60	57.84	59.49
2 Austria/schilling	12.206	12.379	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
3 Belgium/franc	35.81	36.31	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
4 Brazil/real	1.0779	1.1605	1.8207	1.8057	1.7765	1.7424	1.7696	1.8278	1.8099
5 Canada/dollar	1.3849	1.4836	1.4858	1.4486	1.4512	1.4608	1.4689	1.4957	1.4770
6 China, P.R./yuan	8.3193	8.3008	8.2781	8.2792	8.2781	8.2786	8.2793	8.2781	8.2772
7 Denmark/krone	6.6092	6.7030	6.9900	7.3492	7.5725	7.7228	7.8872	8.2329	7.8501
8 European Monetary Union/euro[3]	n.a.	n.a.	1.0653	1.0131	0.9834	0.9643	0.9449	0.9059	0.9505
9 Finland/markka	5.1956	5.3473	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 France/franc	5.8393	5.8995	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
11 Germany/deutsche mark	1.7348	1.7597	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Greece/drachma	273.28	295.70	306.30	326.86	338.87	346.33	355.02	371.63	354.14
13 Hong Kong/dollar	7.7431	7.7467	7.7594	7.7791	7.7816	7.7848	7.7880	7.7907	7.7934
14 India/rupee	36.36	41.36	43.13	43.59	43.65	43.64	43.68	44.08	44.76
15 Ireland/pound[2]	151.63	142.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
16 Italy/lira	1,703.81	1,736.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
17 Japan/yen	121.06	130.99	113.73	105.30	109.39	106.31	105.63	108.32	106.13
18 Malaysia/ringgit	2.8173	3.9254	3.8000	3.8000	3.8000	3.8000	3.8000	3.8000	3.8000
19 Mexico/peso	7.918	9.152	9.553	9.494	9.427	9.289	9.394	9.506	9.834
20 Netherlands/guilder	1.9525	1.9837	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
21 New Zealand/dollar[2]	66.25	53.61	52.94	51.27	49.03	49.02	49.60	47.08	47.05
22 Norway/krone	7.0857	7.5521	7.8071	8.0241	8.2374	8.4100	8.6272	9.0533	8.6807
23 Portugal/escudo	175.44	180.25	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 Singapore/dollar	1.4857	1.6722	1.6951	1.6757	1.7028	1.7153	1.7096	1.7286	1.7277
25 South Africa/rand	4.6072	5.5417	6.1191	6.1309	6.3209	6.4675	6.6480	7.0238	6.9147
26 South Korea/won	947.65	1,400.40	1,189.84	1,130.99	1,129.75	1,116.39	1,110.32	1,119.49	1,117.94
27 Spain/peseta	146.53	149.41	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 Sri Lanka/rupee	59.026	65.006	70.868	73.140	73.552	73.810	74.123	74.867	76.736
29 Sweden/krona	7.6446	7.9522	8.2740	8.4918	8.6480	8.6971	8.7486	9.0925	8.7471
30 Switzerland/franc	1.4514	1.4506	1.5045	1.5903	1.6348	1.6636	1.6657	1.7190	1.6420
31 Taiwan/dollar	28.775	33.547	32.322	30.890	30.806	30.724	30.520	30.772	30.831
32 Thailand/baht	31.072	41.262	37.887	37.380	37.759	37.923	37.993	38.951	39.087
33 United Kingdom/pound[2]	163.76	165.73	161.72	164.04	160.00	157.99	158.23	150.90	150.92
34 Venezuela/bolivar	488.87	548.39	606.82	652.81	659.44	666.82	672.73	680.00	680.96
	Indexes[4]								
NOMINAL									
35 Broad (January 1997=100)[5]	104.44	116.48	116.87	115.95	117.44	117.44	118.10	120.70	119.43
36 Major currencies (March 1973=100)[6]	91.24	95.79	94.07	93.14	95.31	95.64	96.31	99.31	96.74
37 Other important trading partners (January 1997=100)[7]	104.67	126.03	129.94	129.14	129.11	128.54	129.05	130.43	131.62
REAL									
38 Broad (March 1973=100)[5]	91.33	99.36	98.76	98.05	99.34	100.08	100.50	102.75	101.61
39 Major currencies (March 1973=100)[6]	92.25	97.25	96.75	96.63	99.18	99.91	100.25	103.57	100.86
40 Other important trading partners (March 1973=100)[7]	95.87	108.52	107.74	106.17	105.81	106.60	107.16	108.13	109.03

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. U.S. cents per currency unit.

3. As of January 1999, the euro is reported in place of the individual euro area currencies. By convention, the rate is reported in U.S. dollars per euro. These currency rates can be derived from the euro rate by using the fixed conversion rates (in currencies per euro) as shown below:

Euro equals

13.7603	Austrian schillings	1936.27	Italian lire
40.3399	Belgian francs	40.3399	Luxembourg francs
5.94573	Finnish markkas	2.20371	Netherlands guilders
6.55957	French francs	200.482	Portuguese escudos
1.95583	German marks	166.386	Spanish pesetas
.787564	Irish pounds		

4. The December 1999 Bulletin contains revised index values resulting from the annual revision to the trade weights. For more information on the indexes of the foreign exchange value of the dollar, see *Federal Reserve Bulletin*, vol. 84 (October 1998), pp. 811–18.

5. Weighted average of the foreign exchange value of the U.S. dollar against the currencies of a broad group of U.S. trading partners. The weight for each currency is computed as an average of U.S. bilateral import shares from and export shares to the issuing country and of a measure of the importance to U.S. exporters of that country's trade in third country markets.

6. Weighted average of the foreign exchange value of the U.S. dollar against a subset of broad index currencies that circulate widely outside the country of issue. The weight for each currency is its broad index weight scaled so that the weights of the subset of currencies in the index sum to one.

7. Weighted average of the foreign exchange value of the U.S. dollar against a subset of broad index currencies that do not circulate widely outside the country of issue. The weight for each currency is its broad index weight scaled so that the weights of the subset of currencies in the index sum to one.

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*

4.20 DOMESTIC AND FOREIGN OFFICES Insured Commercial Bank Assets and Liabilities
Consolidated Report of Condition, March 31, 2000

Millions of dollars except as noted

Item	Total	Domestic total	Banks with foreign offices[1]		Banks with domestic offices only[2]	
			Total	Domestic	Over 100	Under 100
1 **Total assets[3]**	**5,778,480**	**5,077,514**	**4,031,504**	**3,330,538**	**1,490,406**	**256,570**
2 Cash and balances due from depository institutions	316,665	233,193	246,999	163,526	57,668	11,999
3 Cash items in process of collection, unposted debits, and currency and coin			121,781	118,731	29,742	
4 Cash items in process of collection and unposted debits			n.a.	95,390	19,258	
5 Currency and coin		n.a.	n.a.	23,340	10,483	n.a.
6 Balances due from depository institutions in the United States			32,268	25,077	18,648	
7 Balances due from banks in foreign countries and foreign central banks	n.a.		80,628	7,470	1,058	
8 Balances due from Federal Reserve Banks			12,322	12,249	8,220	
MEMO						
9 Non-interest-bearing balances due from commercial banks in the United States (included in balances due from depository institutions in the United States)		31,574	n.a.	13,184	13,960	4,430
10 Total securities, held-to-maturity (amortized cost) and available-for-sale (fair value)	1,038,720		611,247		359,339	68,134
11 U.S. Treasury securities	107,204		72,763		27,927	6,513
12 U.S. government agency and corporation obligations (excludes mortgage-backed securities)	209,860		70,863		104,656	34,341
13 Issued by U.S. government agencies	4,827		2,186		1,967	674
14 Issued by U.S. government-sponsored agencies	205,033		68,678		102,688	33,667
15 Securities issued by states and political subdivisions in the United States	88,915		28,915		48,330	11,670
16 General obligations	64,774		19,993		36,422	8,359
17 Revenue obligations	23,442		8,448		11,723	3,271
18 Industrial development and similar obligations	698		474		184	40
19 Mortgage-backed securities (MBS)	455,490		301,978		140,941	12,571
20 Pass-through securities	283,858		192,633		82,777	8,449
21 Guaranteed by GNMA	73,186	n.a.	40,798	n.a.	29,204	3,184
22 Issued by FNMA and FHLMC	207,778		150,115		52,426	5,238
23 Privately issued	2,894		1,720		1,147	27
24 Other mortgage-backed securities (includes CMOs, REMICs, and stripped MBS)	171,632		109,346		58,164	4,122
25 Issued or guaranteed by FNMA, FHLMC or GNMA	120,366		75,694		40,896	3,777
26 Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA	4,070		3,045		907	119
27 All other mortgage-backed securities	47,195		30,607		16,361	227
28 Other debt securities	138,717		110,617		26,276	1,824
29 Other domestic debt securities			52,172		25,867	n.a.
30 Foreign debt securities	n.a.		58,445		409	n.a.
31 Equity securities	38,535		26,111		11,210	1,215
32 Investments in mutual funds and other equity securities with readily determinable fair value	12,380		9,018		3,081	281
33 All other equity securities	26,155		17,093		8,128	934
34 Federal funds sold and securities purchased under agreements to resell	248,306	203,387	193,124	148,205	43,987	11,195
35 Total loans and lease-financing receivables, gross	3,529,307	3,245,392	2,408,250	2,124,335	964,281	156,777
36 LESS: Unearned income on loans	3,105	2,528	1,576	998	1,239	290
37 Total loans and leases (net of unearned income)	3,526,202	3,242,865	2,406,674	2,123,336	963,041	156,487
38 LESS: Allowance for loan and lease losses	58,578	n.a.	40,384	n.a.	16,018	2,176
39 LESS: Allocated transfer risk reserves	113	n.a.	112	n.a.	1	1
40 EQUALS: Total loans and leases, net	3,467,511	n.a.	2,366,179	n.a.	947,022	154,310
Total loans and leases, gross, by category						
41 Loans secured by real estate	1,547,198	1,514,854	908,452	876,109	547,744	91,002
42 Construction and land development		140,800		75,326	57,719	7,755
43 Farmland		32,673		6,138	15,409	11,126
44 One- to four-family residential properties		854,144		547,505	262,890	43,748
45 Revolving, open-end loans, extended under lines of credit	n.a.	107,989	n.a.	77,728	28,069	2,192
46 All other loans		746,155		469,778	234,821	41,556
47 Multifamily (five or more) residential properties		57,021		31,974	23,030	2,017
48 Nonfarm nonresidential properties		430,216		215,165	188,695	26,357
49 Loans to depository institutions	97,841	81,487	95,937	79,583	1,826	77
50 Commercial banks in the United States	n.a.	n.a.	64,373	64,090	1,466	n.a.
51 Other depository institutions in the United States	n.a.	n.a.	10,139	9,947	198	n.a.
52 Banks in foreign countries	n.a.	n.a.	21,425	5,545	163	n.a.
53 Loans to finance agricultural production and other loans to farmers	43,115	42,378	11,031	10,293	17,082	15,002
54 Commercial and industrial loans	995,291	836,654	796,182	637,544	171,668	27,442
55 U.S. addressees (domicile)	n.a.	n.a.	649,951	628,672	170,850	n.a.
56 Non-U.S. addressees (domicile)	n.a.	n.a.	146,231	8,873	818	n.a.
57 Acceptances of other banks	1,298	683	1,181	565	108	10
58 U.S. banks	n.a.	n.a.	303	294	n.a.	n.a.
59 Foreign banks	n.a.	n.a.	877	272	n.a.	n.a.
60 Loans to individuals for household, family, and other personal expenditures (includes purchased paper)	539,023	497,047	315,926	273,950	201,985	21,112
61 Credit cards and related plans	195,254	n.a.	113,508	n.a.	82,926	821
62 Other (includes single payment and installment)	343,769	n.a.	204,417	n.a.	119,060	20,292
63 Obligations (other than securities) of states and political subdivisions in the United States (includes nonrated industrial development obligations)	20,107	20,107	13,224	13,224	6,140	743
64 All other loans	136,333	108,249	128,271	100,187	7,315	747
65 Loans to foreign governments and official institutions	n.a.	n.a.	7,000	1,454	19	n.a.
66 Other loans	n.a.	n.a.	121,271	98,733	7,297	n.a.
67 Loans for purchasing and carrying securities	n.a.	n.a.	n.a.	23,786	1,489	n.a.
68 All other loans (excludes consumer loans)	n.a.	n.a.	n.a.	74,946	5,808	n.a.
69 Lease-financing receivables	149,101	143,933	138,047	132,879	10,412	642
70 Assets held in trading accounts	281,570		280,913		654	1
71 Premises and fixed assets (including capitalized leases)	73,210		45,573		22,610	5,028
72 Other real estate owned	3,012	n.a.	1,588	n.a.	1,141	284
73 Investments in unconsolidated subsidiaries and associated companies	9,530		9,065		417	47
74 Customers' liability on acceptances outstanding	9,366		9,138		224	4
75 Net due from own foreign offices, Edge Act and agreement subsidiaries, and IBFs	n.a.	21,214	n.a.	21,214	n.a.	n.a.
76 Intangible assets	98,120	n.a.	82,594	n.a.	14,659	867
77 All other assets	232,470	n.a.	185,085	n.a.	42,686	4,699

4.20 DOMESTIC AND FOREIGN OFFICES Insured Commercial Bank Assets and Liabilities—Continued
Consolidated Report of Condition, March 31, 2000

Millions of dollars except as noted

Item	Total	Domestic total	Banks with foreign offices[1]		Banks with domestic offices only[2]	
			Total	Domestic	Over 100	Under 100
Total liabilities, limited-life preferred stock, and equity capital	**5,778,480**	n.a.	**4,031,504**	n.a.	**1,490,406**	**256,570**
Total liabilities	**5,295,958**	**4,594,992**	**3,709,902**	**3,008,936**	**1,356,483**	**229,573**
Total deposits	3,848,655	3,209,380	2,546,131	1,906,856	1,084,294	218,230
Individuals, partnerships, and corporations	3,445,150	2,989,799	2,243,734	1,788,383	1,004,882	196,534
U.S. government	n.a.	7,285	n.a.	6,341	824	120
States and political subdivisions in the United States	n.a.	144,986	n.a.	64,747	62,305	17,933
Commercial banks in the United States	83,473	33,025	76,635	26,186	5,911	927
Other depository institutions in the United States	n.a.	9,267	n.a.	4,260	3,771	1,236
Foreign banks, governments, and official institutions	128,994	8,451	128,672	8,130	314	7
Banks	n.a.	n.a.	93,095	7,030	304	n.a.
Governments and official institutions	n.a.	n.a.	35,577	1,100	10	n.a.
Certified and official checks	17,818	16,568	10,059	8,808	6,285	1,474
Total transaction accounts		662,388		376,272	223,741	62,375
Individuals, partnerships, and corporations		566,754		316,548	195,825	54,382
U.S. government		1,810		1,453	312	45
States and political subdivisions in the United States		43,636		20,746	16,750	6,139
Commercial banks in the United States		23,400		19,521	3,626	252
Other depository institutions in the United States		3,157		2,426	654	77
Foreign banks, governments, and official institutions		7,063		6,769	288	6
Banks		n.a.		6,213	278	n.a.
Governments and official institutions		n.a.		556	10	n.a.
Certified and official checks		16,568		8,808	6,285	1,474
Demand deposits (included in total transaction accounts)		511,436		331,781	147,163	32,492
Individuals, partnerships, and corporations		440,838		280,163	131,139	29,536
U.S. government		1,604		1,308	261	36
States and political subdivisions in the United States		18,847		12,803	4,930	1,113
Commercial banks in the United States	n.a.	23,380	n.a.	19,507	3,622	251
Other depository institutions in the United States		3,138		2,426	637	75
Foreign banks, governments, and official institutions		7,060		6,766	288	6
Banks		n.a.		6,213	278	n.a.
Governments and official institutions		n.a.		553	10	n.a.
Certified and official checks		16,568		8,808	6,285	1,474
Total nontransaction accounts		2,546,992		1,530,584	860,553	155,854
Individuals, partnerships, and corporations		2,423,044		1,471,836	809,057	142,151
U.S. government		5,474		4,888	512	75
States and political subdivisions in the United States		101,350		44,001	45,555	11,794
Commercial banks in the United States		9,625		6,665	2,285	675
Other depository institutions in the United States		6,110		1,833	3,118	1,159
Foreign banks, governments, and official institutions		1,387		1,361	26	0
Banks		n.a.		817	26	n.a.
Governments and official institutions		n.a.		544	0	n.a.
Federal funds purchased and securities sold under agreements to repurchase	471,777	444,878	383,506	356,607	85,206	3,066
Demand notes issued to the U.S. Treasury	35,692	35,692	33,011	33,011	2,604	77
Trading liabilities	197,122	n.a.	197,023	n.a.	94	5
Other borrowed money	498,389	457,284	339,323	298,218	152,854	6,212
Banks' liability on acceptances executed and outstanding	9,502	7,021	9,274	6,793	224	4
Notes and debentures subordinated to deposits	78,292	n.a.	74,195	n.a.	4,077	19
Net due to own foreign offices, Edge Act and agreement subsidiaries, and IBFs	n.a.	155,703	n.a.	155,703	n.a.	n.a.
All other liabilities	156,529	n.a.	127,440	n.a.	27,130	1,960
Total equity capital	**482,522**	n.a.	**321,601**	n.a.	**133,923**	**26,998**
MEMO						
Trading assets at large banks[4]	281,357	118,148	280,885	117,676	472	
U.S. Treasury securities (domestic offices)		18,170		18,155	15	
U.S. government agency corporation obligations		4,163		4,076	87	
Securities issued by states and political subdivisions in the United States	n.a.	1,284	n.a.	1,264	20	
Mortgage-backed securities		4,747		4,645	101	n.a.
Other debt securities		14,574		14,374	0	
Other trading assets		9,423		9,291	132	
Trading assets in foreign banks	163,209	0	163,209	0	0	
Revaluation gains on interest rate, foreign exchange rate, and other commodity and equity contracts	65,987	65,987	65,870	65,870	117	
Total individual retirement (IRA) and Keogh plan accounts		147,884		79,754	57,167	10,963
Total brokered deposits		108,351		64,377	42,344	1,630
Fully insured brokered deposits		76,619		36,540	38,611	1,467
Issued in denominations of less than $100,000		12,702		4,683	7,063	957
Issued in denominations of $100,000, or in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less	n.a.	63,917	n.a.	31,857	31,548	511
Money market deposit accounts (MMDAs)		868,773		614,652	228,968	25,152
Other savings deposits (excluding MMDAs)		432,999		270,103	142,617	20,278
Total time deposits of less than $100,000		755,203		359,690	316,620	78,892
Total time deposits of $100,000 or more		490,017		286,138	172,347	31,532
All negotiable order of withdrawal (NOW) accounts		148,692		44,166	75,274	29,252
Number of banks	8,494	8,494	154	n.a.	3,109	5,231

...TE. The notation "n.a." indicates the lesser detail available from banks that don't have ...n offices, the inapplicability of certain items to banks that have only domestic offices or ...sence of detail on a fully consolidated basis for banks that have foreign offices.

All transactions between domestic and foreign offices of a bank are reported in "net due ... and "net due to" lines. All other lines represent transactions with parties other than the ...tic and foreign offices of each bank. Because these intraoffice transactions are nullified ...solidation, total assets and total liabilities for the entire bank may not equal the sum of ...and liabilities respectively of the domestic and foreign offices.

...ign offices include branches in foreign countries, Puerto Rico, and U.S. territories and ...sions; subsidiaries in foreign countries; all offices of Edge Act and agreement corpora...herever located; and IBFs.

...Over 100" refers to banks whose assets, on June 30 of the preceding calendar year, were $100 million or more. (These banks file the FFIEC 032 or FFIEC 033 Call Report.) "Under 100" refers to banks whose assets, on June 30 of the preceding calendar year, were less than $100 million. (These banks file the FFIEC 034 Call Report.)

3. Because the domestic portion of allowances for loan and lease losses and allocated transfer risk reserves are not reported for banks with foreign offices, the components of total assets (domestic) do not sum to the actual total (domestic).

4. Components of "Trading assets at large banks" are reported only by banks with either total assets of $1 billion or more or with $2 billion or more in the par/notional amount of their off-balance-sheet derivative contracts.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 1–5, 2000

A. Commercial and industrial loans made by all commercial banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent)				Most common base pricing rate[4]
				Days	Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	
LOAN RISK[5]									
1 All commercial and industrial loans	7.78	134,548	681	408	44.0	9.5	31.3	76.6	Foreign
2 Minimal risk	6.82	27,790	3,303	367	60.5	3.2	84.4	97.8	Foreign
3 Low risk	7.15	20,513	1,168	368	13.9	12.1	33.9	81.8	Foreign
4 Moderate risk	7.97	38,722	585	478	45.8	12.6	18.6	75.5	Prime
5 Other	8.63	24,608	418	364	39.1	8.9	7.9	67.8	Fed funds
By maturity/repricing interval[6]									
6 Zero interval	8.92	27,668	382	407	55.0	10.8	2.2	69.4	Prime
7 Minimal risk	9.42	529	310	709	56.6	62.8	6.3	99.8	Prime
8 Low risk	7.93	2,272	414	341	31.0	13.5	10.7	94.7	Prime
9 Moderate risk	8.80	11,187	381	353	61.0	8.8	1.7	93.4	Prime
10 Other	9.56	5,864	208	631	72.1	21.2	1.9	86.6	Prime
11 Daily	7.21	64,053	1,249	197	45.3	9.5	41.5	75.2	Fed funds
12 Minimal risk	6.52	17,738	19,725	128	80.0	.5	97.0	99.6	Foreign
13 Low risk	6.94	10,067	3,547	254	6.7	12.6	41.3	72.8	Fed funds
14 Moderate risk	7.34	16,798	1,355	232	31.6	15.8	20.2	61.5	Fed funds
15 Other	7.77	8,916	800	120	23.6	5.0	1.9	45.3	Fed funds
16 2 to 30 days	7.60	18,757	1,104	377	26.7	6.6	46.2	77.7	Foreign
17 Minimal risk	7.16	5,146	5,069	698	21.7	2.1	86.0	93.6	Foreign
18 Low risk	6.98	3,350	2,297	237	13.2	17.3	35.4	83.0	Foreign
19 Moderate risk	7.81	4,392	759	359	41.1	8.9	40.5	76.7	Foreign
20 Other	8.59	3,990	538	158	30.3	3.1	8.6	61.7	Foreign
21 31 to 365 days	8.04	17,903	504	525	34.1	4.0	30.9	90.9	Foreign
22 Minimal risk	7.17	3,523	962	784	32.5	.3	37.8	96.1	Foreign
23 Low risk	7.46	3,719	677	366	19.3	5.0	36.0	94.0	Foreign
24 Moderate risk	8.10	4,176	350	640	49.0	8.4	34.5	91.3	Foreign
25 Other	9.00	4,816	721	315	27.2	1.6	26.1	88.8	Foreign
				Months					
26 More than 365 days	8.37	5,118	283	83	60.1	16.3	12.5	75.2	Prime
27 Minimal risk	7.90	848	787	46	8.4	41.0	19.5	93.6	Other
28 Low risk	6.73	964	457	65	30.1	.6	3.7	92.2	Fed funds
29 Moderate risk	8.74	1,842	361	99	81.2	16.3	22.0	53.1	Prime
30 Other	9.23	851	202	86	74.8	18.0	6.1	78.7	Fed funds
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN (thousands of dollars)									
31 1–99	9.94	3,356	3.3	195	86.1	28.3	2.0	75.8	Prime
32 100–999	9.26	13,562	3.2	120	75.3	19.9	6.9	84.3	Prime
33 1,000–9,999	8.30	37,099	3.0	105	48.8	8.8	20.5	78.4	Prime
34 10,000 or more	7.20	80,530	2.3	40	34.7	7.3	41.6	74.5	Fed funds
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	9.54	31,988	3.2	128	75.1	16.5	1.8	80.2	242
36 Fed funds	6.88	34,234	2.7	24	30.4	8.6	22.3	56.2	8,048
37 Other domestic	7.06	13,265	2.3	36	8.1	19.7	69.4	73.9	4,170
38 Foreign	7.37	39,432	1.9	30	46.1	2.2	57.8	92.5	3,683
39 Other	7.81	15,629	3.0	181	34.9	6.9	10.8	76.2	331

Footnotes appear at end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 1–5, 2000

B. Commercial and industrial loans made by all domestic banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3] Days	Amount of loans (percent): Secured by collateral	Amount of loans (percent): Callable	Amount of loans (percent): Subject to prepayment penalty	Amount of loans (percent): Made under commitment	Most common base pricing rate[4]
LOAN RISK[5]									
1 All commercial and industrial loans	8.06	90,036	474	566	45.8	13.2	25.7	78.3	Prime
2 Minimal risk	6.97	13,680	1,901	535	35.4	5.9	77.6	95.7	Fed funds
3 Low risk	7.19	13,730	827	506	20.1	16.4	42.2	85.4	Domestic
4 Moderate risk	8.17	30,811	480	602	52.7	15.3	18.8	80.8	Prime
5 Other	8.95	14,706	261	567	57.1	14.2	7.3	75.9	Prime
By maturity/repricing interval[6]									
6 Zero interval	8.91	27,119	381	407	54.7	10.8	2.2	69.1	Prime
7 Minimal risk	9.32	462	324	709	51.2	57.4	7.2	99.8	Prime
8 Low risk	8.01	2,144	394	363	32.7	14.2	11.3	94.4	Prime
9 Moderate risk	8.79	11,032	380	352	60.7	8.9	1.7	93.4	Prime
10 Other	9.52	5,665	204	632	71.2	21.9	2.0	87.3	Prime
11 Daily	7.51	34,979	713	355	41.7	16.6	38.8	79.4	Fed funds
12 Minimal risk	6.60	6,694	9,820	297	58.6	1.3	96.2	98.9	Fed funds
13 Low risk	6.96	6,193	2,461	333	10.8	19.8	61.0	82.1	Domestic
14 Moderate risk	7.50	11,072	935	376	39.5	22.6	28.7	67.0	Fed funds
15 Other	8.15	4,849	458	216	32.8	8.3	2.4	55.3	Fed funds
16 2 to 30 days	7.62	12,287	788	543	30.8	9.4	46.0	86.4	Foreign
17 Minimal risk	7.19	4,185	5,248	803	9.3	2.6	84.5	92.3	Foreign
18 Low risk	7.00	2,339	1,788	333	18.9	20.9	38.6	79.2	Domestic
19 Moderate risk	7.94	3,170	592	458	53.1	12.3	31.4	87.5	Foreign
20 Other	9.14	1,645	236	352	57.3	7.6	9.6	76.8	Prime
21 31 to 365 days	7.97	9,812	298	619	46.0	5.6	27.2	90.4	Foreign
22 Minimal risk	6.75	1,489	471	314	15.2	.1	9.9	90.8	Foreign
23 Low risk	7.43	1,962	386	629	33.3	4.7	42.8	89.3	Foreign
24 Moderate risk	8.18	3,369	297	762	50.9	9.9	31.1	93.0	Foreign
25 Other	8.99	1,534	272	489	70.1	1.7	41.5	94.0	Foreign
				Months					
26 More than 365 days	8.37	5,094	282	83	60.0	16.3	12.5	75.1	Prime
27 Minimal risk	7.89	843	787	46	7.9	40.6	19.7	93.6	Other
28 Low risk	6.70	950	452	64	29.1	.7	3.7	92.1	Fed funds
29 Moderate risk	8.74	1,842	361	99	81.2	16.3	22.0	53.1	Prime
30 Other	9.23	845	201	87	75.3	18.1	6.1	78.5	Fed funds
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6] Days					
SIZE OF LOAN (thousands of dollars)									
31 1–99	9.95	3,320	3.3	197	86.4	28.4	1.7	75.8	Prime
32 100–999	9.34	12,264	3.3	129	78.0	20.9	4.0	84.1	Prime
33 1,000–9,999	8.51	27,796	3.0	132	55.1	10.3	14.7	80.1	Prime
34 10,000 or more	7.31	46,655	2.3	61	28.9	11.8	39.8	75.9	Fed funds
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	9.50	29,961	3.2	134	77.0	15.5	1.5	79.1	230
36 Fed funds	6.73	17,356	2.3	41	39.8	16.9	38.3	62.2	7,218
37 Other domestic	6.99	10,885	2.3	43	9.8	24.0	62.8	89.0	3,935
38 Foreign	7.74	17,579	2.3	45	29.9	3.6	42.8	83.3	2,239
39 Other	7.83	14,256	2.9	195	34.4	7.5	10.6	82.0	304

Footnotes appear at end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 1–5, 2000

C. Commercial and industrial loans made by large domestic banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent): Secured by collateral	Amount of loans (percent): Callable	Amount of loans (percent): Subject to prepayment penalty	Amount of loans (percent): Made under commitment	Most common base pricing rate[4]
				Days					
LOAN RISK[5]									
1 All commercial and industrial loans	7.90	80,081	861	499	41.8	11.8	27.3	78.4	Prime
2 Minimal risk	6.93	13,105	9,257	529	33.1	5.6	79.4	98.3	Fed funds
3 Low risk	7.04	12,543	2,835	489	16.3	15.7	46.1	85.9	Domestic
4 Moderate risk	8.01	27,031	979	508	48.9	13.4	18.6	80.9	Prime
5 Other	8.78	12,071	372	484	50.9	11.8	6.7	75.2	Prime
By maturity/repricing interval[6]									
6 Zero interval	8.80	23,007	724	409	51.7	7.3	2.0	66.5	Prime
7 Minimal risk	9.53	379	1,061	755	54.5	58.3	8.8	100.0	Prime
8 Low risk	7.80	1,638	1,185	354	29.7	4.9	13.7	95.0	Other
9 Moderate risk	8.65	9,551	767	345	57.8	5.4	1.5	95.7	Prime
10 Other	9.41	4,370	304	670	67.5	19.2	.9	89.7	Prime
11 Daily	7.43	33,700	820	338	40.0	16.5	40.1	79.1	Fed funds
12 Minimal risk	6.57	6,630	18,311	296	58.2	1.3	97.2	99.8	Fed funds
13 Low risk	6.92	6,065	3,754	326	9.9	20.2	62.3	82.1	Domestic
14 Moderate risk	7.37	10,429	1,213	323	36.2	23.4	30.3	65.7	Fed funds
15 Other	8.06	4,652	528	210	30.3	7.4	2.1	53.9	Fed funds
16 2 to 30 days	7.55	11,072	1,197	576	27.0	9.1	46.2	87.3	Foreign
17 Minimal risk	7.20	4,010	18,561	834	5.3	2.7	84.6	95.6	Foreign
18 Low risk	6.89	2,170	4,334	303	14.2	21.0	41.6	78.3	Domestic
19 Moderate risk	7.89	2,647	1,051	516	52.5	11.0	27.1	85.7	Foreign
20 Other	9.15	1,389	262	388	55.6	8.1	2.9	78.1	Prime
21 31 to 365 days	7.79	8,355	1,496	618	39.6	3.7	30.0	94.8	Foreign
22 Minimal risk	6.65	1,300	4,273	217	4.1	.0	5.2	98.3	Foreign
23 Low risk	7.25	1,773	2,787	659	28.3	3.9	47.4	92.9	Foreign
24 Moderate risk	8.03	2,879	1,656	807	45.9	6.0	34.2	96.0	Foreign
25 Other	8.76	1,221	584	564	66.0	1.3	50.2	95.4	Foreign
				Months					
26 More than 365 days	7.73	3,257	1,272	64	42.1	10.1	6.5	78.2	Other
27 Minimal risk	7.72	780	5,450	44	.9	40.5	22.6	99.2	Other
28 Low risk	6.26	760	5,859	67	17.3	.3	4.4	99.7	Fed funds
29 Moderate risk	8.44	1,210	1,339	75	78.8	.4	3.1	46.3	Prime
30 Other	8.52	301	334	84	31.4	1.4	5.4	89.7	Fed funds
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN (thousands of dollars)									
31 1–99	9.78	1,637	3.5	48	86.3	33.5	1.3	85.5	Prime
32 100–999	9.28	8,676	3.4	39	76.2	19.5	2.4	86.9	Prime
33 1,000–9,999	8.42	23,982	3.0	46	51.5	8.0	14.6	79.5	Prime
34 10,000 or more	7.30	45,786	2.3	60	28.6	11.5	39.7	75.9	Fed funds
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	9.40	23,793	3.2	49	75.2	12.1	.3	78.5	320
36 Fed funds	6.68	16,870	2.3	24	39.2	15.8	39.4	61.2	12,270
37 Other domestic	6.97	10,731	2.3	38	8.6	24.1	63.6	89.7	8,584
38 Foreign	7.74	16,147	2.2	42	28.2	3.6	41.7	83.6	2,565
39 Other	7.70	12,539	2.9	134	27.8	5.9	11.2	84.7	1,282

Footnotes appear at end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 1–5, 2000

D. Commercial and industrial loans made by small domestic banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3] Days	Amount of loans (percent): Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	Most common base pricing rate[4]
LOAN RISK[5]									
1 All commercial and industrial loans	9.31	9,955	103	1,099	78.0	24.5	12.9	78.0	Prime
2 Minimal risk	7.96	575	99	699	87.1	12.9	38.3	34.7	Prime
3 Low risk	8.68	1,187	97	679	59.9	24.2	2.2	80.8	Prime
4 Moderate risk	9.32	3,781	103	1,240	79.7	28.9	20.3	80.3	Prime
5 Other	9.75	2,635	111	951	85.4	25.2	10.0	79.0	Prime
By maturity/repricing interval[6]									
6 Zero interval	9.58	4,113	104	392	71.7	30.3	3.3	83.6	Prime
7 Minimal risk	8.36	84	78	443	36.4	53.4	*	98.8	Prime
8 Low risk	8.66	506	125	395	42.3	44.3	3.4	92.7	Prime
9 Moderate risk	9.66	1,481	89	398	79.3	31.4	3.1	78.6	Prime
10 Other	9.90	1,295	96	507	83.8	31.0	5.6	79.4	Prime
11 Daily	9.62	1,279	161	773	86.8	19.6	2.8	85.4	Prime
12 Minimal risk	9.99	64	200	367	100.0	1.8	.0	2.5	Prime
13 Low risk	8.66	128	142	608	52.8	.0	.0	84.1	Prime
14 Moderate risk	9.66	643	198	1,098	93.2	9.6	2.5	88.1	Prime
15 Other	10.17	197	111	391	90.9	30.8	10.0	89.1	Prime
16 2 to 30 days	8.21	1,216	191	207	65.9	12.0	43.8	78.2	Foreign
17 Minimal risk	6.84	175	300	78	99.9	.0	83.4	15.5	Foreign
18 Low risk	8.39	169	209	723	79.4	19.2	*	90.7	Prime
19 Moderate risk	8.23	523	184	113	56.6	18.9	52.4	96.8	Foreign
20 Other	9.10	255	152	139	66.7	4.7	44.1	69.4	Foreign
21 31 to 365 days	9.02	1,457	53	623	82.6	16.2	11.9	65.2	Other
22 Minimal risk	7.48	189	66	980	91.4	.6	39.4	38.5	Other
23 Low risk	9.19	189	43	336	79.5	11.9	3.7	56.2	Other
24 Moderate risk	9.03	490	51	502	80.4	32.6	13.4	75.6	Other
25 Other	9.86	313	88	204	86.2	3.5	7.5	88.6	Prime
				Months					
26 More than 365 days	9.50	1,837	119	117	91.9	27.3	22.0	69.5	Prime
27 Minimal risk	9.95	63	68	71	93.3	42.4	*	24.1	Prime
28 Low risk	8.46	190	96	53	76.2	2.0	1.0	61.8	Other
29 Moderate risk	9.32	632	150	146	85.8	46.8	58.0	66.3	Prime
30 Other	9.62	545	165	89	99.6	27.3	6.5	72.4	Fed funds
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6] Days					
SIZE OF LOAN (thousands of dollars)									
31 1–99	10.11	1,683	3.1	336	86.5	23.3	2.1	66.4	Prime
32 100–999	9.50	3,589	3.0	341	82.6	24.2	7.7	77.3	Prime
33 1,000–9,999	9.09	3,814	3.2	660	77.6	24.7	15.1	84.0	Prime
34 10,000 or more	7.94	870	2.7	113	44.2	26.5	45.5	76.6	Foreign
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	9.88	6,168	3.2	459	84.3	28.6	6.2	81.3	111
36 Fed funds	8.40	486	3.1	655	60.2	55.1	.3	97.6	472
37 Other domestic	8.88	153	3.1	395	95.4	12.4	5.2	39.3	101
38 Foreign	7.75	1,432	2.9	78	49.6	4.0	55.1	79.8	920
39 Other	8.85	1,717	2.9	639	82.5	18.9	6.1	62.3	46

Footnotes appear at end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 1–5, 2000

E. Commercial and industrial loans made by U.S. branches and agencies of foreign banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent)				Most common base pricing rate[4]
				Days	Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	
LOAN RISK[5]									
1 All commercial and industrial loans	7.23	44,511	5,856	112	40.3	2.0	42.5	73.2	Foreign
2 Minimal risk	6.67	14,110	11,568	201	84.8	.6	90.8	100.0	Foreign
3 Low risk	7.07	6,784	7,167	112	1.3	3.4	17.4	74.4	Foreign
4 Moderate risk	7.22	7,910	4,106	41	19.0	2.1	17.6	54.8	Fed funds
5 Other	8.15	9,902	3,944	103	12.3	1.0	8.7	55.8	Fed funds
By maturity/repricing interval[6]									
6 Zero interval	9.31	549	484	395	70.7	13.6	1.1	86.9	Prime
7 Minimal risk	10.13	66	238	*	94.6	100.0	*	100.0	Prime
8 Low risk	*	*	*	*	*	*	*	*	*
9 Moderate risk	9.59	155	444	453	80.1	2.2	2.1	96.5	Prime
10 Other	10.52	199	438	626	98.9	1.7	.2	66.9	Prime
11 Daily	6.84	29,074	13,105	30	49.5	.8	44.8	70.2	Fed funds
12 Minimal risk	6.47	11,045	50,748	23	92.9	*	97.5	100.0	Foreign
13 Low risk	6.91	3,873	12,020	144	.1	1.1	9.8	57.8	Fed funds
14 Moderate risk	7.02	5,726	10,379	1	16.2	2.6	3.9	50.8	Fed funds
15 Other	7.31	4,068	7,328	10	12.7	1.1	1.4	33.3	Fed funds
16 2 to 30 days	7.58	6,469	4,671	75	18.9	1.4	46.7	61.1	Foreign
17 Minimal risk	7.02	961	4,416	241	75.7	*	92.5	99.4	Foreign
18 Low risk	6.94	1,011	6,736	20	*	8.9	28.3	91.8	Foreign
19 Moderate risk	7.47	1,222	2,841	118	9.8	*	63.6	48.7	Fed funds
20 Other	8.20	2,345	5,451	34	11.4	*	7.9	51.1	Fed funds
21 31 to 365 days	8.12	8,090	3,064	414	19.7	2.1	35.2	91.6	Foreign
22 Minimal risk	7.48	2,034	4,059	1,129	45.1	.5	56.6	100.0	Foreign
23 Low risk	7.49	1,757	4,250	79	3.7	5.3	29.2	99.2	Foreign
24 Moderate risk	7.77	807	1,356	150	40.9	2.0	48.3	83.9	Foreign
25 Other	9.00	3,282	3,158	235	7.2	1.6	19.0	86.3	Foreign
				Months					
26 More than 365 days	*	*	*	*	*	*	*	*	*
27 Minimal risk	*	*	*	*	*	*	*	*	*
28 Low risk	*	*	*	*	*	*	*	*	*
29 Moderate risk	*	*	*	*	*	*	*	*	*
30 Other	*	*	*	*	*	*	*	*	*
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN (thousands of dollars)									
31 1–99	9.18	35	3.1	18	58.2	19.2	23.0	73.9	Prime
32 100–999	8.48	1,298	3.0	41	49.8	11.2	34.3	86.2	Foreign
33 1,000–9,999	7.67	9,303	2.8	25	29.8	4.3	37.8	73.3	Foreign
34 10,000 or more	7.05	33,875	2.2	12	42.8	1.0	44.1	72.6	Foreign
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	10.08	2,027	3.2	39	46.0	30.7	6.1	96.0	977
36 Fed funds	7.04	16,878	3.1	6	20.8	*	5.8	50.1	9,128
37 Other domestic	7.35	2,380	2.7	6	.1	*	99.7	4.7	5,735
38 Foreign	7.07	21,853	1.7	19	59.2	1.1	69.9	99.9	7,660
39 Other	7.54	1,373	4.3	46	40.2	1.3	12.5	15.4	3,362

Footnotes appear at end of table.

NOTES TO TABLE 4.23

NOTE. The Survey of Terms of Business Lending collects data on gross loan extensions made during the first full business week in the mid-month of each quarter. The authorized panel size for the survey is 348 domestically chartered commercial banks and fifty U.S. branches and agencies of foreign banks. The sample data are used to estimate the terms of loans extended during that week at all domestic commercial banks and all U.S. branches and agencies of foreign banks. Note that the terms on loans extended during the survey week may differ from those extended during other weeks of the quarter. The estimates reported here are not intended to measure the average terms on all business loans in bank portfolios.

1. As of December 31, 1996, assets of most of the large banks were at least $7.0 billion. Median total assets for all insured banks were roughly $62 million. Assets at all U.S. branches and agencies averaged 1.3 billion.

2. Effective (compounded) annual interest rates are calculated from the stated rate and other terms of the loans and weighted by loan amount. The standard error of the loan rate for all commercial and industrial loans in the current survey (line 1, column 1) is 0.16 percentage point. The chances are about two out of three that the average rate shown would differ by less than this amount from the average rate that would be found by a complete survey of the universe of all banks.

3. Average maturities are weighted by loan amount and exclude loans with no stated maturities.

4. The most common base pricing rate is that used to price the largest dollar volume of loans. Base pricing rates include the prime rate (sometimes referred to as a bank's "base" or "reference" rate); the federal funds rate; domestic money market rates other than the prime rate and the federal funds rate; foreign money market rates; and other base rates not included in the foregoing classifications.

5. A complete description of these risk categories is available from the Banking Analysis Section, Mail Stop 81, Board of Governors of the Federal Reserve System, Washington, DC 20551. The category "Moderate risk" includes the average loan, under average economic conditions, at the typical lender. The category "Other" includes loans rated "acceptable" as well as special mention or classified loans. The weighted-average risk ratings published for loans in rows 31–39 are calculated by assigning a value of "1" to minimal risk loans; "2" to low risk loans; "3" to moderate risk loans, "4" to acceptable risk loans; and "5" to special mention and classified loans. These values are weighted by loan amount and exclude loans with no risk rating. Some of the loans in lines 1, 6, 11, 16, 21, 26, and 31–39 are not rated for risk.

6. The maturity/repricing interval measures the period from the date the loan is made until it first may reprice or it matures. For floating-rate loans that are subject to repricing at any time—such as many prime-based loans—the maturity/repricing interval is zero. For floating-rate loans that have a scheduled repricing interval, the maturity/repricing interval measures the number of days between the date the loan is made and the date on which it is next scheduled to reprice. For loans having rates that remain fixed until the loan matures (fixed-rate loans), the maturity/repricing interval measures the number of days between the date the loan is made and the date on which it matures. Loans that reprice daily mature or reprice on the business day after they are made. Owing to weekends and holidays, such loans may have maturity/repricing intervals in excess of one day; such loans are not included in the "2 to 30 day" category.

7. For the current survey, the average reported prime rate, weighted by the amount of loans priced relative to a prime base rate, was 9.02 percent for all banks; 9.00 percent for large domestic banks, 9.10 percent for small domestic banks; and 9.00 percent for U.S. branches and agencies of foreign banks.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 2000[1]

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
1 **Total assets**[4]	**903,989**	**171,051**	**729,773**	**145,304**	**26,882**	**7,029**	**54,155**	**4,702**
2 Claims on nonrelated parties	730,694	83,792	581,520	71,950	26,119	1,591	53,892	4,117
3 Cash and balances due from depository institutions	82,887	37,430	77,772	35,256	755	289	2,872	1,627
4 Cash items in process of collection and unposted debits	2,656	0	2,535	0	5	0	26	0
5 Currency and coin (U.S. and foreign)	17	n.a.	12	n.a.	1	n.a.	0	n.a.
6 Balances with depository institutions in United States	51,587	13,571	48,458	12,352	588	167	1,391	890
7 U.S. branches and agencies of other foreign banks (including IBFs)	43,733	12,898	40,996	11,697	439	167	1,371	890
8 Other depository institutions in United States (including IBFs)	7,854	673	7,461	655	149	0	20	0
9 Balances with banks in foreign countries and with foreign central banks	28,265	23,859	26,489	22,904	127	123	1,447	737
10 Foreign branches of U.S. banks	551	508	513	481	0	0	0	0
11 Banks in home country and home-country central banks	8,420	7,286	8,344	7,224	56	56	0	0
12 All other banks in foreign countries and foreign central banks	19,294	16,064	17,631	15,198	71	67	1,446	737
13 Balances with Federal Reserve Banks	361	n.a.	278	n.a.	35	n.a.	8	n.a.
14 **Total securities and loans**	**436,479**	**35,560**	**335,907**	**27,390**	**24,421**	**1,246**	**35,550**	**1,640**
15 Total securities, book value	113,607	4,460	104,999	3,869	1,252	488	6,071	66
16 U.S. Treasury	18,537	n.a.	17,587	n.a.	61	n.a.	877	n.a.
17 Obligations of U.S. government agencies and corporations	47,626	n.a	45,033	n.a.	184	n.a.	2,031	n.a.
18 Other bonds, notes, debentures, and corporate stock (including state and local securities)	47,444	4,460	42,379	3,869	1,007	488	3,163	66
19 Securities of foreign governmental units	10,487	2,468	10,164	2,309	263	120	28	28
20 All Other	36,956	1,992	32,216	1,561	744	368	3,135	38
21 Federal funds sold and securities purchased under agreements to resell	83,963	8,512	74,396	7,625	421	15	8,244	825
22 U.S. branches and agencies of other foreign banks	12,129	3,190	11,246	3,146	360	15	270	0
23 Commercial banks in United States	10,842	160	10,201	158	40	0	59	0
24 Other	60,992	5,162	52,950	4,322	22	0	7,915	825
25 Total loans, gross	323,194	31,125	231,131	23,541	23,210	758	29,501	1,574
26 LESS: Unearned income on loans	322	25	224	21	41	1	22	0
27 EQUALS: Loans, net	322,873	31,100	230,908	23,521	23,169	758	29,480	1,574
Total loans, gross, by category								
28 Real estate loans	17,065	95	11,665	93	3,301	0	357	0
29 Loans to depository institutions	23,415	14,786	15,766	9,397	981	513	1,881	1,513
30 Commercial banks in United States (including IBFs)	5,672	2,442	3,742	1,387	706	267	813	679
31 U.S. branches and agencies of other foreign banks	3,554	1,638	2,499	1,291	583	223	92	15
32 Other commercial banks in United States	2,118	805	1,243	96	123	45	721	664
33 Other depository institutions in United States (including IBFs)	15	0	0	0	0	0	0	0
34 Banks in foreign countries	17,728	12,343	12,023	8,010	276	245	1,068	834
35 Foreign branches of U.S. banks	1,599	1,045	1,559	1,010	3	0	0	0
36 Other banks in foreign countries	16,129	11,298	10,465	7,000	273	245	1,068	834
37 Loans to other financial institutions	53,261	1,505	40,397	1,286	1,020	0	3,986	0
38 Commercial and industrial loans	207,029	12,360	143,966	10,574	17,667	222	21,719	51
39 U.S. addressees (domicile)	168,891	31	116,256	31	16,138	0	19,980	0
40 Non-U.S. addressees (domicile)	38,138	12,329	27,710	10,543	1,529	222	1,738	51
41 Acceptances of other banks	767	8	116	8	16	0	635	0
42 U.S. banks	6	0	2	0	4	0	0	0
43 Foreign banks	761	8	114	8	12	0	635	0
44 Loans to foreign governments and official institutions (including foreign central banks)	3,568	2,258	2,971	2,084	148	24	108	9
45 Loans for purchasing or carrying securities (secured and unsecured)	11,030	22	10,359	22	0	0	50	0
46 All other loans	6,256	90	5,643	76	77	0	213	0
47 Lease financing receivables (net of unearned income)	801	0	249	0	0	0	552	0
48 U.S. addressees (domicile)	801	0	249	0	0	0	552	0
49 Non-U.S. addressees (domicile)	0	0	0	0	0	0	0	0
50 Trading assets	91,602	679	62,447	679	58	0	5,185	0
51 All other assets	35,762	1,611	30,997	999	463	40	2,042	26
52 Customers' liabilities on acceptances outstanding	1,476	n.a.	1,019	n.a.	130	n.a.	283	n.a.
53 U.S. addressees (domicile)	788	n.a.	633	n.a.	130	n.a.	24	n.a.
54 Non-U.S. addressees (domicile)	687	n.a.	386	n.a.	0	n.a.	259	n.a.
55 Other assets including other claims on nonrelated parties	34,287	1,611	29,979	999	333	40	1,759	26
56 Net due from related depository institutions[5]	173,295	87,258	148,254	73,354	763	5,438	262	585
57 Net due from head office and other related depository institutions[5]	173,295	n.a.	148,254	n.a.	763	n.a.	262	n.a.
58 Net due from establishing entity, head office, and other related depository institutions[5]	n.a.	87,258	n.a.	73,354	n.a.	5,438	n.a.	585
59 **Total liabilities**[4]	**903,989**	**171,051**	**729,773**	**145,304**	**26,882**	**7,029**	**54,155**	**4,702**
60 Liabilities to nonrelated parties	779,332	152,571	651,408	129,712	12,679	6,909	40,983	3,350

Footnotes appear at end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 2000[1]—Continued

Millions of dollars except as noted

Item	All states[2] Total excluding IBFs[3]	All states[2] IBFs only[3]	New York Total excluding IBFs	New York IBFs only	California Total excluding IBFs	California IBFs only	Illinois Total excluding IBFs	Illinois IBFs only
61 Total deposits and credit balances	380,861	107,807	314,896	95,025	3,637	1,606	17,707	2,253
62 Individuals, partnerships, and corporations	291,204	11,817	233,337	6,511	2,450	202	15,225	4
63 U.S. addressees (domicile)	274,286	19	222,442	15	807	0	14,998	0
64 Non-U.S. addressees (domicile)	16,918	11,798	10,895	6,496	1,643	202	227	4
65 Commercial banks in United States (including IBFs)	44,516	12,464	40,034	12,082	356	119	1,025	220
66 U.S. branches and agencies of other foreign banks	18,199	11,684	15,176	11,410	0	59	364	172
67 Other commercial banks in United States	26,317	780	24,858	672	356	60	661	48
68 Banks in foreign countries	9,335	60,011	8,940	56,890	8	540	150	979
69 Foreign branches of U.S. banks	1,080	4,882	1,080	4,745	0	0	0	137
70 Other banks in foreign countries	8,255	55,129	7,860	52,144	8	540	150	842
71 Foreign governments and official institutions (including foreign central banks)	17,533	23,513	15,783	19,542	9	745	1,305	1,048
72 All other deposits and credit balances	18,098	2	16,647	0	809	0	0	2
73 Certified and official checks	175		156		5		1	
74 Transaction accounts and credit balances (excluding IBFs)	8,583		6,460		270		612	
75 Individuals, partnerships, and corporations	7,130		5,352		254		608	
76 U.S. addressees (domicile)	5,003		4,116		140		605	
77 Non-U.S. addressees (domicile)	2,127		1,236		114		4	
78 Commercial banks in United States (including IBFs)	45		35		0		0	
79 U.S. branches and agencies of other foreign banks	11		10		0		0	
80 Other commercial banks in United States	34		24		0		0	
81 Banks in foreign countries	727		513		8		0	
82 Foreign branches of U.S. banks	0		0		0		0	
83 Other banks in foreign countries	727		513		8		0	
84 Foreign governments and official institutions (including foreign central banks)	353		273		2		2	
85 All other deposits and credit balances	152		131		1		0	
86 Certified and official checks	175		156		5		1	
87 Demand deposits (included in transaction accounts and credit balances)	8,051		6,155		207		609	
88 Individuals, partnerships, and corporations	6,728		5,173		192		605	
89 U.S. addressees (domicile)	4,849		4,020		120		602	
90 Non-U.S. addressees (domicile)	1,879		1,153		72		4	
91 Commercial banks in United States (including IBFs)	42	n.a.	32	n.a.	0	n.a	0	n.a.
92 U.S. branches and agencies of other foreign banks	11		10		0		0	
93 Other commercial banks in United States	31		21		0		0	
94 Banks in foreign countries	679		466		8		0	
95 Foreign branches of U.S. banks	0		0		0		0	
96 Other banks in foreign countries	679		466		8		0	
97 Foreign governments and official institutions (including foreign central banks)	349		269		2		2	
98 All other deposits and credit balances	77		60		0		0	
99 Certified and official checks	175		156		5		1	
100 Nontransaction accounts (including MMDAs, excluding IBFs)	372,278		308,437		3,367		17,095	
101 Individuals, partnerships, and corporations	284,074		227,985		2,196		14,617	
102 U.S. addressees (domicile)	269,283		218,326		666		14,394	
103 Non-U.S. addressees (domicile)	14,791		9,659		1,529		223	
104 Commercial banks in United States (including IBFs)	44,470		39,999		356		1,025	
105 U.S. branches and agencies of other foreign banks	18,188		15,165		0		364	
106 Other commercial banks in United States	26,282		24,834		356		661	
107 Banks in foreign countries	8,608		8,427		0		150	
108 Foreign branches of U.S. banks	1,080		1,080		0		0	
109 Other banks in foreign countries	7,528		7,347		0		150	
110 Foreign governments and official institutions (including foreign central banks)	17,180		15,510		7		1,303	
111 All other deposits and credit balances	17,945		16,516		808		0	
112 IBF deposit liabilities		107,807		95,025		1,606		2,253
113 Individuals, partnerships, and corporations		11,817		6,511		202		4
114 U.S. addressees (domicile)		19		15		0		0
115 Non-U.S. addressees (domicile)		11,798		6,496		202		4
116 Commercial banks in United States (including IBFs)		12,464		12,082		119		220
117 U.S. branches and agencies of other foreign banks		11,684		11,410		59		172
118 Other commercial banks in United States	n.a.	780	n.a.	672	n.a.	60	n.a.	48
119 Banks in foreign countries		60,011		56,890		540		979
120 Foreign branches of U.S. banks		4,882		4,745		0		137
121 Other banks in foreign countries		55,129		52,144		540		842
122 Foreign governments and official institutions (including foreign central banks)		23,513		19,542		745		1,048
123 All other deposits and credit balances		2		0		0		2

Footnotes appear at end of table

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 2000[1]—Continued

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
124 Federal funds purchased and securities sold under agreements to repurchase	119,545	20,313	108,921	16,516	1,289	644	5,428	888
125 U.S. branches and agencies of other foreign banks	12,694	4,379	10,167	3,565	632	352	979	112
126 Other commercial banks in United States	8,434	652	6,871	597	298	31	452	24
127 Other	98,417	15,282	91,883	12,353	359	261	3,997	752
128 Other borrowed money	77,127	23,097	59,286	16,933	5,770	4,615	5,338	194
129 Owed to nonrelated commercial banks in United States (including IBFs)	10,698	4,204	8,977	3,442	816	598	443	20
130 Owed to U.S. offices of nonrelated U.S. banks	4,297	285	4,004	272	74	10	67	0
131 Owed to U.S. branches and agencies of nonrelated foreign banks	6,400	3,918	4,973	3,170	742	588	376	20
132 Owed to nonrelated banks in foreign countries	18,141	15,296	13,299	10,549	3,431	3,423	176	174
133 Owed to foreign branches of nonrelated U.S. banks	1,165	1,052	752	651	375	375	0	0
134 Owed to foreign offices of nonrelated foreign banks	16,976	14,245	12,547	9,897	3,056	3,048	176	174
135 Owed to others	48,289	3,597	37,009	2,942	1,524	594	4,719	0
136 All other liabilities	93,991	1,354	73,280	1,239	377	45	10,257	15
137 Branch or agency liability on acceptances executed and outstanding	1,827	n.a.	1,178	n.a.	131	n.a.	467	n.a.
138 Trading liabilities	65,601	27	49,964	27	45	0	8,370	0
139 Other liabilities to nonrelated parties	26,563	1,327	22,138	1,212	201	45	1,421	15
140 Net due to related depository institutions[5]	124,657	18,480	78,365	15,592	14,203	119	13,171	1,352
141 Net due to head office and other related depository institutions[5]	124,657	n.a.	78,365	n.a.	14,203	n.a.	13,171	n.a.
142 Net due to establishing entity, head office, and other related depository institutions[5]	n.a.	18,480	n.a.	15,592	n.a.	119	n.a.	1,352
MEMO								
143 Non-interest-bearing balances with commercial banks in United States	2,970	0	2,826	0	35	0	7	0
144 Holding of own acceptances included in commercial and industrial loans	1,984	n.a.	1,519	n.a.	169	n.a.	204	n.a.
145 Commercial and industrial loans with remaining maturity of one year or less (excluding those in nonaccrual status)	104,607	n.a.	63,310	n.a.	9,054	n.a.	17,504	n.a.
146 Predetermined interest rates	61,482	n.a.	33,960	n.a.	4,070	n.a.	14,840	n.a.
147 Floating interest rates	43,125	n.a.	29,350	n.a.	4,984	n.a.	2,664	n.a.
148 Commercial and industrial loans with remaining maturity of more than one year (excluding those in nonaccrual status)	100,735	n.a.	79,358	n.a.	8,521	n.a.	4,148	n.a.
149 Predetermined interest rates	22,552	n.a.	18,853	n.a.	1,124	n.a.	571	n.a.
150 Floating interest rates	78,183	n.a.	60,505	n.a.	7,398	n.a.	3,577	n.a.

Footnotes appear at end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 2000[1]—Continued

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs[3]	IBFs only[3]	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only
151 Components of total nontransaction accounts, included in total deposits and credit balances (excluding IBFs)	373,619	n.a.	311,100	n.a.	3,176	n.a.	17,026	n.a.
152 Time deposits of $100,000 or more	368,113	n.a.	305,704	n.a.	3,156	n.a.	16,973	n.a.
153 Time CDs in denominations of $100,000 or more with remaining maturity of more than 12 months	5,506	n.a.	5,396	n.a.	20	n.a.	53	n.a.
	All states[2]		New York		California		Illinois	
	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
154 Immediately available funds with a maturity greater than one day included in other borrowed money	30,738	n.a.	26,618	n.a.	2,681	n.a.	890	n.a.
155 Number of reports filed[6]	354	0	184	0	72	0	29	0

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks." The form was first used for reporting data as of June 30, 1980, and was revised as of December 31, 1985. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve monthly statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items.

2. Includes the District of Columbia.

3. Effective December 1981, the Federal Reserve Board amended Regulations D and Q to permit banking offices located in the United States to operate international banking facilities (IBFs). Since December 31, 1985, data for IBFs have been reported in a separate column. These data are either included in or excluded from the total columns as indicated in the headings. The notation "n.a." indicates that no IBF data have been reported for that item, either because the item is not an eligible IBF asset or liability or because that level of detail is not reported for IBFs. From December 1981 through September 1985, IBF data were included in all applicable items reported.

4. Total assets and total liabilities include *net* balances, if any, due from or owed to related banking institutions in the United States and in foreign countries (see note 5). On the former monthly branch and agency report, available through the G.11 monthly statistical release, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.

5. Related depository institutions includes the foreign head office and other U.S. and foreign branches and agencies of a bank, a bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly).

6. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

4.31 PRO FORMA FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

A. Pro forma balance sheet

Millions of dollars

Item	Mar. 31, 2000		Mar. 31, 2000	
Short-term assets (Note 1)				
Imputed reserve requirement on clearing balances	640.9		671.3	
Investment in marketable securities	5,768.1		6,041.7	
Receivables	80.5		73.4	
Materials and supplies	3.5		4.1	
Prepaid expenses	32.9		29.8	
Items in process of collection	2,823.2		4,406.3	
Total short-term assets		9,349.1		11,226.7
Long-term assets (Note 2)				
Premises	440.2		404.7	
Furniture and equipment	167.5		143.1	
Leases and leasehold improvements	48.1		29.5	
Prepaid pension costs	571.7		459.3	
Total long-term assets		1,227.5		1,036.5
Total assets		**10,576.6**		**12,263.1**
Short-term liabilities				
Clearing balances and balances arising from early credit of uncollected items	6,173.2		6,192.0	
Deferred-availability items	3,059.0		4,927.3	
Short-term debt	116.8		107.4	
Total short-term liabilities		9,349.1		11,226.7
Long-term liabilities				
Obligations under capital leases	0.0		0.0	
Long-term debt	390.5		214.7	
Postretirement/postemployment benefits obligation	236.4		219.3	
Total long-term liabilities		626.9		434.1
Total liabilities		**9,976.0**		**11,660.7**
Equity		600.6		602.4
Total liabilities and equity (Note 3)		**10,576.6**		**12,263.1**

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

(1) SHORT-TERM ASSETS

The imputed reserve requirement on clearing balances held at Reserve Banks by depository institutions reflects a treatment comparable to that of compensating balances held at correspondent banks by respondent institutions. The reserve requirement imposed on respondent balances must be held as vault cash or as nonearning balances maintained at a Reserve Bank; thus, a portion of priced services clearing balances held with the Federal Reserve is shown as required reserves on the asset side of the balance sheet. The remainder of clearing balances is assumed to be invested in three-month Treasury bills, shown as investment in marketable securities.

Receivables are (1) amounts due the Reserve Banks for priced services and (2) the share of suspense-account and difference-account balances related to priced services.

Materials and supplies are the inventory value of short-term assets.

Prepaid expenses include salary advances and travel advances for priced-service personnel.

Items in process of collection is gross Federal Reserve cash items in process of collection (CIPC) stated on a basis comparable to that of a commercial bank. It reflects adjustments for intra-System items that would otherwise be double-counted on a consolidated Federal Reserve balance sheet; adjustments for items associated with non-priced items, such as those collected for government agencies; and adjustments for items associated with providing fixed availability or credit before items are received and processed. Among the costs to be recovered under the Monetary Control Act is the cost of float, or net CIPC during the period (the difference between gross CIPC and deferred-availability items which is the portion of gross CIPC that involves a financing cost), valued at the federal funds rate.

(2) LONG-TERM ASSETS

Consists of long-term assets used solely in priced services, the priced-services portion of long-term assets shared with nonpriced services, and an estimate of the assets of the Board of Governors used in the development of priced services. Effective Jan. 1, 1987, the Reserve Banks implemented the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 87, *Employers' Accounting for Pensions* (SFAS 87). Accordingly, the Federal Reserve Banks recognized credits to expenses of $28.9 million in the first quarter of 2000, and $21.9 million in the first quarter of 1999, and corresponding increases in this asset account.

(3) LIABILITIES AND EQUITY

Under the matched-book capital structure for assets that are not "self-financing," short-term assets are financed with short-term debt. Long-term assets are financed with long-term debt and equity in a proportion equal to the ratio of long-term debt to equity for the fifty largest bank holding companies, which are used in the model for the private-sector adjustment factor (PSAF). The PSAF consists of the taxes that would have been paid and the return on capital that would have been provided had priced services been furnished by a private-sector firm. Other short-term liabilities include clearing balances maintained at Reserve Banks and deposit balances arising from float. Other long-term liabilities consist of obligations on capital leases.

4.31 PRO FORMA FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

B. Pro forma income statement

Millions of dollars

Item	Quarter ending Mar. 31, 2000		Quarter ending Mar. 31, 1999	
Revenue from services provided to depository institutions (Note 4)		211.5		203.1
Operating expenses (Note 5)		172.8		170.4
Income from operations		38.8		32.8
Inputed costs (Note 6)				
Interest on float	2.8		5.4	
Interest on debt	7.9		4.6	
Sales taxes	2.3		2.2	
FDIC insurance	0.0	13.0	.8	13.1
Income from operations after imputed costs		25.8		19.7
Other income and expenses (Note 7)				
Investment income on clearing balances	104.9		81.9	
Earnings credits	(88.4)	16.4	(70.5)	11.4
Income before income taxes		42.2		31.1
Inputed income taxes (Note 8)		13.3		10.0
Net income		**28.9**		**21.2**
MEMO				
Targeted return on equity (Note 9)		24.6		17.3

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

(4) REVENUE

Revenue represents charges to depository institutions for priced services and is realized from each institution through one of two methods: direct charges to an institution's account or charges against its accumulated earnings credits.

(5) OPERATING EXPENSES

Operating expenses consist of the direct, indirect, and other general administrative expenses of the Reserve Banks for priced services plus the expenses for staff members of the Board of Governors working directly on the development of priced services. The expenses for Board staff members were $1.05 million in the first quarter of 2000 and $0.85 million in the first quarter of 1999. The credit to expenses under SFAS 87 (see note 2) is reflected in operating expenses.

(6) IMPUTED COSTS

Imputed costs consist of interest on float, interest on debt, sales taxes, and the FDIC assessment. Interest on float is derived from the value of float to be recovered, either explicitly or through per-item fees, during the period. Float costs include costs for checks, book-entry securities, noncash collection, ACH, and funds transfers.

Interest is imputed on the debt assumed necessary to finance priced-service assets. The sales taxes and FDIC assessment that the Federal Reserve would have paid had it been a private-sector firm are among the components of the PSAF (see note 3).

Float costs are based on the actual float incurred for each priced service, multiplied by the appropriate federal funds rate. Other imputed costs are allocated among priced services according to the ratio of operating expenses less shipping expenses for each service to the total expenses for all services less the total shipping expenses for all services.

The following list shows the daily average recovery of float (before converting to float costs) by the Reserve Banks for the first quarter of 2000 and 1999 in millions of dollars:

	2000	1999
Total float	222.9	486.0
Unrecovered float	(436.5)	(516.1)
Float subject to recovery	659.4	1,002.1
Sources of float recovery		
Income on clearing balances	66.0	98.9
As-of adjustments	451.7	531.8
Direct charges	311.3	245.2
Per-item fees	(169.6)	126.2

Unrecovered float includes float generated by services to government agencies and by other central bank services. Float recovered through income on clearing balances is the result of the increase in investable clearing balances; the increase is produced by a deduction for float for cash items in process of collection, which reduces imputed reserve requirements. The income on clearing balances reduces the float to be recovered through other means. As-of adjustments are memorandum adjustments to an institution's reserve or clearing position to recover float incurred by the institution. Direct charges are billed to the institution for float incurred when an institution chooses to close on a normal business day and for float incurred on interterritory check transportation. Float recovered through direct charges is valued at cost using the federal funds rate and charged directly to an institution's account. Float recovered through per-item fees is valued at the federal funds rate and has been added to the cost base subject to recovery in the first quarter of 2000 and 1999.

(7) OTHER INCOME AND EXPENSES

Consists of imputed investment income on clearing balances and the actual cost of earnings credits. Investment income on clearing balances represents the average coupon-equivalent yield on three-month Treasury bills applied to the *total* clearing balance maintained, adjusted for the effect of reserve requirements on clearing balances. Expenses for earnings credits granted to depository institutions on their clearing balances are derived by applying the average federal funds rate to the *required* portion of the clearing balances, adjusted for the net effect of reserve requirements on clearing balances.

(8) INCOME TAXES

Imputed income taxes are calculated at the effective tax rate derived from the PSAF model (see note 3).

(9) RETURN ON EQUITY

Represents the after-tax rate of return on equity that the Federal Reserve would have earned had it been a private business firm, as derived from the PSAF model (see note 3). This amount is adjusted to reflect the recovery of automation consolidation costs of $0.0 million for first quarter of 2000, and $3.3 million for the first quarter of 1999. The Reserve Banks recovered these amounts, along with a finance charge, by the end of 1999.

Index to Statistical Tables

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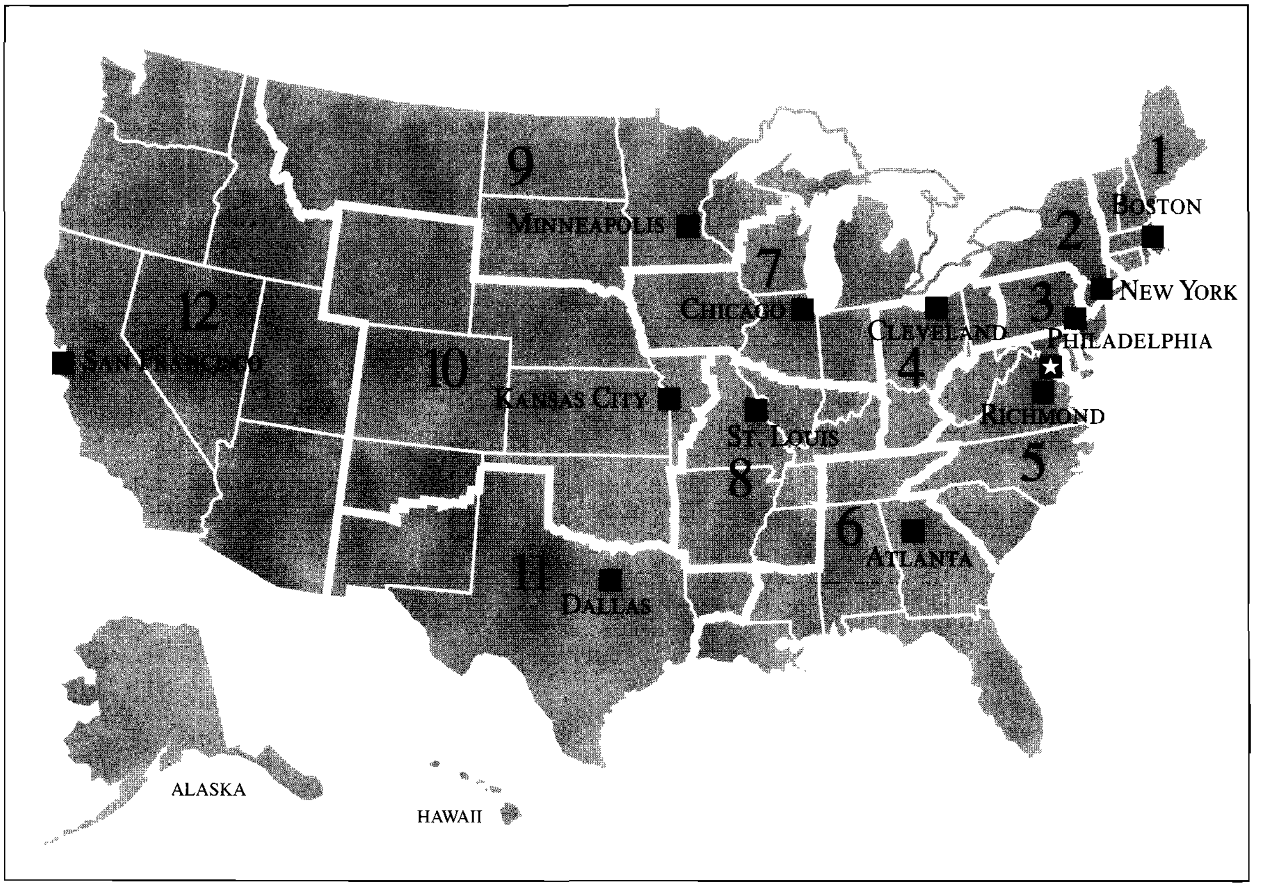


LEGEND

Both pages

■ Federal Reserve Bank city

☆ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

• Federal Reserve Branch city

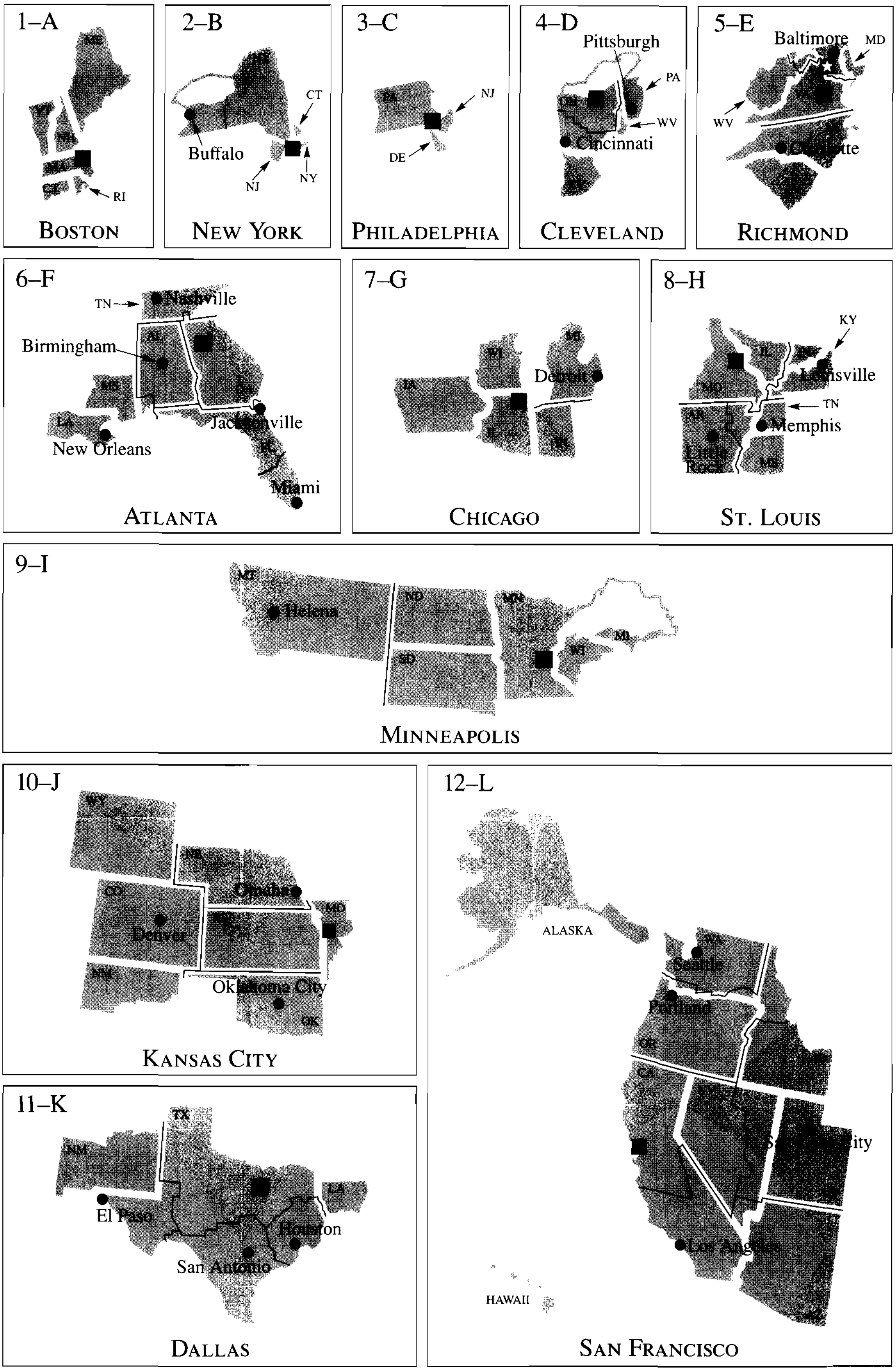
— Branch boundary

NOTE

The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in February 1996.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