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Open Market Operations during 1997

This article is adapted from a report to the Federal Open Market Committee by Peter R. Fisher, Executive Vice President of the Federal Reserve Bank of New York and Manager of the System Open Market Account. Virginia Cheng, Spence Hilton, and Ted Tulpan were primarily responsible for the preparation of this report. Many other members of the Markets Group assisted in the preparation; Annemarie Gemma and David Parseghian provided invaluable research support.

IMPLEMENTATION OF MONETARY POLICY IN 1997

Operating Procedures and Practices

In 1997 the Trading Desk (Desk) at the Federal Reserve Bank of New York managed reserve conditions with the objective of maintaining the federal funds rate around the level desired by the Federal Open Market Committee. The FOMC tightened monetary policy at its March meeting, raising the intended federal funds rate from 5¼ percent to 5½ percent, the level at which it was held over the remainder of the year (table 1). There was no associated change in the discount rate.

1. Federal Open Market Committee meeting dates and policy rates, December 17, 1996–December 16, 1997

Date of meeting	Expected federal funds rate (percent)	Discount rate (percent)
12/17/96	5.25	5.00
2/4 to 2/5/97	5.25	5.00
3/25/97	5.50	5.00
5/20/97	5.50	5.00
7/1 to 7/2/97	5.50	5.00
8/19/97	5.50	5.00
9/30/97	5.50	5.00
11/12/97	5.50	5.00
12/16/97	5.50	5.00

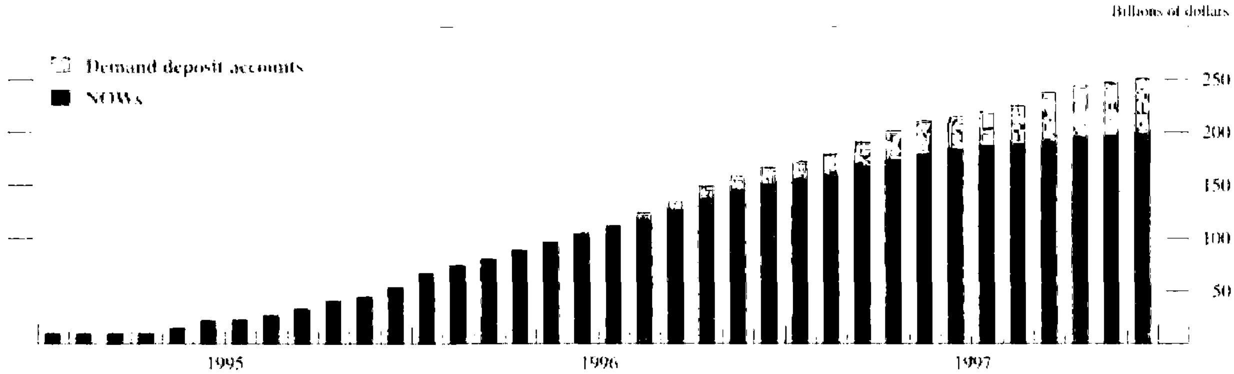
The Committee's directives instruct the Desk to maintain the federal funds rate on average around a specified level. Open market operations are used to provide a level of nonborrowed reserves that will allow the federal funds market to clear at the indicated rate. Each day, the Desk aims to keep the rate as close as possible to the targeted level with a minimum of volatility. But in deciding each day's operations, the Desk also considers how its flexibility for arranging operations in upcoming days might be affected by that day's course of action as well as how the behavior of the funds rate that day might influence rates in subsequent days.

At the start of each two-week maintenance period, a strategy for meeting reserve needs is developed that is consistent with the estimated demand for excess reserves and the expected reserve supply arising from discount window borrowing. These estimates are captured in the Desk's allowances for excess and borrowed reserves made each period.[1] The reserve management strategy also depends on the estimated daily pattern of reserve supply and demand. The approach must be flexible enough to allow for the inevitable revisions to the reserve estimates, and as a period unfolds, the Desk will also respond to the observed behavior of the federal funds rate, which may prompt some reassessment of daily or period needs. Each morning, this process of developing a strategy both for the day and for the remainder of the maintenance period is repeated.

In deciding on open market operations each day, the Desk takes account of the estimates of reserve supply; any special factors that may raise or lower the need for excess reserves, such as high or uncertain payment flows; cumulative excess holdings to that

1. In the December 3 maintenance period, the allowance for excess reserves was lifted from $1 billion, where it had been set for many years, to $1.4 billion and held there for the balance of the year. The change was made in recognition of a rising trend in excess reserve holdings. As had been the case for several years, adjustment and seasonal borrowing was expected to meet just a fraction of total reserve demand in all periods, although average levels of adjustment borrowing were somewhat higher in 1997 than in earlier years. Actual levels of excess and borrowed reserves sometimes differed substantially from the formal allowances as a result of errors in the reserve projections or temporary disruptions to the efficient distribution of reserves. The Desk made informal adjustments to these allowances as needed.

1. Rapid growth of sweeps, by transaction deposit category, 1995–97



NOTE. Cumulative monthly value of initial sweeps.

point in the period; the number of days remaining until the settlement day; and the risks seen in the reserve estimates. If the federal funds rate is trading away from its desired level at the time of the operation, the Desk may adjust the daily level of excess reserves it aims to provide to contain pressures in the financing markets and to steer the rate back toward its desired level in later trading. Responding inadequately to current rate pressures increases the likelihood that these pressures will become self-reinforcing and influence rates in upcoming days. The Desk also attempts to anticipate how the rate would trade over the entire day and recognizes that providing high or low levels of excess reserves could lead to elevated volatility.

Several changes were made to the Desk's usual operating practices during 1997. At the start of the year, the normal entry time for temporary operations was advanced one hour, to shortly after 10:30 a.m., and the par value of all accepted propositions on each market operation began being announced shortly after selections were completed. Over the year, the different tranches comprising a coupon pass were spread over longer periods of time. In November, the Desk also began making public each morning the standard deviation measuring the volatility of the federal funds rate on all trades arranged the previous day by the brokers surveyed by the Markets Group.[2]

Sweep Programs

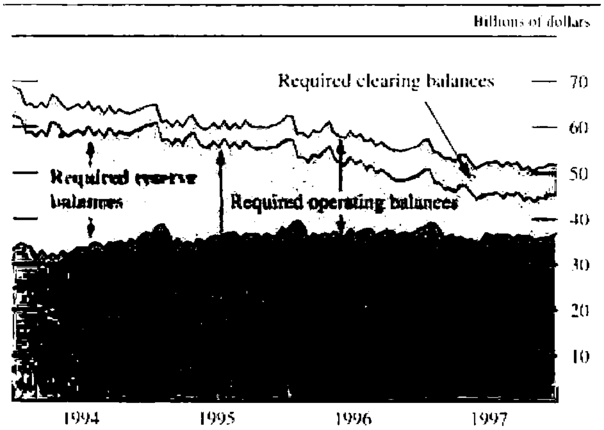
The value of retail deposits affected by sweep programs continued to grow in 1997, further reducing the level of reserve balances maintained at the Federal Reserve Banks. In 1997, deposits initially affected by new or expanded sweep programs totaled $85 billion, bringing the cumulative value of these programs since their inception in 1994 to $252 billion (chart 1).[3] The increase in 1997 was less than the previous year's rise, which reflected a slowing in the spread of sweeps on NOW accounts. A larger proportion of the new programs implemented in 1997 was applied to retail demand deposits. New sweeps in 1997 more than explain the total drop of $3.2 billion in reserve requirements over the year (chart 2).

Required operating balances—which include the balances that banks must hold to meet clearing balance requirements and reserve requirements but

2. The daily standard deviation measures in basis points the dispersion of the federal funds rate around the daily effective or average rate. This measure of volatility accounts for the volume of trades arranged at different rates.

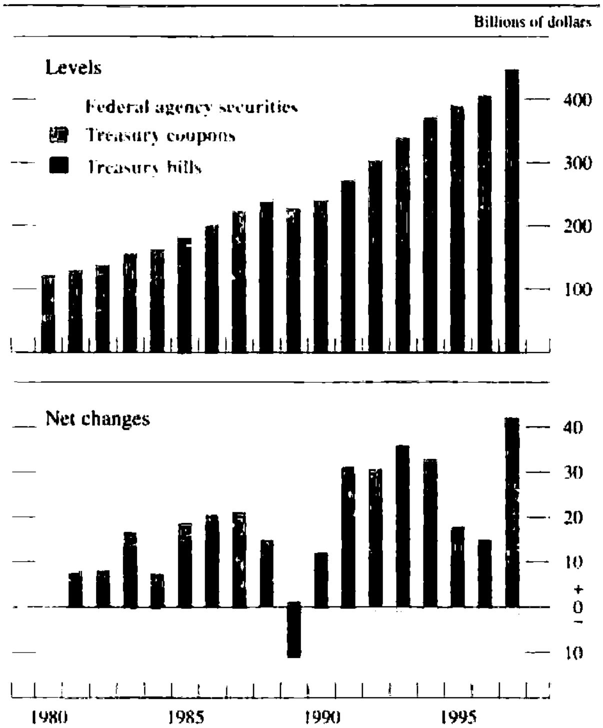
3. All estimates refer to deposits initially swept by depository institutions at the start of a program or when the coverage of a program is expanded. These figures are not updated to include any later changes in the underlying deposit balances affected by a sweep program.

2. Reserve measures, 1994–97



NOTE. All figures are maintenance period averages calculated at two-week intervals. Required reserves are the sum of required reserve balances and applied vault cash. Required operating balances are the sum of required reserve balances and required clearing balances.

3. System portfolio of Treasury and federal agency securities, year-end holdings, 1980–97



exclude applied vault cash—fell somewhat less than required reserves, about $2.7 billion, reflecting a slight increase in the level of required clearing balances and a small drop in applied vault cash.[4] The rise in clearing balances was minor because many banks had already increased these balances to the maximum level warranted by their use of Federal Reserve priced services.[5] The decrease in applied vault cash was accompanied by an even greater drop in total vault cash, which includes surplus vault cash. Many banks that now have no required reserve balances have explored ways to economize on their vault cash holdings to minimize the opportunity cost associated with their surplus vault cash.

PERMANENT ACTIVITY FOR THE SYSTEM OPEN MARKET ACCOUNT

In 1997 the portfolio of domestic securities in the System Open Market Account (SOMA) expanded by a record $41 billion (excluding all temporary operations), ending the year at $448 billion (chart 3). Outright purchases of Treasury securities totaled $44 billion, offset to a small degree by redemptions of some Treasury and federal agency issues. The growth in the portfolio during 1997 was significantly higher than the $15 billion increase recorded in the preceding year. Movements in operating factors and reserve demands were important determinants of the size of the portfolio's expansion, but the shifts in strategies used by the Desk to address seasonal reserve shortages before year-end in each of the past two years also contributed to the increased level of purchases in 1997.

4. This measure of required operating balances does not include the effect of as-of adjustments or carryins on the need to hold balances to meet all requirements.

5. Nonbound banks, which meet all their reserve requirements with vault cash, earn only 90 percent of the federal funds rate on any required clearing balances, and some nonbound institutions have indicated that this has made them less willing to increase their required clearing balances.

Reserve Patterns

Currency in circulation rose $31 billion from year-end to year-end and was the reserve factor that created the greatest need for a permanent expansion of the portfolio in 1997 (table 2).[6] Apart from the

6. In percentage terms, currency grew 7 percent from year-end to year-end, modestly faster than in each of the preceding two years. Available data suggest that shipments abroad accounted for at least half of the increase in 1997, which was similar in proportion to other recent years.

2. Required reserves and factors affecting nonborrowed reserves

Billions of dollars

Item	Levels in maintenance period ending			Changes[1]	
	1/3/96	1/1/97	12/31/97	1996	1997
Required reserves	57.3	50.6	47.4	−6.7	−3.2
Factors affecting nonborrowed reserves					
Currency in circulation	423.4	448.1	479.4	−24.7	−31.3
Foreign currency	16.4	16.2	16.6	−.2	.4
Foreign repurchase agreement pool	12.5	14.0	17.0	−1.5	−3.0
Gold and foreign deposits	21.0	20.6	20.1	−.4	−.5
Float and float-related, as-of adjustments	1.0	2.0	.9	1.0	−1.2
Treasury balance	6.7	6.0	4.9	.7	1.1
Applied vault cash	37.4	38.1	37.7	.7	−.4
Required clearing balances	5.2	6.6	6.7	−1.4	−.1
All other items	25.5	24.3	23.2	−1.2	−1.1
Net changes in nonborrowed factors	...	...	...	−27.0	−36.3
Outstanding RPs					
Par value	11.4	16.3	10.1	4.9	−6.2
Premium	.7	1.4	.5	.6	−.8

1. Changes in factors affecting nonborrowed reserves are expressed in terms of the effect on reserve supply.

foreign repurchase agreement (RP) pool, which rose $3 billion, other factors affecting nonborrowed reserve supply did not change significantly on balance over the year. The decline in reserve requirements brought on by the further expansion of sweep accounts moderated the need for a permanent expansion of the portfolio. Currency growth was greater in 1997 than in 1996, although the absolute decline in reserve requirements was less. Altogether, movements in nonborrowed reserve factors and required reserves deepened underlying reserve shortages about $13 billion more in 1997 than in the previous year.

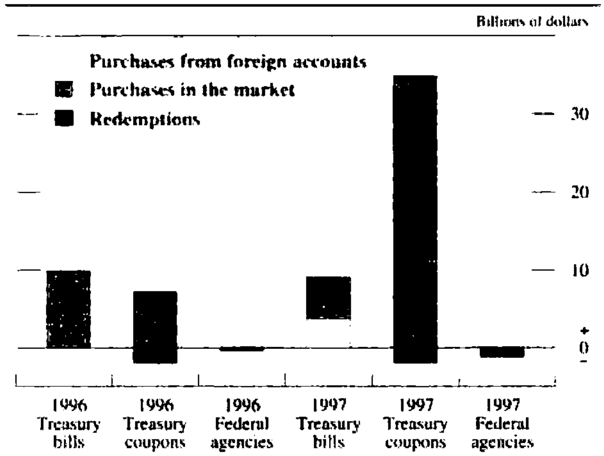
Impact of Year-End Reserve Management Strategies

Shifts in the Desk's year-end reserve management strategies also help explain why the total increase in the portfolio last year was so much larger than in the preceding year. As explained in last year's annual report, the Desk conducted relatively few outright purchases late in 1996 in order to place itself in a position of needing to add, rather than drain, reserves on a temporary basis when required reserve balances reached their seasonal low in early 1997. A relatively modest level of outright purchases made in late 1996 left a reserve shortage of nearly $16 billion in the maintenance period covering the 1996 year-end that was addressed with temporary RPs—about $5 billion more than was used to address shortages over the preceding year-end period.[7] After the seasonal low passed in early 1997 and as reserve needs began to grow again, the Desk bought nearly $6 billion of coupons outright in the market in the first quarter, adding relatively more on a permanent basis than is usually the case at this time of year and returning the underlying needs to more typical levels.

In planning for the lows in operating balances in early 1998, the Desk felt that this interval could be addressed with either moderate add or drain needs, given the banking system's successful management with declining reserve balances over the past year. Thus, its approach to the year-end buildup in reserve needs in 1997 was more typical to that of earlier years: The reserve shortage over the year-end maintenance period was reduced to about $10 billion through purchases of $19 billion of Treasury coupons and bills in the final two months of the year.

7. These amounts represent the par values of the RPs arranged in the year-end maintenance periods. The cash values including premiums were modestly higher in each year.

4 System outright operations, 1996–97



NOTE. Purchases are positive values; redemptions are negative values.

Outright Transactions Techniques

Most of the expansion of the portfolio was achieved by arranging outright purchases in the market (chart 4). However, nearly $3.6 billion of bills were purchased directly from foreign accounts, compared with only $88 million in 1996. The Desk bought most of these—$3 billion—on two separate occasions in December. The second of these purchases, totaling $2 billion, was made late in the month. This purchase further reduced temporary reserve shortages around the year-end, but the reserve effect was not long lasting because the Desk chose to purchase Treasury bills that matured in January and to redeem them at maturity.

The Desk continued to break out its purchases of coupon securities into separate tranches covering different portions of the yield curve. In late 1996, the SOMA Manager informed the FOMC and the primary dealers that coupon purchases might be spread over several weeks. Previously the tranches making up a pass had been more concentrated, generally falling within the span of a few days. The sets of tranches that made the passes in 1997 spanned intervals that ranged from five to twenty-four business days. The intention was to reduce the effect of the Desk's market entries on market prices; over the year, prices showed little reaction to open market coupon purchases.

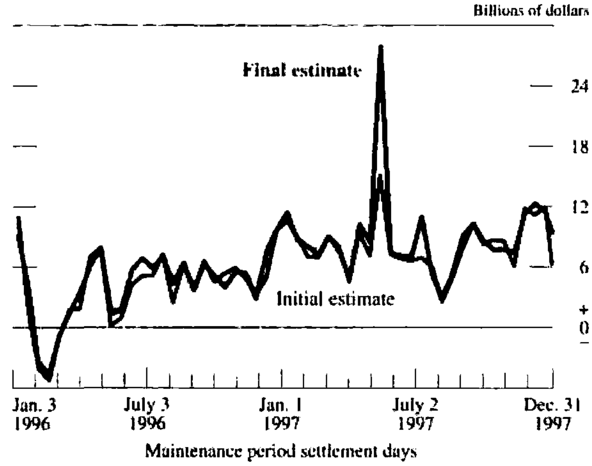
SOMA Portfolio Management

The overall expansion of the portfolio was more concentrated in holdings of Treasury coupon securities than in the preceding year, largely because reduced Treasury issuance of bills deflected some of the Desk's outright purchases into the coupon sector. Altogether, the Desk bought $35 billion of coupon securities in 1997 in six passes in the market, compared with $7 billion purchased in two passes in 1996. Bill purchases totaled $9 billion, with about $5½ billion bought in two passes in the market. These purchases were down a bit from the $10 billion purchased in 1996, almost all of which was acquired in two passes in the market. Given the relatively greater total of outright purchases needed in 1997, the Desk's preference would have been to purchase bills and coupon securities in more equal proportions. However, the Desk felt that the reduced bill issuance over much of 1997 would have made it difficult to purchase much supply in the secondary market without sharply affecting market prices. Thus, the Desk did not buy any bills in the market between April and November. In December, after a period of somewhat larger bill auctions and more liquid market conditions, the Desk bought bills in the market again but in relatively modest quantities; prices did not respond much to these purchases.

Because outright purchases were concentrated in the coupon sector, the average maturity of the SOMA holdings of Treasury securities increased to 42.6 months at the end of the year from 41.2 months one year earlier. As of the end of 1997, 13.0 percent of total marketable Treasury debt outstanding was held in the SOMA, up from 11.7 percent one year earlier. This increase reflected the high level of outright purchases made in an environment of shrinking federal government deficits.

At midyear, the Desk picked up the pace of its gradual runoff of federal agency securities that began in 1982 by redeeming all agency securities rather than exchanging them for new eligible issues as they matured. Holdings of these issues dropped $1.2 billion over the year. About $2 billion of Treasury coupon securities, a portion of the maturing original issue seven-year notes held by the SOMA, were also redeemed during 1997. The remaining seven-year notes that matured were rolled into the Treasury's inflation-indexed securities, and the Desk held $1.65 billion of these securities, about 5 percent of the total issuance, at the end of the year.

5. Open market operations needed to hit path, by maintenance period, January 3, 1996–December 31, 1997



NOTE. Initial estimates are as of the first day of each period; final estimates reflect all revisions to nonborrowed reserve factors and required reserves available as of the day after the period ended. Data are daily.

Temporary Activity for the System Open Market Account

Temporary Reserve Needs and Projections

The Desk arranges temporary operations to meet reserve needs that are not addressed by its outright operations. These temporary operations must be structured to allow for day-to-day variations in reserve supply and demand and for the possibility of revisions to reserve estimates within a maintenance period.

The initial reserve shortages estimated at the start of each period were somewhat larger in 1997 than in the preceding year (chart 5). When the Desk began to operate at an earlier time, it was more comfortable arranging larger temporary RPs. But large shortages were not viewed as a necessity for managing the funds market since the banking system successfully adapted to lower operating balances with a variety of underlying reserve needs. The larger reserve shortages help to explain the absence of matched sale–purchase transactions in 1997.

On balance, net revisions to nonborrowed reserve factors and required reserves made after a period had begun were somewhat greater in 1997 than in 1996—about $1.3 billion in absolute value per period compared with $900 million the previous year.[8] All of the increase reflected the unexpected inflow of tax receipts following the April 15 tax date. On the eve of this date, tax inflows were not expected to cause the Treasury balance to rise above its targeted level of $7 billion. During the May 7 period, the Treasury balance averaged $28 billion and peaked at $52 bil-

8. This calculation compares the actual effect of factors and required reserves on reserve needs during a maintenance period with their estimated effect at the start of a period. It does not measure net or gross daily forecast misses.

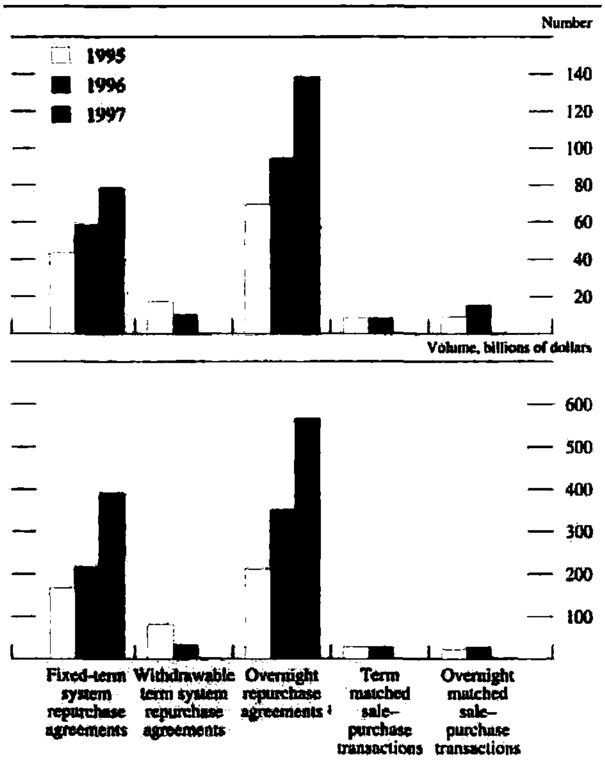
lion on one day. Even apart from this episode, however, the Treasury balance proved to be one of the more difficult factors to predict, as it had often been in preceding years.

Period-average revisions to the foreign RP investment pool rose from about $350 million in 1996 to about $500 million in 1997, reflecting a few instances when accounts placed a substantial amount of funds in the investment pool on relatively short notice. The need to complete daily projections sooner each morning to accommodate the Desk's earlier entry into the market may also have contributed to some of the decreased predictability of this factor. On the other hand, revisions to currency were generally smaller in 1997.

Revisions to applied vault cash made within a maintenance period averaged $230 million, similar in magnitude to the revisions in 1996 but considerably greater than the revisions in years before 1996. Sweep accounts have compounded the difficulties of estimating the amount of vault cash that could be used to meet reserve requirements. Required reserves proved to be modestly more difficult to forecast in 1997. Revisions to applied vault cash were often positively correlated with revisions to required reserves, thereby reducing their net effect on overall period need; but revisions to these two measures were not always made on the same day within a period.

Another source of uncertainty for reserve operations was the premium on RPs—measured by the difference between the par and the cash values of collateral on accepted propositions. The drop in Treasury coupon yields over the second half of the year was associated with an increase in the average premiums on RPs as market prices on many outstanding coupon issues rose further above their par values. The premium on RPs during the final quarter of the year averaged 8 percent, twice as high in percentage terms as during the first half of the year. Although changes in the underlying trend of the premium were readily recognized, the premium often varied significantly from one operation to the next and was difficult to anticipate for any single operation.

6. System temporary operations, 1995–97



1. Includes all System and customer-related repurchase agreements arranged for one business day.

Temporary Open Market Operations

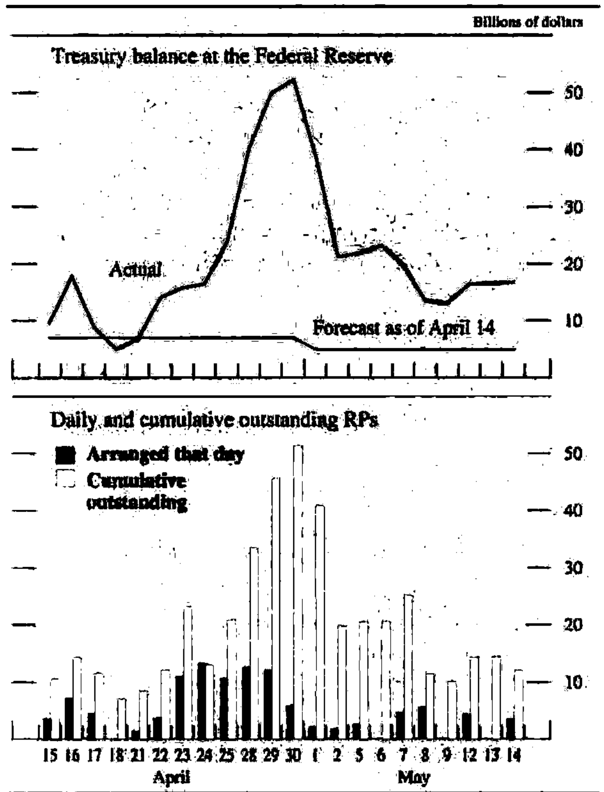
In 1997 the Desk greatly increased its use of overnight (one business day) RPs (chart 6). A trend toward increased use of overnight operations began in 1996 and largely reflected the Desk's perception that banks had less flexibility to absorb sizable imbalances between reserve supply and demand on any day when managing their accounts because of their reduced operating balances. In this environment, the Desk intervened more frequently to maintain a stable balance between daily reserve supply and demand. Relatedly, in structuring its temporary operations, the Desk was careful not to let the estimated level of operating balances fall too low on any day, a consideration that sometimes argued for overnight operations.

The Desk still frequently arranged term RPs to help meet large underlying reserve shortages that had to be addressed with temporary operations, although these operations were often supplemented by overnight RPs to smooth uneven daily excess patterns. The number of days that two operations—one term RP and one overnight RP—were announced simultaneously increased from five in 1996 to seventeen in 1997, most often occurring at the start of a maintenance period. The risk that subsequent reserve revisions would unexpectedly create a surplus was reduced because term RPs were used less frequently to meet an estimated reserve shortage in its entirety; for this reason the Desk did not find it necessary to make withdrawable any of the term RPs it arranged in 1997.

The Desk continued to adhere to its normal practice of arranging its temporary operations at a preset time each day—shortly after 10:30 a.m. On some occasions when large anticipated reserve shortages were estimated, the Desk conducted its operations before the normal entry time, usually around 10:00 a.m., after a full set of reserve estimates became available. But the number of instances when the Desk entered the market before the normal entry time was down from the preceding year—eleven compared with nineteen in 1996—largely because the usual entry time had been moved forward. The need to enter the market early was most pressing during the April tax season, when upward revisions to the estimated Treasury balance left large deficiencies at the same time that the pool of available collateral was dwindling because of the sizable amounts already held on outstanding RPs.

On three occasions in 1997 the Desk reentered the market shortly after having made its selections on a previously announced temporary operation. In all three cases, propositions on the earlier operations fell short of the amount needed to address the estimated reserve shortage on the day.

7. Treasury balances and outstanding repurchase agreements (RPs), April 15–May 14, 1997



Reserve Management during the April Tax Season

During the second half of April, the Desk's activity was significantly influenced by unexpectedly large reserve shortages that resulted from tax receipts to the Treasury that far exceeded anticipated inflows. Most of the unexpected strength came from individual nonwithheld tax receipts. These receipts totaled $123 billion in April, about $30 billion more than expected and more than 20 percent higher than the corresponding flows in 1996. It was initially believed that the Treasury balance at the Federal Reserve could be maintained around a target level of $7 billion. However, tax receipts by April 22 left no further capacity in Treasury Tax and Loan accounts at commercial banks to absorb additional inflows, which consequently had to be maintained at the Treasury's account at the Federal Reserve. The Treasury's balance with the Federal Reserve peaked at a record high of $52 billion on April 30 (chart 7).

The rapid progression of daily upward revisions to tax flows, the Treasury balance, daily reserve deficiencies, and period-average reserve needs led the Desk to address huge daily reserve shortages with both sizable overnight and term RPs. Given the size of the daily needs, the Desk entered the market earlier than its normal operating time on six consecutive business days starting on April 23 in an attempt to garner sufficient propositions for its operations. On two occasions, propositions on an initial RP fell short of the Desk's desired amount, and a second operation was arranged. Collateral became increasingly scarce as the value of securities already held by the Desk on outstanding RPs grew, and the spread on RP rates to the federal funds rate dropped well below normal levels. The total par amount of RPs outstanding reached a record peak of about $51 billion on April 30, coincident with the peak in the Treasury balance. Reserve shortages and RPs quickly receded when regular government outlays and principal and interest payments were made in early May.

Excess Reserves and the Federal Funds Rate

The Desk closely observed the behavior of the federal funds rate for any indication that the decline in operating balances associated with the spread of retail sweep programs or any other development was impeding its ability to control the funds rate or contributing to volatility in the rate. Excess reserve patterns were also examined to see whether banks were holding more excess reserves—either because they wished to protect themselves against end-of-day overdrafts or because they were less able to reduce large positive daily excess positions accumulated during a period. In general, excess reserve levels did rise over 1997, but the increase was concentrated at smaller institutions that have implemented sweep programs. Volatility in the federal funds rate did not increase from the previous year, but it remained above the levels that had characterized earlier years.

Excess Reserves

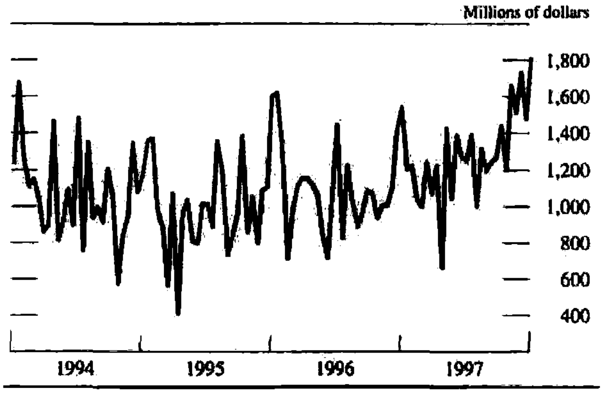
The period-average level of excess reserves rose gradually through much of the year and then jumped significantly higher in the final quarter, reflecting the Desk's accommodation of heightened bank demand (chart 8). Among the group of large institutions, which includes about 120 banks and thrift institutions having relatively large deposit liabilities, increases were concentrated at a small number of banks that had adopted sweep programs.

Sweep programs, however, have had some effect on the interperiod pattern of excess holdings at large institutions in general. Usable carryover levels of these banks fell sharply in 1997 because of lower levels of required reserve balances. This decline has dampened period-to-period volatility in excess holdings at the large banks, and aggregate excess levels for these institutions are now rarely negative (chart 9).

Much of the increase in excess reserves seen over the past year has been concentrated at smaller banks and thrift institutions, and specifically at those institutions that have implemented sweep programs, even though accumulated initial values of sweep programs at all depositories categorized as other than large accounted for less than one-third of the total.[9] The extent to which the smaller institutions have deliberately increased their excess reserves to cover clearing needs remains unclear. At least some of the increase in excess holdings at these smaller institutions could prove temporary: Among a small sample of institutions examined in this category, the level of excess reserves always rose sharply for a few maintenance periods immediately after a sweep program was launched but then fell back to a much lower level after the institution adapted to its new reserve requirement environment.[10] After this initial adjustment, about half of the banks examined showed levels of excess reserves remaining modestly above levels that were typical before the sweep program was implemented.

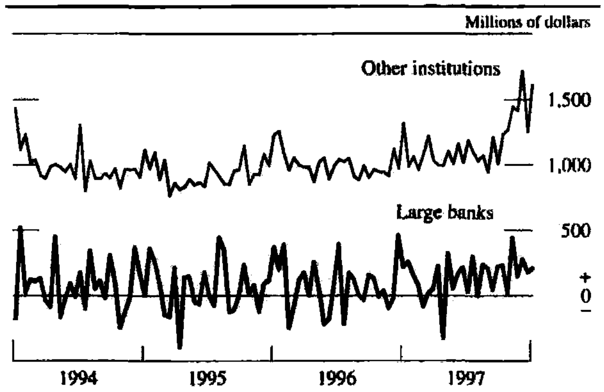
In arranging its open market operations, the Desk gauges the pace at which banks prefer to accumulate reserves during the maintenance period to meet period-average requirements. Because of averaging, there can be considerable variability in the intraperiod pattern of excess reserves that banks can comfortably hold, and actual intraperiod excess does vary from period to period. But historical patterns suggest that for several years banks have had a preference for accumulating more excess balances over the sec-

8. Maintenance period averages of total excess reserve holdings, 1994–97



NOTE. Maintenance period averages are calculated at two-week intervals.

9. Maintenance period averages of cumulative excess reserve holdings by large banks and other institutions, 1994–97

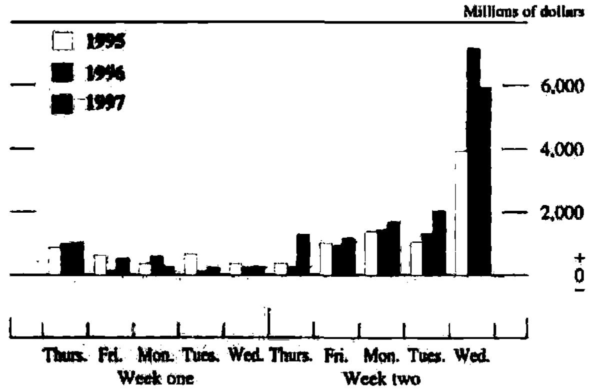


NOTE. The category "Other institutions" includes small banks, thrift institutions, foreign institutions, and nonreporting institutions. Maintenance period averages are calculated at two-week intervals.

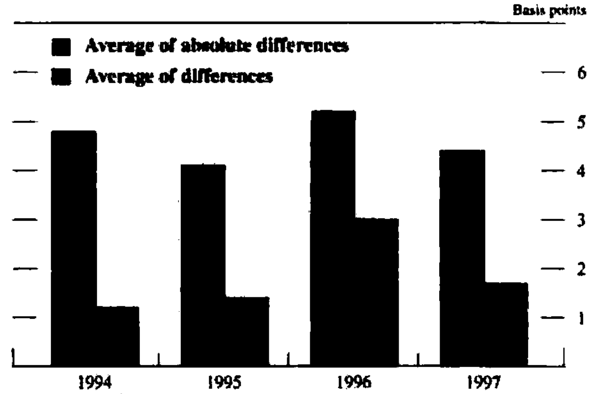
9. At year-end, sweeps at institutions other than large banks totaled $77 billion.

10. In general, a similar pattern of sharply higher excess holdings after a new sweep program was implemented was not found among larger institutions.

10. Average levels of excess reserve holdings, by day in a maintenance period, 1995–97



11. The mean effective federal funds rate in a maintenance period versus the target rate, 1994–97



NOTE. The average effective funds rate in a maintenance period includes weekends and holidays. Differences are of period effective rates from target.

ond week of a maintenance period, which the Desk attempts to accommodate in its reserve-supplying operations to stabilize the federal funds rate (chart 10). Within the second week, however, banks accumulated somewhat more excess reserves in the days leading to the settlement day and somewhat less on the settlement day itself in 1997 than in the preceding year.

Federal Funds Rate

The federal funds rate averaged over two-week maintenance periods was generally as close to the intended funds rate in 1997 as it had been in earlier years.[11] The absolute values of the differences between the mean effective funds rate and the target rate for each maintenance period have averaged 4 or 5 basis points in each of the past four years (chart 11). The period-average effective funds rates showed a slight upward bias of slightly more than 1½ basis points relative to the intended rate in 1997. But although period-average levels of the funds rate have been as close to the target as before, deviations of the daily effective funds rate from target have increased modestly, coinciding with the large drop in operating balances beginning in 1996. The mean and median absolute values of deviations of the daily effective funds rate from target for all business days rose 5 and 3 basis points, respectively, in 1996 and did not fully return to the earlier levels in 1997 (chart 12). Daily deviations from target are generally greater than period-average deviations because of some tendency for firm and soft daily effective funds rates to be partly offsetting within a maintenance period.[12]

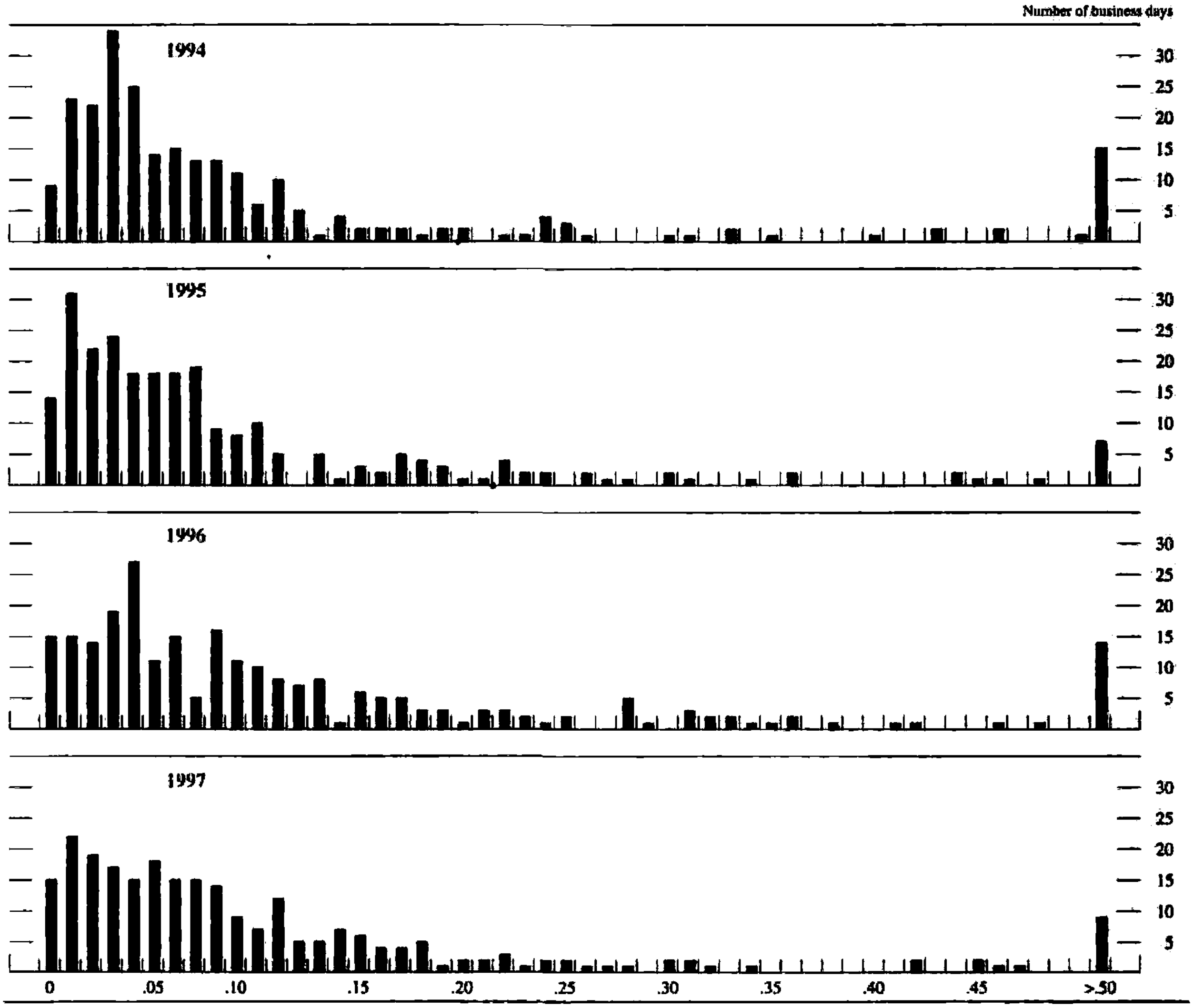
Intraday volatility as measured by the daily standard deviation of the funds rate on all trades arranged during the day increased in 1996 and remained at a similar level in 1997. The median standard deviation for all business days increased from 5 basis points to 10 basis points in 1996 and declined only slightly, to 9 basis points, in 1997 (chart 13). The number of days when intraday volatility was especially high, defined as days marked by a standard deviation in excess of 50 basis points, jumped from eighteen in 1995 to twenty-eight in 1996 and then declined to twenty-five in 1997.[13] On most days, volatility is greatest in late trading, when the extremes on the daily trading range for the funds rate are typically reached. The lower operating balance environment of the past two years is seen as a principal cause of this increased volatility. It does appear, however, that the modifications that the Desk has made to its selection of operations and the provision of more excess reserves in 1997 prevented intraday volatility from worsening in 1997 despite the further decline in operating balance levels.

11. The calculation of the average or mean effective federal funds rate for a maintenance period includes weekends and holidays.

12. In addition, the mean values of the period-average deviations capture the effects of weekends and holidays, but the mean values of the daily deviations consider only business days.

13. The daily data plotted in charts 12 and 13 include days when the targeted federal funds rate was changed. There were six such days in 1994, three in 1995, and one in both 1996 and 1997. Excluding these days reduces the mean value of the absolute difference between the effective and targeted funds rates 1 basis point in 1994, to 11 basis points (chart 12); other summary statistics for the mean and median values presented in charts 12 and 13 are unchanged.

12. Frequency of absolute values of deviations of daily effective federal funds rate from target, in percentage points, 1994–97

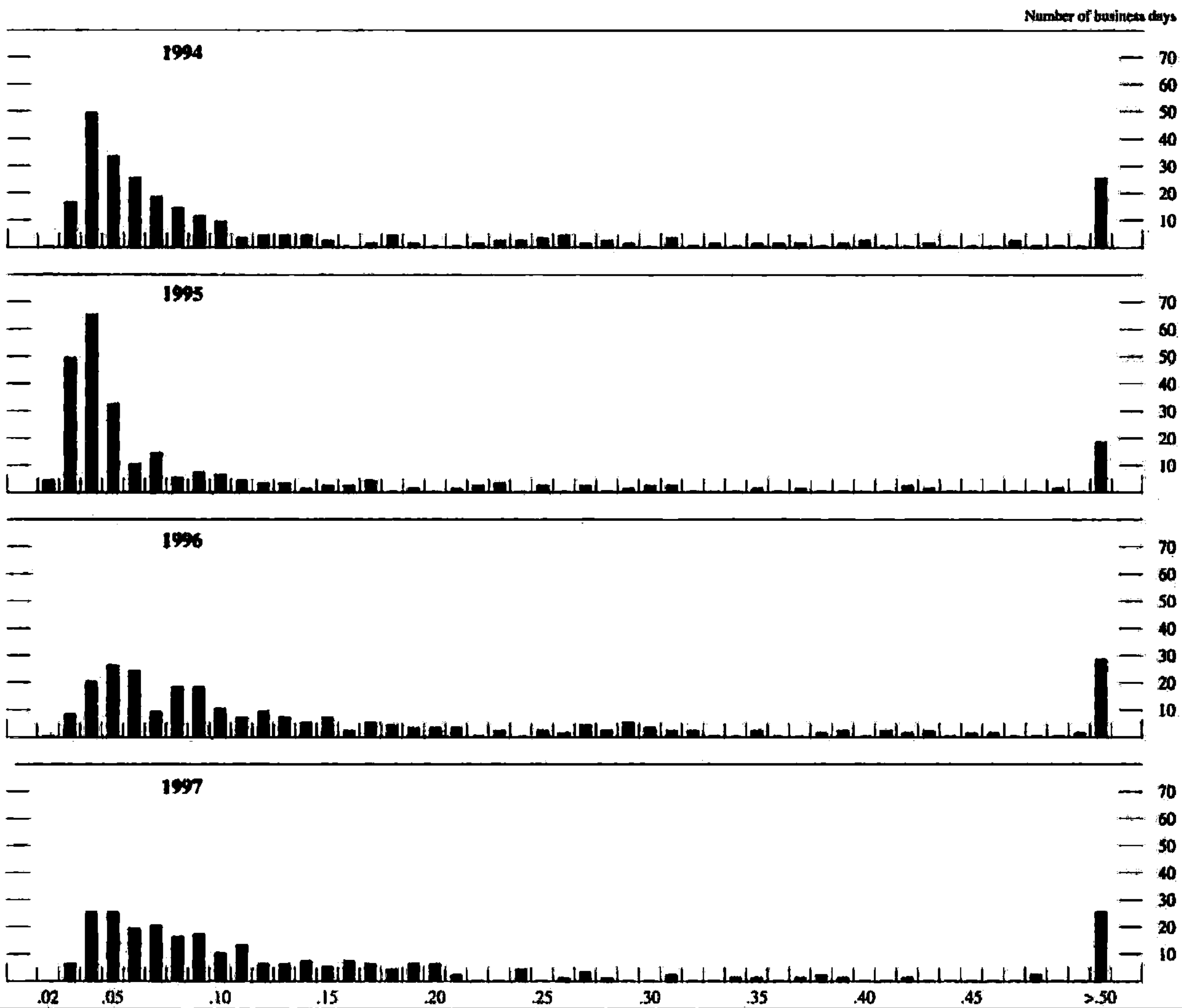


NOTE. The means and medians are the following: for 1994, mean, 0.12, median, 0.05; for 1995, mean, 0.10, median, 0.05; for 1996, mean, 0.15, median, 0.08; for 1997, mean, 0.12, median, 0.07.

Another factor that may have helped cap volatility in the funds rate was an increase in adjustment credit borrowing in 1997. Although absolute levels of this borrowing remained relatively low, adjustment credit on nonsettlement business days averaged about $120 million in 1997 compared with slightly more than $50 million the preceding year. This increase in borrowing may have resulted from efforts to encourage banks to use the window when reserve markets tighten, although it could also reflect in part the banking system's reduced flexibility in adjusting to unanticipated shortfalls in reserves given the lower level of required operating balances.

Finally, intraperiod deviations of the daily effective funds rate from target showed some changes in 1997, although the changes do not appear to be directly linked to the level of operating balances (chart 14). The firm financing conditions that have long been associated with maintenance period settlement days were much less pronounced in 1997 than in the preceding two years. The higher period-average levels of excess and the provision of a greater portion of total excess holdings ahead of the settlement day in 1997 may have been contributing factors. Somewhat soft market conditions continued to prevail on Fridays, especially the second Friday of each period. The firm conditions that have characterized the market on many Mondays over the past two years to a large degree reflected a shift in calendar dates: Many more days characterized by high payment flows and

13. Frequency of standard deviations of daily effective federal funds rate, in percentage points, 1994–97



NOTE. The medians are the following: for 1994, 0.07; for 1995, 0.05; for 1996, 0.10; for 1997, 0.09.

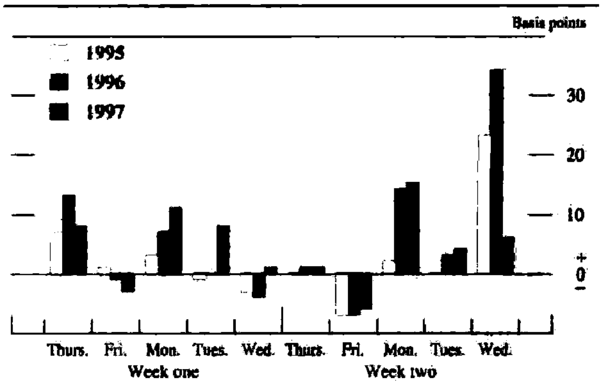
the associated firm market conditions fell on a Monday in 1996 and 1997 than did so in 1995.[14]

APPENDIX A: AUTHORIZATION FOR DOMESTIC OPEN MARKET OPERATIONS

Open market operations during 1997 were conducted under the Authorization for Domestic Open Market Operations. The standard authorized limit on inter-

14. Many financial payments and Treasury auction settlements that otherwise would fall on a weekend, according to calendar rules, are deferred to the next business day, increasing the likelihood that these payment flows would fall on a Monday.

14. Effective federal funds rate less the target rate expressed as the average of differences by day of maintenance period, 1995–97



APPENDIX A: AUTHORIZATION FOR DOMESTIC OPEN MARKET OPERATIONS—CONTINUED

meeting period changes in System Account holdings of U.S. government and federal agency securities was $8 billion. Four temporary changes were made to this leeway during 1997. The Committee raised the authorized limit on intermeeting period changes in System holdings to $12 billion at its February, March, and November meetings. The leeway was increased a second time during the November intermeeting period to $17 billion on December 8. The Authorization for Domestic Open Market Operations in effect for 1997, except when amended as above, is reprinted below:

Authorization for Domestic Open Market Operations

1. The Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York, to the extent necessary to carry out the most recent domestic policy directive adopted at a meeting of the Committee:

(a) To buy or sell U.S. Government securities, including securities of the Federal Financing Bank, and securities that are direct obligations of, or fully guaranteed as to principal and interest by, any agency of the United States in the open market, from or to securities dealers and foreign and international accounts maintained at the Federal Reserve Bank of New York, on a cash, regular, or deferred delivery basis, for the System Open Market Account at market prices, and, for such Account, to exchange maturing U.S. Government and Federal agency securities with the Treasury or the individual agencies or to allow them to mature without replacement; provided that the aggregate amount of U.S. Government and Federal agency securities held in such Account (including forward commitments) at the close of business on the day of a meeting of the Committee at which action is taken with respect to a domestic policy directive shall not be increased or decreased by more than $8.0 billion during the period commencing with the opening of business on the day following such meeting and ending with the close of business on the day of the next such meeting;

(b) When appropriate, to buy or sell in the open market, from or to acceptance dealers and foreign accounts maintained at the Federal Reserve Bank of New York, on a cash, regular, or deferred delivery basis, for the account of the Federal Reserve Bank of New York at market discount rates, prime bankers acceptances with maturities of up to nine months at the time of acceptance that (1) arise out of the current shipment of goods between countries or within the United States, or (2) arise out of the storage within the United States of goods under contract of sale or expected to move into the channels of trade within a reasonable time and that are secured throughout their life by a warehouse receipt or similar document conveying title to the underlying goods; provided that the aggregate amount of bankers acceptances held at any one time shall not exceed $100 million;

(c) To buy U.S. Government securities, obligations that are direct obligations of, or fully guaranteed as to principal and interest by, any agency of the United States, and prime bankers acceptances of the types authorized for purchase under 1(b) above, from dealers for the account of the Federal Reserve Bank of New York under agreements for repurchase of such securities, obligations, or acceptances in 15 calendar days or less, at rates that, unless otherwise expressly authorized by the Committee, shall be determined by competitive bidding, after applying reasonable limitations on the volume of agreements with individual dealers; provided that in the event Government securities or agency issues covered by any such agreement are not repurchased by the dealer pursuant to the agreement or a renewal thereof, they shall be sold in the market or transferred to the System Open Market Account; and provided further that in the event bankers acceptances covered by any such agreement are not repurchased by the seller, they shall continue to be held by the Federal Reserve Bank or shall be sold in the open market.

2. In order to ensure the effective conduct of open market operations, the Federal Open Market Committee authorizes and directs the Federal Reserve Banks to lend U.S. Government securities held in the System Open Market Account to Government securities dealers and to banks participating in Government securities clearing arrangements conducted through a Federal Reserve Bank, under such instructions as the Committee may specify from time to time.

3. In order to ensure the effective conduct of open market operations, while assisting in the provision of short-term investments for foreign and international accounts maintained at the Federal Reserve Bank of New York, the Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York (a) for System Open Market Account, to sell U.S. Government securities to such foreign and international accounts on the bases set forth in paragraph 1(a) under agreements providing for the resale by such accounts of those securities within 15 calendar days on terms comparable to those available on such transactions in the market; and (b) for New York Bank account, when appropriate, to undertake with dealers, subject to the conditions imposed on purchases and sales of securities in paragraph 1(c), repurchase agreements in U.S. Government and agency securities, and to arrange corresponding sale and repurchase agreements between its own account and foreign and international accounts maintained at the Bank. Transactions undertaken with such accounts under the provisions of this paragraph may provide for a service fee when appropriate.

APPENDIX B

B.1 Operations in U.S. government securities and federal agency securities by the Federal Reserve Bank of New York for the year ended December 31, 1997

Thousands of dollars except as noted

Type of issue and maturity category	Purchases	Sales	Redemptions	Exchanges	Net change	Holdings, 12/31/97	Holdings, 12/31/96
Government securities							
Treasury bills	...	...	...	443,486,509	...	...	...
Outright	9,146,900	0	0	–443,836,509[1]	8,796,900	214,149,444	205,352,544
Matched transactions	3,577,951,533	–3,580,272,240	0	0	–2,320,707	–17,026,746	–14,706,039
Total bills	3,587,098,433	–3,580,272,240	0	–350,000	6,476,193	197,122,698	190,646,505
Treasury notes and bonds							
Maturing:							
Within 1 year	5,549,000	0	–1,995,910	–27,498,311	–23,945,221[3]	49,369,485	29,045,221
1 to 5 years	19,688,246[2]	0	0	20,273,311	39,961,557[3]	95,028,355	95,607,624
5 to 10 years	3,863,818[2]	0	0	5,215,000	9,078,818[3]	40,906,736	33,781,913
More than 10 years	5,897,100	0	0	2,360,000	8,257,100[3]	48,308,293	41,825,857
Total notes and bonds	34,998,164	0	–1,995,910	350,000	33,352,254	233,612,869	200,260,615
Total government securities							
Including matched transactions	3,622,096,597	–3,580,272,240	–1,995,910	0	39,828,447	430,735,567	390,907,120
Excluding matched transactions	44,145,064	0	–1,995,910	0	42,149,154	447,762,313	405,613,159
Federal agency issues							
Maturing:	...	...	...	–1,185,000	...	...	...
Within 1 year	0	0	–1,540,150	1,185,000	–1,540,150[4]	252,000	1,223,050
1 to 5 years	0	0	0	0	0[4]	152,900	519,900
5 to 10 years	0	0	0	0	0[4]	254,650	456,750
More than 10 years	0	0	0	0	0[4]	25,000	25,000
Total agency issues	0	0	–1,540,150	0	–1,540,150	684,550	2,224,700
Total System Account							
Including matched transactions	3,622,096,597	–3,580,272,240	–3,536,060	0	38,288,297	431,420,117	393,131,820
Excluding matched transactions	44,145,064	0	–3,536,060	0	40,609,004	448,446,863	407,837,859
Federal Reserve Bank of New York repurchase agreements	970,894,000	–968,637,000	0	0	2,257,000	23,840,000	21,583,000

NOTE. Data are on a settlement-date basis. There were no customer related repurchase agreements passed through to the market for the year ended December 31, 1997. On December 31, 1997, and December 31, 1996, the matched sale–purchase transaction was $17,026,746,000 and $14,706,039,000 respectively. Loans of Treasury securities by the Federal Reserve Bank of New York to primary dealers for the year ended December 31, 1997, were as follows:

	Securities loans	*Maturities*	*Net change*	*Loans outstanding Dec. 31, 1997*	*Loans outstanding Dec. 31, 1996*
Loan agreements (thousands of dollars)	25,456,165	25,058,165	398,000	887,200	489,200

1. Bills in the amount of $350,000,000 were exchanged for Inflation Index Notes on February 6, 1997.
2. Includes inflation compensation on Inflation Index Notes of $22,963,500.
3. For Treasury notes and bonds, figures do not include the following maturity shifts (thousands of dollars):

	Within 1 year	*1 to 5 years*	*5 to 10 years*	*More than 10 years*
Treasury notes and bonds	44,269,485	–40,540,826	–1,953,995	–1,774,664

4. For federal agency issues, figures do not include the following maturity shifts (thousands of dollars):

	Within 1 year	*1 to 5 years*	*5 to 10 years*	*More than 10 years*
Federal agency issues	569,100	–367,000	–202,100	0

Appendix C begins on page 530.

APPENDIX C

C.1. Total U.S. Treasury and federally sponsored agency securities held in the System Open Market Account, December 31, 1997

Thousands of dollars

Item	Holdings, 12/31/97	Net change since 12/31/96
Total agency issues	684,550	−1,540,150
U.S. Treasury securities		
Bills	197,122,698[1]	6,476,193
Notes	172,533,011	21,611,290
Bonds	59,406,894	10,068,000
Inflation Index Notes	1,650,000[2]	1,650,000
Total U.S. Treasury and agency issues	431,397,153[1]	38,265,333[1]

1. Holdings were reduced $13,600,000 of January 8, Treasury bills and $3,426,746 of January 15, Treasury bills that were sold under matched sale–purchase agreements, which are returned the following day.

2. Does not reflect inflation compensation on Inflation Index Notes of $22,963,500.

C.2. U.S. Treasury bills in the System Open Market Account, December 31, 1997

Thousands of dollars, except as noted

Maturity date of issue outstanding	Holdings 12/31/97	Percentage of total issue outstanding	Net change since 12/31/96
1/02/98	6,966,430	30.4	6,966,430
1/08/98	194,320[1]	.4	194,320
1/15/98	4,920,114[1]	21.0	4,920,114
1/22/98	7,450,500	17.1	7,450,500
1/29/98	6,812,815	30.0	6,812,815
2/05/98	14,158,010	31.3	14,158,010
2/12/98	7,324,485	30.9	7,324,485
2/19/98	7,219,564	32.0	7,219,564
2/26/98	6,793,180	30.1	6,793,180
3/05/98	13,664,955	30.7	13,664,955
3/12/98	7,371,780	31.8	7,371,780
3/19/98	6,859,310	31.5	6,859,310
3/26/98	6,129,235	29.3	6,129,235
4/02/98	9,011,000	30.9	9,011,000
4/09/98	3,235,000	30.1	3,235,000
4/16/98	3,605,000	32.3	3,605,000
4/23/98	3,165,000	29.6	3,165,000
4/30/98	9,220,000	28.6	9,220,000
5/07/98	3,445,000	31.4	3,445,000
5/14/98	3,360,000	30.9	3,360,000
5/21/98	3,425,000	31.7	3,425,000
5/28/98	9,985,000	31.1	9,985,000
6/04/98	3,090,000	28.2	3,090,000
6/11/98	3,420,000	30.3	3,420,000
6/18/98	3,365,000	29.8	3,365,000
6/25/98	8,750,000	29.3	8,750,000
7/23/98	5,695,000	30.3	5,695,000
8/20/98	5,797,000	30.9	5,797,000
9/17/98	5,545,000	30.3	5,545,000
10/15/98	6,010,000	32.0	6,010,000
11/12/98	5,475,000	29.7	5,475,000
12/10/98	5,660,000	31.5	5,660,000
Total that matured in 1997	...	...	−190,646,505
Total	197,122,698[1]	...	6,476,193

NOTE. Data are on a statement-date basis.

1. Holdings were reduced $13,600,000 of January 8, Treasury bills and $3,426,746 of January 15, Treasury bills that were sold under matched sale–purchase agreements, which are returned the following day.

C.3. U.S. Treasury notes and Inflation Index Notes in the Federal Reserve System Open Market Account, December 31, 1997

Thousands of dollars, except as noted

Issue outstanding		Holdings, 12/31/97	Percentage of total issue outstanding	Net change since 12/31/96
Coupon	Maturity date			
7.875	1/15/98	877,800	9.6	0
5.000	1/31/98	1,094,730	5.7	138,000
5.625	1/31/98	756,000	6.1	110,000
8.125	2/15/98	440,000	4.8	0
7.250	2/15/98	3,837,560	18.4	549,000
5.125	2/28/98	2,592,320	8.4	1,235,000
5.125	3/31/98	1,295,000	9.9	0
6.125	3/31/98	1,848,220	8.5	250,000
7.875	4/15/98	634,500	7.2	50,000
5.125	4/30/98	610,000	5.0	115,000
5.875	4/30/98	951,000	4.5	25,000
9.000	5/15/98	863,000	9.4	385,000
6.125	5/15/98	4,092,117	19.3	640,600
6.000	5/31/98	1,106,000	5.2	435,000
5.375	5/31/98	855,000	6.9	50,000
5.125	6/30/98	1,471,000	11.7	0
6.250	6/30/98	1,177,000	5.4	0
8.250	7/15/98	1,711,140	17.7	436,000
6.250	7/31/98	1,156,750	5.4	290,000
5.250	7/31/98	685,000	5.9	213,000
5.875	8/15/98	4,489,808	20.1	0
9.250	8/15/98	1,480,000	13.0	469,000
6.125	8/31/98	1,970,300	9.0	1,186,000
4.750	8/31/98	648,000	5.0	57,000
4.750	9/30/98	972,500	7.7	28,500
6.000	9/30/98	1,219,000	5.7	288,000
7.125	10/15/98	1,001,593	9.8	33,000
5.875	10/31/98	995,000	4.7	170,000
4.750	10/31/98	937,900	7.2	80,000
5.500	11/15/98	2,721,635	13.2	202,000
8.875	11/15/98	546,000	5.5	11,000
5.625	11/30/98	819,200	4.0	534,200
5.125	11/30/98	929,000	7.7	0
5.125	12/31/98	1,679,662	13.5	100,000
5.750	12/31/98	875,000	4.3	0
6.375	1/15/99	892,045	8.5	0
5.875	1/31/99	745,000	3.8	745,000
5.000	1/31/99	757,000	5.9	380,000
5.000	2/15/99	3,644,140	16.6	172,000
8.875	2/15/99	951,600	9.8	106,600
5.875	2/28/99	1,199,000	6.0	1,199,000
5.500	2/28/99	715,000	6.0	280,000
5.875	3/31/99	1,875,000	14.7	0
6.250	3/31/99	1,420,000	7.2	1,420,000
7.000	4/15/99	1,073,700	10.6	0
6.500	4/30/99	1,219,620	9.9	0
6.375	4/30/99	1,225,000	6.4	1,225,000
6.375	5/15/99	2,869,124	12.3	267,000
9.125	5/15/99	1,637,500	16.3	510,000
6.250	5/31/99	738,000	4.0	738,000
6.750	5/31/99	686,990	5.6	100,000
6.750	6/30/99	1,644,820	12.6	0
6.000	6/30/99	644,435	3.6	644,435
6.375	7/15/99	349,000	3.5	0
6.875	7/31/99	1,531,400	12.4	385,000
5.875	7/31/99	1,096,970	6.5	1,096,970
6.000	8/15/99	2,232,110	9.8	452,000
8.000	8/15/99	858,600	8.4	61,000
5.875	8/31/99	1,304,630	7.6	1,304,630
6.875	8/31/99	951,480	7.7	250,000
7.125	9/30/99	1,078,752	7.4	0
5.750	9/30/99	642,380	3.7	642,380
6.000	10/15/99	406,115	3.9	0
7.500	10/31/99	558,315	4.6	50,000
5.625	10/31/99	502,000	3.0	502,000
7.875	11/15/99	814,000	7.6	127,000
5.875	11/15/99	2,790,968	12.2	75,000
7.750	11/30/99	1,176,145	10.0	764,000
5.625	11/30/99	548,175	3.2	548,175
5.625	12/31/99	795,780	4.8	795,780
7.750	12/31/99	1,379,665	11.1	25,000
6.375	1/15/00	689,545	6.8	0
7.750	1/31/00	864,440	7.1	252,000
8.500	2/15/00	986,000	9.2	154,000
5.875	2/15/00	846,796	4.2	846,796
7.125	2/29/00	1,322,290	10.7	387,000
6.875	3/31/00	1,341,510	10.2	136,000
5.500	4/15/00	360,000	3.4	0
6.750	4/30/00	1,024,250	8.3	256,500

C.3.- Continued

Thousands of dollars, except as noted

Issue outstanding		Holdings, 12/31/97	Percentage of total issue outstanding	Net change since 12/31/96
Coupon	Maturity date			
6.375	5/15/00	2,807,000	13.5	2,807,000
8.875	5/15/00	480,000	4.6	0
6.250	5/31/00	843,460	6.6	201,000
5.875	6/30/00	740,100	5.9	0
6.125	7/31/00	455,000	3.7	70,000
6.000	8/15/00	1,309,945	7.3	1,309,945
8.750	8/15/00	1,158,400	10.5	314,000
6.250	8/31/00	650,000	5.5	135,000
6.125	9/30/00	1,009,000	8.4	285,000
5.750	10/31/00	537,430	4.5	0
5.750	11/15/00	1,651,200	10.3	1,651,200
8.500	11/15/00	881,000	7.7	40,000
5.625	11/30/00	646,200	5.2	266,200
5.500	12/31/00	891,000	7.0	91,000
5.250	1/31/01	800,000	6.2	0
7.750	2/15/01	929,500	8.2	252,000
5.625	2/28/01	901,000	7.0	101,000
6.375	3/31/01	1,600,000	11.3	100,000
6.250	4/30/01	938,500	6.8	73,500
8.000	5/15/01	1,157,000	9.4	265,000
6.500	5/31/01	911,900	6.7	256,900
6.625	6/30/01	1,175,000	8.2	75,000
6.625	7/31/01	873,000	6.2	173,000
7.875	8/15/01	1,375,000	1.1	260,000
6.500	8/31/01	860,300	6.2	335,300
6.375	9/30/01	1,037,000	7.2	387,000
6.250	10/31/01	883,000	6.0	313,000
7.500	11/15/01	2,441,000	10.1	898,000
5.875	11/30/01	476,000	3.4	286,000
6.125	12/31/01	625,000	4.5	25,000
6.250	1/31/02	777,000	5.8	777,000
6.250	2/28/02	803,000	5.8	803,000
6.625	3/31/02	980,900	6.9	980,900
6.625	4/30/02	1,035,000	7.2	1,035,000
7.500	5/15/02	1,016,009	8.7	35,000
6.500	5/31/02	949,000	7.0	949,000
6.250	6/30/02	786,000	6.0	786,000
6.000	7/31/02	295,000	2.4	295,000
6.375	8/15/02	2,247,000	9.4	57,000
6.250	8/31/02	701,000	5.5	701,000
5.875	9/30/02	460,000	3.6	460,000
5.750	10/31/02	390,000	3.3	390,000
5.750	11/30/02	400,000	3.3	400,000
5.625	12/31/02	585,000	4.9	585,000
6.250	2/15/03	2,145,000	9.1	50,000
5.750	8/15/03	3,685,000	13.2	65,000
5.875	2/15/04	650,000	5.0	100,000
7.250	5/15/04	1,905,550	13.2	25,000
7.250	8/15/04	810,000	6.1	0
7.875	11/15/04	1,753,040	12.3	140,000
7.500	2/15/05	1,150,000	8.3	0
6.500	5/15/05	2,000,000	13.6	0
6.500	8/15/05	1,800,000	12.0	0
5.875	11/15/05	1,700,000	11.2	0
5.625	2/15/06	1,500,000	9.7	0
6.875	5/15/06	2,075,000	13.0	375,000
7.000	7/15/06	2,265,752	10.0	645,000
6.500	10/15/06	2,432,800	10.8	588,000
6.250	2/15/07	540,000	4.1	540,000
6.625	5/15/07	1,750,000	12.5	1,750,000
6.125	8/15/07	2,175,000	8.5	2,175,000
Total that matured in 1997	...	...	...	−29,045,221
Total Treasury notes	...	**172,533,011**	...	**21,611,290**
Inflation Index Notes (IIN)				
3.625	7/15/02	900,000	5.4	900,000
3.375	1/15/07	750,000	4.8	750,000
Total that matured in 1997	...	...	...	0
Total IIN	...	**1,650,000**[1]	...	**1,650,000**

NOTE. Data are on a statement-date basis.

1. Does not reflect inflation compensation on Inflation Index Notes of $22,963,500.

C.4. U.S. Treasury bonds held in the System Open Market Account, December 31, 1997

Thousands of dollars, except as noted

Issue outstanding		Holdings, 12/31/97	Percentage of total issue outstanding	Net change since 12/31/96
Coupon	Maturity date			
3.500	11/15/98	30,750	10.2	0
11.750	2/15/01	160,803	10.7	0
13.125	5/15/01	165,726	9.5	0
13.375	8/15/01	236,092	14.6	0
15.750	11/15/01	172,904	9.9	0
14.250	2/15/02	159,800	9.1	0
11.625	11/15/02	347,850	12.6	0
10.750	2/15/03	739,250	24.6	0
10.750	5/15/03	331,000	10.2	75,000
11.125	8/15/03	514,300	14.7	81,800
0.013	11/15/03	751,340	10.3	246,100
12.375	5/15/04	769,786	20.5	0
13.750	8/15/04	528,000	13.2	161,000
11.625	11/15/04	947,200	11.4	428,000
12.000	5/15/05	728,476	17.1	514,000
8.250	5/15/05	1,513,660	35.8	0
10.750	8/15/05	1,187,000	12.8	305,000
9.375	2/15/06	20,000	.4	0
7.625	2/15/07	1,396,164	33.0	0
7.875	11/15/07	378,500	25.3	0
8.375	8/15/08	788,500	37.5	0
8.750	11/15/08	1,588,500	30.4	0
9.125	5/15/09	921,205	20.0	30,000
10.375	11/15/09	1,075,939	25.6	0
11.750	2/15/10	717,400	28.8	0
10.000	5/15/10	1,176,556	39.4	0
12.750	11/15/10	1,260,865	26.6	0
13.875	5/15/11	1,073,542	23.3	0
14.000	11/15/11	975,091	19.9	90,000
10.375	11/15/12	1,611,741	14.6	0
12.000	8/15/13	3,040,772	20.6	0
13.250	5/15/14	869,450	17.4	0
12.500	8/15/14	905,720	17.7	0
11.750	11/15/14	1,195,000	19.9	0
11.250	2/15/15	1,335,733	10.5	0
10.625	8/15/15	1,167,400	16.3	262,400
9.875	11/15/15	941,500	13.6	440,000
9.250	2/15/16	880,000	12.1	100,000
7.250	5/15/16	995,000	5.3	0
7.500	11/15/16	1,263,000	6.7	78,000
8.750	5/15/17	1,450,000	8.0	706,000
8.875	8/15/17	909,000	6.5	89,000
9.125	5/15/18	496,900	3.7	200,000
9.000	11/15/18	256,000	2.8	0
8.875	2/15/19	933,000	4.8	350,000
8.125	8/15/19	1,690,900	8.4	116,000
8.500	2/15/20	960,879	9.4	370,000
8.750	5/15/20	1,066,600	10.5	461,600
8.750	8/15/20	1,366,600	12.3	253,600
7.875	2/15/21	775,500	7.0	312,500
8.125	5/15/21	938,000	7.8	328,000
8.125	8/15/21	680,000	5.6	320,000
8.000	11/15/21	1,150,000	3.5	295,000
7.250	8/15/22	460,000	4.4	15,000
7.625	11/15/22	660,000	6.2	190,000
7.125	2/15/23	1,413,000	7.7	431,000
6.250	8/15/23	1,035,000	4.5	55,000
7.500	11/15/24	508,000	4.4	55,000
7.625	2/15/25	815,000	7.0	115,000
6.875	8/15/25	1,205,000	9.6	105,000
6.000	2/15/26	934,000	7.2	34,000
6.750	8/15/26	965,000	8.9	65,000
6.500	11/15/26	1,470,000	12.8	0
6.625	2/15/27	480,000	4.6	480,000
6.375	8/15/27	730,000	6.8	730,000
6.125	11/15/27	1,180,000	10.6	1,180,000
Total that matured in 1997	...	...		0
Total Treasury bonds	...	**59,406,894**	...	**10,068,000**

NOTE. Data are on a statement-date basis.

C.5. U.S. federal agency holdings in the System Open Market Account, December 31, 1997

Thousands of dollars, except as noted

Issue outstanding: Coupon	Issue outstanding: Maturity date	Holdings, 12/31/97	Percentage of total issue outstanding	Net change since 12/31/96
Federal Home Loan Bank				
5.260	4/27/98	14,000	4.7	0
9.250	11/25/98	5,000	1.0	0
9.300	1/25/99	2,000	.4	0
8.600	6/25/99	3,900	1.2	0
8.450	7/26/99	5,000	1.4	0
8.600	8/25/99	11,000	2.9	0
8.375	10/25/99	10,000	2.7	0
8.600	1/25/00	6,000	2.0	0
Total that matured in 1997	...	...	...	−57,700
Total	...	56,900	...	−57,700
Federal National Mortgage Association				
8.650	2/10/98	10,000	1.5	0
5.300	3/11/98	50,000	6.3	0
9.150	4/10/98	30,000	5.0	0
9.400	8/10/98	50,000	10.0	0
7.850	9/10/98	48,000	7.4	0
5.300	12/10/98	15,000	1.5	0
7.050	12/10/98	30,000	4.1	0
9.550	3/10/99	25,000	3.6	0
8.700	•6/10/99	23,000	2.7	0
8.450	7/12/99	5,000	.7	0
7.000	8/11/99	0	.0	−15,000[1]
6.450	10/14/99	0	.0	−100,000[1]
8.350	11/10/99	7,000	.4	0
6.100	2/10/00	25,000	5.0	0
9.050	4/10/00	10,000	1.3	0
9.200	9/11/00	10,000	2.5	0
7.200	1/10/02	0	.0	−10,000[1]
7.900	4/10/02	0	.0	−10,000[1]
7.800	6/10/02	0	.0	−40,100[1]
7.300	7/10/02	0	.0	−12,000[1]
6.950	9/10/02	0	.0	−35,000[1]
6.625	4/10/03	30,000	4.3	0
6.450	6/10/03	25,000	5.0	0
6.200	7/10/03	15,000	3.0	0
5.800	12/10/03	10,000	1.3	0
7.600	4/14/04	0	.0	−100,000[1]
7.550	6/10/04	24,650	3.1	0
8.050	7/14/04	0	.0	−5,000[1]
8.250	10/12/04	30,000	7.5	0
6.850	9/12/05	20,000	5.0	0
6.700	11/10/05	100,000	25.0	0
10.350	12/10/15	10,000	4.0	0
8.200	3/10/16	15,000	3.8	0
Total that matured in 1997	...	...	...	−236,700
Total	...	617,650	...	−563,800
Farm Credit Systemwide Bonds				
8.650	10/01/99	10,000	2.3	0
Total that matured in 1997	...	...	...	−902,000
Total	...	10,000	...	−902,000
Federal Land Bank				
Total that matured in 1997	...	...	...	−16,650
Total	...	0	...	−16,650
Total agency issues	...	684,550	...	−1,540,150
Total Treasury and agency issues	...	431,397,153[2]	...	38,265,333[2]

NOTE. Data are on a statement-date basis.

1. Called issue.

2. Holdings were reduced $13,600,000 of January 8, Treasury bills and $3,426,746 of January 15, Treasury bills that were sold under matched sale–purchase agreements, which are returned the next day.

Industrial Production and Capacity Utilization for May 1998

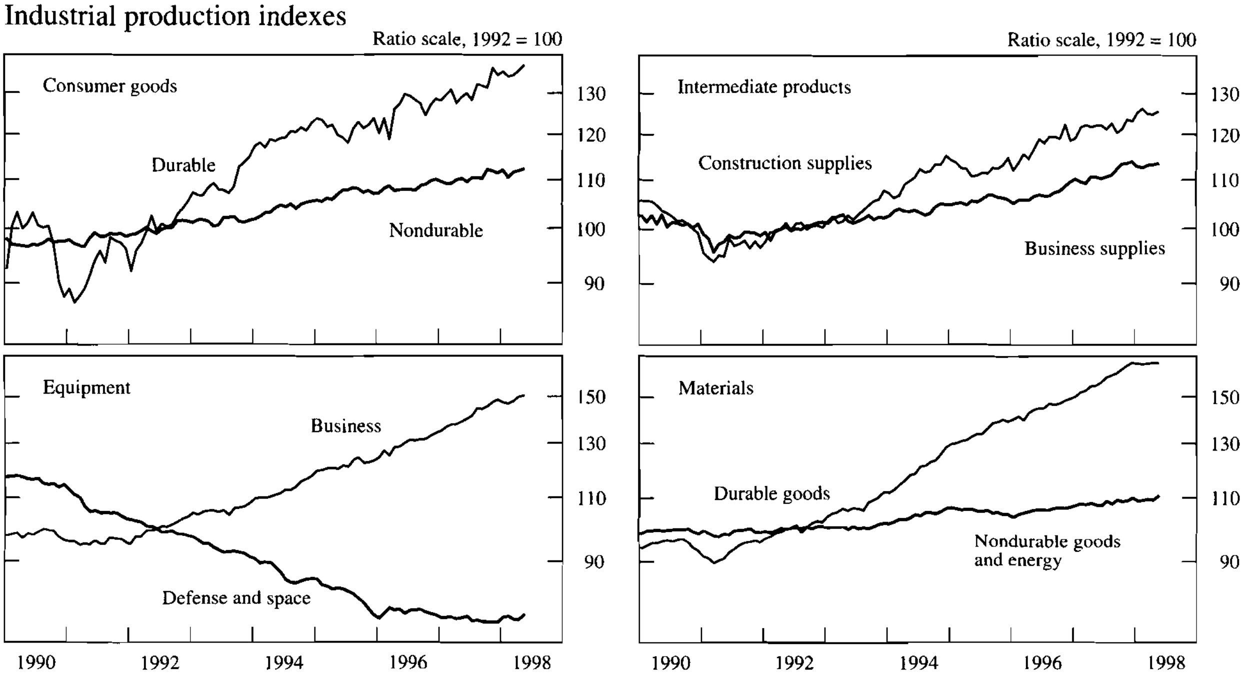
Released for publication June 16

Industrial production rose 0.5 percent in May after revised increases of 0.3 percent in April and 0.4 percent in March. Some of the increase in total industrial production in May resulted from a 2.8 percent surge in the output of utilities and a 1.2 percent jump in the output of mines. After having eased earlier in the year, manufacturing output picked up, rising 0.2 percent in May and 0.5 percent in April. At 128.8 percent of its 1992 average, total industrial production in May was 4.4 percent higher than it was in May 1997. The rate of industrial capacity utilization edged up 0.1 percentage point in May, to 82.2 percent.

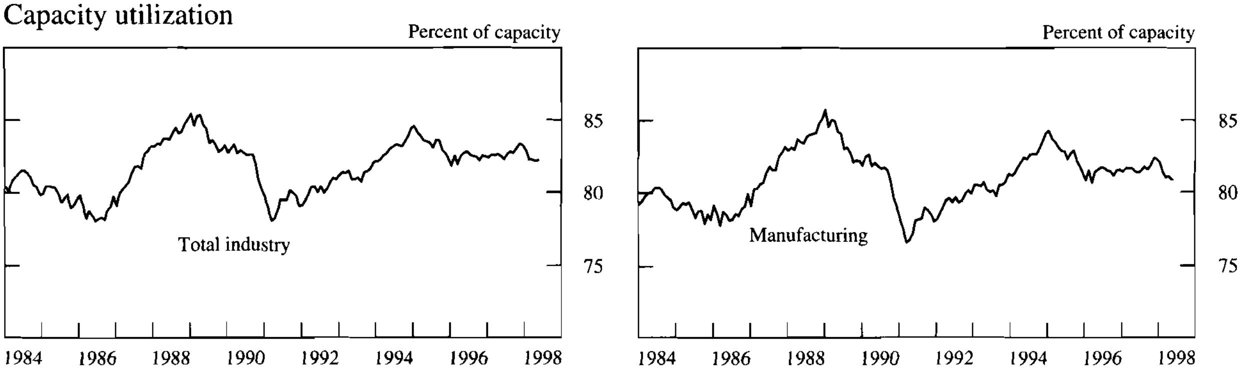
MARKET GROUPS

The production of consumer goods increased substantially for the third consecutive month, led by a jump

Industrial production indexes



Capacity utilization



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

Industrial production and capacity utilization, May 1998

Category	Industrial production, index, 1992=100								
	1998				Percentage change				
					1998[1]				May 1997 to May 1998
	Feb.[r]	Mar.[r]	Apr.[r]	May[p]	Feb.[r]	Mar.[r]	Apr.[r]	May[p]	
Total	**127.3**	**127.8**	**128.2**	**128.8**	**–.4**	**.4**	**.3**	**.5**	**4.4**
Previous estimate	127.4	127.7	127.8	...	–.3	.3	.1	...	...
Major market groups									
Products, total[2]	120.6	121.2	121.7	122.2	–.6	.5	.4	.4	3.9
Consumer goods	115.1	116.0	116.5	117.0	–1.3	.8	.4	.5	2.8
Business equipment	146.8	147.8	149.9	150.5	–.4	.7	1.4	.4	8.2
Construction supplies	126.2	124.9	124.7	125.4	.8	–1.0	–.2	.5	2.7
Materials	138.2	138.5	138.5	139.2	–.1	.2	.0	.5	5.2
Major industry groups									
Manufacturing	130.6	130.6	131.2	131.5	–.4	.0	.5	.2	4.7
Durable	147.8	148.1	148.9	149.6	–.3	.2	.6	.5	6.8
Nondurable	113.0	112.6	113.2	113.1	–.6	–.3	.5	–.1	2.1
Mining	108.8	107.8	107.6	108.9	.4	–.9	–.2	1.2	2.1
Utilities	108.2	115.0	112.5	115.7	–.5	6.3	–2.2	2.8	3.5

Category	Capacity utilization, percent								Memo Capacity, percentage change, May 1997 to May 1998
	Average, 1967–97	Low, 1982	High, 1988–89	1997	1998				
				May	Feb.[r]	Mar.[r]	Apr.[r]	May[p]	
Total	**82.1**	**71.1**	**85.4**	**82.4**	**82.2**	**82.2**	**82.1**	**82.2**	**4.8**
Previous estimate	...	...	...	...	82.3	82.2	81.9	...	..
Manufacturing	81.1	69.0	85.7	81.4	81.4	81.0	81.1	80.9	5.4
Advanced processing	80.5	70.4	84.2	79.4	79.6	79.2	79.4	79.2	6.3
Primary processing	82.4	66.2	88.9	86.0	85.5	85.0	84.9	84.6	3.4
Mining	87.5	80.3	88.0	90.5	91.9	91.0	90.8	91.9	.5
Utilities	87.3	75.9	92.6	88.5	84.9	90.2	88.1	90.5	1.2

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.

in the output of durable goods and of energy products; the production of non-energy nondurable products remained flat. Increases within the durable consumer goods category were widespread. The output of automotive products rose 1.7 percent and was just below the high average level of production attained in the last quarter of 1997. The production of home computing equipment and appliances also posted significant gains. Within the non-energy nondurable consumer goods category, a moderate increase in the output of food and tobacco products was offset by a decrease in the production of clothing; the output of consumer chemicals remained flat.

The output of business equipment increased 0.4 percent, its third straight monthly gain after having slowed earlier in the year. The output of computers and transit equipment increased sharply again. The production of other types of equipment decreased; in particular, the output of industrial equipment retreated to a level somewhat below the high at the end of 1997.

The production of construction supplies increased after two months of decline, but it was still below the high attained in February. The output of materials increased 0.5 percent after some sluggishness in recent months; most of the gain can be explained by a surge in energy materials. In particular, coal production increased sharply and was a bit higher than the record level achieved last December; continuing its volatile behavior of recent months, electricity generation also shot up. Among durable goods materials, the output of parts for consumer goods, which had spiked upward in the fourth quarter, decreased 1.2 percent in May after a substantial decline in the first quarter and a moderate increase in April. The output of equipment parts advanced once more; semiconductors and parts for computers and electronic communication equipment posted the most significant gains. Within nondurable goods materials, the production of textile and paper materials increased after two months of declines, while the production of chemical materials decreased for the fourth consecutive month.

INDUSTRY GROUPS

The increase in manufacturing output reflected a third consecutive monthly increase in the production of durable goods, which had declined earlier in the year. Increases among durables were widespread and were led once more by strong growth in the production of computer and office equipment and semiconductors. The production of nondurable goods declined 0.1 percent and was virtually unchanged from its February level. Significant declines in the production of apparel, chemicals, petroleum, rubber and plastic products, and leather products were almost offset by increases in the production of food, tobacco, textiles, and paper.

The operating rate in manufacturing declined 0.2 percentage point, to 80.9 percent. The utilization rate in advanced-processing industries fell back to its March level. The rate for primary-processing industries fell for the fifth consecutive month to its lowest level since October 1993, but it remained above its long-run average. □

Statement to the Congress

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Agriculture, U.S. House of Representatives, May 21, 1998

The global financial system has been evolving rapidly in recent years. New technology has radically reduced the costs of borrowing and lending across traditional national borders, facilitating the development of new instruments and drawing in new players. Information is transmitted instantaneously around the world, and huge shifts in the supply and demand for funds naturally follow, resulting in a massive increase in capital flows. This burgeoning global system has been demonstrated to be a highly efficient structure that has significantly facilitated cross-border trade in goods and services and, accordingly, has made a substantial contribution to standards of living worldwide. Its efficiency exposes and punishes underlying economic imprudence swiftly and decisively. Regrettably, it also appears to have facilitated the transmission of financial disturbances far more effectively than ever before.

Three years ago, the Mexican crisis was the first episode associated with our new high tech international financial system. The current Asian crisis is the second.

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

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

They may well have been correct in their judgment, and some would argue that events over the past six months have proved them right; we have so far avoided the type of continuing downward spiral that some feared. There was, and is, however, a small but not negligible probability that the upset in East Asia could have unexpectedly large negative effects on Japan, Latin America, and eastern and central Europe that, in turn, could have repercussions elsewhere, including the United States. Thus, while the probability of such an outcome may be small, its consequences, in my judgment, should not have been left solely to chance. We have observed that global financial markets, as currently organized, do not always achieve an appropriate equilibrium or at least require time to stabilize. Moreover, the effects of the Asian crisis on the real economies of the immediately affected countries, as well as on our own economy, are only now just being felt.

Opponents of IMF support for member countries facing international financial difficulties also argued that such substantial financial backing, by cushioning the losses of imprudent investors, encourages excessive risk-taking. There doubtless is some truth in that, though arguably it has been the expectation of governments' support of their financial systems that has been the more obvious culprit, at least in the Asian case. In any event, any expectations of broad bailouts have turned out to have been disappointed. Many, if not most, investors in Asian economies have to date suffered substantial losses.

Moreover, the policy conditionality, associated principally with IMF lending, which dictates economic and financial discipline and structural change, helps to mitigate some of the inappropriate risk-taking on the part of governmental authorities. At the root of the problems has been poor public policy that has resulted in misguided investments and very weak financial sectors. Convincing a sovereign nation to alter destructive policies that impair its own performance and threaten contagion to its neighbors is best handled by an international financial institution, such as the IMF. What we have in place today to respond to crises should be supported even as we work to improve those mechanisms and institutions.

Some observers have also expressed concern about whether we can be confident that IMF programs for countries, in particular the countries of East Asia, are likely to alter their economies significantly and permanently. My sense is that one consequence of this Asian crisis is an increasing awareness in the region that market capitalism, as practiced in the West, especially in the United States, is the superior model; that is, it provides greater promise of producing rising standards of living and continuous growth.

Although East Asian economies have exhibited considerable adherence to many aspects of free-market capitalism, there has, nonetheless, been a pronounced tendency toward government-directed investment, using the banking system to finance that investment. Given a record of real growth rates of close to 10 percent per annum over an extended period of time, it is not surprising that it has been difficult to convince anyone that the economic system practiced in East Asia could not continue to produce positive results indefinitely. Following the breakdown, an increasing awareness, bordering in some cases on shock, that their economic model was incomplete, or worse, has arguably emerged in the region.

As a consequence, many of the leaders of these countries and their economic advisers are endeavoring to move their economies much more rapidly toward the type of economic system that we have in the United States. The IMF, whatever one might say about its policy advice in the past, has played an important role in this process, providing advice and incentives that promote sound money and long-term stability. The IMF's current approach in Asia is fully supportive of the views of those in the West who understand the importance of greater reliance on market forces, reduced government controls, scaling back of government-directed investment, and embracing greater transparency—the publication of all the data that are relevant to the activities of the central bank, the government, financial institutions, and private companies.

It is a reasonable question to ask how long this conversion to embracing market capitalism in all its details will last in countries once temporary IMF financial support has come to an end. We are, after all, dealing with sovereign nations with long traditions, not always consonant with market capitalism. But my sense is that there is a growing understanding and appreciation of the benefits of market capitalism as we practice it and that what is being prescribed in IMF-supported programs fosters their own interests.

Similarly, it is a reasonable question to ask whether the U.S. authorities should not seek greater assurance that the ongoing process of reform in the IMF's policies and operations will produce additional concrete results before we agree to augment the IMF's resources. I have reason to believe that the management and staff of the IMF are committed to a process of change. We face a somewhat more difficult task in convincing the IMF's membership as a whole of the need for change. However, I am confident that our leverage in this regard would be reduced if the United States failed to agree promptly to the proposed increases in the IMF's resources.

Accordingly, I continue fully to back the Administration's request to augment the financial resources of the IMF by approving as quickly as possible U.S. participation in the New Arrangements to Borrow and an increase in the U.S. quota in the IMF. Hopefully, neither will turn out to be needed, and no funds will be drawn. Although the tendency in recent months toward stabilization in the East Asian economies is encouraging, clearly those economies are not out of the woods as recent events attest. Moreover, we have not yet put in place the strengthening of the international financial architecture that would enable us in the future to place less reliance on the IMF to deal with potential systemic crises. Thus it is better to have the IMF fully equipped if a quick response to a pending crisis is essential. □

Announcements

Procedure for Submitting Nominations to the Consumer Advisory Council and Notice of Meeting

The Federal Reserve Board on June 3, 1998, announced that it is seeking nominations for nine appointments to its Consumer Advisory Council. The council, which consists of thirty members, advises the Board on the exercise of its responsibilities under the Consumer Credit Protection Act and on other matters on which the Board seeks advice. The group meets in Washington, D.C., three times a year.

The nine new members will be appointed to serve three-year terms beginning in January 1999.

Nominations should include the following information about nominees:

- Past and present positions held
- Knowledge, interests, or experience related to community reinvestment, consumer credit, or other consumer financial services
- Complete address with telephone and fax numbers.

Letters of nomination must be received by July 31, 1998, and should be mailed (not sent by facsimile) to Sandra F. Braunstein, Assistant Director, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

The Board also announced on June 3 that the Consumer Advisory Council would hold its next meeting on Thursday, June 25.

Final Rule: Amendment to the Tier 1 Leverage Capital Standard

The Federal Reserve Board on June 1, 1998, issued a final rule amending the tier 1 leverage capital standard for bank holding companies. The rule became effective June 30, 1998.

The amendment to Regulation Y (Bank Holding Companies and Change in Bank Control) establishes a minimum ratio of tier 1 capital to total assets (leverage ratio) of 3.0 percent for bank holding companies that either are rated composite "1" under the BOPEC rating system or have implemented the Board's risk-based capital market risk measure. The minimum leverage ratio for all other bank holding companies is 4.0 percent. Bank holding companies are expected to maintain higher-than-minimum capital ratios if they have supervisory, financial, operational, or managerial weaknesses, or if they are anticipating or experiencing significant growth.

Issuance of a Final Report by the System Task Force on Internal Credit Risk Models

The Federal Reserve Board on May 29, 1998, issued a final report prepared by the System Task Force on Internal Credit Risk Models. The Task Force was created to assess potential uses of internal credit risk models within the supervisory and regulatory processes. The report describes current uses of internal models by major U.S. banking organizations and outlines possible uses of the models for assessing bank capital adequacy.

The report concludes that significant difficulties exist with respect to model construction, data availability, and model validation procedures so that near-term uses of the models within the regulatory process are limited. However, the report also concludes that models may, over the somewhat longer term, become useful in at least the following two roles:

1. The development of specific and practical examination guidance for assessing the capital adequacy of large, complex banking organizations
2. The setting of regulatory capital requirements against selected instruments that have largely evolved subsequent to adoption of the Basle Accord on risk-based capital, such as credit enhancements supporting securitization programs.

The report is available on request from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551. It is also available on the Board's Internet site (http://www.bog.frb.fed.us) under "Regulation and Supervision."

Issuance of Enforcement Actions

The Federal Reserve Board announced on May 18, 1998, the issuance of enforcement actions against five foreign banking organizations with banking offices in the United States to address serious deficiencies in their anti-money-laundering programs.

Temporary Cease and Desist Orders were issued against Banco Nacional de Mexico (Banamex), Mexico; Banca Serfin, S.A., Mexico; Banco Internacional, S.A. (Bital), Mexico; Bancomer, S.A., Mexico; and Banco Santander, Spain. Each of these foreign banks operates one or more branches or agencies in the United States.

The enforcement actions resulted from an extensive undercover "sting" operation conducted by the U.S. Department of Justice and the U.S. Department of the Treasury. The Federal Reserve assisted these law enforcement agencies.

In connection with the undercover operation, the Departments of Justice and Treasury announced on May 18 the indictment and arrest of several bankers charged with laundering approximately $70 million in the United States and abroad. They also announced the indictment of two of the Mexican banks subject to the Board's enforcement actions (Bancomer, S.A. and Banca Serfin, S.A.).

The Board's Temporary Cease and Desist Orders require the banks, among other things, to implement new anti-money-laundering policies and procedures designed to correct the deficiencies in their current programs.

Federal Reserve examiners will continue to monitor the activities of the banks subject to the enforcement actions to ensure full compliance with all applicable anti-money-laundering-related laws and regulations.

The Federal Reserve Board announced on May 20, 1998, the issuance of a Temporary Cease and Desist Order against Banco Industrial de Venezuela, Caracas, Venezuela, to address serious deficiencies in the bank's anti-money-laundering program.

The Board's order is identical to the ones issued on May 18 against four Mexican banks and one Spanish bank and results from the extensive undercover "sting" operation conducted by the U.S. Departments of Justice and Treasury.

In connection with the undercover operation, a Banco Industrial de Venezuela official has been charged with violations of U.S. criminal money-laundering statutes, and she was arrested on May 19. This arrest was done in conjunction with the arrests of several Mexican bankers over the weekend. The Board's Temporary Cease and Desist Order requires Banco Industrial de Venezuela, among other things, to implement new anti-money-laundering policies and procedures designed to correct the deficiencies in its current program.

Federal Reserve examiners will continue to monitor the activities of the bank in the United States to ensure full compliance with all applicable money-laundering-related laws and regulations.

Availability of the *Federal Reserve Regulatory Service* on CD-ROM

The Federal Reserve Board announced on May 26, 1998, that a Windows version of the *Federal Reserve Regulatory Service* (FRRS) is now available on CD-ROM for use on personal computers.

This service, which uses Folio Views® 4.11 search-and-retrieval software, will be updated each month, the same as the printed version of the service. The software will permit users to do the following:

- Search for any word, phrase, or combination of words and phrases in the *Regulatory Service*
- Search the complete text or the major headings
- Limit searches to a specific portion of the service such as a statute, a regulation, or one section of a statute or regulation
- Review search results through a condensed hit list.

Single-user subscriptions to the new electronic service are available for $300 annually ($350 for subscriptions outside the United States). The cost of the printed version of the service remains at $200 annually.

Besides an on-screen user's manual, a printed user's guide explains the basic features of the software and how best to use them in researching the FRRS. A telephone number will also be provided for technical assistance.

Other features of the service include the following:

- Summaries of monthly changes with links to amended text
- Cross-references and indexes with links to referenced text within the FRRS
- Pop-up footnotes
- Print and save capability

The new Windows version can be used on both 32-bit and 16-bit systems.

The system requirements are the following:

Hard drive space
10 MB for minimum installation (software only)
28 MB for full installation (software and infobase)

Monitor
VGA or higher-resolution video adapter
SVGA 256-color recommended

32-bit version
486 or higher processor (Pentium® recommended)
Microsoft Windows 95® with 8 MB of memory or Microsoft Windows NT® 3.51 or later with 12 MB of memory

16-bit version
486 or higher processor
Microsoft Windows®.1x with 8MB of memory or Windows for Workgroups®

For a standalone PC, the annual subscription fee is $300. For network subscriptions, the annual fee is $300 for a maximum of one concurrent user, $750 for a maximum of ten concurrent users, $2,000 for a maximum of fifty concurrent users, and $3,000 for a maximum of one hundred concurrent users. Subscribers outside the United States should add $50 to cover additional air mail costs. Each network subscriber will receive a single CD and a corresponding number of user's guides. Additional user's guides may be purchased for $5 each.

Orders should be sent to Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551. All subscription requests must be accompanied by a check or money order payable to the Board of Governors of the Federal Reserve System or charged to VISA, MasterCard, or American Express. Charge customers only may fax their orders to 202-728-5886.

CHANGE IN BOARD STAFF

The Federal Reserve Board announced on May 28, 1998, the appointment of Barry R. Snyder as Inspector General to succeed Brent L. Bowen, who retired on June 1, 1998.

Mr. Snyder joined the Board's staff in 1987 and was promoted to Assistant Inspector General in 1989. □

Minutes of the Federal Open Market Committee Meeting Held on March 31, 1998

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, March 31, 1998, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Ferguson
Mr. Gramlich
Mr. Hoenig
Mr. Jordan
Mr. Kelley
Mr. Meyer
Ms. Minehan
Ms. Phillips
Mr. Poole
Ms. Rivlin

Messrs. Boehne, McTeer, Moskow, and Stern, Alternate Members of the Federal Open Market Committee

Messrs. Broaddus, Guynn, and Parry, Presidents of the Federal Reserve Banks of Richmond, Atlanta, and San Francisco respectively

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

Ms. Browne, Messrs. Cecchetti, Dewald, Hakkio, Lindsey, Promisel, Simpson, Sniderman, and Stockton, Associate Economists

Mr. Fisher, Manager, System Open Market Account

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

Mr. Slifman, Associate Director, Division of Research and Statistics, Board of Governors

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

Mr. Reinhart, Assistant Director, Division of Monetary Affairs, Board of Governors

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

Mr. Rasdall, First Vice President, Federal Reserve Bank of Kansas City

Messrs. Goodfriend, Hunter, Kos, Lang, Rolnick, and Rosenblum, Senior Vice Presidents, Federal Reserve Banks of Richmond, Chicago, New York, Philadelphia, Minneapolis, and Dallas respectively

Ms. Rosenbaum, Vice President, Federal Reserve Bank of Atlanta

Mr. Rudebusch, Research Officer, Federal Reserve Bank of San Francisco

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on February 3–4, 1998, were approved.

The Report of Examination of the System Open Market Account, conducted by the Board's Division of Reserve Bank Operations and Payment Systems as of the close of business on November 6, 1997, was accepted.

The Manager of the System Open Market Account reported on developments in foreign exchange and international financial markets in the period since the previous meeting on February 3–4, 1998. There were no System open market transactions in foreign currencies during this period, and thus no vote was required of the Committee.

The Manager also reported on developments in domestic financial markets and on System open market transactions in government securities and federal agency obligations during the period from February 4, 1998, through March 30, 1998. By unanimous vote, the Committee ratified these transactions.

The information reviewed at this meeting suggested that the economy continued to expand rapidly during the early months of 1998. Apparently, strong growth in private domestic spending for consumption, housing, and business equipment more than offset weakness in net exports and a slight moderation in inventory investment. Total employment continued to rise rapidly, but industrial production increased at a considerably slower pace. Despite indications of persisting pressures on employment costs associated with tight labor markets, price inflation abated further, primarily as a consequence of large declines in energy prices.

Nonfarm payroll employment rose sharply further in January and February. Growth in construction jobs was particularly strong, apparently reflecting in part the unseasonably warm weather across much of the country and the need to repair damage caused by ice storms and heavy rains. In addition, service industries continued to post very large employment gains. By contrast, manufacturing payrolls contracted slightly in February after a sizable increase in January. The civilian unemployment rate edged down to 4.6 percent in February, equaling its low for the current economic expansion.

Industrial production edged up on balance in January and February after having increased rapidly in the second half of 1997. Part of the deceleration stemmed from the depressing effect of unusually warm winter weather on the provision of heating services by utilities. The growth of manufacturing production also slowed considerably as a result of downward adjustments to assemblies of motor vehicles and, more generally, weakness in the output of business equipment. With investment in new manufacturing facilities still brisk and manufacturing output posting only a small advance in the January–February period, the factory operating rate eased a little.

Consumers stepped up their spending in the early months of the year; sentiment remained buoyant in the context of continued strong growth in disposable income and further gains in household wealth. Particularly large increases were recorded in expenditures on durable goods, apparel, and general merchandise. Housing demand also strengthened, with sales of existing homes reaching a record high in February and sales of new homes in January (latest data) almost equaling the previous record. Both housing starts and building permits remained on an upward trend.

Business fixed investment seemed to have rebounded from a small decline in the fourth quarter. Shipments of nondefense capital goods, notably of computing equipment whose prices continued to fall sharply, strengthened substantially in January and February. By contrast, expenditures on transportation equipment were sluggish. Despite further declines in vacancy rates and rising real estate prices, business spending on nonresidential construction also seemed to have been lackluster, with such activity not having changed much since last summer.

The pace of business inventory accumulation slowed sharply in January from the fourth-quarter rate. Some of the slowdown reflected a reduction in motor vehicle stocks; the remainder was largely associated with a drop in inventories of nondurable goods at the wholesale level. Inventory–sales ratios for most manufacturing and trade categories were within the ranges experienced over the past year.

The nominal deficit on U.S. trade in goods and services widened substantially in January from its average monthly level for the fourth quarter. The value of exports declined considerably, partly as a result of reduced exports to Asia, but the value of imports changed little. The decrease in exports was mainly in civilian aircraft and other capital goods. The available information indicated that the pace of economic expansion picked up in Europe after having slowed somewhat in the fourth quarter and was still strong on balance in Canada. Economic activity remained weak in Japan and decelerated sharply in Asian countries that had been the focus of financial turmoil.

Consumer prices were little changed on balance in January and February, as substantial declines in energy prices largely offset increases elsewhere. Excluding food and energy items, consumer price inflation picked up somewhat in the first two months of the year from the pace of the second half of 1997; on a year-over-year basis, however, the increase in consumer prices during the twelve months ended in February was slightly smaller than that in the year-earlier period. At the producer level, falling prices for finished energy goods in January and February pulled down the index of prices for all finished items; excluding food and energy, prices were unchanged on balance over the two months. Over the twelve months ended in February, producer price inflation was negligible. Tight labor markets appeared to be putting some upward pressure on labor compensation, but the pickup was limited. The change in average hourly earnings over the twelve months ended in February was only slightly larger than the increase over the year-earlier period.

With economic growth still solid and inflation subdued, the Committee at its meeting on February 3–4, 1998, had adopted a directive that called for maintaining conditions in reserve markets that would be consistent with an unchanged federal funds rate of about 5½ percent. The substantial uncertainties about the future strength of economic activity and inflation suggested that the next change in policy could be in either direction, and the Committee also had agreed that the directive should not contain a presumption about the direction of any change in the stance of policy during the intermeeting period. The reserve market conditions associated with this directive had been expected to be consistent with some moderation in the growth of M2 and M3 over coming months.

Open market operations throughout the intermeeting period were directed toward maintaining reserve conditions consistent with the intended average for the federal funds rate of around 5½ percent, and the rate fluctuated in a narrow range around that level. By contrast, interest rates in other domestic financial markets generally rose somewhat on balance over the period in response to incoming information that suggested aggregate private demand remained robust. Despite the rise in rates and some erosion in the outlook for near-term corporate profits, share prices in U.S. equity markets moved up substantially further.

In foreign exchange markets, the dollar appreciated somewhat on balance over the intermeeting period in relation to the currencies of the other major industrial countries. Against a background of weakening growth in Japan and continued uncertainty about the prospects for fiscal stimulus in that country, the dollar rose considerably against the yen. The dollar changed little against the mark and other continental European currencies but declined against the Canadian dollar and the British pound. The dollar also depreciated significantly relative to the currencies of several emerging market economies in Asia, reflecting market assessments that progress had been made in reforming economic policies and financial and commercial practices in most of those countries.

The available information for February and part of March indicated that M2 and M3 expanded more rapidly than the Committee had anticipated at the time of its February meeting. On a quarterly average basis, growth of both monetary aggregates picked up somewhat in the first quarter from already robust rates in the fourth quarter. The increased demand for M2 was perhaps associated in part with the reduced attractiveness of longer-term fixed rate market assets, whose yields had declined significantly relative to the returns on liquid investment components of M2. In addition, households might have been trying to rebalance asset portfolios that had become more heavily weighted in equities as a result of the run-up in stock prices. The pickup in M3 growth reflected a surge in bank issuance of large time deposits to finance strong demands for loans by businesses and households. The expansion of total domestic nonfinancial debt also strengthened over recent months in response to heavy private demands for credit.

The staff forecast prepared for this meeting indicated that the expansion of economic activity would slow appreciably during the next few quarters and remain moderate in 1999. The staff analysis suggested that the surge in household net worth over the past several years would help to support sizable, though gradually diminishing, gains in consumer spending; favorable cash flow affordability would underpin housing demand at a relatively high level; and substantial increases in capital spending would persist until slower growth in business sales and weaker profits began to have a restraining effect in 1999. Reduced growth of foreign economic activity and the lagged effects of the considerable rise that had occurred in the foreign exchange value of the dollar were expected to exert substantial restraint on the demand for U.S. exports over the projection period and to increase the pressures on domestic producers that face import competition. An anticipated slowdown in the pace of inventory accumulation also would restrain domestic production as stocks were brought into balance with the expected lower trajectory for sales. Although pressures on production resources would abate to a degree as output growth slowed, inflation was expected to increase somewhat in response to persisting tightness in labor markets and a diminishing drag from non-oil import prices.

In the Committee's discussion of current and prospective developments, members commented on the persistence of unusually favorable economic conditions, characterized by strong growth and low inflation, but a number questioned how long these conditions might last without a policy adjustment. Domestic demand was exceeding expectations and was likely to continue to increase rapidly for some time, supported by accommodative conditions in key segments of financial markets. Developments in foreign trade were moderating demands on domestic resources; but with domestic spending strong, members were becoming more concerned that those developments might not exert enough restraint on aggregate demand to slow the expansion to a sustainable pace in line with the growth of the economy's potential. Despite tightening labor markets, inflation prospects remained quite favorable for a while as a number of factors—some temporary—helped to damp near-term pressures on prices. Nonetheless, in the absence of some slowing in the expansion, labor compensation probably would continue to accelerate and increasingly outpace productivity, adding to pressures on prices.

In their review of the outlook for spending in key sectors of the domestic economy, members saw little reason to anticipate substantial slowing in the growth of consumer or business expenditures in coming quarters, and they also expected housing activity to be maintained at a relatively high level. The recent further increases in equity prices from already high levels played an important role in the assessments of several members. The stock market's rise was viewed as somewhat puzzling, given indications of some slowing in the growth of profits and the potential for earnings disappointments as the expansion in spending moderated and profit margins narrowed in the context of more rapid labor cost increases. So long as a high degree of optimism in the stock market persisted, however, the elevated level of financial wealth and the low cost of capital should continue to boost spending. Consumer expenditures, especially for durable goods, had risen sharply thus far this year, and the factors that had fueled that expansion were still unusually positive. They included large increases in employment and personal incomes, the continuing uptrend in financial wealth relative to disposable income, and, in these circumstances, the persistence of a very high level of consumer confidence. Attractive financing conditions and favorable business confidence also were expected to support substantial further growth in business investment, especially in high tech equipment that was characterized by rapid product improvement and falling prices. Investment in nonresidential structures, notably in office and other commercial markets, seemed likely to strengthen somewhat in response to reduced vacancy rates and sizable increases in rents in many areas; indeed, several members again reported indications of speculative nonresidential construction in some parts of the country. Residential construction was expected to be maintained at a high level, though single-family starts might soften over the next few months after a surge that appeared to have been related to relatively favorable weather conditions during the winter. With mortgage rates at their recent reduced levels and incomes continuing to rise, the cash flow affordability of home ownership was exceptionally favorable.

Developments in two areas of expenditures were thought likely to exert some restraining effect on the overall expansion in economic activity over coming quarters. One was business inventory accumulation, which had exceeded the robust growth in final sales in 1997 and probably would moderate this year as business firms sought to restrain the buildup in their inventories to keep them in better alignment with the expected moderation of gains in sales.

The second, foreign trade developments, also was likely to have a damping influence on the domestic economy. While the lagged effects of the dollar's appreciation and economic conditions in key U.S. trading partners around the world were important factors in this assessment, members focused in this discussion on the effects of weakness in several Asian economies. Conditions in Japan and in key emerging market economies in Asia were still quite fragile, adjustments on the real side of the economy were just beginning to be felt in some cases, and outcomes for economic growth and exchange rates were still very much in doubt. Nonetheless, some progress had been made in putting recovery programs together, and financial markets had seemed to stabilize in several countries. Anecdotal reports of adverse repercussions on individual U.S. firms from the Asian financial turmoil had increased somewhat since the Committee's previous meeting, but the direct overall impact on the U.S. economy was still limited. Indeed, developments in Asia also appeared to have had positive, albeit indirect, effects on domestic demand and prices in the near term by exerting some downward pressure on U.S. interest rates and world oil prices. Prices in the United States of a number of Asian goods and of domestic products competing with those goods had been lowered. Over time, conditions in key Asian economies were thought likely to have a more pronounced retarding effect on the U.S. economy. While the eventual dimensions of that effect remained uncertain, a number of members commented that, on the basis of developments to date, they might turn out to be less negative than had been expected earlier, or at least that some "worst case" outcomes seemed less likely.

With regard to the outlook for inflation, members observed that price inflation remained quite low—in fact, it was still declining by some measures—and there was little evidence of any potential acceleration in current price data or in anecdotal reports from around the country. Nonetheless, as they had at previous meetings, members expressed particular concern about the outlook for prices in the absence of appreciable slowing in the growth of aggregate demand, which appeared to be adding to pressures on labor resources. Anecdotal reports from across the nation continued to suggest exceptionally tight labor markets and growing indications of somewhat faster increases in labor compensation. To date, unit labor costs had been contained by large capital investments and other initiatives that had raised the productivity of labor. But additional improvements in productivity growth could not be counted on to offset further increases in the rate of growth of labor compensation, which were more likely to occur especially if labor markets were to tighten further. Moreover, the effects of a number of special factors that had tended to limit cost pressures and price inflation in recent years were not likely to persist; these included the declines in world oil prices, the subdued increases in the costs of health benefits, and the lagged effects of the appreciation of the dollar. To be sure, the factors that had produced the favorable inflation results of recent years were not all well understood, and consequently expectations of greater price pressures had to be tentative. On balance, though any upsurge in inflation seemed unlikely in the nearer term, the risk that inflation might move higher over the longer run seemed to have increased.

Despite perceptions of a greater risk of rising inflation over time, all but one of the members indicated in the Committee's policy discussion that they preferred, or could accept, a proposal to maintain an unchanged policy stance that also included a shift from the current symmetrical directive to an asymmetrical directive tilted toward restraint. The members agreed that should the strength of the economic expansion and the firming of labor markets persist, policy tightening likely would be needed at some point to head off imbalances that over time would undermine the expansion in economic activity. Most saw little urgency to tighten policy at this meeting, however. The economy might well continue to accommodate relatively robust economic growth and a high level of resource use for an extended period without a rise in inflation. Some members noted that price increases would be held down for a while by the effects of the higher dollar, which had not worked their way fully through domestic prices. Moreover, inflation continued to fall by some measures and inflation expectations still seemed to be adjusting downward toward actual inflation; further declines in these expectations would restrain increases in compensation and prices. Members also noted that the ultimate extent of retarding effects from the financial turmoil in Asia was still uncertain, and several cited the possibility of a downward adjustment in the stock market, perhaps in response to disappointing growth in business profits, that could have an adverse impact on business and consumer confidence. In these circumstances, a preemptive policy move to head off rising inflation could prove premature or perhaps even unwarranted; indeed, in the view of some, a tightening move was not inevitable. Moreover, because a policy action was not currently anticipated, some commented that a tightening could produce an outsized and undesirable response in financial markets. On balance, in light of the uncertainties in the outlook and given that a variety of special factors would continue to contain inflation for a time, the Committee could await further developments bearing on the strength of inflationary pressures without incurring a significant risk that disruptive policy actions would be needed later in response to an upturn in inflation and inflation expectations.

One member indicated a strong preference for an immediate policy tightening move, largely on the grounds that under current conditions relatively rapid growth in money and credit was not consistent with continued progress toward reducing inflation. A number of other members also commented that the strength of the monetary aggregates, especially if it should persist, was suggesting ample liquidity and accommodative financial conditions. In addition, some cited ebullient equity markets and narrow risk spreads in credit markets as additional evidence that financial conditions were not restraining final demands very much. These were factors that they would weigh in their evaluation of the need for, and timing of, a policy tightening move.

The members agreed that they should be particularly sensitive to developments that might signal rising inflation pressures, and in that regard a shift to an asymmetric directive seemed desirable. Such a directive would be consistent with the Committee's judgment that the information that had become available since a symmetric directive was last adopted in February had altered the inflation risks enough to make some tightening a likely prospect in the not too distant future. In that regard several suggested that the need for some policy tightening could well materialize in the near future.

At the conclusion of the Committee's discussion, all but one member supported a directive that called for maintaining conditions in reserve markets that were consistent with an unchanged federal funds rate of about 5½ percent and that contained a bias toward the possible firming of reserve conditions and a higher federal funds rate. Accordingly, in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, the Committee decided that a somewhat higher federal funds rate would be acceptable or a slightly lower federal funds rate might be acceptable during the intermeeting period. The reserve conditions contemplated at this meeting were expected to be consistent with considerable moderation in the growth in M2 and M3 over the months ahead.

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

Account in accordance with the following domestic policy directive:

The information reviewed at this meeting suggests that economic activity continued to grow rapidly during the early months of 1998. Nonfarm payroll employment increased sharply further in January and February, and the civilian unemployment rate, at 4.6 percent in February, equaled its low for the current economic expansion. However, growth in manufacturing payroll employment was down over the first two months of the year, and factory output decelerated appreciably. Consumer spending has risen considerably further since year-end, and housing activity also has strengthened in recent months. Available indicators point to a sharp rebound in business fixed investment following a small decline in the fourth quarter. Fragmentary data on nonfarm inventories suggest a slower rate of accumulation early in the year. The nominal deficit on U.S. trade in goods and services widened substantially in January from its average monthly rate in the fourth quarter. Despite indications of persisting pressures on employment costs associated with tight labor markets, price inflation has abated further, primarily as a consequence of large declines in energy prices.

Interest rates generally have risen somewhat on balance over the intermeeting period. Share prices in U.S. equity markets have moved up substantially further over the period. In foreign exchange markets, the value of the dollar has increased somewhat over the period in relation to the currencies of other major industrial nations, but it has depreciated relative to the currencies of most emerging market economies in Asia.

Growth of M2 and M3 picked up somewhat in the first quarter from already robust rates in the fourth quarter. Expansion of total domestic nonfinancial debt also has strengthened over recent months.

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

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

Votes for this action: Messrs. Greenspan, McDonough, Ferguson, Gramlich, Hoenig, Kelley, Meyer, Mses. Minehan, Phillips, Mr. Poole, and Ms. Rivlin. Vote against this action: Mr. Jordan.

Mr. Jordan dissented because growth rates of various measures of money and credit in the second half of 1997 and the first quarter of this year were not consistent in his view with continued progress in reducing inflation. Recent price statistics understated the trend rates of inflation. The one-time effects of falling oil prices, lower food prices, and recent appreciation of the dollar on foreign exchange markets provided only a temporary reduction of inflation. While some reacceleration of reported rates of inflation was probably unavoidable, sustained rapid money growth would risk even higher inflation in future years. The durability of the economic expansion would be jeopardized by price and wage decisions reflecting expectations that the purchasing power of the dollar would decline at faster rates in the future. Once such expectations became imbedded in the economy, even stronger policy actions would be required in order to reestablish a downward trend of inflation.

It was agreed that the next meeting of the Committee would be held on Tuesday, May 19, 1998.

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 4 of the Bank Holding Company Act

HUBCO, Inc.
Mahwah, New Jersey

Order Approving the Acquisition of a Savings Association

HUBCO, Inc. ("HUBCO"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire MSB Bancorp, Inc. ("MSB"), and thereby acquire its savings bank subsidiary, MSB Bank, both in Goshen, New York.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (63 *Federal Register* 11,446 (1998)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 4 of the BHC Act.

HUBCO, with total consolidated assets of approximately $3.0 billion, currently operates Hudson United Bank, Union City, New Jersey ("Lead Bank"), Lafayette American Bank, Bridgeport, Connecticut ("Lafayette Bank"), and Bank of the Hudson, Poughkeepsie, New York ("Bank of the Hudson").[2] HUBCO is the 64th largest depository institution in New York, controlling deposits of approximately $603 million, representing less than 1 percent of total deposits in depository institutions in the state ("state deposits").[3] MSB is the 58th largest depository institution in New York, controlling deposits of approximately $736 million, representing less than 1 percent of state deposits. On consummation of the proposal, HUBCO would become the 38th largest depository institution in New York, controlling deposits of approximately $1.3 billion, representing less than 1 percent of state deposits.

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

Competitive Considerations

In order to approve the proposal, the Board also must determine that performance of the proposed activities is a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[6] HUBCO and MSB compete directly in the Metropolitan New York/New Jersey banking market ("New York banking market").[7]

On consummation of the proposal, HUBCO would become the 18th largest depository institution in the market, controlling deposits of approximately $3.3 billion, representing less than one percent of total deposits in depository institutions in the market.[8] Concentration in the New York

1. HUBCO proposes to merge MSB Bank with and into its savings bank subsidiary, Bank of the Hudson, Poughkeepsie, New York. HUBCO has requested approval of the proposed merger from the Office of Thrift Supervision ("OTS") under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) ("Bank Merger Act"). MSB also has granted HUBCO an option to acquire approximately 21 percent of MSB's outstanding common stock. The option would expire on consummation of the proposal.

2. Asset data are as of December 31, 1997, and deposit data are as of June 30, 1997.

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

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

5. MSB Bank currently engages in certain insurance and travel agency activities that are impermissible for bank holding companies. HUBCO has committed to cease MSB Bank's sale or renewal of insurance policies on consummation of the proposal, and to terminate all impermissible insurance and travel agency activities within two years of consummation of the proposal.

6. 12 U.S.C. § 1843(c)(8).

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

8. Market share data are as of June 30, 1996. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City*

banking market, as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines") would not increase, and the market would remain unconcentrated.[9] In addition, numerous competitors would remain in the New York banking market. 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 New York banking market or any other relevant banking market.

Record of Performance under the Community Reinvestment Act

In acting on applications to acquire a savings association, the Board considers the records of performance of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA").[10] The Board has reviewed the CRA performance records of Lead Bank, Lafayette Bank, Bank of the Hudson, and MSB Bank in light of all the facts of record, including comments received on the proposal from Inner City Press/Community on the Move ("Commenter").[11] Commenter contends that data submitted under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") for 1996 show that the marketing and lending activities of Lead Bank, Lafayette Bank, and MSB Bank are inadequate and illegally discriminatory with respect to minorities. Commenter also maintains that HUBCO's subsidiary banks and MSB Bank do not adequately serve the credit needs of low- and moderate-income ("LMI") communities, and that HUBCO funds its acquisitions of banking organizations through branch closings.[12]

A. CRA Performance Examinations

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

Lead Bank received an overall rating of "satisfactory" from its appropriate federal supervisor, the Federal Deposit Insurance Corporation ("FDIC"), at its most recent evaluation for CRA performance, as of February 1997 ("1997 Examination"). Lafayette Bank received an "outstanding" CRA performance rating from the FDIC at its most recent evaluation for CRA performance, as of March 1996 ("Lafayette Examination").[14] In addition, as of May 1997, the State of Connecticut Department of Banking ("SCDB") rated Lafayette Bank's CRA performance "satisfactory" pursuant to Connecticut law.[15]

Bank of the Hudson received an "outstanding" CRA performance rating from its appropriate federal supervisor, the OTS, at its most recent CRA examination, as of February 1998. MSB Bank also received an overall rating of "satisfactory" from the OTS at its most recent evaluation for CRA performance, as of September 1997.

Examiners found no evidence of prohibited discrimination or other illegal credit practices at HUBCO's subsidiary depository institutions or MSB Bank. The examinations also reviewed the delineations of the local communities served by the depository institutions and found that such delineations were consistent with applicable law and did not arbitrarily exclude LMI communities, and that the depository institutions solicited and accepted credit applications from all segments of their delineated communities. Examiners also determined that loans made by the depository institutions were reasonably distributed throughout the local communities they served, including LMI communities, and served all members of the communities, including LMI individuals.

Corporation, 70 *Federal Reserve Bulletin* 743 (1984). Because the deposits of MSB Bank would be acquired by a commercial banking organization under the proposal, MSB Bank's deposits are included at 100 percent in the calculation of the *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669 (1990).

9. Under the revised DOJ Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), a market in which the post-merger HHI is less than 1000 points is considered to be unconcentrated. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities. The HHI in the New York banking market would decrease by one point to 794 as a result of the proposal.

10. *See Banc One Corporation*, 83 *Federal Reserve Bulletin* 602 (1997).

11. HUBCO proposes to merge MSB Bank with and into Bank of the Hudson and to implement the CRA programs and policies of Bank of the Hudson at MSB Bank after consummation of the merger.

12. Commenter argues that HUBCO's ownership of MSB preferred stock since 1996 requires that the Board attribute MSB Bank's record of CRA performance to HUBCO. In connection with that investment, HUBCO provided a number of commitments that the Board has relied on in other cases to determine that an investing bank holding company would not be able to exercise a controlling influence over another depository institution. There is no evidence in the record that HUBCO has taken actions inconsistent with the commitments. For the reasons discussed in this order, moreover, MSB Bank's record of performance under the CRA does not present adverse considerations.

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

14. In reviewing the CRA performance record of Lafayette Bank, the Board also has considered confidential supervisory information collected by the FDIC during the course of an ongoing CRA examination of the bank.

15. *See* Conn. Gen. Stat. § 36a-32 (1997).

B. Lending Record of the Relevant Depository Institutions

Lead Bank in New Jersey. The 1997 Examination found that Lead Bank developed or participated in a number of programs designed to assist in meeting the housing-related credit needs of LMI individuals. Examiners noted that the bank offered a proprietary affordable mortgage program for qualified LMI borrowers that featured below-market interest rates, reduced application fees, and no mortgage insurance requirement for mortgages with a loan-to-value ratio of less than 90 percent. Examiners also noted that the bank offered an affordable home equity and home improvement loan program for LMI borrowers that featured below-market interest rates and no maximum or minimum loan amounts. In addition, the examination favorably commented on Lead Bank's participation in programs sponsored by the New Jersey Housing and Mortgage Finance Agency ("NJHMFA").[16] The 1997 Examination also reviewed 1995 and 1996 HMDA data filed by Lead Bank and found the bank's originations in 1995 and 1996 reflected a good penetration among retail customers of different income levels and that the geographic distribution of the bank's applications, originations, and denials was reasonable.[17]

Examiners also found that Lead Bank engaged in small business lending throughout its assessment area. In 1996, the bank originated approximately 214 small business loans, totalling approximately $34.7 million, and more than 24 percent of these loans were made to businesses in LMI census tracts within Lead Bank's service community. Lead Bank made 39 Small Business Administration ("SBA") loans in 1995, totalling $3.7 million, and 35 SBA loans in 1996, totalling $3.4 million.[18] The Board notes that HUBCO entered into an agreement with a community organization in New Jersey after the 1997 Examination to provide $75 million over the next five years to programs that seek to provide affordable housing and economic opportunities to LMI individuals in New Jersey.

Lafayette Bank in Connecticut. Examiners found that Lafayette Bank's record of lending within LMI census tracts and to LMI individuals was good and reflected management's commitment to community development. The Lafayette Examination also concluded that Lafayette Bank had an outstanding record of ascertaining and helping to meet the credit needs of its entire service community, including LMI neighborhoods. Examiners found that the bank actively ascertained community needs and employed a number of methods to ascertain those needs, including surveys of local citizens and bank directors, officers, and employees, and meetings with community leaders, social service agencies, and bank customers.[19]

Examiners also found Lafayette Bank to be receptive to participation in, and marketing of, loan programs sponsored by federal, state, and local government organizations. During 1995, the bank originated 24 SBA loans, totalling $6.2 million; the bank's current SBA portfolio consists of 132 loans, totalling $30.3 million. In February 1996, the bank was recognized as one of its service area's leading certified SBA lenders. Lafayette Bank also has participated in the Connecticut Small Business Reserve Fund, which facilitates bank lending to small businesses in urban areas. Through September 30, 1995, the bank had extended 24 loans, totalling $1.5 million, through this program. Lafayette Bank also offers the Federal Housing Administration Insured Residential Mortgage Program, which provides insured residential mortgages to qualified LMI applicants at below-market interest rates and with reduced down payment requirements. In conjunction with the Connecticut Department of Housing, the bank has developed the First-Time Homebuyers Mortgage Program, which enables LMI applicants to qualify to purchase homes with no down payment.

Lafayette Bank also provides financial support to a number of community development programs in its assessment area. For example, examiners noted that the bank provided a line of credit to Neighborhood Housing Services of New Haven, which rehabilitates real estate and resells the properties to LMI individuals, and to the New Haven Loan Fund, which provides construction financing for the development of LMI housing units in the Greater New Haven area. The bank also provided financing to qualified borrowers in connection with the Bridgeport Neighborhood Fund, Neighborhood Housing Services of Norwalk, and the City of Meridian's Block Grant Program, each of which are organizations that rehabilitate property for resale to LMI borrowers.

Bank of the Hudson in New York. The 1998 examination of Bank of the Hudson concluded that the institution had shown a commitment to provide affordable housing loans to LMI individuals in its community by offering several innovative and flexible affordable home loan programs designed to assist LMI borrowers.[20] Examiners noted that Bank of the Hudson made 318 loans in its assessment area under these affordable mortgage programs, representing 28

16. Lead Bank is a participating lender in NJHMFA's First-Time Homebuyers Program, which offers LMI first-time homebuyers low-cost, fixed-rate, 30-year mortgage loans with a maximum 97 percent loan-to-value ratio, and NJHMFA's Buy and Fix-It Program.

17. Examiners noted that Lead Bank could improve its record of lending in LMI areas in several New Jersey counties and encouraged the bank to improve its lending record in these areas, particularly in Middlesex and Somerset Counties. The Board also expects Lead Bank to address these matters. As discussed in this order, however, Lead Bank's overall CRA performance rating is satisfactory and the bank engages in a number of lending activities designed to help meet the credit needs of its communities, including LMI neighborhoods.

18. The SBA awarded the bank a Bronze Award in 1995 and 1996 for its performance in the SBA Guaranteed Loan Program and has accorded the bank preferred lender status.

19. The Lafayette Examination noted that the bank's ongoing community contacts have resulted in the bank's participation in several community development projects and loan programs sponsored by local governments.

20. These programs include the City of Poughkeepsie First Time Homebuyers Program, the Dutchess Housing Partnership First Time Homebuyers Program, the Hudson Valley First Time Homebuyers Program, and the First Home Club Savings Program.

percent of the number and dollar volume of the bank's 1–4 family mortgage lending in the assessment area.

With respect to community development, examiners found that the number and dollar volume of Bank of the Hudson's community development loans and activities demonstrated an outstanding response to the economic development needs of its community. Examiners noted that the institution had made seven community development loans, totalling $8.2 million, during the assessment period (August 1995 to December 1997) and had established a department dedicated to community development lending.[21] Examiners also noted that the institution made 42 small business loans, totalling $6.75 million, in its assessment area, and that the geographic distribution of the bank's residential mortgage, consumer, and small business loans compared favorably to lenders in the aggregate.

C. Branch Closings

HUBCO does not intend to close any branches as a result of the proposal. The Board has reviewed Commenter's contentions regarding HUBCO's branch closings in the past or in other proposed transactions in that light. The Board also has reviewed the most recent CRA examination reports and other confidential supervisory information from the appropriate federal supervisors of HUBCO's subsidiary depository institutions and MSB Bank assessing the banks' records of branch closings and branch closing policies. The Board notes that the appropriate federal supervisors of HUBCO's subsidiary depository institutions and MSB Bank concluded that the branching networks of these depository institutions provided reasonable access to services of the institutions to all segments of their delineated communities. Examiners also concluded that the branch closings of Lead Bank and Lafayette Bank had not adversely affected LMI communities or LMI individuals.[22] Examiners also reviewed the branch closing policy of Lafayette Bank and concluded that the policy was consistent with applicable law.

D. HMDA Data

The Board has carefully reviewed HMDA data filed by Lead Bank, Lafayette Bank, and MSB Bank in light of Commenter's contentions. HMDA data for Lead Bank and Lafayette Bank indicate some disparities in the rate of loan originations, denials, and applications by racial group and income level. The data also indicate, however, that, in 1995 and 1996, Lead Bank received a higher percentage of its credit applications from LMI census tracts in the Bergen-Passaic Metropolitan Statistical Area ("MSA"), and had a higher origination rate with respect to such applications, than lenders in the aggregate. The data also indicate that Lead Bank's ratio of denials of African-American credit applicants to white credit applicants in the combined area of the Bergen-Passaic and Newark MSAs was lower than that of lenders in the aggregate in 1995 and 1996.

The Board is concerned when an institution's record indicates disparities in lending to minorities and believes that all banks are obligated to ensure that their lending practices are based on criteria that assure not only safe and sound banking, but also equal access to credit by creditworthy applicants regardless of race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community and have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal discrimination in making lending decisions.[23]

Because of the limitations of HMDA data, the Board has carefully reviewed other information, particularly examination reports that provide an on-site evaluation of compliance by the banks with fair lending laws. As discussed above, examiners noted no evidence of prohibited discrimination or other illegal credit practices at HUBCO's subsidiary depository institutions or MSB Bank at their most recent examinations. In addition, examiners commented favorably that HUBCO's subsidiary banks had a formal review process for all denied mortgage loan applications. The Board also has considered the HMDA data in light of the lending record of the institutions, which shows that the banks are assisting in meeting the credit needs of their entire communities, including LMI neighborhoods.[24]

21. Bank of the Hudson provided a $480,000 construction loan to the Village Housing Project for the construction of rental housing units for LMI senior citizens, and a $120,000 subsidy under the Federal Home Loan Bank Affordable Housing Program to the Garden Street Revitalization project to renovate 72 homes in a low-income area of Poughkeepsie.

22. In addition to these factors, the Board has considered that federal banking law permits the closing of branches and provides a specific mechanism for addressing branch closings. Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closings (58 *Federal Register* 49,083 (1993)), requires that an insured depository institution provide the public with at least 30 days' notice and the appropriate federal supervisor with at least 90 days' notice before the date of the proposed branch closing. The insured depository institution also is required to provide reasons and other supporting data for the closure, consistent with the institution's written branch closing policy. The requirement applies any time a branch is closed, whether in connection with an acquisition or at any time after completion of an acquisition. The law does not authorize federal regulators to prevent the closing of any branch.

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

24. Commenter alleges that HUBCO has violated the fair lending laws by expanding its branch presence, particularly into Connecticut and New York, in a manner that avoids LMI and minority communities. The Board notes that HUBCO acquired its branches in Connecticut and New York through the acquisition of entire banking organizations, not by opening new branches in selected communities. Furthermore, as discussed in this order, FDIC and OTS examiners noted no evidence of prohibited discrimination by Lead Bank, Lafayette Bank, Bank of the Hudson, or MSB Bank in their most recent examinations of these institutions, and concluded that the branches of these institutions were reasonably accessible to the communities served by the institutions.

E. Conclusion on CRA Performance Records

The Board has carefully considered all the facts of record, including Commenter's comments and confidential examination reports and other supervisory information from the appropriate federal supervisors, in reviewing the CRA performance records of the institutions involved in the transaction. Based on a review of the entire record, and for the reasons discussed above, the Board concludes that the CRA performance records of HUBCO's subsidiary depository institutions and MSB Bank are consistent with approval of the proposal.[25]

Other Considerations

In connection with its review of the public interest factors under section 4 of the BHC Act, the Board has carefully reviewed the financial and managerial resources of HUBCO and MSB and their respective subsidiaries and the effect the transaction would have on such resources in light of all the facts of record.[26] These facts include confidential financial information from HUBCO and confidential reports of examination and other supervisory information received from the appropriate federal supervisors of the affected organizations assessing the financial and managerial resources of the organizations. Based on all the facts of record, the Board concludes that the financial and managerial resources of the organizations involved in the proposal are consistent with approval.

Additionally, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies may make potentially profitable investments in nonbanking companies when, as in this case, those investments are consistent with the relevant considerations under the BHC Act, and from permitting banking organizations to allocate their resources in the manner they believe is most efficient. Based on all the facts of record, the Board has determined that consummation of this proposal can reasonably be expected to produce public benefits that would outweigh any likely adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

25. Commenter requests that the Board conduct a fair lending examination of Lead Bank and Lafayette Bank and refer the banks to the Department of Justice for possible enforcement action under the fair lending laws. The FDIC, the appropriate federal supervisor of Lead Bank and Lafayette Bank, is charged with primary responsibility for examining the compliance of such banks with the fair lending laws. As discussed above, the FDIC found no evidence of prohibited discrimination by Lead Bank and Lafayette Bank at the most recent CRA examination of these institutions. Based on these and all other facts of record, the Board concludes that neither a special on-site examination of HUBCO's subsidiary depository institutions for fair lending law compliance nor referral of the institutions to the Department of Justice is warranted.

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

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the notice should be, and hereby is, approved.[27] The Board's approval of the proposal is specifically conditioned on compliance by HUBCO with the commitments made in connection with the notice. The Board's determination also is subject to all the conditions in Regulation Y, including those in sections 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective May 13, 1998.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

27. Commenter also requests that the Board hold a public hearing or meeting on the notice to receive evidence concerning HUBCO's record of lending and expansion into predominately non-minority communities, and the efficacy of the passivity commitments provided by HUBCO in connection with its January 1996 acquisition of MSB preferred stock. The Board's rules provide for a hearing on notices under section 4 of the BHC Act if there are disputed issues of material fact that cannot be resolved in some other manner. *See* 12 C.F.R. 225.25(a)(2). Under its rules, the Board also may, in its discretion, hold a public hearing or meeting on a notice to acquire a savings association if a hearing is necessary or appropriate to clarify factual issues related to the notice and to provide an opportunity for testimony, if appropriate.

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

Norwest Corporation
Minneapolis, Minnesota

Norwest Investment Services, Inc.
Minneapolis, Minnesota

Order Approving Notice to Engage in Underwriting and Dealing in All Types of Debt Securities on a Limited Basis

Norwest Corporation ("Norwest"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), and its wholly owned subsidiary, Norwest Investment Services, Inc. ("Company"), have requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to engage *de novo* in underwriting and dealing, to a limited extent, in all types of debt securities.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (63 *Federal Register* 17,874 (1998)). 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(c)(8) of the BHC Act.

Norwest, with total consolidated assets of $88.5 billion, is the 11th largest commercial banking organization in the United States.[1] Norwest operates subsidiary banks in 16 states and engages through its subsidiaries in a broad range of permissible nonbanking activities. Company currently engages in limited underwriting and dealing in bank-ineligible securities,[2] as permitted under section 20 of the Glass-Steagall Act (12 U.S.C. § 377).[3] Company is, and will continue to be, a broker-dealer registered with the Securities and Exchange Commission ("SEC") and a member of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, Company is subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*), the SEC, and the NASD.

The Board has determined that—subject to the prudential framework of limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, or other adverse effects—the proposed activities of underwriting and dealing in bank-ineligible securities are so closely related to banking as to be proper incidents thereto within the meaning of section 4(c)(8) of the BHC Act.[4] The Board also has determined that conduct of the proposed activities is consistent with section 20 of the Glass–Steagall Act, provided that the company engaged in the underwriting and dealing activities derives no more than 25 percent of its gross revenues from underwriting and dealing in bank-ineligible securities.[5]

Norwest has committed that Company will conduct the proposed underwriting and dealing activities using the same methods and procedures, and subject to the same prudential limitations, as established by the Board in the Section 20 Orders. Norwest also has committed that Company will conduct its bank-ineligible underwriting and dealing activities subject to the Board's revenue restriction. As a condition of this order, Norwest is required to conduct its bank-ineligible securities underwriting and dealing activities subject to the revenue restrictions and the Operating Standards established for section 20 subsidiaries ("Operating Standards").[6]

In order to approve this notice, the Board also must consider whether performance of the proposed activities is a proper incident to banking, that is, whether the activities proposed "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[7] As part of its evaluation of these factors, the Board considers the financial condition and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[8] The Board

1. Asset and ranking data are as of December 31, 1997.

2. As used in this order, the term "bank-ineligible securities" refers to securities that a member bank may not underwrite or deal in directly under section 16 of the Glass-Steagall Act (12 U.S.C. § 24 (Seventh)).

3. Company has authority to underwrite and deal in, to a limited extent, certain municipal revenue bonds, 1–4 family mortgage-related securities, commercial paper, and consumer receivable related securities. Company also is authorized to engage in a variety of other nonbanking activities. *See Norwest Corporation*, 76 *Federal Reserve Bulletin* 79 (1990); *see also Letter Interpreting Section 20 Orders*, 81 *Federal Reserve Bulletin* 198 (1995).

4. *See Canadian Imperial Bank of Commerce, et al.*, 76 *Federal Reserve Bulletin* 158 (1990); *J.P. Morgan & Co. Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industries Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990); *Citicorp, et al.*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir.), *cert. den.*, 486 U.S. 1059 (1988); as modified by *Review of Restrictions on Director, Officer and Employee Interlocks, Cross-Marketing Activities, and the Purchase and Sale of Financial Assets Between a Section 20 Subsidiary and an Affiliated Bank or Thrift*, 61 *Federal Register* 57,679 (1996), and *Amendments to Restrictions in the Board's Section 20 Orders*, 62 *Federal Register* 45,295 (1997) (collectively, "Section 20 Orders").

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

6. 12 C.F.R. 225.200. Company may provide services that are necessary incidents to the proposed underwriting and dealing activities. Unless Company receives specific approval under section 4(c)(8) of the BHC Act to conduct the activities independently, any revenues from the incidental activities must be treated as ineligible revenues subject to the Board's revenue limitations.

7. 12 U.S.C. § 1843(c)(8).

8. *See* 12 C.F.R. 225.24.

has reviewed the capitalization of Norwest and Company in accordance with the standards set forth in the Section 20 Orders and finds the capitalization of each to be consistent with approval of the proposal. With respect to Company, this determination is based on all the facts of record, including Norwest's projections of the volume of Company's underwriting and dealing activities in bank-ineligible securities. The Board also has reviewed the managerial resources of Norwest and its subsidiaries in light of examination reports and other supervisory information. Based on all other facts of record, including the commitments provided in this case and the proposed managerial and risk systems of Company, the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

In addition, the Board has carefully considered the competitive effects of the proposal. The Board expects that the *de novo* entry of Company into the market for the proposed services would provide added convenience to Norwest's customers, lead to improved methods of meeting customer financing needs, and increase the level of competition among existing providers of these services. For the reasons set forth, and based on all the facts of record, the Board has determined that performance of the proposed activities by Company can reasonably be expected to produce public benefits that outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

On the basis of all the facts of record, the Board has determined that the notice should be, and hereby is, approved, subject to all the terms and conditions in this order. The Board's approval of this proposal extends only to activities conducted within the limitations of this order, including the Board's reservation of authority to establish additional limitations to ensure that Company's activities are consistent with safety and soundness, avoidance of conflicts of interests, and other relevant considerations under the BHC Act. Underwriting and dealing in any manner other than as approved in this order and the Section 20 Orders (as modified by the Modification Orders) is not within the scope of the Board's approval and is not authorized for Company.

Included among the conditions set forth in the Section 20 Orders is a condition that Company not commence the proposed underwriting and dealing activities until the Board has determined that Norwest and Company have established policies and procedures to ensure compliance with this order and the Section 20 Orders, including computer, audit, and accounting systems, internal risk management procedures and controls, and the necessary operational and managerial infrastructure for underwriting and dealing in all types of debt securities. On the basis of a recent review by the Federal Reserve Bank of Minneapolis ("Reserve Bank"), and based on all the facts of record, the Board has determined that Norwest and Company have established the managerial and operational infrastructure and other policies and procedures necessary to comply with the requirements of this order and the Section 20 Orders for underwriting and dealing in debt securities. Accordingly, Company may commence underwriting and dealing in all types of debt securities as permitted by, and subject to the other conditions of, this order and the Section 20 Orders.

The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments made in connection with this notice and the conditions set forth in this order and the above-noted Board regulations and orders. These commitments and conditions 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 proposal shall not be commenced 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 Reserve Bank, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 26, 1998.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Orders Issued Under Sections 3 and 4 of the Bank Holding Company Act

Banc One Corporation
Columbus, Ohio

Order Approving the Acquisition of a Bank Holding Company

Banc One Corporation ("Banc One"), 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 First Commerce Corporation, New Orleans, Louisiana ("First Commerce"), and its wholly owned subsidiary banks: First National Bank of Commerce, New Orleans; City National Bank of Baton Rouge, Baton Rouge; Rapides Bank & Trust Company in Alexandria, Alexandria; The First National Bank of Lafayette, Lafayette; The First National Bank of Lake Charles, Lake Charles; and Central Bank, Monroe, all in Louisiana.[1]

1. Banc One intends to merge First Commerce with a wholly owned non-operating subsidiary of Banc One. First Commerce would be the

Banc One also has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire First Commerce Service Corporation, New Orleans, Louisiana, and thereby engage in data processing activities that are permissible for bank holding companies under section 225.28(b)(14) of Regulation Y (12 C.F.R. 225.28(b)(14)).[2]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board's rules (63 *Federal Register* 3896 (1998)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

Banc One, with total consolidated assets of $116.2 billion, is the eighth largest commercial banking organization in the United States, controlling approximately 2.3 percent of total banking assets of insured commercial banks ("total banking assets") in the United States.[3] Banc One operates subsidiary banks in Arizona, Colorado, Illinois, Indiana, Kentucky, Louisiana, Ohio, Oklahoma, Texas, Utah, West Virginia, and Wisconsin. Banc One also engages in a broad range of permissible nonbanking activities in the United States through subsidiaries.

First Commerce, with total consolidated assets of $9.5 billion, is the 62d largest commercial banking organization in the United States, controlling less than 1 percent of the total banking assets in the United States. First Commerce operates six banks in Louisiana and engages in permissible nonbanking activities. On consummation of the proposal, and after accounting for the proposed divestitures, Banc One would remain the eighth largest commercial banking organization in the United States, with total consolidated assets of approximately $125.7 billion, representing approximately 2.5 percent of total nationwide banking assets.

Banc One is the third largest depository institution in Louisiana, controlling $4.2 billion in deposits, representing approximately 9.8 percent of total deposits in insured depository institutions in the state.[4] First Commerce is the largest depository institution in Louisiana, controlling $7.7 billion of deposits, representing approximately 18 percent of total deposits in the state. On consummation of the proposal, and accounting for the proposed divestitures, Banc One would become the largest commercial banking organization in Louisiana, controlling approximately $11.2 billion in deposits, representing approximately 26.3 percent of the total deposits 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 Banc One is Ohio, and Banc One proposes to acquire banks in Louisiana. All of the conditions for an interstate acquisition enumerated in section 3(d) are met in this case.[6] In view of the facts of record, the Board is permitted to approve this 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 substantially lessen competition 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 effect of the proposal in meeting the convenience and needs of the community to be served.[7]

Banc One and First Commerce compete in the following banking markets in Louisiana: Baton Rouge, Iberia, Lafayette, Lake Charles, Lincoln, Monroe, Morehouse, Shreveport-Bossier City, and New Orleans.[8] The Board has carefully reviewed the competitive effects of the proposal in each of the Louisiana banking markets in which Banc One and First Commerce compete in light of all the facts of record, including the characteristics of the markets and the projected increase in the concentration of total deposits in depository institutions in these markets ("market depos-

surviving corporation and a wholly owned subsidiary of Banc One that would be renamed Louisiana Banc One Corporation. In addition, Banc One has requested the Board's approval to hold and exercise options to purchase up to 19.9 percent of the voting shares of First Commerce if certain events occur. The options would expire on consummation of the proposal.

2. Banc One also would acquire 9.9 percent of the voting shares of First United Bank of Farmerville, Farmerville, Louisiana ("First United") from First Commerce. Banc One has agreed to abide by certain commitments made by First Commerce that were relied on by the Board to ensure that First Commerce would not exercise a controlling influence over the management and policies of First United and to divest the shares of First United within six months after consummating the acquisition of First Commerce.

3. Asset data are as of December 31, 1997, and deposit data are as of June 30, 1997.

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

5. A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1996, 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) & (B) and 1842(d)(2)(A) & (B). Banc One is adequately capitalized and adequately managed, as defined by applicable law. On consummation of the proposal, Banc One and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States, and less than 30 percent of the total amount of deposits in Louisiana. In addition, First Commerce's subsidiary banks have been in existence and have continuously operated for at least five years, as required by Louisiana law. La. Rev. Stat. § 6:538 (1997). All other requirements of section 3(d) of the BHC Act also would be met on consummation of the proposal.

7. 12 U.S.C. § 1842(c)(1)(B).

8. These banking markets are described in Appendix A.

its"),[9] as measured by the Herfindahl–Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines").[10] The Board also has carefully examined the number of competitors that would remain in each of the banking markets following consummation of the proposal. Consummation of the proposal, without divestitures, would be consistent with the DOJ Guidelines in the Iberia, Morehouse, and Shreveport-Bossier City banking markets.[11]

To mitigate the anticompetitive effects of the proposal in the Lafayette, Lake Charles, Lincoln, and Monroe banking markets, Banc One has committed to divest 25 branches that control approximately $614.5 million in deposits.[12] With the proposed divestitures, the concentration levels in each of the markets would be consistent with the DOJ Guidelines after consummation of the proposal.[13]

Consummation of the proposal would exceed the DOJ Guidelines, as measured by the HHI, in the Baton Rouge and New Orleans banking markets. As the Board has indicated in previous cases, in a market in which the competitive effects of a proposal as measured by market indexes and market share exceed the DOJ Guidelines, the Board will consider whether other factors tend to mitigate the competitive effects of the proposal. The number and strength of factors necessary to mitigate the competitive effects of a proposal depend on the level of market concentration and size of the increase in market concentration.[14]

Baton Rouge Banking Market. Banc One is the third largest of 25 depository institutions in the Baton Rouge banking market, and controls deposits of $895.9 million, representing 15.4 percent of market deposits. First Commerce is the second largest depository institution in the market, and controls deposits of $971.7 million, representing 16.7 percent of market deposits. After consummation of the proposal, Banc One would become the largest depository institution in the market, controlling 32.1 percent of the market deposits, and the HHI would increase 515 points to 1895.

Twenty-four depository institutions, including several large multi-state banking organizations other than Banc One, would remain in the Baton Rouge banking market after consummation of the proposal. In addition, one of Louisiana's largest banking organization would be the second largest depository institution in the market and would control more than 25 percent of market deposits.

The Baton Rouge banking market also has characteristics that make it attractive for entry. Baton Rouge is Louisiana's second largest city. The rate of growth in population and market deposits and the level of per capita income in this market exceed, on average, those of other Louisiana Metropolitan Statistical Areas ("MSAs"). Recent entries by depository institutions also indicate that the market is attractive. Since 1994, four commercial banks have entered the market *de novo*, and four have entered by acquisition. In addition, another commercial bank has received regulatory approval and plans to enter the market *de novo* in June 1998.

New Orleans Banking Market. Banc One is the fifth largest of 41 depository institutions in the New Orleans banking market and controls deposits of $627.3 million, representing 4.4 percent of market deposits. First Commerce is the largest depository institution in the market and controls deposits of $4.4 billion, representing 30.8 percent of market deposits. After consummation of the proposal, Banc One would become the largest depository institution in the market, controlling 35.2 percent of market deposits, and the HHI would increase 272 points to 2099.

The New Orleans banking market is the largest banking market in Louisiana. Approximately 39 competitors other than Banc One would remain in the market after consummation of the proposal, including all of the state's largest depository institutions. Three of these competitors would each have market shares of over 15 percent of market deposits, and the second largest depository institution in the market would have over 23 percent of market deposits. In addition, per capita income, deposits per branch, population per branch, and deposit growth in the market are above the averages in other Louisiana MSAs. Since 1994, three depository institutions have entered the market *de novo*, and six have entered by acquisition, which indicates that the market is attractive for entry.

Views of Other Agencies and Conclusion. The Department of Justice conducted a detailed review of the proposal and advised the Board that, in light of the proposed divestitures, consummation of the proposal would not likely have a significantly adverse effect on competition in any rele-

9. Market share data are based on calculations that include the deposits of thrift institutions 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 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).

10. Under the DOJ Merger Guidelines, 49 *Federal Register* 26,823 (1984), a market in which the post-merger HHI is more than 1800 is considered highly concentrated. The DOJ 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 DOJ has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial institutions.

11. Market data for these banking markets after consummation of the proposal are described in Appendix B.

12. Banc One has committed to execute sales agreements with an out-of-market competitor in the Lincoln banking market and a competitively suitable purchaser in the Lafayette, Lake Charles and Monroe banking markets and to complete divestitures within 180 days of consummation of the acquisition. Banc One also has committed that, in the event it is unsuccessful in completing any divestiture within 180 days of consummation, it will transfer the unsold branch(es) to an independent trustee that is acceptable to the Board and that will be instructed to sell the branches promptly. *See, e.g., First Union Corporation*, 84 *Federal Reserve Bulletin* 489 (1998).

13. Market data for these banking markets after consummation of the proposal are also described in Appendix B.

14. *See First Union Corporation*, 84 *Federal Reserve Bulletin* 489 (1998); *NationsBank Corporation*, 84 *Federal Reserve Bulletin* 129 (1998).

vant market. The Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation also have not objected to consummation of the proposal.

Based on all the facts of record, and for the reasons discussed above, the Board has determined that consummation of the proposal would not be likely to result in a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market. Accordingly, subject to completion of the proposed divestitures, the Board has determined that competitive factors are consistent with approval of the proposal.

Other Factors Under the BHC Act

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

A. Financial, Managerial, and Other Supervisory Factors

The Board has carefully considered the financial and managerial resources and future prospects of Banc One, First Commerce, and their respective subsidiary banks, 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 supervisory information prepared by the Reserve Banks and other federal agencies. The Board notes that the bank holding companies and their subsidiary banks are currently well capitalized and are expected to remain so after consummation of the proposal.

The Board also has considered other aspects of the financial condition and resources of the two organizations, the structure of the proposed transaction, and the managerial resources of each of the entities and the combined organization. Based on these and other facts of record, the Board concludes that considerations relating to the financial and managerial resources and future prospects of Banc One, First Commerce, and their respective subsidiaries are consistent with approval of the proposal, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act.

B. Convenience and Needs Considerations

The Board has carefully considered the effect of the proposed acquisition on the convenience and needs of the community to be served in light of all the facts of record. 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 ("CRA") (12 U.S.C. § 2901 *et seq.*). As provided in the CRA, the Board evaluates the convenience and needs factor in light of examinations by the primary federal supervisor of the CRA performance records of the relevant institutions.[15]

All of Banc One's subsidiary banks have received "outstanding" or "satisfactory" ratings for their appropriate federal supervisors at the most recent examinations of their CRA performance. Banc One's lead bank, Bank One, N.A., Columbus, Ohio, received an "outstanding" performance rating and Banc One's largest bank in terms of assets, Bank One, Texas, N.A., Dallas, Texas, received a "satisfactory" performance ratings from their appropriate federal supervisor, the Office of the Comptroller of Currency ("OCC"). In addition, Banc One, Louisiana, N.A., New Orleans, Louisiana, received a "satisfactory" performance rating from the OCC. All of First Commerce's subsidiary banks also have received "outstanding" or "satisfactory" ratings for CRA performance from their appropriate federal supervisors.

The Board also has carefully reviewed Banc One's lending activities and its compliance with fair lending laws. As part of that review, the Board has considered information developed in the course of its supervision of Banc One regarding the institution's fair lending oversight, procedures, and practices and, in light of all the facts of record, the Board has concluded that Banc One's record of fair lending is consistent with approval of this proposal.

The Board has considered all the facts of record, including the CRA performance records of the subsidiary banks of Banc One and First Commerce, relevant reports of examination, and the comments received.[16] Based on all the facts of record, and for the reasons discussed above, the Board concludes that convenience and needs considerations are consistent with approval of the proposal.

Nonbanking Activities

Banc One also has filed a notice, under section 4(c)(8) of the BHC Act, to acquire First Commerce Service Corporation and thereby to engage in data processing activities. The Board has determined by regulation that the provision of certain data processing services is closely related to banking for purposes of section 4(c)(8) of the BHC Act.[17] Banc One has stated that, following consummation of the proposal, it will conduct its data processing activities in accordance with the limitations set forth in Regulation Y and the Board's orders and interpretations.

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

16. A commenter contends that he has had unsatisfactory experiences with a Banc One subsidiary bank in business and personal banking transactions. The Board has carefully reviewed the comment in light of all the facts of record, and has provided the comment to the OCC, which is the appropriate federal supervisor of the bank.

17. *See* 12 C.F.R. 225.28(b)(14).

In order to approve the proposal under section 4(c)(8) of the BHC Act, the Board also must determine that the proposed activities are a proper incident to banking, that is, that the proposal "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[18] As part of its evaluation of these factors, the Board considers the financial condition and managerial resources of the notificant and its subsidiaries, including the companies to be acquired, and the effect of the proposed transaction on those resources.[19] For the reasons noted above, and based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

The Board also has considered the competitive effects of the proposed acquisition by Banc One of First Commerce Service Corporation. The market for data processing services is unconcentrated and that there are numerous providers of the services. As a result, consummation of the proposal would have a *de minimis* effect on competition. The Board also expects that the acquisition would provide added convenience to First Commerce's customers and to other members of the public by increasing operating efficiencies and providing expanded services to customers of First Commerce and Banc One. Additionally, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies may make potentially profitable investments in nonbanking companies where these investments are consistent, as in this case, with the relevant considerations of the BHC Act and from permitting banking organizations to allocate their resources in a manner they believe most efficient.

Accordingly, based on all the facts of record, the Board has determined that the balance of public benefits that the Board must consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable and consistent with approval of the proposal.

Conclusion

Based on the foregoing, and in light of all the facts of record, including the comments received, the Board has determined that the application and notice should be, and hereby are, approved.[20] Approval of the application and notice is specifically conditioned on compliance by Banc One with all the commitments made in connection with the proposal and with the conditions stated or referred to in this order, including Banc One's divestiture commitment. The Board's determination on the nonbanking activities also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders thereunder. For purposes of this transaction, the commitments and conditions referred to above shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective May 26, 1998.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix A

Banking Markets in which Banc One and First Commerce Compete

Baton Rouge: Ascension, East Baton Rouge, Iberville, Livingston, and West Baton Rouge Parishes plus the northern half of Assumption Parish, and the town of Union in St. James Parish.
Iberia: Iberia Parish.
Lake Charles: Calcasieu and Cameron Parishes, plus the southern half of Beauregard Parish.
Lafayette: Lafayette, Acadia, St. Landry, St. Martin, and Vermillion Parishes, excluding the town of Mermentau in Acadia Parish and the town of Gueydan in Vermillion Parish.
Lincoln: Lincoln Parish.
Monroe: Monroe and Ouachita Parishes

18. 12 U.S.C. § 1843(c)(8).
19. *See* 12 C.F.R. 225.26.
20. One commenter requests that the Board not act on the Banc One/First Commerce proposal until his employment discrimination lawsuit against Banc One and one of its subsidiary banks is settled and until the Board investigates pending employment discrimination complaints filed against Banc One with the Equal Employment Opportunity Commission. Commenter's lawsuit was dismissed by a federal district court and the dismissal was upheld on appeal. The Board previously has noted, moreover, that disputes that arise under a statute administered and enforced by another agency in areas such as employment discrimination are beyond the Board's jurisdiction under the statutory factors in the BHC Act. Based on a review of all the facts of record, the Board concludes that the record in this case is sufficient to warrant Board consideration and action on the proposal at this time, and that further delay of consideration of the proposal or denial of the proposal on the basis of informational insufficiency is not warranted.

Morehouse: Morehouse Parish.
New Orleans: Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. John the Baptist, St. Tammany, and St. James Parishes, less the town of Union in St. James Parish.
Shreveport-Bossier City: Bossier, Cado, DeSoto and Webster Parishes.

Appendix B

A. Banking Markets In Which Consummation of the Proposal Would Not Exceed the DOJ Guidelines Without Divestitures.

Iberia: After consummation of the proposal, Banc One would control 18.4 percent of the market deposits and would become the third largest of nine depository institutions in the market. The HHI would increase 166 points to 2515.
Morehouse: After consummation of the proposal, Banc One would control 23.0 percent of the market deposits and would become the second largest of six depository institutions in the market. The HHI would increase 129 points to 2349.
Shreveport-Bossier City: After consummation of the proposal, Banc One would control 25.4 percent of the market deposits and would become the largest of 18 depository institutions in the market. The HHI would increase 17 points to 1813.

B. Banking Markets In Which Consummation of the Proposal Would Not Exceed the DOJ Guidelines With Proposed Divestitures.

Lafayette: Banc One proposes to divest seven branches, controlling deposits of $195.0 million, to a competitor suitable to the Board. Following such divestiture, and after consummation of the proposal, Banc One would control 24.5 percent of the market deposits and would become the largest of 40 depository institutions in the market. The HHI would increase not more than 276 to 896.
Lake Charles: Banc One proposes to divest eight branches, controlling deposits of $154.8 million, to a competitor suitable to the Board. Following such divestiture, and after consummation of the proposal, Banc One would control 33.4 percent of market deposits and become the largest of eight competitors. The HHI would increase not more than 127 points to 2414.
Lincoln: Banc One proposes to divest two branches, controlling deposits of $73.6 million, to a competitor suitable to the Board. Following such divestiture, and after consummation of the proposal, Banc One would control 34.4 percent of market deposits and become the largest of seven competitors. The HHI would increase 64 points to 2116.
Monroe: Banc One proposes to divest eight branches, controlling deposits of $191.1 million, to a competitor suitable to the Board. Following such divestiture, and after consummation of the proposal, Banc One would control 39.3 percent of market deposits and become the largest of eleven competitors. The HHI would increase not more than 181 points to 2227.

Regions Financial Corporation
Birmingham, Alabama

Order Approving Merger of Bank Holding Companies

Regions Financial Corporation ("Regions"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under sections 3 and 4 of the BHC Act (12 U.S.C. §§ 1842(a)(5) and 1843(c)(8)) to merge with First Commercial Corporation, Little Rock, Arkansas ("First Commercial"), and thereby acquire First Commercial's subsidiary banks and nonbanking subsidiaries listed in the Appendix.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (63 *Federal Register* 14,464 (1998)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

Regions, with total consolidated assets of approximately $24.4 billion, operates banks in Alabama, Florida, Georgia, South Carolina, Louisiana, and Tennessee, and engages in a number of permissible nonbanking activities.[2] Regions is the largest commercial banking organization in Alabama, controlling deposits of approximately $9 billion, representing 19.4 percent of total deposits in commercial banking organizations in the state ("state deposits"). First Commercial, with total consolidated assets of approximately $7.4 billion, operates banks in Arkansas, Texas, Tennessee, Louisiana, and Oklahoma and engages in mortgage and trust company activities through its nonbanking subsidiaries. First Commercial is the largest commercial banking organization in Arkansas, controlling deposits of approximately $4.7 billion, representing 17.3 percent of Arkansas state deposits.

Regions is the fifth largest commercial banking organization in Louisiana, controlling deposits of approximately $2.2 billion, representing 5.8 percent of Louisiana state deposits. First Commercial is the 85th largest commercial banking organization in the state, controlling deposits of approximately $49 million, representing less than 1 percent of state deposits. On consummation of the proposal, Regions would remain the fifth largest commercial banking organization in Louisiana, controlling deposits of approximately $2.3 billion, representing 6 percent of Louisiana state deposits.

1. Regions also has requested the Board's approval to hold and exercise an option to purchase up to 19.9 percent of the voting shares of First Commercial if certain events occur. The option would expire on consummation of the proposal.

2. All banking data are as of June 30, 1997, and include acquisitions by Regions and First Commercial that have been approved by the appropriate federal supervisors after that date.

Regions is the 12th largest commercial banking organization in Tennessee, controlling deposits of approximately $471 million, representing less than 1 percent of Tennessee state deposits. First Commercial is the 17th largest commercial banking organization in the state, controlling deposits of approximately $351 million, also representing less than 1 percent of state deposits. On consummation of the proposal, Regions would become the ninth largest commercial banking organization in Tennessee, controlling deposits of approximately $822 million, representing 1.4 percent of Tennessee 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 such bank holding company, if certain conditions are met. For purposes of the BHC Act, the home state of Regions is Alabama, and First Commercial controls banks in Arkansas, Texas, Tennessee, Louisiana, and Oklahoma.[3] All the conditions for an interstate acquisition enumerated in section 3(d) are met in this case.[4] In view of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Competitive Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly or if the proposal would substantially lessen competition in any relevant banking market and the Board has not found that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[5]

Regions and First Commercial compete directly in the Shreveport-Bossier City, Louisiana, banking market ("Shreveport banking market").[6] After consummation of the proposal, Regions would remain the fifth largest depository institution in the market, controlling deposits of approximately $236 million, representing 6.9 percent of total deposits in depository institutions in the market.[7] The Herfindahl–Hirschman Index ("HHI") for the banking market would increase by 15 points to 1885.[8] Based on all the facts of record, including the small increase in market concentration as measured by the HHI, the presence of 15 other competitors that would remain in the banking market, and entry into the market by four regional bank holding companies since 1994, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in the Shreveport banking market or any other relevant banking market.

Financial, Managerial, and Other Supervisory Factors

The Board has carefully considered the financial and managerial resources and future prospects of Regions, First Commercial, and their respective subsidiary banks in light of all the facts of record, including supervisory reports of examination assessing the financial and managerial resources of the organizations and financial information provided by Regions. Based on all the facts of record, including relevant reports of examination of the companies and banks involved in the proposal, the Board concludes that the financial and managerial resources and future prospects of Regions, First Commercial, and their subsidiary banks are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act.

3. A bank holding company's home state is that state in which the operation of the bank holding company's banking subsidiaries were principally conducted on July 1, 1996, or the date on which the company became a bank holding company, whichever is later. 12 U.S.C. § 1841(o)(4)(C).

4. *See* 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Regions is adequately capitalized and adequately managed, as defined by applicable law. First Commercial's subsidiary banks have been in existence and continuously operated for the minimum period of five years required under the respective state laws. *See* Ark. Code Ann. § 23–48–405 (Michie 1997); Tex. Finance Code Ann. § 38.003(a) (West 1997); La. Rev. Stat. Ann. §§ 6:535(C) and 6:538 (West 1997); Tenn. Code Ann. § 45-2-1403(a)(1) (Michie 1997); Okla. Stat. Ann. tit. 6, § 502(F) (West 1998). On consummation of the proposal, Regions would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States. Regions also would not exceed applicable state law deposit limitations, as calculated under state law, in each state in which First Commercial operates. *See* Ark. Code Ann. § 23–48–406 (25 percent); Tex. Finance Code Ann. § 38.002(a) (20 percent); Tenn. Code Ann. § 45–2-1404 (30 percent); Okla. Stat. Ann. tit. 6, § 502(C) (15 percent). All other requirements of section 3(d) of the BHC Act would be met on consummation of the proposal.

5. 12 U.S.C. § 1842(c)(1)(B).

6. The Shreveport-Bossier City banking market comprises Bossier, Caddo, DeSoto, and Webster Parishes in Louisiana.

7. Market share data are as of June 30, 1997. In this context, depository institutions include commercial banks, savings banks, and savings associations. Market share 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 WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *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 First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

8. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (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 threshold for an increase in HHI when screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effects of limited-purpose and other nondepository financial entities.

Convenience and Needs Factor

The Board also has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record. The Board notes that all of Regions's subsidiary banks, which operate in six states, received ratings of "satisfactory" or better from the appropriate federal regulator at their most recent examinations for performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). Regions's subsidiary banks provide a full range of financial services, including many products designed to meet the credit needs of low- to moderate-income ("LMI") communities. Regions has stated that the proposal would enable it to enhance and expand the delivery of banking services to all of its and First Commercial's customers, including LMI households. Regions also has indicated that it will establish a charitable foundation, initially funded in the amount of $7.5 million, that will be dedicated to improving communities currently served by First Commercial, and a small business investment corporation, initially funded in the amount of $5 million, that will invest primarily in companies located in the communities currently served by First Commercial.

The Board has carefully considered comments from an African-American small business owner who maintains that Regions Bank has an inadequate record of lending to businesses owned by African Americans in Sumter County, Alabama, and of advertising in African-American owned newspapers and other media in Alabama. In addition, two community associations contend, based primarily on Home Mortgage Disclosure Act ("HMDA") data, that Regions's lead subsidiary bank, Regions Bank, Montgomery, Alabama ("Regions Bank"), has an inadequate record of helping to meet the needs of LMI and minority customers in Alabama.

CRA Performance Examinations. 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 CRA. As provided in the CRA, the Board evaluates the convenience and needs factor in light of examinations of the CRA performance records of the relevant institutions by their appropriate federal supervisors. An institution's most recent CRA performance examination is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.[9] The Board has reviewed the records of performance of the subsidiary banks of Regions and First Commercial in light of their most recent CRA performance examinations and all other facts of record.

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

The reports of these examinations indicate that Regions's subsidiary banks are helping to meet the convenience and needs of the communities they serve. Regions Bank, which accounts for approximately 65 percent of Regions' consolidated assets, received an "outstanding" rating from the appropriate federal regulator, the Federal Deposit Insurance Corporation ("FDIC"), at its most recent examination for CRA performance, as of September 1996 ("the 1996 Examination").[10] Examiners of Regions Bank found no evidence of prohibited discrimination or other illegal credit practices and found no violations of fair lending laws. Examiners also found that Regions Bank's delineation of its local community was reasonable and that it did not arbitrarily exclude LMI areas.

The 1996 Examination stated that the activities of the bank were effective in ascertaining the credit needs of its entire community, including LMI neighborhoods, and in informing all members of the community of available credit services. In its marketing efforts, the bank used a variety of media, such as newspapers, radio, and television, including 12 newspapers and 7 radio stations that predominately served minority communities in Alabama. Examiners found that Regions Bank's branch network was accessible to all segments of the communities it served and that Regions Bank offered a broad array of products and services through its branches.

Lending Record of Regions Bank. The 1996 Examination concluded that Regions Bank's lending record, including its small business lending, addressed a significant portion of the credit needs of the communities it served, and that the bank's geographical penetration of all segments of its assessment area was exceptional. Examiners particularly noted that Regions Bank has several specialized loan products and experienced loan officers to help to meet the credit needs of small businesses in the state. According to the 1996 Examination, as of June 30, 1996, the bank had 19,247 small business loans outstanding throughout Alabama, totalling $995 million. More than 80 percent of these loans, totalling $304 million, were in amounts of less than $100,000.

Preliminary 1997 data indicate that Regions Bank continues to be an active small business lender in Alabama. During 1997, Regions Bank originated 13,841 small business loans in Alabama, totalling $880 million. Twenty-one percent of these loans were made to borrowers located in LMI census tracts, and 75 percent of the loans to borrowers located in LMI census tracts were made to businesses with annual gross revenues under $1 million. The percentage of small business loans that Regions Bank made in LMI census tracts and to businesses with gross revenues under $1 million closely matched the percentages of such lending by all insured depository institutions in Alabama in the aggregate.

10. Each of First Commercial's subsidiary banks also received a rating of "satisfactory" or better from the appropriate federal regulator at its most recent examination for CRA performance.

The bank also helps to address small business credit needs in Alabama through government sponsored lending programs. In 1996, Regions Bank's small business loans included $13.6 million of loans made under programs sponsored by the Small Business Administration and 143 loans, totalling $15 million, made at below market interest rates under the State of Alabama's Wallace Linked Deposit Plan for economic development.[11]

The Board also has considered Regions Bank's record of small business lending in Sumter County, Alabama, in light of all the facts of record, including data relevant to analyzing the lending opportunities for small business lenders in the county. Sumter County is rural, with a population of 16,390 and no major commercial center.[12] The population has declined since 1980, and per capita income, per capita retail sales, and per capita insured deposits are significantly below the averages for Alabama.[13] The most recent data from the U.S. Bureau of the Census indicate that 255 nonfarm businesses were in Sumter County, which accounted for less than one-half of one percent of Alabama's small businesses as of 1993.

In 1996, Regions Bank made 47 small business loans in Sumter County, totalling $2.7 million, which is more than 70 percent of the total number, and more than 50 percent of the total amount, of small business loans made by all insured depository institutions in the county.[14] Regions Bank made nine of its small business loans, totalling $159,000, in LMI census tracts in Sumter County, which is more than 60 percent of the total number, and more than 70 percent of the total amount, of small business loans made by all insured depository institutions in LMI census tracts in the county.[15]

Regions also actively participates in meeting other types of credit needs in its communities. The 1996 Examination found that Regions Bank and its mortgage lending subsidiary, Regions Mortgage Incorporated, Birmingham, Alabama ("Regions Mortgage"), assisted LMI borrowers to obtain affordable housing through a variety of programs that featured reduced down payment and closing cost requirements and flexible underwriting standards. In addition to its proprietary programs, Regions Bank offered affordable housing loans through programs sponsored by the State of Alabama, the Federal National Mortgage Association, and other government-sponsored loans programs.[16] Examiners also noted that, during 1995 and the first seven months of 1996, Regions Mortgage originated more than 4,100 loans, totalling $290 million, under loan programs sponsored by the Veterans Administration, Federal Housing Authority, and Farm Housing Administration. Regions has stated that 23 percent of all home mortgage loans made by Regions Bank and Regions Mortgage in Alabama during 1996 and 1997 were made to LMI applicants.

Regions also supported efforts to provide affordable housing through its community development activities. As of June 30, 1996, Regions Bank had outstanding loans and loan commitments of approximately $45.6 million and investment commitments of approximately $38.7 million to support the development of 2,569 affordable housing units throughout Alabama. Regions has stated that, since the 1996 Examination, the bank has made loans to or invested in an additional 15 projects in the aggregate amount of approximately $29 million to provide more than 900 units of affordable housing.[17]

HMDA Data. The Board also has considered Regions's lending record in light of comments regarding the HMDA data of Regions Bank in Alabama. The 1996 data generally indicate that Regions Bank and Regions Mortgage denied a significantly smaller percentage of housing-related loan applications from African Americans than did lenders in the state in the aggregate. The 1996 data also indicate that Regions Bank and Regions Mortgage originated loans for a significantly larger percentage of applications received from African Americans, LMI individuals, and residents of LMI census tracts than did lenders in the aggregate.

The data reflect, however, certain disparities in the rates of loan denials by racial group. The Board is concerned when the record of an institution indicates 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 or income level. The Board recognizes 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, more-

11. An additional 3,430 agricultural loans, totalling $81 million, were outstanding as of June 30, 1996. Over 92 percent of these loans, totalling $41.2 million, were in amounts of less than $100,000.

12. Population data are as of 1995. All statistical data for Sumter County and for Alabama are from the U.S. Bureau of the Census.

13. Per capita income in 1993 in Sumter County was $12,120, compared to $17,129 in all of Alabama. Per capita retail sales in 1992 were $3,582 in Sumter County, compared to $6,983 in all of Alabama. Per capita deposits, based on FDIC data as of June 30, 1994, were $5,325 in Sumter County, compared to $8,861 in all of Alabama.

14. Twenty-nine of Regions Bank's small business loans in Sumter County, totalling $669,000, were made to businesses with gross annual revenues of less than $1 million.

15. Seven of these loans, totalling $79,000, were made to businesses with gross incomes of less than $1 million. Sumter County has a total of six census tracts, of which two are designated as LMI census tracts.

16. Examiners noted that Regions Mortgage also developed the Wallace Mortgage Program with the State Treasurer of Alabama to fund up to $2,000 of the down payment for first time LMI home buyers through a second mortgage loan to be forgiven after 10 years of continuous ownership of the home. Regions Mortgage received 40 percent of all funds allotted to the program prior to its termination by the state in 1995. In addition, according to Regions, Regions Mortgage is the largest originator of state-funded loans to LMI borrowers under the Alabama Housing Finance Authority bond program.

17. These projects include construction and permanent financing in the amount of approximately $3.9 million to construct 136 low-income housing units in Millbrook, Alabama; approximately $3 million to construct Virginia Meadows II, a 112 unit low-income housing project in Montgomery, Alabama; and approximately $1.2 million to help to purchase and rehabilitate 147 low-income homes in the Meadow Hills neighborhood of Huntsville, Alabama. In Sumter County, Alabama, Regions Bank invested $849,000 in a limited partnership to rehabilitate low-income housing.

over, provide only limited information about the covered loans.[18] HMDA data, therefore, have limitations that make them an inadequate 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.

FDIC examiners conducted a fair lending review of Regions Bank as part of the 1996 Examination, with a particular focus on conducting comparative file analyses of denied applications from minorities and approved applications from non-minorities for conventional home mortgage purchase loans during 1996. This fair lending review did not disclose any evidence of disparate treatment of or discriminatory practices against minority applicants.[19]

Regions Bank and Regions Mortgage also have a second review program for all housing-related loan applications that are preliminarily declined by the original loan officer. Under the program, a second and more senior loan officer must concur in the denial of a housing-related loan application. The files for denied loans also are reviewed for sufficient documentation, and are subject to random internal audit. In addition, the bank provides comprehensive and ongoing training to its lending staff concerning compliance with fair lending, disclosure, and record keeping requirements. The Board also has considered the HMDA data in light of Regions's lending record, which shows that Regions Bank and Regions Mortgage assist significantly in helping to meet the credit needs of its community, including LMI areas.

Conclusion on Convenience and Needs Considerations. The Board has carefully considered all the facts of record, including the public comments received, responses to the comments, and the CRA performance records of the subsidiary banks of Regions and First Commercial, including relevant reports of examination. Based on a review of the entire record, including the efforts of Regions Bank to meet the credit needs of the communities it serves throughout Alabama, and for the reasons discussed in this order, the Board has concluded that convenience and needs considerations, including the CRA performance records of the subsidiary banks of Regions and First Commercial, are consistent with approval.

18. 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 whether an applicant who was denied credit was, in fact, creditworthy. Credit history problems and excessive debt levels relative to income (reasons most frequently cited for a credit denial) are not available from HMDA data.

19. Examiners also compared loan files of approved applications from minorities and non-minorities to ensure that there was no disparate treatment in the credit terms offered. The comparison showed no evidence of discrimination or disparate treatment.

Nonbanking Activities

Regions also has filed notice under section 4(c)(8) of the BHC Act to acquire the nonbanking subsidiaries of First Commercial and thereby engage in mortgage lending and trust company functions. The Board previously has determined by regulation that these activities are closely related to banking for purposes of section 4(c)(8) of the BHC Act.[20] Regions proposes to conduct these activities in accordance with Regulation Y and all relevant Board interpretations and orders.

In order to approve the proposal, the Board also must determine that the performance of the proposed activities is a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[21] As part of its evaluation of these factors, the Board considers the financial and managerial resources of the notificant, its subsidiaries, and any company to be acquired and the effect the transaction would have on such resources.[22] For the reasons discussed above, and based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

The Board also has carefully considered the competitive effects of the proposed acquisition of First Commercial's mortgage lending and trust company subsidiaries. The Board notes that the market for these nonbanking services is unconcentrated, that there are numerous providers of the services, and that there is minimal geographic overlap in the areas in which Regions and First Commercial primarily offer these services. As a result, the Board has concluded that the proposal would not have a significantly adverse effect on competition for mortgage lending services or trust company functions.

The Board expects, moreover, that the acquisition of First Commercial by Regions would provide added convenience to customers of both institutions and is likely to result in increased operating efficiencies for the combined organization. Additionally, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies may make potentially profitable investments in nonbanking companies when those investments are consistent, as in this case, with the relevant considerations under the BHC Act, and from permitting banking organizations to allocate their resources in the manner they consider to be most efficient. The Board also believes that the conduct of the proposed activities within the framework established under Regulation Y is not likely to result in adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would not be

20. *See* 12 C.F.R. 225.28 (b)(1) and (5).

21. 12 U.S.C. § 1843(c)(8).

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

outweighed by the public benefits of the proposal, such as increased convenience and gains in efficiency. Accordingly, based on all the facts of record, the Board has determined that the balance of public benefits that the Board must consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable and consistent with approval of the proposal.

Conclusion

Based on the foregoing and all the other facts of record, the Board has determined that the applications should be, and hereby are, approved.[23] The Board's approval is specifically conditioned on compliance by Regions with all the commitments made in connection with the proposal and all the conditions in this order.

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

The acquisition of First Commercial's banks may not be consummated before the fifteenth calendar day following the effective date of this order, and the proposal may not be consummated later that 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 May 13, 1998.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

23. Two commenters requested that the Board hold a public meeting or hearing on the proposal to obtain additional factual evidence concerning the lending record of Regions. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial. The Board has not received such a recommendation from the appropriate supervisory authorities.

Under its rules, the Board also 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, if appropriate. 12 C.F.R. 225.16(e). The Board has carefully considered the commenters' request 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 substantial written comments that have been carefully considered by the Board in acting on the proposal. The commenters' request fails to identify disputed issues of fact that are material to the Board's decision that may be clarified by a public meeting or hearing. The commenters also fail to indicate the matters that may be presented by others and why a public meeting or hearing is necessary for the proper presentation or consideration of their views. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or warranted in this case. Accordingly, the request is hereby denied.

Appendix

First Commercial Corporation's Subsidiary Banks and Nonbanking Subsidiaries

A. Subsidiary Banks

Arkansas

1. First Commercial Bank, N.A., Little Rock.
2. Arkansas Bank and Trust Company, Hot Springs.
3. Arkansas State Bank, Clarksville.
4. Benton State Bank, Benton.
5. Citizens First Bank, Arkadelphia.
6. Citizens First Bank, El Dorado.
7. Citizens First Bank, Fordyce.
8. Clinton State Bank, Clinton.
9. Farmers & Merchants Bank, Rogers.
10. First Bank of Arkansas, Jonesboro.
11. First National Bank of Conway, Conway.
12. First National Bank of Nashville, Nashville.
13. First National Bank of Russellville, Russellville.
14. First National Bank of Searcy, Searcy.
15. Morrilton Security Bank, N.A., Morrilton.
16. State First National Bank, Texarkana.
17. The Security Bank, Harrison.

Texas

18. First National Bank of Palestine, Palestine.
19. Kilgore First National Bank, Kilgore.
20. Longview National Bank, Longview.
21. Lufkin National Bank, Lufkin.
22. State First National Bank, Texarkana.
23. Stone Fort National Bank of Nacogdoches, Nacogdoches.
24. Tyler Bank and Trust, N.A., Tyler.

Oklahoma[1]

25. Oklahoma National Bank of Duncan, Duncan.
26. Security National Bank & Trust Company, Norman.

Louisiana

27. Springhill Bank & Trust Company, Springhill.

1. The Oklahoma banking subsidiaries of First Commercial are wholly owned by TRH Bank Group, Inc., Norman, Oklahoma, of which First Commercial owns 50 percent.

Tennessee

28. First Commercial Bank of Memphis, N.A., Memphis.

B. Nonbanking Subsidiaries

1. First Commercial Mortgage Company, Little Rock, Arkansas, which engages in making and servicing loans, pursuant to section 225.28(b)(1) of Regulation Y (12 C.F.R. 225.28(b)(1)).
2. First Commercial Trust Company, N.A., Little Rock, Arkansas, which engages in trust company functions, pursuant to section 225.28(b)(5) of Regulation Y (12 C.F.R. 225.28(b)(5)).

ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT

HSBC Equator Bank plc
London, England

Order Approving Establishment of a Representative Office

HSBC Equator Bank plc ("Bank"), London, England, 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 Washington, D.C. 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 Washington, D.C. (*The Washington Post*, June 1, 1997). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with approximately $202 million in assets,[1] is incorporated in London, England, and provides commercial and merchant banking services to sub-Saharan Africa. Bank began its operations in 1996, as part of a reorganization of the holdings of its parent, Equator Holdings Limited ("EHL"). In the reorganization, Bank acquired the majority of the business and staff of its sister affiliate, Equator Bank Limited ("EBL"), a commercial bank incorporated in Nassau, the Bahamas, and formerly EHL's principal operating subsidiary. HSBC Holdings plc ("HSBC"), London, England, indirectly owns 60 percent of EHL's shares. NedEurope S.A., a Luxembourg subsidiary of a South African financial services group, and Equator Management Services, a Connecticut partnership consisting of members of the management of Bank's affiliates, each own 20 percent of EHL's shares.

Bank's international operations consist of six representative offices in various African countries, and several leasing company subsidiaries organized in Nassau, Bahamas, and the Turks and Caicos Islands. In the United States, Bank's immediate parent, EHL, operates an export trading company and several other nonbanking companies.[2] In addition, Bank's sister bank, EBL, operates a representative office in Washington, D.C. Bank is proposing that the current EBL representative also would serve as Bank's representative.

The proposed representative office in Washington, D.C. would conduct market research, develop new business, prepare loan applications, and maintain contacts with Bank's customers and U.S. government and international development agencies with interests in Africa. The proposed representative office would report to Bank's head office in London and also would be monitored and supervised by Equator USA, Inc., EHL's Connecticut servicing subsidiary. No funds would be solicited, received, or disbursed at or through the representative office.

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 (12 U.S.C. § 3107(a)(2); 12 C.F.R. 211.24).[3] The Board may also take into account additional standards as set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)).

As noted above, Bank engages directly in the business of banking outside the United States. Bank also has provided the Board with information necessary to assess the application through submissions that address the relevant issues. With respect to supervision by home country authorities, the Board previously has determined, in connection with applications involving other banks in the United Kingdom,

1. Asset data are as of December 31, 1997.

2. These companies engage in aircraft leasing, consulting, venture capital activities and the provision of services for a fee to affiliated companies within the Equator group, including Bank.

3. 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; and
(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.

that those banks were subject to home country supervision on a consolidated basis.[4] Bank is supervised by the Bank of England on substantially the same terms and conditions as those other banks.[5] Based on all the facts of record, the Board has determined that Bank is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

The Board also has taken into account the additional standards set forth in section 7 of the IBA and Regulation K (12 U.S.C. § 3105(d)(3),(4); 12 C.F.R. 211.24(c)(2)). The Bank of England has no objection to Bank's establishment of the proposed representative 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 supervisors, the Board also has determined that financial and managerial factors are consistent with approval of the proposed representative office. Bank appears to have the experience and capacity to support the proposed representative office and has established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

With respect to access to information about Bank's operations, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities regarding access to information. Bank and HSBC have committed to make available to the Board such information on the operations of Bank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited by law, Bank and HSBC have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure of such information. In addition, subject to certain conditions, the Bank of England may share information on the operations of Bank and the HSBC Group 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 concludes 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 and HSBC, 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 should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's or its affiliates' direct or indirect activities in the United States. Approval of this application is also specifically conditioned on compliance by Bank and HSBC 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 under 12 U.S.C. § 1818 against Bank and its affiliates.

By order of the Board of Governors, effective May 4, 1998.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

4. *See Coutts & Co. AG*, 79 *Federal Reserve Bulletin* 636 (1993); *Singer & Friedlander*, 79 *Federal Reserve Bulletin* 809 (1993); *West Merchant Bank Limited*, 81 *Federal Reserve Bulletin* 519 (1995).

5. In addition, although HSBC, Bank's ultimate parent, is not itself an authorized institution in the United Kingdom, the Board has previously determined that HSBC and its various banking and nonbanking companies ("HSBC Group") are supervised on substantially the same terms and conditions as those United Kingdom banks. *Wells Fargo & Co., HSBC Holdings, plc, HSBC Holdings BV, Marine Midland Banks, Inc.*, 81 *Federal Reserve Bulletin* 1037 (1995); *see also Hongkong Bank of Canada*, 83 *Federal Reserve Bulletin* 51 (1997). The Bank of England has confirmed that its consolidated supervision of the HSBC Group extends to Bank and that there have been no material changes in its supervision of the HSBC Group since the Board's previous determination.

6. The Board's authority to approve the establishment of the proposed office parallels the authority of the Washington, D.C. Office of Banking and Financial Institutions ("Office") to license or otherwise permit the establishment of offices of a foreign bank. The Board's approval of this application does not supplant the authority of Office to license or otherwise permit the proposed office of Bank in accordance with any terms or conditions that Office may impose.

INDEX OF ORDERS ISSUED OR ACTIONS TAKEN BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (JANUARY 1, 1998-MARCH 31, 1998)

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
Banco Bilbao Vizcaya, S.A., Bilbao, Spain	BBV LatInvest Securities Inc., New York, New York	March 23, 1998	84, 356
Bank of Scotland, Edinburgh, Scotland	To establish a representative office in Seattle, Washington	January 14, 1998	84, 230
Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja, Valencia Spain	To establish an agency in Miami, Florida	January 21, 1998	84, 231
Commerce Bancorp, Inc., Cherry Hill, New Jersey	A.H. Williams & Co., Inc., Philadelphia, Pennsylvania	March 23, 1998	84, 358
Dresdner Bank AG, Frankfurt, Germany	Oechsle International Advisors, L.P., Boston, Massachusetts RCM Capital Management, L.L.C., San Francisco, California	March 11, 1998	84, 361
First Financial Corporation, Terre Haute, Indiana	The Morris Plan Company of Terre Haute, Inc., Terre Haute, Indiana	February 23, 1998	84, 279
FirstMerit Corporation, Akron, Ohio	CoBancorp, Inc., Elyria, Ohio PremierBank & Trust, Elyria, Ohio Jefferson Savings Bank, West Jefferson, Ohio	March 11, 1998	84, 363
Fleet Financial Group, Inc., Boston, Massachusetts	The Quick & Reilly Group, Inc., Palm Beach, Florida	January 14, 1998	84, 227
Indiana United Bancorp, Greensburg, Indiana	P.T.C. Bancorp, Brookville, Indiana Peoples Trust Company, Brookville, Indiana	February 17, 1998	84, 280
National City Corporation, Cleveland, Ohio	First of American Bank Corporation, Kalamazoo, Michigan First of America Bank, N.A., Kalamazoo, Michigan First of America Bank—Illinois, N.A., Bannockburn, Illinois	February 11, 1998	84, 281
North Fork Bancorporation, Inc., Melville, New York	New York Bancorp, Inc., Douglaston, New York Home Federal Savings Bank, Ridgewood, New York	February 9, 1998	84, 290
Peoples Heritage Financial Group, Inc., Portland, Maine	CFX Corporation, Keene, New Hampshire CFX Bank, Keene, New Hampshire Orange Savings Bank, Orange, Massachusetts Safety Fund National Bank, Fitchburg, Massachusetts	March 18, 1998	84, 351

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
Regions Financial Corporation, Birmingham, Alabama	First State Corporation, Albany, Georgia First Bank & Trust Company, Albany, Georgia First Bank & Trust Company, Cordele, Georgia	March 11, 1998	84, 354
Shore Financial Corporation, Onley, Virginia	Shore Bank, Onley, Virginia	February 9, 1998	84, 288
WesBanco Bank Wheeling, Wheeling, West Virginia	The Bank of Paden City, Paden City, West Virginia Bank of McMechen, McMechen, West Virginia	March 2, 1998	84, 366
WesBanco, Inc., Wheeling, West Virginia	Commercial BancShares, Inc., Parkersburg, West Virginia Gateway Bancshares, Inc., McMechen, West Virginia	March 2, 1998	84, 366
WestStar Bank, Bartlesville, Oklahoma	Victory Bank of Nowata, Nowata, Oklahoma	February 18, 1998	84, 294

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
First Security Corporation, Salt Lake City, Utah	California State Bank, West Covina, California	May 6, 1998

Section 4

Applicant(s)	Bank(s)	Effective Date
Allied Irish Banks, p.l.c., Dublin, Ireland	To engage *de novo*, through certain of its nonbanking subsidiaries, in serving as the general partner of private investment limited partnerships now existing or to be established in the future	May 11, 1998
National City Corporation, Cleveland, Ohio National Processing, Inc., Louisville, Kentucky	INFITEQ, LLC, Dallas, Texas	May 11, 1998
Norwest Corporation, Minneapolis, Minnesota	Edward Jones Mortgage, LLC, Minneapolis, Minnesota E.J. Mortgage, LLC, St. Louis, Missouri	May 7, 1998
Norwest Corporation, Minneapolis, Minnesota	MidAmerica Insurance Agency South, Inc., Blue Earth, Minnesota	May 28, 1998

Section 4—Continued

Applicant(s)	Bank(s)	Effective Date
Norwest Corporation, Minneapolis, Minnesota	Norwest Mortgage of Hawaii, LLC, Honolulu, Hawaii Home Financial Services, Inc., Honolulu, Hawaii	May 7, 1998
Wachovia Corporation, Winston-Salem, North Carolina	Wachovia Capital Markets, Inc., Winston-Salem, North Carolina	May 29, 1998

By Federal Reserve Banks

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

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Alabama National Bancorporation, Birmingham, Alabama	Public Bank Corporation, St. Cloud, Florida Public Bank, St. Cloud, Florida	Atlanta	April 23, 1998
AmTrust, Inc., Dubuque, Iowa	Cuba City State Bank, Cuba City, Wisconsin	Chicago	May 13, 1998
Anson Bancorp, Inc., Wadesboro, North Carolina	Anson Savings Bank, SSB, Wadesboro, North Carolina	Richmond	May 12, 1998
The 1855 Bancorp, New Bedford, Massachusetts	Sandwich Bancorp, Inc., Sandwich, Massachusetts	Boston	April 27, 1998
The Baraboo Bancorporation, Baraboo, Wisconsin	State Bank of Wonewoc, Wonewoc, Wisconsin	Chicago	April 24, 1998
Belvedere Capital Partners, Inc., San Francisco, California	California Community Financial Institutions Fund Limited Partnership, San Francisco, California Belvedere Bancorp, San Francisco, California National Business Bank, Torrance, California	San Francisco	May 1, 1998
Buena Vista Bancorp, Inc., Chester, Illinois	Bank of Evansville, Evansville, Illinois	St. Louis	May 7, 1998
Cardinal Financial Corporation, Fairfax, Virginia	Cardinal Bank, N.A., Fairfax, Virginia	Richmond	May 1, 1998
Citizens Bancorp, Inc., Charleston, Missouri	Citizens' Bank of Charleston, Charleston, Missouri	St. Louis	May 7, 1998
Citizens National Bancshares, Inc., Nicholasville, Kentucky	Citizens National Bank of Jessamine, Jessamine, Kentucky	Cleveland	May 1, 1998
Clover Community Bankshares, Inc., Clover, South Carolina	Clover Community Bank, Clover, South Carolina	Richmond	April 28, 1998
CNB Bancshares, Inc., Evansville, Indiana	National Bancorp, Tell City, Indiana TCB Bank, Tell City, Indiana	St. Louis	April 29, 1998
CountryBanc Holding Company, Edmond, Oklahoma	Home State Bank, Hobart, Oklahoma	Kansas City	April 22, 1998

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
ECB Bancorp, Inc., Engelhard, North Carolina	The East Carolina Bank, Engelhard, North Carolina	Richmond	May 20, 1998
The Employee Stock Ownership Trust of People's Bank and Trust Company of Pickett County, Byrdstown, Tennessee	Upper Cumberland Bancshares, Inc., Byrdstown, Tennessee	Atlanta	April 29, 1998
F.N.B. Corporation, Hermitage, Pennsylvania	Southwest Interim Bank, No. 4, National Association, Seminole, Florida	Cleveland	May 5, 1998
First Gilmer Bancshares, Inc., Gilmer, Texas First Gilmer Delaware Holdings, Inc., Wilmington, Delaware	Wood County National Bank, Quitman, Texas	Dallas	April 20, 1998
Fryburg Banking Company, Inc., Fryburg, Pennsylvania	First United National Bank, Fryburg, Pennsylvania	Cleveland	May 20, 1998
Halbur Bancshares, Inc., Halbur, Iowa	Westside Banco, Westside, Iowa	Chicago	May 13, 1998
Hall Properties, LP, Perry, Oklahoma	Perry Bancshares, Inc., Perry, Oklahoma	Kansas City	May 1, 1998
Hibernia Corporation, New Orleans, Louisiana	Peoples Holding Corporation, Minden, Louisiana Peoples Bank and Trust Company, Minden, Louisiana	Atlanta	April 29, 1998
Home Valley Bancorp, Cave Junction, Oregon	Home Valley Bank, Cave Junction, Oregon	San Francisco	April 24, 1998
LCNB Bancorporation, Inc., Houston, Texas LCNB Bancorporation of Delaware, Inc., Wilmington, Delaware	Langham Creek National Bank, Houston, Texas	Dallas	April 30, 1998
Mainline Bancorp, Inc., Ebensburg, Pennsylvania	The First National Bank of Spangler, Spangler, Pennsylvania	Philadelphia	April 24, 1998
Lino Lakes Banc Shares, Inc., Forest Lake, Minnesota	Lino Lakes State Bank, Lino Lakes, Missouri	Minneapolis	May 5, 1998
MainStreet BankGroup Incorporated, Martinsville, Virginia	Ballston Bancorp, Inc., Washington, D.C. The Bank of Northern Virginia, Arlington, Virginia	Richmond	May 11, 1998
Mid Penn Bancorp, Inc., Millersburg, Pennsylvania	Miners Bank of Lykens, Lykens, Pennsylvania	Philadelphia	May 13, 1998
New England Community Bancorp, Inc., Windsor, Connecticut	Olde Port Bank & Trust Company, Portsmouth, New Hampshire	Boston	May 21, 1998
Osceola Bancorporation, Osceola, Iowa	Huxley Bancorp, Huxley, Iowa	Chicago	May 7, 1998
The Peoples Holding Company, Inc., Coldwater, Ohio	The Peoples Bank Company, Coldwater, Ohio	Cleveland	May 8, 1998
Premier Bancorp, Inc., Brentwood, Tennessee	Premier Bank of Brentwood, Brentwood, Tennessee	Atlanta	May 1, 1998

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Premier Bancshares, Inc., Atlanta, Georgia	The Bank Holding Company, Griffin, Georgia First Community Bank of Henry County, McDonough, Georgia The Bank of Spalding County, Griffin, Georgia	Atlanta	May 21, 1998
Premier Bancshares, Inc., Atlanta, Georgia	Button Gwinnett Financial Corporation, Snellville, Georgia The Bank of Gwinnett County, Lawrenceville, Georgia	Atlanta	May 14, 1998
Security State Bancshares, Inc., Charleston, Missouri	Bank of Atkins, Atkins, Arkansas	St. Louis	May 13, 1998
Signature Bancshares, Inc., Springfield, Missouri	Signature Bank, Springfield, Missouri	St. Louis	May 7, 1998
Southern Development Bancorporation, Inc., Arkadelphia, Arkansas	First Delta Corporation, Helena, Arkansas First National Bank of Phillips County, Helena, Arkansas The Delta State Bank, Elaine, Arkansas	St. Louis	May 13, 1998
Southern Heritage Bancorp, Inc., Oakwood, Georgia	Southern Heritage Bank, Oakwood, Georgia	Atlanta	April 30, 1998
United Bancorp, Inc., Martins Ferry, Ohio	Southern Ohio Community Bancorporation, Inc., Glouster, Ohio	Cleveland	May 12, 1998
United Community Bancshares, Gonzales, Louisiana	United Community Bank, Gonzales, Louisiana	Atlanta	May 20, 1998
Unity Holdings, Inc., Cartersville, Georgia	Unity National Bank, Cartersville, Georgia	Atlanta	April 29, 1998
USAL Bancorp, Inc., Union Springs, Alabama	AmeriFirst Bank, N.A., Union Springs, Alabama	Atlanta	April 27, 1998
Valley National Corporation, Lanett, Alabama	First National Sylacauga Corporation, Sylacauga, Alabama First National-America's Bank, Sylacauga, Alabama	Atlanta	May 7, 1998
Wilber Company, Wilber, Nebraska	NebraskaLand National Bank, North Platte, Nebraska	Kansas City	April 29, 1998

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Bank Capital Corporation, Strasburg, Colorado	Bank Capital Mortgage LLC, Strasburg, Colorado	Kansas City	May 4, 1998
Bank of Montreal, Toronto, Ontario, Canada Bankmont Financial Corp., Chicago, Illinois	Harris Bankcorp, Inc., Chicago, Illinois Harris Investment Management, Inc., Chicago, Illinois Harris Investment Management Market Neutral Fund, LLC, Chicago, Illinois	Chicago	May 15, 1998

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Bayerische Vereinsbank AG, Munich, Federal Republic of Germany	VB Risk Management Products Inc., New York, New York	New York	April 24, 1998
Bayerische Vereinsbank AG, Munich, Federal Republic of Germany	VB Structured Finance Inc., New York, New York	New York	May 18, 1998
Community Financial Services, Inc., Atlanta, Georgia	Community Bank Marketing, Inc., Atlanta, Georgia	Atlanta	May 6, 1998
Fifth Third Bancorp, Cincinnati, Ohio	State Savings Company, Columbus, Ohio	Cleveland	April 23, 1998
Fifth Third Bancorp, Cincinnati, Ohio	CitFed Bancorp, Inc., Dayton, Ohio	Cleveland	April 23, 1998
FirstFederal Financial Services Corp., Wooster, Ohio	First Shenango Bancorp, Inc., New Castle, Pennsylvania	Cleveland	May 6, 1998
First Union Corporation, Charlotte, North Carolina	Bowles Hollowell Conner & Co., Charlotte, North Carolina	Richmond	April 23, 1998
National Australia Bank Limited, Melbourne, Australia Homeside Lending, Inc., Jacksonville, Florida	Banc One Mortgage Corporation, Indianapolis, Indiana	Chicago	May 15, 1998
SJNB Financial Corporation, San Jose, California	Epic Funding Corporation, Lafayette, California	San Francisco	May 14, 1998
Southeast Capital Corporation, Idabel, Oklahoma Southeast Capital Corporation ESOP, Idabel, Oklahoma	To engage *de novo* in community development activities	Kansas City	May 1, 1998
Summit Bankshares, Inc., Raphine, Virginia	Valley Security Insurance Company, Raphine, Virginia	Richmond	April 29, 1998
The Toronto-Dominion Bank, Toronto, Ontario, Canada Waterhouse Investors Services, Inc., New York, New York	Waterhouse Securities Inc., New York, New York Jack White & Company, San Diego, California	New York	April 24, 1998

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Giltner Investment Partnership II, Ltd., Omaha, Nebraska	Avoca Company, Avoca, Nebraska	Kansas City	April 29, 1998
Union Planters Corporation, Memphis, Tennessee Union Planters Holding Corporation, Memphis, Tennessee	Magna Group, Inc., St. Louis, Missouri HBC Acquisition Sub, Inc., St. Louis, Missouri Magna Bank, National Association, St. Louis, Missouri Charter Bank, S.B., Sparta, Illinois	St. Louis	May 21, 1998

APPLICATIONS APPROVED UNDER BANK MERGER 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.

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Atlantic Bank, Ocean City, Maryland	Bank of Maryland, Towson, Maryland	Richmond	May 13, 1998
Colonial Bank, Montgomery, Alabama	Commercial Bank of Nevada, Las Vegas, Nevada	Atlanta	May 12, 1998
Farmers State Bank, Mankato, Kansas	Security National Bank, Manhattan, Kansas	Kansas City	May 15, 1998
FCNB Bank, Frederick, Maryland	Farmers Bank of Maryland, Annapolis, Maryland First Virginia Bank-Maryland, Upper Marlboro, Maryland	Richmond	April 27, 1998
Fifth Third Bank of Cincinnati, Cincinnati, Ohio	Century Savings Bank, Columbus, Ohio	Cleveland	April 23, 1998
Fifth Third Bank, Cincinnati, Ohio	The Fifth Third Bank of Western Ohio, Dayton, Ohio	Cleveland	April 23, 1998
Fifth Third Bank of Columbus, Columbus, Ohio	State Savings Bank, Columbus, Ohio	Cleveland	April 23, 1998
Fifth Third Bank of Columbus, Columbus, Ohio	Upper Arlington Branch of Fifth Third Cincinnati, Upper Arlington, Ohio	Cleveland	April 23, 1998
The Fifth Third Bank of Southern Ohio, Hillsboro, Ohio	The Fifth Third Bank of Western Ohio, Dayton, Ohio	Cleveland	April 23, 1998
The Fifth Third Bank of Western Ohio, Dayton, Ohio	Citizens Federal Savings Bank, FSB, Dayton, Ohio	Cleveland	April 23, 1998
Johnson Bank, Racine, Wisconsin	Bank of Fort Atkinson, Fort Atkinson, Wisconsin	Chicago	May 14, 1998
Mercantile Bank, Overland Park, Kansas	Mercantile Bank of Northern Missouri, Macon, Missouri Mercantile Bank of St. Joseph, St. Joseph, Missouri Mercantile Bank of Northwest Missouri, Maryville, Missouri	Kansas City	April 29, 1998

PENDING CASES INVOLVING THE BOARD OF GOVERNORS

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

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.

Research Triangle Institute v. Board of Governors, No. 97–1719 (U.S. Supreme Court, filed April 28, 1998). Petition for writ of certiorari to review dismissal by the United States Court of Appeals for the Fourth Circuit of a contract claim against the Board.

Inner City Press/Community on the Move v. Board of Governors, No. 97–1514 (U.S. Supreme Court, filed March 12, 1998). Petition for writ of certiorari to review dismissal by the United States Court of Appeals for the District of Columbia Circuit of a petition for review of a Board order dated May 14, 1997, approving the application of Banc One Corporation, Inc., Columbus, Ohio, to merge with First

USA, Inc., Dallas, Texas. The Board's opposition to the writ was filed on May 29, 1998.

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

Goldman v. Department of the Treasury, No. 1–97-CV-3798 (N.D. Ga., filed December 23, 1997). Declaratory judgment action challenging Federal Reserve notes as lawful money. On March 2, 1998, the Board filed a motion to dismiss the action.

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

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

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

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

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

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

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

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

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

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

Wilkins v. Warren, No. 98–1320 (4th Cir. 1998). Appeal of District Court dismissal of action involving customer dispute with a bank.

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

Maunsell v. Greenspan, No. 97–6131 (2d Cir., filed May 22, 1997). Appeal of district court dismissal of action for compensatory and punitive damages for alleged violations of civil rights by federal savings bank. On May 12, 1998, the court of appeals affirmed the district court's dismissal.

Pharaon v. Board of Governors, No. 97–1114 (D.C. Cir., filed February 28, 1997). Petition for review of a Board order dated January 31, 1997, imposing civil money penalties and an order of prohibition for violations of the Bank Holding Company Act. Oral argument was held on December 8, 1997, and on February 10, 1998, the court of appeals affirmed the Board's order. On March 26, 1998, petitioner filed a motion for rehearing and rehearing en banc. The motions were denied on April 17, 1998.

The New Mexico Alliance v. Board of Governors, No. 98–1049 (D.C. Cir., transferred as of January 21, 1998). Petition for review of a Board order dated December 16, 1996, approving the acquisition by NationsBank Corporation and NB Holdings Corporation, both of Charlotte, North Carolina, of Boatmen's Bancshares, Inc., St. Louis, Missouri. On January 21, 1998, the United States Court of Appeals for the Tenth Circuit ordered the petition transferred to the United States Court of Appeals for the District of Columbia Circuit. On May 27, 1998, the court of appeals granted the Board's motion to dismiss the petition.

American Bankers Insurance Group, Inc. v. Board of Governors, No. 96-CV-2383-EGS (D.D.C., filed October 16, 1996). Action seeking declaratory and injunctive relief invalidating a new regulation issued by the Board under the Truth in Lending Act relating to treatment of fees for debt cancellation agreements. On October 18, 1996, the district court denied plaintiffs' motion for a temporary restraining order. On April 13, 1998, the district court granted the Board's motion for summary judgment.

Board of Governors v. Pharaon, No. 98–6101 (2d Cir., filed May 4, 1998). Appeal of partial denial of Board's motion for summary judgment in action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On May 22, 1998, the appellee filed a cross-appeal from the partial final judgment.

FINAL ENFORCEMENT ORDERS ISSUED BY THE BOARD OF GOVERNORS

Banco Industrial de Venezuela
Caracas, Venezuela

The Federal Reserve Board announced on May 20, 1998, the issuance of a Temporary Cease and Desist Order against Banco Industrial de Venzuela, Caracas, Venezuela, to address serious deficiencies in the bank's anti-money laundering program.

Banco Nacional de Mexico, et al.
Banamex, Mexico

The Federal Reserve Board announced on May 18, 1998, the issuance of Temporary Cease and Desist Orders against

Banco Nacional de Mexico (Banamex), Mexico; Banca Serfin, S.A., Mexico; Banco Internacional, S.A. (Bital), Mexico; Bancomer, S.A., Mexico; and Banco Santander, Spain; foreign banking organizations with banking offices in the United States to address serious deficiencies in their anti-money laundering programs. Each of these foreign banks operates one or more branches or agencies in the United States.

Combined Financial Statements of the Federal Reserve Banks

The financial statements of the Federal Reserve Banks were audited by Coopers & Lybrand L.L.P., independent public accountants, for the years ended December 31, 1997 and 1996.

Coopers & Lybrand

Coopers & Lybrand L.L.P.

a professional services firm

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Governors of The Federal Reserve System
and the Board of Directors of each of The Federal Reserve Banks:

We have audited the accompanying combined statements of condition of The Federal Reserve Banks (the "Reserve Banks") as of December 31, 1997 and 1996, and the related combined statements of income and changes in capital for the years then ended. These financial statements are the responsibility of the Reserve Banks' management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 3, the combined financial statements were prepared in conformity with the accounting principles, policies, and practices established by the Board of Governors of The Federal Reserve System. These principles, policies, and practices, which were designed to meet the specialized accounting and reporting needs of The Federal Reserve System, are set forth in the *Financial Accounting Manual for Federal Reserve Banks* and constitute a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Reserve Banks as of December 31, 1997 and 1996, and combined results of their operations for the years then ended, on the basis of accounting described in Note 3.

Coopers & Lybrand L.L.P.

Washington, D.C.
March 24, 1998

THE FEDERAL RESERVE BANKS
COMBINED STATEMENTS OF CONDITION
December 31, 1997 and 1996

(in millions)

ASSETS	1997	1996
Gold certificates	$ 11,047	$ 11,048
Special drawing rights certificates	9,200	9,718
Coin	460	591
Items in process of collection	7,800	12,761
Loans to depository institutions	2,035	85
U.S. government and federal agency securities, net	458,555	416,875
Investments denominated in foreign currencies	17,046	19,264
Accrued interest receivable	4,386	3,891
Bank premises and equipment, net	1,781	1,757
Other assets	1,612	1,309
Total assets	$513,922	$477,299
LIABILITIES AND CAPITAL		
LIABILITIES		
Federal Reserve notes outstanding, net	$457,469	$426,522
Deposits		
Depository institutions	30,838	24,524
U.S. Treasury, general account	5,444	7,742
Other deposits	681	400
Deferred credit items	7,239	7,464
Statutory surplus transfer due U.S. Treasury	653	660
Accrued benefit cost	747	712
Other liabilities	198	177
Total liabilities	503,269	468,201
CAPITAL		
Capital paid-in	5,433	4,602
Surplus	5,220	4,496
Total capital	10,653	9,098
Total liabilities and capital	$513,922	$477,299

The accompanying notes are an integral part of these financial statements.

THE FEDERAL RESERVE BANKS
COMBINED STATEMENTS OF INCOME
for the years ended December 31, 1997 and 1996

(in millions)

	1997	1996
Interest income		
Interest on U.S. government securities	$25,699	$23,884
Interest on foreign currencies	375	443
Interest on loans to depository institutions	15	11
Total interest income	26,089	24,338
Other operating income (loss)		
Income from services	789	787
Reimbursable services to government agencies	224	216
Foreign currency losses, net	(2,593)	(1,668)
Government securities gains, net	13	32
Other income	61	60
Total other operating loss	(1,506)	(573)
Operating expenses		
Salaries and other benefits	1,300	1,283
Occupancy expense	184	177
Equipment expense	261	259
Cost of unreimbursed Treasury services	35	38
Assessments by Board of Governors	539	565
Other expenses	474	468
Total operating expenses	2,793	2,790
Net income prior to distribution	$21,790	$20,975
Distribution of net income		
Dividends paid to member banks	$ 300	$ 256
Transferred to surplus	831	636
Payments to U.S. Treasury as interest on Federal Reserve notes	. . .	14,565
Payments to U.S. Treasury as required by statute	20,659	5,518
Total distribution	$21,790	$20,975

The accompanying notes are an integral part of these financial statements.

THE FEDERAL RESERVE BANKS
COMBINED STATEMENTS OF CHANGES IN CAPITAL
for the years ended December 31, 1997 and 1996

(in millions)

	Capital paid-in	Surplus	Total capital
Balance at December 31, 1995 (79 million shares)	$3,966	$3,966	$7,932
Net income transferred to surplus	...	636	636
Statutory surplus transfer to the U.S. Treasury	...	(106)	(106)
Net change in capital stock (13 million shares issued)	636	...	636
Balance at December 31, 1996 (92 million shares)	$4,602	$4,496	$9,098
Net income transferred to surplus	...	831	831
Statutory surplus transfer to the U.S. Treasury	...	(107)	(107)
Net change in capital stock (17 million shares issued)	831	...	831
Balance at December 31, 1997 (109 million shares)	$5,433	$5,220	$10,653

The accompanying notes are an integral part of these financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS OF THE FEDERAL RESERVE BANKS, DECEMBER 31, 1997 AND 1996

(1) ORGANIZATION AND BASIS OF PRESENTATION

The twelve Federal Reserve Banks (Reserve Banks) are part of the Federal Reserve System (System) created by Congress under the Federal Reserve Act of 1913 (Federal Reserve Act), which established the central bank of the United States. The Reserve Banks are chartered by the federal government and possess a unique set of governmental, corporate, and central bank characteristics. Other major elements of the System are the Board of Governors of the Federal Reserve System (Board of Governors), the Federal Open Market Committee (FOMC), and the Federal Advisory Council. The FOMC is composed of members of the Board of Governors, the president of the Federal Reserve Bank of New York (FRBNY), and, on a rotating basis, four other Reserve Bank presidents.

Although the Reserve Banks are chartered as independent organizations overseen by the Board of Governors, the Reserve Banks work jointly to carry out their statutory responsibilities. The majority of the assets, liabilities, and income of the Reserve Banks is derived from central bank activities and responsibilities with regard to monetary policy and currency. For this reason, the accompanying combined set of financial statements for the twelve independent Reserve Banks is prepared, adjusted to eliminate interdistrict accounts and transactions.

Structure

The Reserve Banks serve twelve Federal Reserve Districts nationwide. In accordance with the Federal Reserve Act, supervision and control of each Reserve Bank is exercised by a Board of Directors. Banks that are members of the System include all national banks and any state-chartered bank that applies and is approved for membership in the System.

Board of Directors

The Federal Reserve Act specifies the composition of the board of directors for each of the Reserve Banks. Each board is composed

NOTES TO COMBINED FINANCIAL STATEMENTS OF THE FEDERAL RESERVE BANKS—CONTINUED

of nine members serving three-year terms: three directors, including those designated as Chairman and Deputy Chairman, are appointed by the Board of Governors, and six directors are elected by member banks. Of the six elected by member banks, three represent the public and three represent member banks. Member banks are divided into three classes according to size. Member banks in each class elect one director representing member banks and one representing the public. In any election of directors, each member bank receives one vote, regardless of the number of shares of Reserve Bank stock it holds.

(2) OPERATIONS AND SERVICES

The System performs a variety of services and operations. Functions include formulating and conducting monetary policy; participating actively in the payments mechanism, including large-dollar transfers of funds, automated clearinghouse operations, and check processing; distribution of coin and currency; fiscal agency functions for the U.S. Treasury and certain federal agencies; serving as the federal government's bank; providing short-term loans to depository institutions; serving the consumer and the community by providing educational materials and information regarding consumer laws; supervising bank holding companies and state member banks; and administering other regulations of the Board of Governors. The Board of Governors' operating costs are funded through assessments on the Reserve Banks.

The FOMC establishes policy regarding open market operations, oversees these operations, and issues authorizations and directives to the FRBNY for its execution of transactions. Authorized transaction types include direct purchase and sale of U.S. government and federal agency securities, matched sale–purchase transactions, the purchase of securities under agreements to resell, and the lending of U.S. government securities. Additionally, the FRBNY is authorized by the FOMC to hold balances of and to execute spot and forward foreign exchange and securities contracts in fourteen foreign currencies, maintain reciprocal currency arrangements (F/X swaps) with various central banks, and "warehouse" foreign currencies for the U.S. Treasury and Exchange Stabilization Fund (ESF) through the Reserve Banks.

(3) SIGNIFICANT ACCOUNTING POLICIES

Accounting principles for entities with the unique powers and responsibilities of the nation's central bank have not been formulated by the Financial Accounting Standards Board. The Board of Governors has developed specialized accounting principles and practices that it believes are appropriate for the significantly different nature and function of a central bank as compared to the private sector. These accounting principles and practices are documented in the *Financial Accounting Manual for Federal Reserve Banks* (*Financial Accounting Manual*), which is issued by the Board of Governors. All Reserve Banks are required to adopt and apply accounting policies and practices that are consistent with the *Financial Accounting Manual*.

The financial statements have been prepared in accordance with the *Financial Accounting Manual*. Differences exist between the accounting principles and practices of the System and generally accepted accounting principles (GAAP). The primary differences are the presentation of all security holdings at amortized cost, rather than at the fair value presentation requirements of GAAP, and the accounting for matched sale–purchase transactions as separate sales and purchases, rather than secured borrowings with pledged collateral, as is required by GAAP. In addition, the Board of Governors and the Reserve Banks have elected not to include a Statement of Cash Flows, as the liquidity and cash position of the Reserve Banks are not of primary concern to users of these financial statements. Other information regarding the Reserve Banks' activities is provided in, or may be derived from, the Statements of Condition, Income, and Changes in Capital. Therefore, a Statement of Cash Flows would not provide any additional useful information. There are no other significant differences between the policies outlined in the *Financial Accounting Manual* and GAAP.

The preparation of the financial statements in conformity with the *Financial Accounting Manual* requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Unique accounts and significant accounting policies are explained below.

(A) *Gold Certificates*

The Secretary of the Treasury is authorized to issue gold certificates to the Reserve Banks to monetize gold held by the U.S. Treasury. Payment for the gold certificates by the Reserve Banks is made by crediting equivalent amounts in dollars into the account established for the U.S. Treasury. These gold certificates held by the Reserve Banks are required to be backed by the gold of the U.S. Treasury. The U.S. Treasury may reacquire the gold certificates at any time, and the Reserve Banks must deliver them to the U.S. Treasury. At such time, the U.S. Treasury's account is charged, and the Reserve Banks' gold certificate account is lowered. The value of gold for purposes of backing the gold certificates is set by law at \$42$\frac{2}{9}$ a fine troy ounce.

(B) *Special Drawing Rights Certificates*

Special drawing rights (SDRs) are issued by the International Monetary Fund (Fund) to its members in proportion to each member's quota in the Fund at the time of issuance. SDRs serve as a supplement to international monetary reserves and may be transferred from one national monetary authority to another. Under the law providing for U.S. participation in the SDR system, the Secretary of the U.S. Treasury is authorized to issue SDR certificates, somewhat like gold certificates, to the Reserve Banks. At such time, equivalent amounts in dollars are credited to the account established for the U.S. Treasury, and the Reserve Banks' SDR certificate account is increased. The Reserve Banks are required to purchase SDRs, at the direction of the U.S. Treasury, for the purpose of financing SDR certificate acquisitions or for financing exchange stabilization operations.

(C) *Loans to Depository Institutions*

The Depository Institutions Deregulation and Monetary Control Act of 1980 provides that all depository institutions that maintain reservable transaction accounts or nonpersonal time deposits, as defined in Regulation D issued by the Board of Governors, have borrowing privileges at the discretion of the Reserve Banks. Borrowers execute certain lending agreements and deposit suffi-

NOTES TO COMBINED FINANCIAL STATEMENTS OF THE FEDERAL RESERVE BANKS—CONTINUED

cient collateral before credit is extended. Loans are evaluated for collectibility, and currently all are considered collectible and fully collateralized. If any loans were deemed to be uncollectible, an appropriate reserve would be established. Interest is recorded on the accrual basis and is charged at the applicable discount rate established at least every fourteen days by the boards of directors of the Reserve Banks, subject to review by the Board of Governors. However, Reserve Banks retain the option to impose a surcharge above the basic rate in certain circumstances.

(D) *U.S. Government and Federal Agency Securities and Investments Denominated in Foreign Currencies*

The FOMC has designated the FRBNY to execute open market transactions on its behalf and to hold the resulting securities in the portfolio known as the System Open Market Account (SOMA). In addition to authorizing and directing operations in the domestic securities market, the FOMC authorizes and directs the FRBNY to execute operations in foreign markets for major currencies in order to counter disorderly conditions in exchange markets or other needs specified by the FOMC in carrying out the System's central bank responsibilities.

Purchases of securities under agreements to resell and matched sale–purchase transactions are accounted for as separate sale and purchase transactions. Purchases under agreements to resell are transactions in which the FRBNY purchases a security and sells it back at the rate specified at the commencement of the transaction. Matched sale–purchase transactions are transactions in which the FRBNY sells a security and buys it back at the rate specified at the commencement of the transaction.

Reserve Banks are authorized by the FOMC to lend U.S. government securities held in the SOMA to U.S. government securities dealers and to banks participating in U.S. government securities clearing arrangements in order to facilitate the effective functioning of the domestic securities market. These securities-lending transactions are fully collateralized by other U.S. government securities. FOMC policy requires the lending Reserve Bank to take possession of the collateral in amounts in excess of the market values of the securities loaned. The market values of the collateral and the securities loaned are monitored by the lending Reserve Bank on a daily basis, with additional collateral obtained as necessary. The securities loaned continue to be accounted for in the SOMA.

Foreign exchange contracts are contractual agreements between two parties to exchange specified currencies at a specified price on a specified date. Spot foreign contracts normally settle two days after the trade date, whereas the settlement date on forward contracts is negotiated between the contracting parties but will extend beyond two days from the trade date. The FRBNY generally enters into spot contracts, with any forward contracts generally limited to the second leg of a swap/warehousing transaction.

The FRBNY, on behalf of the Reserve Banks, maintains renewable, short-term F/X swap arrangements with authorized foreign central banks. The parties agree to exchange their currencies up to a pre-arranged maximum amount and for an agreed upon period of time (up to twelve months), at an agreed upon interest rate. These arrangements give the FOMC temporary access to foreign currencies that it may need for intervention operations to support the dollar and give the partner foreign central bank temporary access to dollars it may need to support its own currency. Drawings under the F/X swap arrangements can be initiated by either the FRBNY or the partner foreign central bank, and must be agreed to by the drawee. The F/X swaps are structured so that the party initiating the transaction (the drawer) bears the exchange rate risk upon maturity. The Bank will generally invest the foreign currency received under an F/X swap in interest-bearing instruments.

Warehousing is an arrangement under which the FOMC agrees to exchange, at the request of the Treasury, U.S. dollars for foreign currencies held by the Treasury or ESF over a limited period of time. The purpose of the warehousing facility is to supplement the U.S. dollar resources of the Treasury and ESF for financing purchases of foreign currencies and related international operations.

In connection with its foreign currency activities, the FRBNY, on behalf of the Reserve Banks, may enter into contracts that contain varying degrees of off-balance-sheet market risk because they represent contractual commitments involving future settlement and counter-party credit risk. The FRBNY controls credit risk by obtaining credit approvals, establishing transaction limits, and performing daily monitoring procedures.

While the application of current market prices to the securities currently held in the SOMA portfolio and investments denominated in foreign currencies may result in values substantially above or below their carrying values, these unrealized changes in value would have no direct effect on the quantity of reserves available to the banking system or on the prospects for future Reserve Bank earnings or capital. Both the domestic and foreign components of the SOMA portfolio from time to time involve transactions that can result in gains or losses when holdings are sold prior to maturity. However, decisions regarding the securities and foreign currencies transactions, including their purchase and sale, are motivated by monetary policy objectives rather than profit. Accordingly, earnings and any gains or losses resulting from the sale of such currencies and securities are incidental to the open market operations and do not motivate its activities or policy decisions.

U.S. government and federal agency securities and investments denominated in foreign currencies comprising the SOMA are recorded at cost, on a settlement-date basis, and adjusted for amortization of premiums or accretion of discounts on a straight-line basis. Interest income is accrued on a straight-line basis and is reported as "Interest on U.S. government securities" or "Interest on foreign currencies," as appropriate. Income earned on securities lending transactions is reported as a component of "Other income." Gains and losses resulting from sales of securities are determined by specific issues based on average cost. Gains and losses on the sales of U.S. government and federal agency securities are reported as "Government securities gains, net." Foreign currency denominated assets are revalued monthly at current market exchange rates in order to report these assets in U.S. dollars. Realized and unrealized gains and losses on investments denominated in foreign currencies are reported as "Foreign currency (losses), net." Foreign currencies held through F/X swaps, when initiated by the counter party, and warehousing arrangements are revalued monthly, with the unrealized gain or loss reported as a component of "Other assets" or "Other liabilities," as appropriate.

(E) *Bank Premises and Equipment*

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis

NOTES TO COMBINED FINANCIAL STATEMENTS OF THE FEDERAL RESERVE BANKS—CONTINUED

over estimated useful lives of assets ranging from two to fifty years. New assets, major alterations, renovations, and improvements are capitalized at cost as additions to the asset accounts. Maintenance, repairs, and minor replacements are charged to operations in the year incurred.

(F) *Federal Reserve Notes*

Federal Reserve notes are the circulating currency of the United States. These notes are issued through the various Federal Reserve agents to the Reserve Banks upon deposit with such agents of certain classes of collateral security, typically U.S. government securities. These notes are identified as issued to a specific Reserve Bank. The Federal Reserve Act provides that the collateral security tendered by the Reserve Bank to the Federal Reserve agent must be equal to the sum of the notes applied for by such Reserve Bank. In accordance with the Federal Reserve Act, gold certificates, special drawing rights certificates, U.S. government and agency securities, loans allowed under section 13, and investments denominated in foreign currencies are pledged as collateral for net Federal Reserve notes outstanding. The collateral value is equal to the book value of the collateral tendered, with the exception of securities, whose collateral value is equal to the par value of the securities tendered. The Board of Governors may, at any time, call upon a Reserve Bank for additional security to adequately collateralize the Federal Reserve notes. To satisfy the obligation to provide sufficient collateral for outstanding Federal Reserve notes, the Reserve Banks have entered into an agreement that provides that certain assets of the Reserve Banks are jointly pledged as collateral for the Federal Reserve notes of all Reserve Banks. In the event that this collateral is insufficient, the Federal Reserve Act provides that Federal Reserve notes become a first and paramount lien on all the assets of the Reserve Banks. Finally, as obligations of the United States, Federal Reserve notes are backed by the full faith and credit of the U.S. government.

The "Federal Reserve notes outstanding, net" account represents Federal Reserve notes reduced by cash held in the vaults of the Reserve Banks of $92 billion and $100 billion at December 31, 1997 and 1996, respectively.

At December 31, 1997 and 1996, all gold certificates, all special drawing rights certificates, and domestic securities with par values of $437 billion and $406 billion, respectively, were pledged as collateral. At December 31, 1997 and 1996, no loans or investments denominated in foreign currencies were pledged as collateral.

(G) *Capital Paid-In*

The Federal Reserve Act requires that each member bank subscribe to the capital stock of the Reserve Bank in an amount equal to 6 percent of the capital and surplus of the member bank. As a member bank's capital and surplus changes, its holdings of the Reserve Bank's stock must be adjusted. Member banks are those state-chartered banks that apply and are approved for membership in the System and all national banks. Currently, only one-half of the subscription is paid-in and the remainder is subject to call. These shares are nonvoting with a par value of $100. They may not be transferred or hypothecated. By law, each member bank is entitled to receive an annual dividend of 6 percent on the paid-in capital stock. This cumulative dividend is paid semiannually. A member bank is liable for Reserve Bank liabilities up to twice the par value of stock subscribed by it.

(H) *Surplus*

The Board of Governors requires Reserve Banks to maintain a surplus equal to the amount of capital paid-in as of December 31 of the prior year. This amount is intended to provide additional capital and reduce the possibility that the Reserve Banks would be required to call on member banks for additional capital. Reserve Banks are required by the Board of Governors to transfer to the U.S. Treasury excess earnings, after providing for the costs of operations, payment of dividends, and reservation of an amount necessary to equate surplus with capital paid-in. Prior to October 1, 1996, this payment represented payment of interest on Federal Reserve notes outstanding.

The Omnibus Budget Reconciliation Act of 1993 (Public Law 103-66, Section 3002) codified the existing Board surplus policies as statutory surplus transfers, rather than as payments of interest on Federal Reserve notes, for federal government fiscal years 1998 and 1997 (which began on October 1, 1997 and 1996, respectively). In addition, the legislation directed the Reserve Banks to transfer to the U.S. Treasury additional surplus funds of $107 million and $106 million during fiscal years 1998 and 1997 respectively. Reserve Banks are not permitted to replenish surplus for these amounts during this time. These transfers were made on October 1, 1997 and 1996, respectively, and are reported on the Statement of Changes in Capital as "Statutory surplus transfer to the U.S. Treasury."

In the event of losses, payments to the U.S. Treasury are suspended until such losses are recovered through subsequent earnings. Weekly payments to the U.S. Treasury vary significantly.

(I) *Cost of Unreimbursed Treasury Services*

Reserve Banks are required by the Federal Reserve Act to serve as fiscal agents and depositories of the United States. By statute, the Department of the Treasury is permitted, but not required, to pay for these services. The costs of providing fiscal agency and depository services to the Treasury Department that have been billed but will not be paid are reported as the "Cost of unreimbursed Treasury services."

(J) *Taxes*

The Reserve Banks are exempt from federal, state, and local taxes, except for taxes on real property, which are reported as a component of "Occupancy expense."

(4) U.S. GOVERNMENT AND FEDERAL AGENCY SECURITIES

Securities bought outright and held under agreements to resell are held in the SOMA at the FRBNY.

Total securities held in the SOMA at December 31 that were bought outright were as follows (in millions):

NOTES TO COMBINED FINANCIAL STATEMENTS OF THE FEDERAL RESERVE BANKS—CONTINUED

	1997	1996
Par value		
Federal agency	$ 685	$ 2,225
U.S. government		
Bills	197,123	190,646
Notes	174,206	150,922
Bonds	59,407	49,339
Total par value	431,421	393,132
Unamortized premiums	6,197	4,677
Unaccreted discounts	(3,617)	(3,548)
Total	$434,001	$394,261

The maturities of U.S. government and federal agency securities bought outright, which were held in the SOMA at December 31, 1997, were as follows (in millions):

Maturities of securities held	Par value		
	U.S. government securities	Federal agency obligations	Total
Within 15 days	$ 12,959		$ 12,959
16 days to 90 days	95,648	$ 60	95,708
91 days to 1 year	137,886	192	138,078
Over 1 year to 5 years	95,028	153	95,181
Over 5 years to 10 years	40,907	255	41,162
Over 10 years	48,308	25	48,333
Total	$430,736	$685	$431,421

Total securities held under agreements to resell at December 31 (in millions):

	1997	1996
Par value		
Federal agency	$ 2,652	$ 1,612
U.S. government	21,188	19,971
Total par value	23,840	21,583
Unamortized premiums	996	1,327
Unaccreted discounts	(282)	(296)
Total	$24,554	$22,614

The resell date for securities purchased under agreements to resell does not exceed fifteen days after the purchase date.

At December 31, 1997 and 1996, matched sale–purchase transactions involving U.S. government securities with par values of $17 billion and $15 billion, respectively, were outstanding. Matched sale–purchase transactions are generally overnight arrangements.

At December 31, 1997 and 1996, U.S. government securities with par values of $887 million and $489 million, respectively, were loaned.

(5) INVESTMENTS DENOMINATED IN FOREIGN CURRENCIES

The FRBNY, on behalf of the Reserve Banks, holds foreign currency deposits with foreign central banks and the Bank for International Settlements and invests in foreign government debt instruments. Foreign government debt instruments held include both securities bought outright and securities held under agreements to resell. These investments are guaranteed as to principal and interest by the foreign governments.

Total investments denominated in foreign currencies, valued at current exchange rates at December 31, were as follows (in millions):

	1997	1996
German marks		
Foreign currency deposits	$ 8,271	$10,253
Government debt instruments, including agreements to resell	3,215	2,777
Japanese yen		
Foreign currency deposits	575	637
Government debt instruments, including agreements to resell	4,902	5,515
Accrued interest	86	87
Total	$17,049	$19,269

In addition to the balances reported above, $3 million and $5 million in unearned interest collected on certain foreign currency holdings were also reported as "Investments denominated in foreign currencies" at December 31, 1997 and 1996, respectively.

The maturities of investments denominated in foreign currencies at December 31, 1997, were as follows (in millions):

Maturities of Investments Denominated in Foreign Currencies	
Within 1 year	$16,767
Over 1 year to 5 years	72
Over 5 years to 10 years	210
Over 10 years	...
Total	$17,049

At December 31, 1997 and 1996, there were no open foreign exchange contracts.

As of December 31, 1997 and 1996, there were no F/X swaps outstanding.

At December 31, 1997 and 1996, the warehousing facility was $20 billion, with nothing outstanding.

(6) BANK PREMISES AND EQUIPMENT

A summary of bank premises and equipment at December 31 is as follows (in millions):

	1997	1996
Bank premises and equipment		
Land	$ 194	$ 192
Buildings	1,100	934
Building machinery and equipment	255	242
Construction in progress	61	195
Furniture and equipment	1,258	1,230
	2,868	2,793
Accumulated depreciation	(1,087)	(1,036)
Bank premises and equipment, net	$1,781	$1,757

Depreciation expense was $194 million and $192 million for the years ended December 31, 1997 and 1996, respectively.

Bank premises and equipment at December 31 include the following amounts for leases that have been capitalized (in millions):

	1997	1996
Bank premises and equipment	$95	$96
Accumulated depreciation	(81)	(56)
Capitalized leases, net	$14	$40

NOTES TO COMBINED FINANCIAL STATEMENTS OF THE FEDERAL RESERVE BANKS—CONTINUED

Certain of the Reserve Banks lease unused space to outside tenants. Those leases have terms ranging from one to fourteen years. Rental income from such leases was $17 million and $16 million for the years ended December 31, 1997 and 1996, respectively. Future minimum lease payments under agreements in existence at December 31, 1997, were (in millions):

1998	$15
1999	14
2000	13
2001	12
2002	10
Thereafter	19
Total	$83

(7) COMMITMENTS AND CONTINGENCIES

At December 31, 1997, the Reserve Banks were obligated under noncancelable leases for premises and equipment with terms ranging from one year to approximately twenty-six years. These leases provide for increased rentals based upon increases in real estate taxes, operating costs, or selected price indices.

Rental expense under operating leases for certain operating facilities, warehouses, and data processing and office equipment (including taxes, insurance, and maintenance when included in rent), net of sublease rentals, was $69 million and $68 million for the years ended December 31, 1997 and 1996, respectively. Certain of the Reserve Banks' leases have options to renew.

Future minimum rental payments under noncancelable operating leases, net of sublease rentals, with terms of one year or more, at December 31, 1997, were (in millions):

1998	$ 13
1999	11
2000	9
2001	8
2002	6
Thereafter	$124
Total	$171

At December 31, 1997, the Reserve Banks had contractual commitments through the year 2007 totaling $261 million for the maintenance of currency processing machines, none of which has been recognized. One Reserve Bank contracts for maintenance for these machines on behalf of the System and allocates the costs, annually, to each other Reserve Bank.

The Reserve Banks are involved in certain legal actions and claims arising in the ordinary course of business. Although it is difficult to predict the ultimate outcome of these actions, in management's opinion, based on discussions with counsel, the aforementioned litigation and claims will be resolved without material adverse effect on the financial position or results of operations of the Reserve Banks.

(8) RETIREMENT AND THRIFT PLANS

Retirement Plans

The Reserve Banks currently offer two defined benefit retirement plans to their employees, based on length of service and level of compensation. Substantially all of the Reserve Banks' employees participate in the Retirement Plan for Employees of the Federal Reserve System (System Plan) and the Benefit Equalization Retirement Plans offered by each individual Reserve Bank (BEPs).

The System Plan is a multi-employer plan. FRBNY acts as the sponsor of this plan. The prepaid pension cost includes amounts related to the participation of employees of the twelve Reserve Banks, the Board of Governors, and the Plan Administrative Office in the plan.

Contributions to the System Plan are actuarially determined and fully funded by participating employers at amounts prescribed by the Plan Administrator (with the exception of a mandatory contribution of 7 percent of salary by certain employees of the Board of Governors that participate in the plan). No separate accounting is maintained of assets contributed by the participating employers. It is the System's policy to fund the pension liability as accrued. No contributions to the System Plan were required under this policy during 1997 or 1996.

The BEPs are unfunded plans that were established January 1, 1996. Net pension cost for the period is actuarially determined and is based on the same economic and mortality assumptions used for the System Plan. The Reserve Banks' projected benefit obligation and net pension costs for the BEPs at December 31, 1997 and 1996, and for the years then ended, are not material.

Following is a reconciliation between the funded status of the System Plan and amounts recognized at December 31 (in millions):

	1997	1996
Accumulated benefit obligation		
Vested	$1,931	$1,758
Nonvested	90	85
Total	$2,021	$1,843
Plan assets at fair value, primarily listed stocks and bonds	$5,031	$4,153
Actuarial present value of projected benefit obligation	(2,476)	(2,270)
Plan assets in excess of projected benefit obligation	2,555	1,883
Less: Unrecognized net transition obligation	181	226
Unrecognized net gain	1,307	884
Unrecognized prior service cost	(135)	(144)
Prepaid pension cost	$1,202	$ 917

Prepaid pension cost is reported as a component of "Other assets."

The assumptions used in developing the pension benefit obligation for the System Plan and BEPs are as follows:

	1997	1996
Discount rate	7.00%	7.25%
Rate of compensation increase	5.00%	5.00%
Long-term rate of return on plan assets	9.00%	9.00%

The components of the net pension credit for the System Plan for the years ended December 31 are shown below (in millions):

	1997	1996
Service cost—benefits earned	$ 71	$ 71
Interest cost on projected benefit obligation	160	152
Actual return on plan assets	(904)	(634)
Net amortization and deferral	468	269
Cost of special termination benefits	4	1
Net pension (credit)	$(201)	$(141)

The net pension credit is reported as a component of "Other expense."

Notes to Combined Financial Statements of the Federal Reserve Banks—Continued

Thrift Plan

Employees of the Reserve Banks may also participate in the Thrift Plan for Employees of the Federal Reserve System (Thrift Plan). The Thrift Plan is a defined contribution plan. Under the Thrift Plan, employees may contribute a percentage of their salaries up to a maximum 20 percent limit. Matching contributions by the Reserve Banks are based on a fixed percentage of each employee's basic contribution. Currently, the Reserve Banks match 80 percent of the first 6 percent of salary contributed by the employee. The Reserve Banks' Thrift Plan contributions totaled $41 million and $40 million for the years ended December 31, 1997 and 1996, respectively, and are reported as a component of "Salaries and other benefits."

(9) Postretirement Benefits Other Than Pensions and Postemployment Benefits

Postretirement Benefits Other Than Pensions

In addition to the Reserve Banks' defined benefit retirement plans, employees who have met certain age and length of service requirements are eligible for both medical benefits and life insurance coverage during retirement. The retiree medical plan is contributory and provides benefits to retirees, their covered dependents, and beneficiaries. The life insurance plan is noncontributory and covers retirees only.

The Reserve Banks fund benefits payable under the medical and life insurance plans as due. Net postretirement benefit cost is actuarially determined, using a January 1 measurement date. The following is a reconciliation between the plan's funded status and the amounts recognized as of December 31 (in millions):

	1997	1996
Accumulated postretirement benefit obligation		
Retirees and covered spouses	$339	$303
Actives eligible to retire	41	53
Other actives and disableds	208	226
Total accumulated postretirement benefit obligation	588	582
Unrecognized net gain (loss)	(8)	(23)
Unrecognized prior service cost	92	84
Accrued postretirement benefit cost	$672	$643

Accrued postretirement benefit cost is reported as a component of "Accrued benefit cost."

The assumptions used in developing the postretirement benefit obligation are as follows:

	1997	1996
Discount rate	7.00%	7.25%
Rate of increase in health care costs—initial	9.00%	9.50%
Rate of increase in health care costs—ultimate	5.00%	5.50%

The ultimate health care cost rate is expected to be achieved in 2005.

The following is a summary of the components of net periodic postretirement cost for the years ended December 31 (in millions):

	1997	1996
Service cost	$16	$16
Interest cost of accumulated benefit obligation	40	40
Net amortization and deferral	(6)	(5)
Net periodic postretirement cost	$50	$51

Net periodic postretirement cost is reported as a component of "Salaries and other benefits."

Changing the assumed health care cost trend rates by 1 percentage point in each year would change the accumulated postretirement benefit obligation at December 31, 1997 and 1996, by approximately $83 million and $118 million, respectively, and would change the aggregate service and interest cost components of net periodic postretirement benefit cost for the years ended December 31, 1997 and 1996, by approximately $12 million and $18 million respectively.

Postemployment Benefits

The Reserve Banks offer benefits to former or inactive employees. Postemployment benefit costs are actuarially determined and include the cost of medical and dental insurance, survivor income, disability benefits, and those workers' compensation expenses self-insured by individual Reserve Banks. Costs were projected using the same discount rate and health care trend rates as were used for projecting postretirement costs. The accrued postemployment benefit costs recognized by the Reserve Banks at December 31, 1997 and 1996, were $76 million and $68 million respectively. This cost is included as a component of "Accrued benefit cost." Net periodic postemployment benefit costs included in 1997 and 1996 operating expenses were $17 million in each year.

Financial and Business Statistics

Guide to Tabular Presentation

SYMBOLS AND ABBREVIATIONS

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

GENERAL INFORMATION

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

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

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

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

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

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1997			1998	1997	1998[r]			
	Q2	Q3	Q4	Q1[r]	Dec.	Jan.	Feb.	Mar.	Apr.
Reserves of depository institutions[2]									
1 Total	−15.2[r]	−3.0[r]	−2.7[r]	−1.9	9.3[r]	−4.3	−20.1	8.5	−3.9
2 Required	−15.9[r]	−3.7[r]	−5.6[r]	−1.8	7.9[r]	−7.1	−14.0	14.5	−5.9
3 Nonborrowed	−16.9[r]	−4.7[r]	−.8[r]	−.7	4.9[r]	−1.4	−16.3	9.0	−4.7
4 Monetary base[3]	3.8[r]	6.2[r]	7.9[r]	6.9	10.0[r]	6.7	3.5	4.1	2.1
Concepts of money, liquid assets, and debt[4]									
5 M1	−4.5	.3	.9[r]	3.0	7.6	−2.7	3.1	5.1	−1.6
6 M2	4.4	5.5[r]	6.9[r]	7.9	6.8	7.4	9.5	8.2	9.1
7 M3	7.7	8.1	10.2	11.3	12.1[r]	10.8	8.9	14.3	10.0
8 L	8.4	7.1	9.7[r]	13.7	12.7	13.6	12.6	16.7	n.a.
9 Debt	5.0	4.2	5.7	6.5	6.2	6.2	6.9	6.9	n.a.
Nontransaction components									
10 In M2[5]	7.9	7.4[r]	9.1[r]	9.7	6.5	11.1	11.8	9.3	12.8
11 In M3 only[6]	18.9	16.9	20.8	21.9	28.3	20.9	6.9	32.5	12.7
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	11.0	9.6	16.3	13.6	13.6	14.6	13.2	12.1	25.9
13 Small time[7]	5.6	7.1	3.1	.7	1.0	.0	−.2	−.6	−.2
14 Large time[8,9]	24.1	17.2	14.1[r]	21.7	20.2[r]	8.7	31.0	40.5	−10.9
Thrift institutions									
15 Savings, including MMDAs	6.0	1.0	1.4	7.6	5.4	6.4	13.6	11.6	10.6
16 Small time[7]	−2.9	−5.2	−3.5	−.9	.0	4.2	−2.8	−5.6	−10.9
17 Large time[8]	4.3	9.8	5.3	14.1	11.4	31.0	2.7	−6.8	13.8
Money market mutual funds									
18 Retail	13.5	16.3[r]	16.0[r]	19.6	5.0[r]	23.3	28.7	21.6	18.0
19 Institution-only	18.0	19.7	22.0	18.9	34.5	14.7	12.3	22.5	51.7
Repurchase agreements and Eurodollars									
20 Repurchase agreements[10]	6.8	13.4	38.3	32.4	9.3	53.2	−26.4	87.6	−4.2
21 Eurodollars[10]	32.2	18.6	23.4	17.8	81.0	21.6	−30.6	−33.8	23.2
Debt components[4]									
22 Federal	.4	−.6	.9	.5	2.2	.0	−.8	1.8	n.a.
23 Nonfederal	6.6	5.9	7.3[r]	8.5	7.6	8.3	9.5	8.5	n.a.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10. Includes both overnight and term.

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

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1998			1998						
	Feb.	Mar.	Apr.	Mar. 18	Mar. 25	Apr. 1	Apr. 8	Apr. 15	Apr. 22	Apr. 29
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	463,965	467,483	474,691	468,358	466,500	468,254	467,595	471,693	476,123	481,399
U.S. government securities[2]										
2 Bought outright—System account[3]	427,988	431,767	437,525	432,541	432,887	433,099	433,534	436,436	440,602	439,580
3 Held under repurchase agreements	2,720	2,313	3,566	2,216	1,113	2,185	868	1,899	2,338	7,459
Federal agency obligations										
4 Bought outright	678	641	584	625	625	625	625	586	565	559
5 Held under repurchase agreements	573	1,245	667	1,478	174	425	421	787	687	536
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	51	6	44	2	19	2	139	14	14	15
8 Seasonal credit	11	22	40	20	26	29	30	31	43	53
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	440	464	449	532	455	283	866	316	308	403
11 Other Federal Reserve assets	31,505	31,026	31,817	30,945	31,201	31,606	31,112	31,623	31,566	32,795
12 Gold stock	11,047	11,049	11,049	11,049	11,049	11,049	11,049	11,048	11,049	11,049
13 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,703	25,761	25,823	25,760	25,774	25,788	25,802	25,816	25,830	25,844
ABSORBING RESERVE FUNDS										
15 Currency in circulation	471,834	473,771	476,390	474,061	473,754	473,863	475,592	477,195	476,953	475,910
16 Treasury cash holdings	227	254	273	256	260	264	261	276	277	277
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	4,969	5,455	9,708	6,294	5,181	5,033	5,044	6,218	7,894	17,944
18 Foreign	178	174	177	176	164	179	170	183	185	173
19 Service-related balances and adjustments	7,063	6,993	6,800	6,976	7,003	6,845	6,906	6,633	6,859	6,803
20 Other	395	369	375	372	357	363	408	383	349	366
21 Other Federal Reserve liabilities and capital	16,114	16,176	16,177	16,178	16,089	15,894	15,863	16,223	16,328	16,304
22 Reserve balances with Federal Reserve Banks[4]	9,135	10,303[r]	10,862	10,055	9,716	11,850	9,402	10,645	13,356	9,715

Factor	End-of-month figures			Wednesday figures						
	Feb.	Mar.	Apr.	Mar. 18	Mar. 25	Apr. 1	Apr. 8	Apr. 15	Apr. 22	Apr. 29
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	465,614	475,593	493,052	469,283	472,764	469,995	471,764	476,995	487,623	506,805
U.S. government securities[2]										
2 Bought outright—System account[3]	428,619	433,182	441,322	432,708	434,119	433,361	434,497	440,277	441,824	442,406
3 Held under repurchase agreements	3,645	6,846	15,731	3,001	5,735	3,297	2,025	3,095	10,225	26,047
Federal agency obligations										
4 Bought outright	675	625	551	625	625	625	625	565	565	551
5 Held under repurchase agreements	2,107	1,450	1,955	1,220	1,045	1,028	983	1,958	2,617	1,808
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	0	2	25	2	8	0	939	2	96	4
8 Seasonal credit	12	27	61	23	30	27	30	37	47	56
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	−202	1,502[r]	−467	539	−532	687	1,213	−296	−344	656
11 Other Federal Reserve assets	30,757	31,959	33,874	31,165	31,735	30,969	31,452	31,358	32,594	35,278
12 Gold stock	11,050	11,049	11,048	11,049	11,049	11,049	11,049	11,048	11,049	11,048
13 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,732	25,788	25,858	25,760	25,774	25,788	25,802	25,816	25,830	25,844
ABSORBING RESERVE FUNDS										
15 Currency in circulation	472,029	475,091	476,806	474,719	474,518	475,338	477,247	478,416	477,306	477,038
16 Treasury cash holdings	241	265	275	259	265	259	276	277	278	275
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,037	5,490	28,014	5,745	4,819	3,534	4,382	9,457	12,950	41,801
18 Foreign	243	167	162	156	159	186	162	163	162	199
19 Service-related balances and adjustments	6,990	6,845[r]	6,751	6,976	7,003	6,845	6,906	6,633	6,859	6,801
20 Other	349	354	360	357	364	353	398	344	350	343
21 Other Federal Reserve liabilities and capital	16,256	15,708	16,894	15,879	15,914	15,394	15,983	16,107	16,156	16,135
22 Reserve balances with Federal Reserve Banks[4]	10,449	17,709[r]	9,896	11,203	15,745	14,123	12,459	11,662	19,641	10,304

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

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	1995 Dec.	1996 Dec.	1997 Dec.	1997 Oct.	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.[r]	1998 Apr.
	Prorated monthly averages of biweekly averages									
1 Reserve balances with Reserve Banks[2]	20,440	13,395	10,673	9,990	10,559	10,673	9,733	9,394	10,140	11,055
2 Total vault cash[3]	42,281[r]	44,525[r]	44,707[r]	42,211[r]	42,851[r]	44,707[r]	47,336[r]	43,167[r]	41,598	41,216
3 Applied vault cash[4]	37,460	37,848	37,206	35,631	35,892	37,206	37,762	35,580	35,370	35,359
4 Surplus vault cash[5]	4,821[r]	6,678[r]	7,500[r]	6,581[r]	6,959[r]	7,500[r]	9,574[r]	7,587[r]	6,228	5,857
5 Total reserves[6]	57,900	51,243	47,880	45,621	46,451	47,880	47,495	44,974	45,509	46,414
6 Required reserves	56,622	49,819	46,196	44,225	44,834	46,196	45,714	43,450	44,193	45,025
7 Excess reserve balances at Reserve Banks[7]	1,278	1,424	1,683	1,396	1,617	1,683	1,780	1,524	1,316	1,388
8 Total borrowings at Reserve Banks[8]	257	155	324	270	153	324	210	58	41	72
9 Seasonal borrowings	40	68	79	227	115	79	18	12	22	41
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

Reserve classification	1997 Dec. 31	1998 Jan. 14	1998 Jan. 28	1998 Feb. 11	1998 Feb. 25	1998 Mar. 11	1998 Mar. 25	1998 Apr. 8[r]	1998 Apr. 22	1998 May 6
	Biweekly averages of daily figures for two week periods ending on dates indicated									
1 Reserve balances with Reserve Banks[2]	11,595	11,500	8,176	8,750	9,726	10,210	9,878	10,623	11,991	9,850
2 Total vault cash[3]	44,795[r]	45,695[r]	49,444[r]	45,165[r]	41,804[r]	42,202[r]	41,199[r]	41,420	40,815	41,715
3 Applied vault cash[4]	37,692	37,976	37,827	36,462	34,892	35,555	35,154	35,534	35,184	35,489
4 Surplus vault cash[5]	7,103[r]	7,719[r]	11,617[r]	8,703[r]	6,912[r]	6,647[r]	6,046[r]	5,886	5,631	6,226
5 Total reserves[6]	49,286	49,476	46,003	45,212	44,618	45,765	45,031	46,157	47,175	45,339
6 Required reserves	47,403	47,659	44,213	43,648	43,132	44,209	43,893	44,865	45,674	44,052
7 Excess reserve balances at Reserve Banks[7]	1,883	1,817	1,790	1,563	1,485	1,556	1,138	1,291	1,501	1,287
8 Total borrowings at Reserve Banks[8]	454	209	242	67	59	19	34	101	51	81
9 Seasonal borrowings	71	22	16	9	13	17	23	30	37	61
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

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

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 6/15/98	Effective date	Previous rate	On 6/15/98	Effective date	Previous rate	On 6/15/98	Effective date	Previous rate
Boston	5.00	2/1/96	5.25	5.55	6/4/98	5.55	6.05	6/4/98	6.05
New York		1/31/96							
Philadelphia		1/31/96							
Cleveland		1/31/96							
Richmond		2/1/96							
Atlanta		1/31/96							
Chicago		2/1/96							
St. Louis		2/5/96							
Minneapolis		1/31/96							
Kansas City		2/1/96							
Dallas		1/31/96							
San Francisco	5.00	1/31/96	5.25	5.55	6/4/98	5.55	6.05	6/4/98	6.05

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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1981—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
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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
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
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
In effect June 15, 1998	5.00	5.00

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–$47.8 million[3]	3	1/1/98
2 More than $47.8 million[4]	10	1/1/98
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

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

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

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

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

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

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

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

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

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1995	1996	1997	1997				1998		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
U.S. TREASURY SECURITIES[2]										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	10,932	9,901	9,147	0	0	0	4,545	0	0	0
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	405.296	426,928	419,347	28,328	39,313	33,485	26,905	41,731	29,290	28,180
4 For new bills	405,296	426,928	418,997	28,328	39,313	33,485	26,905	41,731	29,290	28,180
5 Redemptions	900	0	0	0	0	0	0	2,000	0	0
Others within one year										
6 Gross purchases	390	524	5,748	644	0	1,462	1,947	0	0	0
7 Gross sales	0	0	0	0	0	0	0	0	0	0
8 Maturity shifts	43,574	30,512	43,473	1,596	3,193	5.231	1,748	3,447	6,098	1,964
9 Exchanges	−35,407	−41.394	−27,499	−2.382	−1,267	−4,126	−2,329	−400	−6,128	−5,736
10 Redemptions	1,776	2,015	1,996	0	416	0	0	478	0	0
One to five years										
11 Gross purchases	5,366	3,898	20,299	2,697	0	3,323	4,471	0	0	3,763
12 Gross sales	0	0	0	0	0	0	0	0	0	0
13 Maturity shifts	−34,646	−25,022	−39,744	−1,596	−3,193	−4,883	−1,748	−3,447	−3,213	−1,964
14 Exchanges	26.387	31,459	20,274	2,382	1,267	1,651	2.329	0	3,383	5,736
Five to ten years										
15 Gross purchases	1,432	1,116	3,101	0	770	485	613	0	0	283
16 Gross sales	0	0	0	0	0	0	0	0	0	0
17 Maturity shifts	−3,093	−5,469	−1,954	0	0	31	0	0	−2,884	0
18 Exchanges	7,220	6,666	5,215	0	0	1,295	0	400	1,420	0
More than ten years										
19 Gross purchases	2,529	1,655	5,827	0	648	954	1,214	0	0	743
20 Gross sales	0	0	0	0	0	0	0	0	0	0
21 Maturity shifts	−2,253	−20	−1,775	0	0	−379	0	0	0	0
22 Exchanges	1,800	3,270	2,360	0	0	1,180	0	0	1,325	0
All maturities										
23 Gross purchases	20,649	17,094	44,122	3,341	1,418	6,224	12,790	0	0	4,789
24 Gross sales	0	0	0	0	0	0	0	0	0	0
25 Redemptions	2,676	2,015	1,996	0	416	0	0	2,478	0	0
Matched transactions										
26 Gross purchases	2,197,736	3,092,399	3,586,584	311,153	316,425	272,474	353,726	332,581	326,812	364,307
27 Gross sales	2,202,030	3,094,769	3,588,905	312,083	318,485	269,586	355,668	332,795	326,245	364,537
Repurchase agreements										
28 Gross purchases	331,694	457,568	810,485	77,109	75,323	73,618	97,932	45,544[r]	33,428	40,211
29 Gross sales	328,497	450,359	809,268	74,960	78,157	73,064	87,160	65,932	30,583	37,010
30 Net change in U.S. Treasury securities	16,875	19,919	41,022	4,560	−3,893	9,666	21,620	−23,079[r]	3,412	7,760
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
31 Gross purchases	0	0	0	0	0	0	0	0	0	0
32 Gross sales	0	0	0	0	0	0	0	0	0	0
33 Redemptions	1,003	409	1,540	105	215	26	0	0	10	50
Repurchase agreements										
34 Gross purchases	36,851	75,354	160,409	9,796	15,639	23,054	20,056	12,488[r]	9,615	17,685
35 Gross sales	36,776	74,842	159,369	11,196	15,157	20,976	21,186	13,872[r]	8,776	18,342
36 Net change in federal agency obligations	−928	103	−500	−1,505	267	2,052	−1,130	−1,384[r]	829	−707
37 Total net change in System Open Market Account	**15,948**	**20,021**	**40,522**	**3,055**	**−3,626**	**11,718**	**20,490**	**−24,463[r]**	**4,241**	**7,053**

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		
	1998					1998		
	Apr. 1	Apr. 8	Apr. 15	Apr. 22	Apr. 29	Feb. 28	Mar. 31	Apr. 30
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,049	11,049	11,048	11,049	11,048	11,050	11,049	11,048
2 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
3 Coin	520	510	483	472	457	588	527	463
Loans								
4 To depository institutions	28	969	39	143	60	13	29	86
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	625	625	565	565	551	675	625	551
8 Held under repurchase agreements	1,028	983	1,958	2,617	1,808	2,107	1,450	1,955
9 **Total U.S. Treasury securities**	**436,658**	**436,522**	**443,372**	**452,049**	**468,453**	**432,264**	**440,028**	**457,053**
10 Bought outright[2]	433,361	434,497	440,277	441,824	442,406	428,619	433,182	441,322
11 Bills	195,437	195,203	199,660	199,325	199,906	195,488	195,258	198,823
12 Notes	176,436	177,806	178,704	180,585	180,586	172,400	176,436	180,586
13 Bonds	61,488	61,488	61,913	61,913	61,913	60,732	61,488	61,913
14 Held under repurchase agreements	3,297	2,025	3,095	10,225	26,047	3,645	6,846	15,731
15 **Total loans and securities**	**438,339**	**439,099**	**445,934**	**455,373**	**470,871**	**435,058**	**442,131**	**459,645**
16 Items in process of collection	8,015	8,483	7,629	7,322	7,743	4,488	9,691	4,997
17 Bank premises	1,280	1,283	1,283	1,285	1,284	1,275	1,279	1,284
Other assets								
18 Denominated in foreign currencies[3]	16,712	16,720	16,728	16,736	16,744	17,203	16,711	17,132
19 All other[4]	12,926	13,434	13,327	14,573	17,243	12,327	13,930	15,417
20 **Total assets**	**498,041**	**499,778**	**505,633**	**516,008**	**534,591**	**491,188**	**504,519**	**519,187**
LIABILITIES								
21 Federal Reserve notes	450,329	452,232	453,360	452,225	451,926	447,126	450,095	451,687
22 **Total deposits**	**24,800**	**24,547**	**28,891**	**40,525**	**59,716**	**23,155**	**30,456**	**45,106**
23 Depository institutions	20,727	19,604	18,927	27,063	17,372	17,525	24,445	16,570
24 U.S. Treasury—General account	3,534	4,382	9,457	12,950	41,801	5,037	5,490	28,014
25 Foreign—Official accounts	186	162	163	162	199	243	167	162
26 Other	353	398	344	350	343	349	354	360
27 Deferred credit items	7,517	7,016	7,275	7,101	6,814	4,652	8,260	5,500
28 Other liabilities and accrued dividends[5]	4,601	4,761	4,794	4,807	4,838	4,696	4,601	5,155
29 **Total liabilities**	**487,248**	**488,556**	**494,320**	**504,659**	**523,294**	**479,628**	**493,412**	**507,449**
CAPITAL ACCOUNTS								
30 Capital paid in	5,471	5,488	5,504	5,473	5,475	5,478	5,471	5,475
31 Surplus	5,202	5,215	5,220	5,220	5,220	5,220	5,202	5,220
32 Other capital accounts	120	519	589	656	602	861	434	1,043
33 **Total liabilities and capital accounts**	**498,041**	**499,778**	**505,633**	**516,008**	**534,591**	**491,188**	**504,519**	**519,187**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	613,724	617,213	611,049	606,551	604,030	605,360	613,236	604,758
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	553,602	555,850	557,413	558,999	560,370	549,260	553,090	560,384
36 LESS: Held by Federal Reserve Banks	103,272	103,618	104,053	106,773	108,444	102,133	102,995	108,697
37 Federal Reserve notes, net	450,329	452,232	453,360	452,225	451,926	447,126	450,095	451,687
Collateral held against notes, net								
38 Gold certificate account	11,049	11,049	11,048	11,049	11,048	11,050	11,049	11,048
39 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	430,080	431,983	433,112	431,977	431,677	426,876	429,846	431,438
42 **Total collateral**	**450,329**	**452,232**	**453,360**	**452,225**	**451,926**	**447,126**	**450,095**	**451,687**

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

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1998					1998		
	Apr. 1	Apr. 8	Apr. 15	Apr. 22	Apr. 29	Feb. 28	Mar. 31	Apr. 30
1 **Total loans**	**28**	**969**	**39**	**143**	**60**	**62**	**29**	**86**
2 Within fifteen days[1]	2	942	18	137	56	56	17	62
3. Sixteen days to ninety days	26	27	21	6	4	6	12	24
4 **Total U.S. Treasury securities**[2]	**436,658**	**436,522**	**443,372**	**452,049**	**468,453**	**432,264**	**440,028**	**457,364**
5 Within fifteen days[1]	16,996	10,052	16,267	23,188	41,303	12,674	20,423	21,350
6 Sixteen days to ninety days	96,876	96,949	91,991	93,096	97,214	103,213	94,170	91,141
7 Ninety-one days to one year	135,190	141,923	146,582	145,351	139,521	132,599	137,838	154,703
8 One year to five years	97,094	97,095	97,135	99,015	99,016	94,305	97,095	98,772
9 Five years to ten years	40,126	40,126	40,621	40,622	40,622	39,841	40,126	40,622
10 More than ten years	50,376	50,376	50,776	50,776	50,776	49,633	50,376	50,777
11 **Total federal agency obligations**	**1,653**	**1,608**	**2,523**	**3,182**	**2,359**	**2,782**	**2,075**	**2,209**
12 Within fifteen days[1]	1,088	1,043	1,972	2,631	1,808	2,157	1,510	1,658
13 Sixteen days to ninety days	14	14	0	0	0	44	14	0
14 Ninety-one days to one year	175	175	175	175	175	150	175	175
15 One year to five years	126	126	126	126	126	151	126	126
16 Five years to ten years	225	225	225	225	225	255	225	225
17 More than ten years	25	25	25	25	25	25	25	25

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

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

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

Billions of dollars, averages of daily figures

Item	1994 Dec.	1995 Dec.	1996 Dec	1997 Dec.r	1997r Sept.	1997r Oct.	1997r Nov.	1997r Dec.	1998 Jan.r	1998 Feb.	1998 Mar.r	1998 Apr.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	59.41r	56.40r	50.08r	46.67	46.24	45.96	46.31	46.67	46.50	45.72r	46.05	45.90
2 Nonborrowed reserves[4]	59.20	56.14r	49.93r	46.35	45.80	45.69	46.16	46.35	46.29	45.66r	46.01	45.83
3 Nonborrowed reserves plus extended credit[5]	59.20	56.14r	49.93r	46.35	45.80	45.69	46.16	46.35	46.29	45.66r	46.01	45.83
4 Required reserves	58.24	55.12r	48.66r	44.99	44.94	44.56	44.69	44.99	44.72	44.20r	44.73	44.51
5 Monetary base[6]	418.12r	434.17r	452.38r	480.15	469.41	471.98	476.19	480.15	482.85	484.24r	485.90	486.74
	Not seasonally adjusted											
6 Total reserves[7]	61.13	58.02	51.52	47.97	46.13	45.69	46.53	47.97	47.49	44.99r	45.55	46.46
7 Nonborrowed reserves	60.92	57.76	51.37	47.65	45.69	45.42	46.38	47.65	47.28	44.94	45.50	46.39
8 Nonborrowed reserves plus extended credit[5]	60.92	57.76	51.37	47.65	45.69	45.42	46.38	47.65	47.28	44.94	45.50	46.39
9 Required reserves[8]	59.96	56.74	50.10	46.29	44.83	44.30	44.91	46.29	45.71	43.47	44.23	45.08
10 Monetary base[9]	422.51	439.03	456.72	485.11	468.37	470.41	476.62	485.11	484.42	481.36r	484.04	486.91
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	61.34	57.90	51.24	47.88	46.06	45.62	46.45	47.88	47.50	44.97	45.51	46.41
12 Nonborrowed reserves	61.13	57.64	51.09	47.56	45.62	45.35	46.30	47.56	47.29	44.92	45.47	46.34
13 Nonborrowed reserves plus extended credit[5]	61.13	57.64	51.09	47.56	45.62	45.35	46.30	47.56	47.29	44.92	45.47	46.34
14 Required reserves	60.17	56.62	49.82	46.20	44.76	44.23	44.83	46.20	45.71	43.45	44.19	45.03
15 Monetary base[12]	427.25	444.45	463.49	491.92	475.32	477.28	483.50	491.92	491.62	488.43	491.00	493.66
16 Excess reserves[13]	1.17	1.28	1.42	1.68	1.30	1.40	1.62	1.68	1.78	1.52	1.32	1.39
17 Borrowings from the Federal Reserve	.21	.26	.16	.32	.44	.27	.15	.32	.21	.06	.04	.07

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Billions of dollars, averages of daily figures

Item	1994 Dec.	1995 Dec.	1996 Dec.	1997 Dec.	1998[r] Jan.	1998[r] Feb.	1998[r] Mar.	1998[r] Apr.
				Seasonally adjusted				
Measures[2]								
1 M1	1,150.7	1,128.7	1,082.8	1,076.0	1,073.6	1,076.4	1,081.0	1,079.6
2 M2	3,503.0	3,651.2	3,826.1	4,041.3[r]	4,066.3	4,098.6	4,126.6	4,157.8
3 M3	4,333.6	4,595.6	4,935.5	5,383.7[r]	5,432.1	5,472.2	5,537.5	5,583.7
4 L	5,315.8	5,702.2	6,088.3	6,626.9[r]	6,701.9	6,772.4	6,866.6	n.a.
5 Debt	12,998.7	13,699.2	14,419.9	15,151.6[r]	15,230.0	15,317.9	15,405.6	n.a.
M1 components								
6 Currency[3]	354.3	372.4	394.9	425.5	427.5	431.0	432.4	433.7
7 Travelers checks[4]	8.5	8.9	8.6	8.2	8.2	8.1	8.1	8.0
8 Demand deposits[5]	384.0	391.0	403.6	397.1	392.7	391.9	391.1	387.3
9 Other checkable deposits[6]	403.9	356.4	275.9	245.2[r]	245.2	245.5	249.5	250.5
Nontransaction components								
10 In M2[7]	2,352.3	2,522.6	2,743.2	2,965.3[r]	2,992.7	3,022.1	3,045.6	3,078.2
11 In M3 only[8]	830.6	944.4	1,109.4	1,342.4	1,365.8	1,373.7	1,410.9	1,425.8
Commercial banks								
12 Savings deposits, including MMDAs	752.6	775.0	904.8	1,020.9	1,033.3	1,044.7	1,055.2	1,078.0
13 Small time deposits[9]	503.2	575.8	594.5	621.6	621.6	621.5	621.2	621.1
14 Large time deposits[10, 11]	298.7	345.4	413.2	495.9[r]	499.5	512.4	529.7	524.9
Thrift institutions								
15 Savings deposits, including MMDAs	397.3	359.7	366.9	376.6	378.6	382.9	386.6	390.0
16 Small time deposits[9]	314.2	357.2	354.3	343.6	344.8	344.0	342.4	339.3
17 Large time deposits[10]	64.7	74.2	78.0	85.2	87.4	87.6	87.1	88.1
Money market mutual funds								
18 Retail	385.0	454.9	522.8	602.6[r]	614.3	629.0	640.3	649.9
19 Institution-only	203.1	253.9	310.3	376.2	380.8	384.7	391.9	408.8
Repurchase agreements and Eurodollars								
20 Repurchase agreements[12]	183.3	182.4	194.2	234.8	245.2	239.8	257.3	256.4
21 Eurodollars[12]	80.8	88.6	113.7	150.3	153.0	149.1	144.9	147.7
Debt components								
22 Federal debt	3,491.9	3,638.5	3,780.0	3,797.3	3,797.4	3,794.9	3,800.5	n.a.
23 Nonfederal debt	9,506.7	10,060.7	10,639.9	11,354.3[r]	11,432.5	11,523.0	11,605.1	n.a.
				Not seasonally adjusted				
Measures[2]								
24 M1	1,174.4	1,152.4	1,104.9	1,097.5	1,079.0	1,063.9	1,074.5	1,085.0
25 M2	3,523.4	3,672.0	3,845.4	4,060.2[r]	4,068.1	4,085.2	4,137.8	4,178.6
26 M3	4,353.2	4,615.2	4,953.4	5,401.0[r]	5,436.2	5,470.1	5,556.3	5,598.2
27 L	5,344.6	5,732.7	6,116.4	6,652.8[r]	6,703.7	6,764.6	6,889.8	n.a.
28 Debt	13,000.6	13,699.8	14,419.3	15,150.8[r]	15,210.2	15,279.1	15,379.5	n.a.
M1 components								
29 Currency[3]	357.5	376.2	397.9	429.0	426.4	428.9	431.5	433.7
30 Travelers checks[4]	8.1	8.5	8.3	7.9	7.9	7.8	7.9	7.9
31 Demand deposits[5]	400.3	407.2	419.9	412.9	396.2	383.0	385.3	387.5
32 Other checkable deposits[6]	408.6	360.5	278.8	247.7[r]	248.5	244.1	249.9	255.9
Nontransaction components								
33 In M2[7]	2,349.0	2,519.6	2,740.5	2,962.7[r]	2,989.2	3,021.4	3,063.3	3,093.6
34 In M3 only[8]	829.7	943.2	1,108.0	1,340.7	1,368.1	1,384.9	1,418.5	1,419.7
Commercial banks								
35 Savings deposits, including MMDAs	751.7	774.1	903.3	1,019.0	1,029.0	1,040.2	1,060.2	1,083.3
36 Small time deposits[9]	501.5	573.8	592.7	620.0	621.2	621.8	621.5	621.8
37 Large time deposits[10, 11]	298.9	345.8	413.6	496.3	492.0	508.9	528.3	521.4
Thrift institutions								
38 Savings deposits, including MMDAs	396.8	359.2	366.4	375.9	377.0	381.2	388.4	391.9
39 Small time deposits[9]	313.2	355.9	353.2	342.7	344.6	344.2	342.6	339.7
40 Large time deposits[10]	64.8	74.3	78.1	85.3	86.0	87.0	86.9	87.5
Money market mutual funds								
41 Retail	385.9	456.4	524.8	605.1[r]	617.3	634.0	650.5	656.9
42 Institution-only	204.6	255.8	312.7	378.9	389.8	397.7	400.2	405.8
Repurchase agreements and Eurodollars								
43 Repurchase agreements[12]	179.6	178.0	188.8	228.2	244.0	239.8	256.2	256.8
44 Eurodollars[12]	81.8	89.4	114.7	152.0	156.3	151.4	146.9	148.2
Debt components								
45 Federal debt	3,499.0	3,645.9	3,787.9	3,805.8	3,792.5	3,795.3	3,820.7	n.a.
46 Nonfederal debt	9,501.6	10,053.9	10,631.3	11,345.0[r]	11,417.7	11,483.7	11,558.8	n.a.

Footnotes appear on following page.

NOTES TO TABLE 1.21

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. Includes both overnight and term.

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

A. All commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1997	1997[r]			1998[r]				1998			
	Apr.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Apr. 8	Apr. 15	Apr. 22	Apr. 29
	Seasonally adjusted											
Assets												
1 Bank credit	3,889.1[r]	4,025.3	4,067.8	4,088.8	4,145.7	4,176.1	4,218.0	4,204.6	4,213.8	4,201.6	4,187.0	4,205.9
2 Securities in bank credit	1,019.2	1,044.6	1,076.1	1,083.0	1,104.3	1,108.5	1,126.9	1,106.6	1,115.6	1,101.9	1,091.9	1,110.5
3 U.S. government securities	711.8[r]	731.0	742.1	746.5	759.6	767.2	778.9	762.0	768.9	755.5	750.2	769.3
4 Other securities	307.4[r]	313.6	334.0	336.5	344.7	341.4	347.9	344.6	346.7	346.4	341.7	341.2
5 Loans and leases in bank credit[2]	2,869.9	2,980.7	2,991.7	3,005.8	3,041.4	3,067.6	3,091.2	3,098.0	3,098.2	3,099.7	3,095.2	3.095.3
6 Commercial and industrial	806.6[r]	841.2	844.0	851.8	861.8	869.0	869.8	869.3	865.0	869.8	870.7	871.9
7 Real estate	1,170.0	1,217.5	1,225.7	1,229.3	1,233.1	1,246.8	1,259.7	1,266.9	1,269.0	1,265.2	1,263.4	1,269.6
8 Revolving home equity	89.3	96.4	97.2	98.0	98.3	98.5	98.1	98.5	98.5	98.6	98.6	98.5
9 Other	1,080.7	1,121.1	1,128.5	1,131.3	1,134.8	1,148.3	1,161.6	1,168.4	1,170.5	1,166.7	1,164.8	1,171.1
10 Consumer	514.5	507.7	507.2	507.2	504.3	502.9	502.2	496.7	497.9	496.7	496.9	495.0
11 Security[3]	89.7	104.2	99.3	96.8	116.3	118.0	116.8	111.9	113.6	111.8	112.8	107.0
12 Other loans and leases	289.2[r]	310.1	315.5	320.8	325.9	331.0	342.6	353.1	352.7	356.2	351.3	351.8
13 Interbank loans	212.3	200.9	206.1	214.3	204.2	203.3	217.1	212.5	215.1	220.8	212.1	201.7
14 Cash assets[4]	247.0	265.9	277.4	267.3	269.3	269.4	280.9	274.0	269.8	283.0	281.7	262.3
15 Other assets[5]	277.0	289.3	294.5	295.0	295.6	297.9	293.7	307.7	305.5	308.7	310.1	307.6
16 **Total assets**[6]	**4,568.9**[r]	**4,725.0**	**4,789.3**	**4,808.7**	**4,858.2**	**4,890.0**	**4,952.9**	**4,941.8**	**4,947.2**	**4,957.1**	**4,933.9**	**4,920.4**
Liabilities												
17 Deposits	2,947.2	3,065.7	3,105.3	3,111.6	3,114.7	3,151.3	3,190.6	3,202.7	3,202.2	3,236.0	3,197.2	3,171.1
18 Transaction	700.7	685.5	693.0	686.8	678.3	684.8	695.5	693.4	676.9	708.4	694.6	693.7
19 Nontransaction	2,246.5	2,380.2	2,412.3	2,424.8	2,436.4	2,466.5	2,495.0	2,509.4	2,525.3	2,527.6	2,502.6	2,477.4
20 Large time	568.5[r]	620.2	633.5	637.1	644.2	660.4	674.8	671.6	681.6	670.2	666.1	666.4
21 Other	1,678.0[r]	1,760.0	1,778.8	1,787.6	1,792.1	1,806.1	1,820.3	1,837.8	1,843.7	1,857.4	1,836.5	1,811.0
22 Borrowings	763.1[r]	800.8	814.6	819.4	826.4	827.5	858.3	869.3	875.1	881.9	857.0	862.2
23 From banks in the U.S.	316.8[r]	292.7	300.2	304.0	291.0	292.1	307.0	308.0	317.9	324.3	300.0	289.2
24 From others	446.2[r]	508.0	514.4	515.4	535.4	535.4	551.2	561.3	557.2	557.6	557.0	573.0
25 Net due to related foreign offices	210.9	196.4	192.3	202.4	230.9	223.1	201.2	174.1	178.3	152.6	180.9	184.3
26 Other liabilities	272.1[r]	282.1	292.9	293.1	305.5	303.3	295.7	289.4	291.9	286.1	291.5	285.9
27 **Total liabilities**	**4,193.3**[r]	**4,345.0**	**4,405.1**	**4,426.5**	**4,477.5**	**4,505.1**	**4,545.7**	**4,535.5**	**4,547.5**	**4,556.6**	**4,526.7**	**4,503.5**
28 Residual (assets less liabilities)[7]	375.6[r]	380.0	384.2	382.1	380.7	385.0	407.2	406.4	399.7	400.6	407.2	416.9
	Not seasonally adjusted											
Assets												
29 Bank credit	3,892.9	4,030.2	4,075.5	4,098.4	4,152.9	4,173.5	4,208.4	4,209.2	4,210.2	4,210.7	4,195.6	4,210.6
30 Securities in bank credit	1,029.2	1,042.8	1,075.6	1,078.1	1,104.8	1,112.0	1,128.2	1,117.3	1,126.6	1,114.8	1,102.7	1,118.9
31 U.S. government securities	719.4[r]	729.6	743.6	744.4	756.3	766.1	782.2	770.4	778.8	765.4	757.7	775.7
32 Other securities	309.8[r]	313.3	332.1	333.7	348.5	345.9	346.0	346.8	347.8	349.4	344.9	343.2
33 Loans and leases in bank credit[2]	2,863.7	2,987.3	2,999.9	3,020.3	3,048.2	3,061.6	3,080.2	3,091.9	3,083.6	3,095.9	3,093.0	3,091.7
34 Commercial and industrial	813.3[r]	839.1	842.8	850.0	859.4	868.8	873.4	876.8	869.9	877.0	880.0	880.2
35 Real estate	1,164.3	1,223.7	1,231.9	1,232.8	1,233.2	1,241.5	1,253.1	1,260.4	1,262.8	1,259.7	1,256.3	1,262.5
36 Revolving home equity	88.5	97.1	97.9	98.3	98.5	98.1	97.1	97.6	97.0	97.4	97.9	98.1
37 Other	1,075.7	1,126.5	1,134.0	1,134.5	1,134.6	1,143.4	1,156.1	1,162.8	1.165.8	1,162.3	1,158.4	1,164.4
38 Consumer	509.9	509.6	509.8	513.5	511.1	502.5	495.7	491.8	491.1	491.5	493.0	491.7
39 Security[3]	90.4	104.4	100.1	99.3	116.5	119.4	117.7	113.5	110.7	115.3	116.3	109.5
40 Other loans and leases	285.8[r]	310.7	315.3	324.7	328.0	329.3	340.4	349.3	349.1	352.5	347.3	347.7
41 Interbank loans	214.3	197.0	211.5	223.8	211.2	206.3	216.7	215.3	224.5	230.1	209.9	196.4
42 Cash assets[4]	242.4	270.0	287.5	286.8	280.6	269.5	269.3	269.3	258.3	285.0	274.2	260.2
43 Other assets[5]	275.2	288.6	295.6	295.3	294.1	299.1	293.6	305.7	303.7	306.0	306.5	307.0
44 **Total assets**[6]	**4,568.5**	**4,729.3**	**4,813.4**	**4,847.7**	**4,882.4**	**4,891.9**	**4,931.2**	**4,942.8**	**4,940.0**	**4,975.2**	**4,929.6**	**4,917.5**
Liabilities												
45 Deposits	2,947.6	3,068.6	3,123.4	3,144.0	3,120.8	3.138.5	3,181.4	3,202.1	3,216.6	3,259.8	3,176.7	3,150.7
46 Transaction	705.4	681.8	703.8	721.0	690.3	678.1	683.2	698.5	681.8	734.0	689.3	690.1
47 Nontransaction	2,242.2	2,386.8	2,419.6	2,422.9	2,430.5	2,460.4	2,498.2	2,503.6	2,534.8	2,525.8	2,487.4	2,460.7
48 Large time	564.2[r]	624.0	639.2	641.7	642.5	659.3	672.2	666.0	673.9	663.4	660.7	663.3
49 Other	1,678.0[r]	1,762.9	1,780.4	1,781.3	1,788.0	1,801.1	1,825.9	1,837.6	1,860.9	1,862.3	1,826.7	1,797.4
50 Borrowings	762.1[r]	796.9	812.1	817.4	832.9	828.1	850.2	869.3	857.5	874.2	869.8	874.1
51 From banks in the U.S.	316.0[r]	289.3	300.5	307.8	294.5	293.0	304.6	307.3	311.2	320.5	304.0	292.6
52 From others	446.2[r]	507.6	511.6	509.6	538.4	535.1	545.6	562.0	546.4	553.7	565.9	581.4
53 Net due to related foreign offices	210.0	193.7	188.4	200.3	231.0	221.1	199.5	173.4	167.3	147.4	182.5	195.5
54 Other liabilities	271.3[r]	281.8	294.5	294.0	305.5	304.5	295.9	288.5	290.9	285.1	290.3	285.5
55 **Total liabilities**	**4,191.0**[r]	**4,341.0**	**4,418.4**	**4,455.7**	**4,490.2**	**4,492.2**	**4,527.0**	**4,533.3**	**4,532.3**	**4,566.4**	**4,519.3**	**4,505.8**
56 Residual (assets less liabilities)[7]	377.4[r]	388.2	395.0	392.0	392.2	399.6	404.2	409.5	407.7	408.8	410.3	411.7
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	91.2	79.8	84.3	82.7	93.4	87.7	87.4	83.5	83.9	84.4	82.4	81.7
58 Revaluation losses on off-balance-sheet items[8]	88.1	81.4	85.6	86.0	95.9	90.1	89.6	84.5	87.5	85.4	82.5	81.4

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			
	1997	1997r			1998r				1998			
	Apr.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Apr. 8	Apr. 15	Apr. 22	Apr. 29
	Seasonally adjusted											
Assets												
1 Bank credit	3,358.9	3,486.8	3,519.3	3,544.8	3,577.0	3,607.5	3,652.2	3,649.9	3,656.1	3,652.3	3,637.7	3,648.0
2 Securities in bank credit	849.2	868.8	883.7	895.8	911.2	915.6	929.6	915.4	918.8	916.0	908.0	915.7
3 U.S. government securities	630.3	650.4	662.8	670.2	678.4	683.4	691.5	674.9	679.2	674.1	667.4	676.6
4 Other securities	218.9	218.4	220.9	225.5	232.8	232.2	238.1	240.6	239.6	241.9	240.6	239.1
5 Loans and leases in bank credit[2]	2,509.7	2,617.9	2,635.6	2,649.0	2,665.8	2,691.9	2,722.6	2,734.5	2,737.4	2,736.3	2,729.7	2,732.3
6 Commercial and industrial	587.3r	618.7	622.6	630.5	638.5	646.5	649.5	654.7	651.4	655.5	655.9	656.0
7 Real estate	1,138.4	1,190.0	1,199.1	1,203.4	1,206.5	1,220.8	1,235.0	1,242.9	1,245.1	1,241.2	1,239.3	1,245.4
8 Revolving home equity	89.3	96.4	97.2	98.0	98.3	98.5	98.1	98.5	98.5	98.6	98.6	98.5
9 Other	1,049.1	1,093.7	1,101.9	1,105.4	1,108.2	1,122.4	1,136.9	1,144.4	1,146.6	1,142.6	1,140.8	1,146.9
10 Consumer	514.5	507.7	507.2	507.2	504.3	502.9	502.2	496.7	497.9	496.7	496.9	495.0
11 Security[3]	45.8	57.5	57.6	53.0	61.5	63.2	68.0	63.8	67.0	63.2	62.8	61.1
12 Other loans and leases	223.8r	244.0	249.1	254.9	254.9	258.5	267.9	276.4	276.0	279.6	274.7	274.8
13 Interbank loans	193.6	180.4	182.4	183.0	176.2	178.5	196.3	192.3	198.5	202.9	190.7	177.2
14 Cash assets[4]	213.6	231.5	242.5	233.8	236.5	236.7	246.8	238.8	233.5	248.0	245.9	228.1
15 Other assets[5]	237.5	246.5	249.3	252.7	255.0	255.5	250.9	265.3	261.2	265.1	268.4	267.5
16 **Total assets**[6]	**3,947.3**	**4,089.0**	**4,137.2**	**4,157.7**	**4,188.3**	**4,221.8**	**4,289.4**	**4,289.6**	**4,292.6**	**4,311.7**	**4,285.9**	**4,264.0**
Liabilities												
17 Deposits	2,695.4	2,798.0	2,832.4	2,839.1	2,841.2	2,866.4	2,901.7	2,910.9	2,905.8	2,948.2	2,910.3	2,876.5
18 Transaction	690.1	675.0	682.7	677.0	668.2	674.6	684.9	682.3	665.4	696.8	683.6	683.6
19 Nontransaction	2,005.2	2,123.0	2,149.7	2,162.1	2,173.0	2,191.8	2,216.8	2,228.6	2,240.4	2,251.4	2,226.6	2,192.9
20 Large time	329.8r	366.1	374.3	377.3	382.7	387.5	398.2	391.8	397.8	395.3	390.9	382.2
21 Other	1,675.5r	1,756.9	1,775.4	1,784.8	1,790.3	1,804.3	1,818.6	1,836.8	1,842.6	1,856.1	1,835.7	1,810.6
22 Borrowings	621.0r	645.0	658.3	669.9	676.7	682.7	704.3	704.3	709.5	706.1	696.4	705.5
23 From banks in the U.S.	283.7r	258.9	271.2	278.1	267.5	269.3	281.1	281.3	289.7	287.3	279.9	268.6
24 From others	337.3r	386.0	387.1	391.8	409.2	413.3	423.2	423.0	419.8	418.9	416.5	436.9
25 Net due to related foreign offices	78.2	77.9	75.2	80.8	91.2	88.4	82.6	75.5	77.1	62.2	78.6	85.0
26 Other liabilities	180.4r	190.5	196.9	197.5	209.0	205.7	201.5	198.8	201.0	197.6	199.5	195.6
27 **Total liabilities**	**3,575.1r**	**3,711.5**	**3,762.8**	**3,787.3**	**3,818.1**	**3,843.1**	**3,890.1**	**3,889.6**	**3,893.5**	**3,914.1**	**3,884.7**	**3,862.5**
28 Residual (assets less liabilities)[7]	372.2r	377.5	374.4	370.4	370.1	378.7	399.3	400.0	399.2	397.6	401.2	401.4
	Not seasonally adjusted											
Assets												
29 Bank credit	3,363.2r	3,491.8	3,532.2	3,555.3	3,587.3	3,605.5	3,642.9	3,654.8	3,653.5	3,662.0	3,646.0	3,652.8
30 Securities in bank credit	858.0	866.3	886.9	894.7	917.0	922.1	932.9	924.6	927.6	927.9	917.8	922.3
31 U.S. government securities	639.0r	648.5	663.2	668.5	677.0	683.1	694.0	684.6	690.0	685.8	677.6	683.6
32 Other securities	219.0r	217.8	223.7	226.2	240.0	239.0	238.8	240.0	237.6	242.2	240.2	238.7
33 Loans and leases in bank credit[2]	2,505.2r	2,625.5	2,645.2	2,660.6	2,670.3	2,683.4	2,710.0	2,730.2	2,725.9	2,734.1	2,728.2	2,730.6
34 Commercial and industrial	594.0r	616.9	621.6	627.9	635.3	645.2	652.4	662.2	656.6	662.6	664.7	664.7
35 Real estate	1,133.0	1,195.9	1,205.0	1,206.8	1,206.6	1,215.3	1,228.4	1,236.6	1,239.1	1,235.9	1,232.5	1,238.6
36 Revolving home equity	88.5	97.1	97.9	98.3	98.5	98.1	97.1	97.6	97.0	97.4	97.9	98.1
37 Other	1,044.4	1,098.8	1,107.1	1,108.5	1,108.1	1,117.3	1,131.4	1,139.0	1,142.1	1,138.5	1,134.6	1,140.5
38 Consumer	509.9	509.6	509.8	513.5	511.1	502.5	495.7	491.8	491.1	491.5	493.0	491.7
39 Security[3]	47.0	57.6	58.6	54.3	61.6	64.5	68.2	65.9	65.5	67.3	66.8	63.6
40 Other loans and leases	221.4r	245.5	250.3	258.2	255.7	255.9	265.4	273.6	273.6	276.8	271.3	271.8
41 Interbank loans	195.6	176.4	187.7	192.5	183.1	181.5	195.8	195.1	207.9	212.3	188.5	171.9
42 Cash assets[4]	210.5	235.4	251.8	251.7	247.8	237.4	236.3	235.8	224.3	251.6	240.3	227.4
43 Other assets[5]	237.7	246.7	249.8	252.2	253.0	255.1	250.7	265.7	262.2	265.2	267.5	268.3
44 **Total assets**[6]	**3,951.0**	**4,094.1**	**4,165.0**	**4,195.3**	**4,215.2**	**4,223.3**	**4,269.2**	**4,294.8**	**4,291.5**	**4,334.8**	**4,285.9**	**4,263.8**
Liabilities												
45 Deposits	2,697.5	2,801.2	2,851.1	2,868.3	2,849.2	2,855.9	2,891.3	2,912.0	2,923.5	2,974.9	2,891.8	2,855.4
46 Transaction	695.2	671.3	693.6	710.7	680.2	668.2	672.7	687.9	670.8	722.9	678.9	680.1
47 Nontransaction	2,002.3	2,129.8	2,157.5	2,157.6	2,169.0	2,187.8	2,218.6	2,224.1	2,252.7	2,252.0	2,212.8	2,175.3
48 Large time	326.9r	369.1	378.8	377.5	382.0	387.9	393.6	387.5	392.8	390.6	387.1	378.9
49 Other	1,675.4r	1,760.8	1,778.8	1,780.1	1,787.0	1,799.9	1,825.0	1,836.6	1,859.9	1,861.4	1,825.8	1,796.4
50 Borrowings	620.1r	641.1	655.8	667.9	683.1	683.3	696.3	704.3	691.9	698.4	709.2	717.4
51 From banks in the U.S.	282.8r	255.5	271.5	281.9	270.9	270.3	278.7	280.6	282.9	283.4	283.9	272.0
52 From others	337.3r	385.6	384.3	386.0	412.2	413.0	417.6	423.7	409.0	415.0	425.3	445.3
53 Net due to related foreign offices	78.8	76.0	70.6	73.8	86.5	85.1	81.8	76.3	73.6	61.0	80.8	90.2
54 Other liabilities	180.4r	190.5	196.9	197.5	209.0	205.7	201.5	198.8	201.0	197.6	199.5	195.6
55 **Total liabilities**	**3,576.9r**	**3,708.8**	**3,774.4**	**3,807.5**	**3,827.9**	**3,830.0**	**3,870.8**	**3,891.4**	**3,890.0**	**3,931.9**	**3,881.2**	**3,858.6**
56 Residual (assets less liabilities)[7]	374.1	385.3	390.6	387.8	387.3	393.3	398.4	403.4	401.5	402.9	404.7	405.2
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	49.5	38.2	41.5	41.3	50.1	47.3	47.5	44.2	43.6	45.6	43.6	42.7
58 Revaluation losses on off-balance-sheet items[8]	44.6	41.3	43.6	44.2	52.9	49.5	49.8	45.6	46.5	47.2	44.3	43.4
59 Mortgage-backed securities[9]	252.1r	265.6	275.1	281.0	289.5	293.8	299.5	293.5	301.4	294.1	289.0	288.0

Footnotes appear on p. A21.

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

C. Large domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1997	1997[r]			1998[r]				1998			
	Apr.[r]	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Apr. 8	Apr. 15	Apr. 22	Apr. 29
	Seasonally adjusted											
Assets												
1 Bank credit	2,021.5	2,077.3	2,092.6	2,106.5	2,135.3	2,160.5	2,200.1	2,193.5	2,201.9	2,195.3	2,181.3	2,190.4
2 Securities in bank credit	451.9	462.7	473.9	482.9	500.9	506.9	518.7	505.9	508.4	506.9	499.3	506.4
3 U.S. government securities	315.8	327.0	337.6	342.9	353.4	360.1	368.4	355.4	359.0	355.0	349.0	356.9
4 Trading account	19.6	25.0	26.7	27.4	29.1	28.0	27.5	23.7	23.3	23.4	21.7	26.3
5 Investment account	296.2	302.1	311.0	315.5	324.3	332.1	340.9	331.7	335.7	331.6	327.3	330.6
6 Other securities	136.1	135.7	136.3	140.1	147.5	146.8	150.3	150.5	149.4	151.9	150.3	149.5
7 Trading account	70.7	63.6	63.6	63.6	69.8	67.8	71.1	69.6	69.4	71.1	68.6	68.5
8 Investment account	65.4	72.1	72.6	76.5	77.7	79.0	79.2	80.9	80.0	80.8	81.6	80.9
9 State and local government	21.1	22.3	22.3	22.1	22.5	22.7	22.8	23.0	23.0	22.9	23.0	23.1
10 Other	44.2	49.8	50.3	54.3	55.2	56.3	56.4	57.9	57.1	57.9	58.6	57.8
11 Loans and leases in bank credit[2]	1,569.6	1,614.6	1,618.7	1,623.6	1,634.5	1,653.6	1,681.4	1,687.6	1,693.5	1,688.3	1,682.0	1,684.0
12 Commercial and industrial	418.0	436.8	438.8	445.7	451.9	458.4	461.2	464.6	462.4	465.4	465.5	465.0
13 Bankers acceptances	1.6	1.3	1.3	1.2	1.2	1.2	1.3	1.2	1.2	1.2	1.1	1.2
14 Other	416.4	435.5	437.6	444.5	450.6	457.1	459.9	463.4	462.3	465.5	465.7	465.2
15 Real estate	641.8	649.9	651.1	650.2	647.6	656.9	668.7	672.2	676.5	670.9	668.4	672.6
16 Revolving home equity	63.1	67.6	67.9	68.5	68.8	68.9	68.7	69.2	69.3	69.2	69.2	69.1
17 Other	578.6	582.2	583.2	581.7	578.8	588.0	600.0	603.0	607.2	601.7	599.2	603.5
18 Consumer	306.8	298.6	296.3	294.9	293.6	292.6	294.1	290.6	293.0	291.0	289.7	288.2
19 Security[3]	41.2	52.4	52.1	47.3	55.9	57.4	61.8	57.4	60.1	56.4	56.8	55.5
20 Federal funds sold to and repurchase agreements with broker–dealers	23.8	35.3	35.7	30.9	39.5	41.2	43.7	39.7	42.5	38.6	38.6	38.1
21 Other	17.5	17.1	16.4	16.4	16.4	16.2	18.1	17.8	17.6	17.7	18.2	17.3
22 State and local government	11.3	11.1	11.0	10.9	10.8	10.8	10.6	10.6	10.6	10.6	10.5	10.6
23 Agricultural	9.3	9.3	9.6	9.6	9.5	9.5	9.6	9.7	9.6	9.7	9.7	9.7
24 Federal funds sold to and repurchase agreements with others	7.3	8.9	8.9	11.1	7.7	6.1	7.1	7.2	6.9	8.3	6.8	6.4
25 All other loans	64.3	68.6	71.2	72.3	73.2	76.7	81.3	85.1	85.0	86.4	84.1	84.6
26 Lease-financing receivables	69.6	78.8	79.7	81.6	84.3	85.3	87.2	90.2	89.4	89.7	90.5	91.2
27 Interbank loans	148.8	124.0	126.6	127.0	119.8	121.2	131.1	125.8	131.7	132.5	124.3	115.0
28 Federal funds sold to and repurchase agreements with commercial banks	98.1	77.7	81.9	82.2	76.4	68.9	80.3	74.3	79.4	81.3	72.1	64.1
29 Other	50.7	46.3	44.7	44.8	43.4	52.3	50.9	51.5	52.3	51.1	52.3	50.8
30 Cash assets[4]	148.0	161.0	169.9	162.1	164.5	164.0	173.2	164.2	159.8	172.7	171.0	154.0
31 Other assets[5]	183.4	184.6	184.7	189.7	191.4	190.6	186.5	196.7	194.8	195.2	199.1	198.3
32 **Total assets**[6]	**2,464.1**	**2,510.2**	**2,537.1**	**2,548.6**	**2,574.4**	**2,599.4**	**2,654.0**	**2,643.2**	**2,651.1**	**2,658.7**	**2,638.8**	**2,620.8**
Liabilities												
33 Deposits	1,515.1	1,532.4	1,554.8	1,556.1	1,554.6	1,573.7	1,601.4	1,603.4	1,602.9	1,631.2	1,603.2	1,574.5
34 Transaction	397.9	376.2	382.6	378.7	371.1	375.3	382.8	381.2	370.5	393.5	380.7	380.2
35 Nontransaction	1,117.1	1,156.2	1,172.2	1,177.4	1,183.6	1,198.3	1,218.6	1,222.2	1,232.4	1,237.7	1,222.5	1,194.2
36 Large time	177.4	200.9	207.0	209.6	214.3	216.9	227.1	219.8	225.2	223.1	219.3	210.8
37 Other	939.7	955.2	965.2	967.8	969.3	981.4	991.5	1,002.4	1,007.2	1,014.6	1,003.2	983.4
38 Borrowings	473.3	491.4	504.1	512.0	518.5	523.5	542.9	540.9	545.9	542.8	533.8	540.7
39 From banks in the U.S.	207.3	187.9	200.6	205.8	195.2	196.9	208.9	208.3	216.3	215.4	206.5	194.7
40 From others	266.0	303.5	303.5	306.2	323.3	326.6	334.0	332.6	329.5	327.4	327.3	346.0
41 Net due to related foreign offices	73.8	72.8	70.2	76.5	87.0	82.2	78.5	72.1	72.9	59.0	75.5	81.7
42 Other liabilities	155.4	162.7	168.1	168.4	180.2	176.3	171.0	167.8	170.5	167.0	168.4	164.1
43 **Total liabilities**	**2,217.5**	**2,259.2**	**2,297.3**	**2,312.9**	**2,340.3**	**2,355.7**	**2,393.9**	**2,384.2**	**2,392.2**	**2,400.0**	**2,380.9**	**2,361.0**
44 Residual (assets less liabilities)[7]	246.6	251.0	239.9	235.7	234.0	243.7	260.1	259.1	258.9	258.7	257.9	259.8

Footnotes appear on p. A21.

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

C. Large domestically chartered commercial banks—Continued

Account	Monthly averages								Wednesday figures			
	1997	1997[r]			1998[r]				1998			
	Apr.[r]	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Apr. 8	Apr. 15	Apr. 22	Apr. 29
	Not seasonally adjusted											
Assets												
45 Bank credit	2,020.0	2,082.3	2,106.0	2,116.4	2,150.9	2,167.0	2,194.6	2,192.7	2,197.8	2,199.7	2,181.3	2,187.1
46 Securities in bank credit	455.0	462.9	480.2	483.8	508.3	515.5	520.6	509.6	512.9	513.1	502.7	507.1
47 U.S. government securities	319.4	327.3	340.8	342.7	353.5	361.9	369.8	360.1	365.8	361.4	353.3	358.7
48 Trading account	19.8	26.1	28.0	27.0	28.2	28.4	28.3	23.8	25.0	24.5	21.4	24.5
49 Investment account	299.5	301.2	312.8	315.7	325.3	333.4	341.5	336.2	340.8	336.9	331.9	334.2
50 Mortgage-backed securities	190.1	198.4	206.9	211.7	219.7	222.6	227.2	220.8	228.7	221.0	216.3	216.3
51 Other	109.5	102.8	105.9	104.0	105.6	110.9	114.2	115.4	112.1	115.9	115.6	117.9
52 One year or less	30.6	26.8	29.4	28.1	27.0	28.9	29.7	30.9	28.9	31.4	31.2	32.2
53 Between one and five years	60.1	52.8	53.5	53.3	52.2	51.2	51.1	50.6	50.8	50.6	50.6	50.0
54 More than five years	18.9	23.3	22.9	22.6	26.4	30.7	33.4	33.9	32.4	33.8	33.8	35.7
55 Other securities	135.7	135.6	139.4	141.1	154.9	153.6	150.8	149.5	147.1	151.7	149.4	148.4
56 Trading account	70.8	63.3	65.9	63.9	76.5	74.5	71.6	69.3	67.3	71.4	68.9	68.3
57 Investment account	64.9	72.3	73.5	77.2	78.4	79.1	79.2	80.2	79.8	80.3	80.5	80.1
58 State and local government	21.1	22.4	22.3	22.2	22.5	22.7	22.7	23.0	22.9	22.9	23.0	23.1
59 Other	43.8	50.0	51.2	55.1	55.9	56.4	56.5	57.3	56.9	57.4	57.5	57.0
60 Loans and leases in bank credit[2]	1,565.0	1,619.4	1,625.8	1,632.7	1,642.6	1,651.6	1,673.9	1,683.1	1,685.0	1,686.6	1,678.6	1,680.0
61 Commercial and industrial	422.4	436.5	439.0	443.6	449.5	457.5	463.1	469.7	465.9	470.3	471.3	470.9
62 Bankers acceptances	1.6	1.4	1.4	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.1	1.2
63 Other	420.8	435.1	437.6	442.3	448.3	456.3	461.9	468.5	464.7	469.1	470.2	469.7
64 Real estate	636.8	653.5	655.1	652.6	650.7	655.1	664.4	666.3	671.8	666.0	661.4	665.5
65 Revolving home equity	62.3	68.3	68.6	68.8	69.2	68.5	67.7	68.1	67.8	68.0	68.3	68.5
66 Other	356.2	360.9	360.9	358.2	357.9	362.1	371.8	372.7	379.2	373.0	367.4	370.9
67 Commercial	218.3	224.4	225.6	225.6	223.6	224.5	224.9	225.4	224.8	225.0	225.7	226.1
68 Consumer	303.1	299.6	297.2	298.8	298.7	292.2	289.5	286.7	288.0	287.1	286.2	285.2
69 Security[3]	42.5	52.5	53.1	48.6	56.0	58.7	61.9	59.5	58.6	60.4	60.7	58.1
70 Federal funds sold to and repurchase agreements with broker–dealers	24.9	35.5	36.6	31.3	39.6	42.5	43.9	41.6	42.2	42.1	41.8	40.0
71 Other	17.7	17.0	16.5	17.3	16.4	16.3	18.0	17.9	16.4	18.3	19.0	18.0
72 State and local government	11.2	11.2	11.1	11.0	10.8	10.8	10.6	10.4	10.5	10.4	10.4	10.4
73 Agricultural	9.0	9.5	9.6	9.6	9.4	9.1	9.2	9.3	9.2	9.3	9.4	9.4
74 Federal funds sold to and repurchase agreements with others	7.3	8.9	8.9	11.1	7.7	6.1	7.1	7.2	6.9	8.3	6.8	6.4
75 All other loans	63.4	69.1	72.3	75.5	73.8	75.3	80.3	84.0	84.5	85.1	82.4	83.3
76 Lease-financing receivables	69.4	78.5	79.7	81.8	86.0	86.7	87.8	90.0	89.6	89.7	90.0	90.7
77 Interbank loans	149.2	120.8	128.6	132.4	125.3	120.2	126.9	126.5	130.1	135.2	124.8	116.2
78 Federal funds sold to and repurchase agreements with commercial banks	99.2	74.8	83.6	86.3	80.3	68.1	77.0	75.4	78.1	84.6	73.1	65.7
79 Other	50.0	46.1	45.0	46.1	45.0	52.1	49.9	51.1	52.0	50.6	51.7	50.5
80 Cash assets[4]	145.6	164.8	176.7	176.5	174.7	164.8	164.5	161.8	151.7	175.3	167.6	153.6
81 Other assets[5]	183.4	184.6	184.7	189.7	191.4	190.6	186.5	196.7	194.8	195.2	199.1	198.3
82 **Total assets**[6]	**2,461.0**	**2,515.9**	**2,559.2**	**2,578.3**	**2,605.8**	**2,606.0**	**2,635.5**	**2,641.0**	**2,637.8**	**2,668.7**	**2,636.2**	**2,618.5**
Liabilities												
83 Deposits	1,509.0	1,537.5	1,567.0	1,577.5	1,564.0	1,566.1	1,589.4	1,596.1	1,603.4	1,641.7	1,582.7	1,555.3
84 Transaction	399.4	374.2	389.1	401.8	380.7	372.2	373.7	383.1	369.1	409.4	376.3	378.7
85 Nontransaction	1,109.6	1,163.3	1,177.8	1,175.7	1,183.3	1,193.9	1,215.7	1,213.0	1,234.4	1,232.3	1,206.4	1,176.6
86 Large time	174.5	203.9	211.5	209.8	213.6	217.3	222.5	215.5	220.2	218.4	215.4	207.4
87 Other	935.1	959.4	966.3	965.9	969.7	976.6	993.2	997.5	1,014.2	1,013.9	991.0	969.1
88 Borrowings	474.2	487.1	502.1	509.3	524.1	526.0	538.1	542.7	534.3	540.1	545.7	550.3
89 From banks in the U.S.	206.9	184.9	201.8	209.4	198.2	198.6	207.6	207.9	211.8	213.4	209.6	196.5
90 From nonbanks in the U.S.	267.2	302.2	300.2	299.8	325.8	327.3	330.5	334.8	322.5	326.6	336.2	353.8
91 Net due to related foreign offices	74.4	70.8	65.6	69.5	82.3	79.0	77.7	72.8	69.3	57.8	77.7	86.9
92 Other liabilities	155.4	162.7	168.1	168.4	180.2	176.3	171.0	167.8	170.5	167.0	168.4	164.1
93 **Total liabilities**	**2,212.9**	**2,258.1**	**2,302.8**	**2,324.6**	**2,350.6**	**2,347.4**	**2,376.3**	**2,379.5**	**2,377.5**	**2,406.6**	**2,374.4**	**2,356.6**
94 Residual (assets less liabilities)[7]	248.1	257.8	256.4	253.7	255.3	258.5	259.2	261.5	260.3	262.1	261.8	261.9
MEMO												
95 Revaluation gains on off-balance-sheet items[8]	49.5	38.2	41.5	41.3	50.1	47.3	47.5	44.2	43.6	45.6	43.6	42.7
96 Revaluation losses on off-balance-sheet items[8]	44.6	41.3	43.6	44.2	52.9	49.5	49.8	45.6	46.5	47.2	44.3	43.4
97 Mortgage-backed securities[9]	209.9	216.6	225.1	229.9	238.4	242.3	247.4	240.9	248.7	241.5	236.3	235.8
98 Pass-through securities	142.0	149.4	154.2	157.3	162.3	164.7	169.2	164.5	170.7	164.9	160.8	161.0
99 CMOs, REMICs, and other mortgage-backed securities	67.9	67.3	70.9	72.6	76.1	77.6	78.2	76.4	78.0	76.5	75.6	74.8
100 Net unrealized gains (losses) on available-for-sale securities[10]	−0.5	2.5	2.4	2.2	3.0	3.3	3.0	3.0	3.1	3.2	2.9	2.8
101 Offshore credit to U.S. residents[11]	33.3	34.2	34.4	34.2	35.5	36.2	35.2	35.5	35.5	35.6	35.4	35.3

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	1997 Apr.[r]	1997[r] Oct.	1997[r] Nov.	1997[r] Dec.	1998[r] Jan.	1998[r] Feb.	1998[r] Mar.	1998[r] Apr.	1998 Apr. 8	1998 Apr. 15	1998 Apr. 22	1998 Apr. 29
	Monthly averages								Wednesday figures			
	Seasonally adjusted											
Assets												
1 Bank credit	1,337.4	1,409.5	1,426.7	1,438.2	1,441.6	1,447.1	1,452.0	1,456.5	1,454.2	1,457.0	1,456.4	1,457.7
2 Securities in bank credit	397.3	406.1	409.8	412.8	410.3	408.7	410.8	409.5	410.4	409.1	408.7	409.3
3 U.S. government securities	314.5	323.3	325.2	327.4	325.0	323.3	323.1	319.5	320.1	319.1	318.3	319.6
4 Other securities	82.9	82.7	84.6	85.5	85.2	85.4	87.8	90.0	90.2	90.0	90.3	89.7
5 Loans and leases in bank credit[2]	940.1	1,003.4	1,016.9	1,025.4	1,031.4	1,038.4	1,041.2	1,047.0	1,043.8	1,047.9	1,047.7	1,048.4
6 Commercial and industrial	169.3	181.9	183.8	184.8	186.7	188.1	188.3	190.1	189.0	190.1	190.4	191.0
7 Real estate	496.6	540.1	548.0	553.2	558.9	564.0	566.3	570.7	568.6	570.3	571.0	572.8
8 Revolving home equity	26.1	28.7	29.2	29.6	29.5	29.6	29.5	29.3	29.2	29.4	29.4	29.4
9 Other	470.5	511.4	518.8	523.7	529.4	534.4	536.9	541.3	539.4	541.0	541.6	543.5
10 Consumer	207.6	209.0	210.9	212.3	210.7	210.4	208.1	206.1	204.8	205.7	207.2	206.8
11 Security[3]	4.5	5.2	5.5	5.7	5.6	5.8	6.2	6.3	6.9	6.9	6.0	5.6
12 Other loans and leases	62.1	67.1	68.7	69.4	69.5	70.1	72.2	73.7	74.4	75.0	73.1	72.2
13 Interbank loans	44.7	56.4	55.8	56.0	56.4	57.3	65.1	66.5	66.9	70.5	66.4	62.2
14 Cash assets[4]	65.7	70.6	72.6	71.6	71.9	72.8	73.6	74.6	73.7	75.3	74.9	74.1
15 Other assets[5]	54.1	61.9	64.6	62.9	63.5	64.9	64.4	68.6	66.4	70.0	69.3	69.2
16 **Total assets[6]**	**1,483.2**	**1,578.8**	**1,600.1**	**1,609.1**	**1,613.9**	**1,622.4**	**1,635.5**	**1,646.3**	**1,641.5**	**1,653.0**	**1,647.1**	**1,643.2**
Liabilities												
17 Deposits	1,180.3	1,265.7	1,277.6	1,283.0	1,286.6	1,292.8	1,300.3	1,307.6	1,302.9	1,317.0	1,307.1	1,302.0
18 Transaction	292.2	298.8	300.1	298.3	297.1	299.3	302.1	301.2	294.9	303.4	303.0	303.4
19 Nontransaction	888.1	966.8	977.5	984.7	989.5	993.5	998.2	1,006.4	1,008.0	1,013.7	1,004.1	998.6
20 Large time	152.4	165.2	167.2	167.7	168.4	170.6	171.1	172.0	172.6	172.2	171.6	171.4
21 Other	735.7	801.6	810.3	817.0	821.1	822.9	827.1	834.4	835.3	841.5	832.5	827.2
22 Borrowings	147.8	153.6	154.2	157.9	158.2	159.2	161.4	163.4	163.6	163.3	162.5	164.7
23 From banks in the U.S.	76.4	71.1	70.6	72.4	72.3	72.4	72.2	73.1	73.3	71.8	73.4	73.9
24 From others	71.4	82.5	83.6	85.5	85.9	86.7	89.2	90.4	90.3	91.5	89.2	90.8
25 Net due to related foreign offices	4.4	5.2	5.0	4.3	4.2	6.1	4.1	3.5	4.2	3.2	3.1	3.3
26 Other liabilities	25.0	27.8	28.8	29.1	28.8	29.4	30.5	30.9	30.6	30.6	31.1	31.5
27 **Total liabilities**	**1,357.5**	**1,452.2**	**1,465.6**	**1,474.4**	**1,477.8**	**1,487.4**	**1,496.2**	**1,505.4**	**1,501.3**	**1,514.1**	**1,503.8**	**1,501.6**
28 Residual (assets less liabilities)[7]	125.6	126.5	134.5	134.7	136.1	135.0	139.2	140.9	140.3	138.8	143.3	141.6
	Not seasonally adjusted											
Assets												
29 Bank credit	1,343.2	1,409.5	1,426.1	1,438.9	1,436.4	1,438.5	1,448.3	1,462.1	1,455.7	1,462.4	1,464.7	1,465.8
30 Securities in bank credit	402.9	403.4	406.7	411.0	408.7	406.6	412.2	415.0	414.7	414.8	415.2	415.2
31 U.S. government securities	319.6	321.2	322.4	325.8	323.6	321.2	324.2	324.5	324.3	324.4	324.4	324.9
32 Other securities	83.3	82.2	84.3	85.1	85.1	85.4	88.0	90.5	90.5	90.5	90.8	90.3
33 Loans and leases in bank credit[2]	940.3	1,006.2	1,019.4	1,027.9	1,027.7	1,031.9	1,036.1	1,047.1	1,040.9	1,047.5	1,049.6	1,050.6
34 Commercial and industrial	171.6	180.4	182.6	184.2	185.9	187.7	189.3	192.5	190.7	192.3	193.4	193.8
35 Real estate	496.2	542.4	549.9	554.1	555.9	560.2	564.0	570.3	567.3	569.9	571.0	573.2
36 Revolving home equity	26.3	28.9	29.3	29.5	29.4	29.5	29.4	29.5	29.3	29.4	29.6	29.6
37 Other	469.9	513.5	520.6	524.6	526.5	530.7	534.7	540.8	538.0	540.5	541.4	543.5
38 Consumer	206.8	209.9	212.6	214.7	212.4	210.2	206.2	205.2	203.0	204.4	206.8	206.5
39 Security[3]	4.5	5.2	5.5	5.7	5.6	5.8	6.2	6.3	6.9	6.9	6.0	5.6
40 Other loans and leases	61.2	68.3	68.8	69.2	68.0	67.9	70.4	72.7	73.0	74.0	72.3	71.6
41 Interbank loans	46.3	55.6	59.2	60.1	57.8	61.3	68.9	68.6	77.8	77.1	63.7	55.7
42 Cash assets[4]	64.9	70.6	75.1	75.2	73.1	72.6	71.9	74.0	72.5	76.4	72.7	73.8
43 Other assets[5]	54.3	62.1	65.1	62.5	61.6	64.6	64.3	69.0	67.4	70.1	68.4	70.0
44 **Total assets[6]**	**1,489.9**	**1,578.2**	**1,605.9**	**1,617.0**	**1,609.4**	**1,617.3**	**1,633.7**	**1,653.8**	**1,653.7**	**1,666.1**	**1,649.7**	**1,645.3**
Liabilities												
45 Deposits	1,188.5	1,263.7	1,284.1	1,290.8	1,285.2	1,289.8	1,301.8	1,315.9	1,320.1	1,333.2	1,309.1	1,300.1
46 Transaction	295.8	297.2	304.4	308.9	299.5	295.9	299.0	304.7	301.7	313.5	302.7	301.4
47 Nontransaction	892.7	966.5	979.7	981.9	985.7	993.8	1,002.8	1,011.1	1,018.4	1,019.7	1,006.4	998.7
48 Large time	152.4	165.2	167.2	167.7	168.4	170.6	171.1	172.0	172.6	172.2	171.6	171.4
49 Other	740.3	801.4	812.4	814.2	817.3	823.2	831.8	839.2	845.7	847.5	834.8	827.3
50 Borrowings	145.9	154.0	153.7	158.6	159.1	157.4	158.2	161.6	157.6	158.3	163.5	167.1
51 From banks in the U.S.	75.9	70.6	69.7	72.5	72.7	71.7	71.1	72.7	71.1	70.0	74.3	75.5
52 From others	70.0	83.4	84.1	86.2	86.4	85.7	87.1	88.9	86.6	88.3	89.1	91.6
53 Net due to related foreign offices	4.4	5.2	5.0	4.3	4.2	6.1	4.1	3.5	4.2	3.2	3.1	3.3
54 Other liabilities	25.0	27.8	28.8	29.1	28.8	29.4	30.5	30.9	30.6	30.6	31.1	31.5
55 **Total liabilities**	**1,363.9**	**1,450.7**	**1,471.6**	**1,482.9**	**1,477.3**	**1,482.6**	**1,494.6**	**1,511.9**	**1,512.5**	**1,525.4**	**1,506.8**	**1,502.0**
56 Residual (assets less liabilities)[7]	126.0	127.5	134.2	134.1	132.0	134.7	139.2	141.9	141.2	140.7	142.8	143.3
MEMO												
57 Mortgage-backed securities[9]	42.2	48.9	50.0	51.1	51.1	51.5	52.1	52.6	52.7	52.6	52.7	52.3

Footnotes appear on p. A21.

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

E. Foreign-related institutions

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1997	1997			1998				1998			
	Apr.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Apr. 8	Apr. 15	Apr. 22	Apr. 29
	Seasonally adjusted											
Assets												
1 Bank credit	530.2	538.6[r]	548.5[r]	544.0[r]	568.7	568.6	565.9	554.6	557.7	549.3	549.3	557.8
2 Securities in bank credit	170.0	175.8[r]	192.3[r]	187.2[r]	193.1	193.0	197.3	191.2	196.9	185.8	183.9	194.8
3 U.S. government securities	81.6	80.6	79.2	76.3	81.2	83.8	87.5	87.2	89.8	81.4	82.8	92.7
4 Other securities	88.4	95.2[r]	113.1[r]	110.9[r]	111.9	109.2	109.8	104.0	107.1	104.4	101.1	102.1
5 Loans and leases in bank credit[2]	360.2	362.8	356.2[r]	356.8[r]	375.6	375.6	368.6	363.4	360.9	363.4	365.4	363.0
6 Commercial and industrial	219.3	222.5	221.4	221.3	223.2	222.5	220.3	214.6	213.6	214.3	214.8	215.9
7 Real estate	31.6	27.5	26.6	25.9	26.5	25.9	24.7	24.0	23.9	24.0	24.1	24.2
8 Security[3]	44.0	46.7	41.7	43.8	54.8	54.8	48.8	48.1	46.6	48.6	50.0	45.9
9 Other loans and leases	65.4	66.1	66.4[r]	65.8[r]	71.0	72.4	74.7	76.7	76.8	76.6	76.6	77.0
10 Interbank loans	18.8	20.5	23.7[r]	31.3[r]	28.0	24.8	20.9	20.2	16.5	17.8	21.4	24.5
11 Cash assets[4]	33.4	34.4	34.9	33.5	32.9	32.6	34.1	35.3	36.3	35.0	35.8	34.2
12 Other assets[5]	39.5	42.8[r]	45.2[r]	42.3[r]	40.6	42.4	42.9	42.4	44.2	43.6	41.7	40.1
13 **Total assets**[6]	**621.7**	**636.1**[r]	**652.1**[r]	**650.9**[r]	**670.0**	**668.2**	**663.5**	**652.2**	**654.6**	**645.5**	**648.0**	**656.4**
Liabilities												
14 Deposits	251.9	267.7	272.8	272.5	273.5	284.8	288.9	291.8	296.4	287.8	287.0	294.7
15 Transaction	10.6	10.4	10.3	9.8	10.2	10.1	10.6	11.0	11.5	11.6	11.0	10.1
16 Nontransaction	241.3	257.2	262.6	262.7	263.3	274.7	278.3	280.7	284.9	276.2	276.0	284.5
17 Large time	238.8	254.1	259.3	259.9	261.5	272.8	276.6	279.8	283.8	274.9	275.1	284.2
18 Other	2.5	3.1	3.3	2.8	1.8	1.8	1.7	0.9	1.1	1.3	0.8	0.4
19 Borrowings	142.0	155.8	156.3	149.5	149.7	144.8	154.0	165.0	165.6	175.8	160.7	156.7
20 From banks in the U.S.	33.1	33.8	29.0	25.9	23.6	22.7	25.9	26.7	28.3	37.0	20.1	20.6
21 From others	108.9	122.0	127.3	123.6	126.2	122.1	128.0	138.3	137.3	138.8	140.6	136.1
22 Net due to related foreign offices	132.6	118.5	117.1	121.7	139.6	134.7	118.5	98.5	101.2	90.4	102.3	99.4
23 Other liabilities	91.7	91.6	96.0	95.5	96.5	97.6	94.2	90.6	90.9	88.5	92.0	90.2
24 **Total liabilities**	**618.3**	**633.5**	**642.2**	**639.2**	**659.4**	**661.9**	**655.6**	**645.9**	**654.0**	**642.5**	**642.0**	**640.9**
25 Residual (assets less liabilities)[7]	3.4	2.5[r]	9.9[r]	11.7[r]	10.6	6.3	7.9	6.3	0.5	3.0	6.1	15.5
	Not seasonally adjusted											
Assets												
26 Bank credit	529.6	538.4[r]	543.3[r]	543.1[r]	565.6	568.0	565.5	554.4	556.7	548.7	549.6	557.8
27 Securities in bank credit	171.2	176.5[r]	188.7[r]	183.4[r]	187.7	189.9	195.3	192.7	199.0	186.9	184.8	196.6
28 U.S. government securities	80.4	81.1	80.3	75.9	79.2	83.0	88.2	85.8	88.8	79.7	80.1	92.1
29 Trading account	16.6	14.3	16.0	13.7	14.6	14.1	17.6	18.4	17.1	10.0	18.0	26.9
30 Investment account	63.8	66.7	64.3	62.2	64.6	68.9	70.6	67.4	71.7	69.7	62.1	65.2
31 Other securities	90.8	95.4[r]	108.4[r]	107.4[r]	108.5	106.9	107.1	106.8	110.2	107.2	104.7	104.5
32 Trading account	52.6	55.6	60.9	60.0	62.9	61.3	59.7	58.4	59.7	57.3	57.9	58.3
33 Investment account	38.3	39.9[r]	47.5[r]	47.4[r]	45.6	45.6	47.4	48.4	50.5	49.9	46.8	46.1
34 Loans and leases in bank credit[2]	358.4	361.8[r]	354.6[r]	359.7[r]	377.8	378.1	370.2	361.7	357.7	361.8	364.8	361.2
35 Commercial and industrial	219.3	222.2	221.2	222.2	224.1	223.6	221.0	214.6	213.3	214.3	215.3	215.5
36 Real estate	31.3	27.8	26.9	26.0	26.6	26.1	24.7	23.8	23.7	23.8	23.8	23.9
37 Security[3]	43.4	46.7	41.6	45.0	54.9	54.9	49.5	47.6	45.2	48.0	49.6	45.9
38 Other loans and leases	64.4	65.2	65.0[r]	66.5[r]	72.3	73.4	75.0	75.7	75.5	75.7	76.0	75.8
39 Interbank loans	18.8	20.5	23.7[r]	31.3[r]	28.0	24.8	20.9	20.2	16.5	17.8	21.4	24.5
40 Cash assets[4]	31.9	34.6	35.7	35.1	32.8	32.0	33.0	33.6	34.0	33.4	33.9	32.9
41 Other assets[5]	37.4	41.9[r]	45.8[r]	43.1[r]	41.0	43.9	42.9	40.1	41.5	40.8	39.0	38.7
42 **Total assets**[6]	**617.5**	**635.2**[r]	**648.3**[r]	**652.4**[r]	**667.2**	**668.6**	**662.0**	**648.0**	**648.5**	**640.4**	**643.7**	**653.6**
Liabilities												
43 Deposits	250.1	267.5	272.3	275.6	271.6	282.6	290.1	290.1	293.1	284.9	285.0	295.3
44 Transaction	10.2	10.5	10.2	10.3	10.1	9.9	10.5	10.6	11.0	11.1	10.4	10.0
45 Nontransaction	239.9	257.0	262.1	265.3	261.5	272.6	279.6	279.5	282.1	273.8	274.6	285.3
46 Large time	237.3	254.9	260.5	264.2	260.5	271.4	278.6	278.5	281.1	272.8	273.6	284.4
47 Other	2.6	2.1	1.6	1.2	1.0	1.2	1.0	1.0	1.0	1.0	1.0	1.0
48 Borrowings	142.0	155.8	156.3	149.5	149.7	144.8	154.0	165.0	165.6	175.8	160.7	156.7
49 From banks in the U.S.	33.1	33.8	29.0	25.9	23.6	22.7	25.9	26.7	28.3	37.0	20.1	20.6
50 From others	108.9	122.0	127.3	123.6	126.2	122.1	128.0	138.3	137.3	138.8	140.6	136.1
51 Net due to related foreign offices	131.2	117.7	117.8	126.5	144.5	136.0	117.7	97.1	93.7	86.3	101.7	105.3
52 Other liabilities	90.9	91.3	97.6	96.5	96.5	98.8	94.4	89.7	89.8	87.5	90.8	89.8
53 **Total liabilities**	**614.2**	**632.2**	**644.0**	**648.2**	**662.3**	**662.2**	**656.2**	**641.9**	**642.3**	**634.5**	**638.1**	**647.2**
54 Residual (assets less liabilities)[7]	3.3	2.9[r]	4.4[r]	4.2[r]	4.9	6.4	5.8	6.1	6.2	5.9	5.6	6.5
MEMO												
55 Revaluation gains on off-balance-sheet items[8]	41.7	41.6	42.8	41.4	43.2	40.4	40.0	39.3	40.3	38.7	38.9	39.0
56 Revaluation losses on off-balance-sheet items[8]	43.6	40.2	42.0	41.8	42.9	40.6	39.8	38.9	41.0	38.2	38.2	38.1

Footnotes appear on p. A21.

NOTES TO TABLE 1.26

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1997			1998		
	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	1997 Dec.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**555,075**	**595,382**	**674,904**	**775,371**	**966,699**	**921,769**	**940,524**	**966,699**	**973,761**	**1,004,662**	**1,049,222**
Financial companies[1]											
2 Dealer-placed paper[2], total	218,947	223,038	275,815	361,147	513,307	483,489	483,475	513,307	509,950	520,940	550,670
3 Directly placed paper[3], total	180,389	207,701	210,829	229,662	252,536	237,544	249,781	252,536	254,926	268,001	282,083
4 Nonfinancial companies[4]	155,739	164,643	188,260	184,563	200,857	200,736	207,268	200,857	208,886	215,721	216,469
	Bankers dollar acceptances (not seasonally adjusted)[5]										
5 **Total**	**32,348**	**29,835**	**29,242**	**25,754**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By holder											
6 Accepting banks	12,421	11,783	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Own bills	10,707	10,462	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Bills bought from other banks	1,714	1,321	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Federal Reserve Banks[6]											
9 Foreign correspondents	725	410	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Others	19,202	17,642	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By basis											
11 Imports into United States	10,217	10,062	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Exports from United States	7,293	6,355	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 All other	14,838	13,417	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

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

Percent per year

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

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	1995	1996	1997	1998				1998, week ending				
				Jan.	Feb.	Mar.	Apr.	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	5.83	5.30	5.46	5.56	5.51	5.49	5.45	5.43	5.60	5.48	5.47	5.37
2 Discount window borrowing[2,4]	5.21	5.02	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Commercial paper[3,4,5,6]												
Nonfinancial												
3 1-month	n.a.	n.a.	5.57	5.46	5.47	5.51	5.49	5.52	5.52	5.49	5.49	5.48
4 2-month	n.a.	n.a.	5.57	5.44	5.44	5.49	5.48	5.48	5.50	5.47	5.47	5.47
5 3-month	n.a.	n.a.	5.56	5.42	5.42	5.46	5.46	5.46	5.46	5.46	5.45	5.45
Financial												
6 1-month	n.a.	n.a.	5.59	5.48	5.49	5.53	5.51	5.53	5.54	5.50	5.51	5.50
7 2-month	n.a.	n.a.	5.59	5.46	5.47	5.51	5.49	5.51	5.50	5.48	5.49	5.48
8 3-month	n.a.	n.a.	5.60	5.44	5.45	5.49	5.48	5.49	5.49	5.46	5.48	5.48
Commercial paper (historical)[3,5,6,7]												
9 1-month	5.93	5.43	5.54	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a.	n.a.	n.a.
10 3-month	5.93	5.41	5.58	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a
11 6-month	5.93	5.42	5.62	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Finance paper, directly placed (historical)[3,5,7,8]												
12 1-month	5.81	5.31	5.44	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 3-month	5.78	5.29	5.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 6-month	5.68	5.21	5.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bankers acceptances[3,5,9]												
15 3-month	5.81	5.31	5.54	5.48	5.46	5.50	5.48	5.50	5.49	5.48	5.48	5.48
16 6-month	5.80	5.31	5.57	5.45	5.41	5.46	5.44	5.46	5.45	5.45	5.44	5.43
Certificates of deposit, secondary market[3,10]												
17 1-month	5.87	5.35	5.54	5.53	5.53	5.58	5.56	5.58	5.58	5.55	5.56	5.56
18 3-month	5.92	5.39	5.62	5.54	5.54	5.58	5.58	5.59	5.58	5.56	5.57	5.58
19 6-month	5.98	5.47	5.73	5.56	5.55	5.61	5.63	5.61	5.62	5.58	5.62	5.63
20 Eurodollar deposits, 3-month[3,11]	5.93	5.38	5.61	5.53	5.53	5.56	5.56	5.56	5.56	5.54	5.56	5.56
U.S. Treasury bills[5]												
Secondary market[3,5]												
21 3-month	5.49	5.01	5.06	5.04	5.09	5.03	4.95	5.05	5.00	4.95	4.97	4.94
22 6-month	5.56	5.08	5.18	5.03	5.07	5.04	5.06	5.02	5.03	5.01	5.09	5.06
23 1-year	5.60	5.22	5.32	4.98	5.04	5.11	5.10	5.12	5.09	5.03	5.11	5.12
Auction average[3,5,12]												
24 3-month	5.51	5.02	5.07	5.09	5.11	5.03	5.00	5.03	5.05	4.96	5.04	4.99
25 6-month	5.59	5.09	5.18	5.07	5.07	5.04	5.08	4.99	5.08	5.00	5.13	5.06
26 1-year	5.69	5.23	5.36	5.07	4.97	5.13	5.12	n.a.	5.11	n.a.	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[13]												
27 1-year	5.94	5.52	5.63	5.24	5.31	5.39	5.38	5.39	5.36	5.30	5.39	5.40
28 2-year	6.15	5.84	5.99	5.36	5.42	5.56	5.56	5.57	5.55	5.47	5.56	5.60
29 3-year	6.25	5.99	6.10	5.38	5.43	5.57	5.58	5.59	5.57	5.50	5.56	5.61
30 5-year	6.38	6.18	6.22	5.42	5.49	5.61	5.61	5.62	5.58	5.52	5.59	5.65
31 7-year	6.50	6.34	6.33	5.53	5.60	5.71	5.70	5.69	5.68	5.61	5.67	5.72
32 10-year	6.57	6.44	6.35	5.54	5.57	5.65	5.64	5.63	5.61	5.55	5.61	5.67
33 20-year	6.95	6.83	6.69	5.88	5.96	6.01	6.00	5.99	5.97	5.93	5.97	6.03
34 30-year	6.88	6.71	6.61	5.81	5.89	5.95	5.92	5.92	5.89	5.86	5.90	5.95
Composite												
35 More than 10 years (long-term)	6.93	6.80	6.67	5.87	5.94	6.00	5.98	5.97	5.95	5.91	5.95	6.01
STATE AND LOCAL NOTES AND BONDS												
Moody's series[14]												
36 Aaa	5.80	5.52	5.32	4.88	4.92	5.03	5.00	4.99	4.97	4.94	5.02	5.01
37 Baa	6.10	5.79	5.50	5.04	5.09	5.25	5.21	5.21	5.18	5.15	5.24	5.23
38 *Bond Buyer* series[15]	5.95	5.76	5.52	5.06	5.10	5.21	5.23	5.20	5.19	5.18	5.21	5.25
CORPORATE BONDS												
39 Seasoned issues, all industries[16]	7.83	7.66	7.54	6.89	6.95	7.00	6.99	6.98	6.96	6.94	6.97	7.01
Rating group												
40 Aaa	7.59	7.37	7.27	6.61	6.67	6.72	6.69	6.69	6.67	6.64	6.67	6.73
41 Aa	7.72	7.55	7.48	6.82	6.88	6.93	6.90	6.90	6.88	6.86	6.88	6.93
42 A	7.83	7.69	7.54	6.93	7.01	7.05	7.03	7.03	7.01	6.99	7.02	7.06
43 Baa	8.20	8.05	7.87	7.19	7.25	7.32	7.33	7.30	7.30	7.28	7.31	7.35
44 A-rated, recently offered utility bonds[17]	7.86	7.77	7.71	6.97	7.02	7.11	7.10	7.14	6.99	7.09	7.09	7.19
MEMO												
Dividend–price ratio[18]												
45 Common stocks	2.56	2.19	1.77	1.62	1.55	1.48	1.43	1.44	1.43	1.44	1.42	1.41

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

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

1.36 STOCK MARKET Selected Statistics

Indicator	1995	1996	1997	1997 Aug.	1997 Sept.	1997 Oct.	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.
	Prices and trading volume (averages of daily figures)[1]											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	291.18	357.98	456.99	482.39	489.74	499.25	492.14	504.66	504.13	532.15	560.70	578.05
2 Industrial	367.40	453.57	574.97	609.54	617.94	625.22	615.65	623.57	624.61	660.91	693.13	711.89
3 Transportation	270.14	327.30	415.08	439.71	451.63	466.04	453.56	461.04	458.49	485.73	508.06	523.73
4 Utility	110.64	126.36	143.87	143.82	145.96	157.83	153.53	165.74	146.25	170.96	191.67	207.32
5 Finance	238.48	303.94	424.84	446.93	459.86	476.70	465.35	490.30	479.81	508.97	539.47	563.07
6 Standard & Poor's Corporation (1941–43 = 10)[2]	541.72	670.49	873.43	927.74	937.02	951.16	938.92	962.37	963.36	1,023.74	1,076.83	1,112.20
7 American Stock Exchange (Aug. 31, 1973 = 50)[3]	498.13	570.86	628.34	645.59	678.05	702.43	674.37	667.89	665.72	685.73	722.37	742.33
Volume of trading (thousands of shares)												
8 New York Stock Exchange	345,729	409,740	523,254	506,205	541,204	606,513	531,449	541,134	632,895	610,958	619,366	647,110
9 American Stock Exchange	20,387	22,567	n.a.	24,095	28,252	32,873	27,741	27,624	28,199	26,808	28,943	29,544
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[4]	**76,680**	**97,400**	**126,090**	**119,810**	**126,050**	**128,190**	**127,330**	**126,090**	**127,790**	**135,590**	**140,340**	**140,240**
Free credit balances at brokers[5]												
11 Margin accounts[6]	16,250	22,540	31,410	23,375	23,630	26,950	26,735	31,410	29,480	27,450	27,430	28,160
12 Cash accounts	34,340	40,430	52,160	42,960	43,770	47,465	45,470	52,160	48,620	48,640	51,340	51,050
	Margin requirements (percent of market value and effective date)[7]											
	Mar. 11, 1968		June 8, 1968		May 6, 1970		Dec. 6, 1971		Nov. 24, 1972		Jan. 3, 1974	
13 Margin stocks	70		80		65		55		65		50	
14 Convertible bonds	50		60		50		50		50		50	
15 Short sales	70		80		65		55		65		50	

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

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

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1995	Fiscal year 1996	Fiscal year 1997	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.
U.S. budget[1]									
1 Receipts, total	1,351,830	1,453,062	1,579,292	103,481	167,998	162,610	97,952	117,930	261,002
2 On-budget	1,000,751	1,085,570	1,187,302	73,690	135,340	123,367	65,051	80,647	216,988
3 Off-budget	351,079	367,492	391,990	29,791	32,658	39,243	32,901	37,283	44,014
4 Outlays, total	1,515,729	1,560,512	1,601,235	120,830	154,361	137,231	139,701	131,743	136,400
5 On-budget	1,227,065	1,259,608	1,290,609	91,327	146,647	108,843	109,393	101,967	108,569
6 Off-budget	288,664	300,904	310,626	29,504	7,712	28,388	30,309	29,775	27,830
7 Surplus or deficit (−), total	−163,899	−107,450	−21,943	−17,349	13,639	25,379	−41,750	−13,813	124,603
8 On-budget	−226,314	−174,038	−103,307	−17,637	−11,307	14,524	−44,342	−21,320	108,419
9 Off-budget	62,415	66,588	81,364	287	24,946	10,855	2,592	7,508	16,184
Source of financing (total)									
10 Borrowing from the public	171,288	129,712	38,171	29,108	−1,771	−24,807	30,565	20,137	−60,587
11 Operating cash (decrease, or increase (−))	−2,007	−6,276	604	483	−12,107	−8,422	24,027	−11,352	−60,398
12 Other[2]	−5,382	−15,986	−16,832	−12,242	239	7,850	−12,842	5,028	−3,618
MEMO									
13 Treasury operating balance (level, end of period)	37,949	44,225	43,621	19,778	31,885	40,307	16,280	27,632	88,030
14 Federal Reserve Banks	8,620	7,700	7,692	5,127	5,444	5,552	5,037	5,490	28,014
15 Tax and loan accounts	29,329	36,525	35,930	14,651	26,441	34,756	11,243	22,141	60,016

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						
	1996	1997	1996		1997		1998		
			H1	H2	H1	H2	Feb.	Mar	Apr.
RECEIPTS									
1 **All sources**	**1,453,062**	**1,579,292**	**767,099**	**707,551**	**845,527**	**773,810**	**97,952**	**117,930**	**261,002**
2 Individual income taxes, net	656,417	737,466	347,285	323,884	400,436	354,072	42,209	39,662	158,284
3 Withheld	533,080	580,207	264,177	279,988	292,252	306,865	54,225	55,290	51,811
4 Nonwithheld	212,168	250,753	162,782	53,491	191,050	58,069	2,914	7,332	129,520
5 Refunds	88,897	93,560	79,735	9,604	82,926	10,869	14,941	22,973	23,059
Corporation income taxes									
6 Gross receipts	189,055	204,493	96,480	95,364	106,451	104,659	3,598	23,153	29,910
7 Refunds	17,231	22,198	9,704	10,053	9,635	10,135	2,769	3,661	2,549
8 Social insurance taxes and contributions, net	509,414	539,371	277,767	240,326	288,251	260,795	44,749	48,027	61,465
9 Employment taxes and contributions[2]	476,361	506,751	257,446	227,777	268,357	247,794	41,825	47,389	56,544
10 Unemployment insurance	28,584	28,202	18,068	10,302	17,709	10,724	2,589	301	4,589
11 Other net receipts[3]	4,469	4,418	2,254	2,245	2,184	2,280	335	337	332
12 Excise taxes	54,014	56,924	25,682	27,016	28,084	31,132	4,791	4,499	5,742
13 Customs deposits	18,670	17,928	8,731	9,294	8,619	9,679	1,454	1,412	1,428
14 Estate and gift taxes	17,189	19,845	8,775	8,835	10,477	10,262	1,500	1,845	4,198
15 Miscellaneous receipts[4]	25,534	25,465	12,087	12,888	12,866	13,347	2,420	2,994	2,525
OUTLAYS									
16 **All types**	**1,560,512**	**1,601,235**	**785,368**	**800,177[r]**	**797,418**	**824,362[r]**	**139,701**	**131,743**	**136,400**
17 National defense	265,748	270,473	132,599	139,402	132,698[r]	140,873	20,492	20,326	22,065
18 International affairs	13,496	15,228	8,076	8,532	5,740	9,420	364	979	1,460
19 General science, space, and technology	16,709	17,174	8,897	8,260	8,938[r]	10,040	1,404	1,617	1,702
20 Energy	2,844	1,483	1,356	695	803	411	−43	40	−34
21 Natural resources and environment	21,614	21,369	10,254	10,307	9,627	11,106	1,746	1,556	1,575
22 Agriculture	9,159	9,032	73	11,037	1,465	10,590	329	283	119
23 Commerce and housing credit	−10,472	−14,624	−6,885	−5,899	−7,575	−3,526	−1,065	−972	−814
24 Transportation	39,565	40,767	18,290	21,512	16,847	20,414	2,504	2,734	2,511
25 Community and regional development	10,685	11,005	5,245	5,498	5,675	5,749	669	503	1,121
26 Education, training, employment, and social services	52,001	53,008	25,979	27,524	25,080	26,851	6,535	2,888	4,428
27 Health	119,378	123,843	59,989	61,595	61,809	63,552	9,735	10,876	11,259
28 Social security and Medicare	523,901	555,273	264,647	269,412	278,863	283,109	46,810	45,815	48,351
29 Income security	225,989	230,886	121,186	107,631	124,034	106,353	28,194	22,853	20,757
30 Veterans benefits and services	36,985	39,313	18,140	21,109	17,696	22,077	3,386	1,883	4,056
31 Administration of justice	17,548	20,197	9,015	9,583	10,671[r]	10,212	2,026	1,764	1,757
32 General government	11,892	12,768	4,641	6,546	6,623	7,302	108	1,012	1,178
33 Net interest[5]	241,090	244,013	120,576	122,573	122,654	122,620	19,901	20,651	20,961
34 Undistributed offsetting receipts[6]	−37,620	−49,973	−16,716	−25,142	−24,235	−22,795	−3,394	−3,064	−6,054

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

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

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1996				1997				1998
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 **Federal debt outstanding**	**5,153**	**5,197**	**5,260**	**5,357**	**5,415**	**5,410**	**5,446**	**5,536**	n.a.
2 Public debt securities	5,118	5,161	5,225	5,323	5,381	5,376	5,413	5,502	5,542
3 Held by public	3,764	3,739	3,778	3,826	3,874	3,805	3,815	3,847	↑
4 Held by agencies	1,354	1,422	1,447	1,497	1,507	1,572	1,599	1,656	
5 Agency securities	36	36	35	34	34	34	33	34	n.a.
6 Held by public	28	28	27	27	26	26	26	27	
7 Held by agencies	8	8	8	8	8	7	7	7	↓
8 **Debt subject to statutory limit**	**5,030**	**5,073**	**5,137**	**5,237**	**5,294**	**5,290**	**5,328**	**5,417**	**5,457**
9 Public debt securities	5,030	5,073	5,137	5,237	5,294	5,290	5,328	5,416	5,456
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	5,500	5,500	5,500	5,500	5,500	5,500	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	1994	1995	1996	1997	1997			1998
					Q2	Q3	Q4	Q1
1 **Total gross public debt**	**4,800.2**	**4,988.7**	**5,323.2**	**5,502.4**	**5,376.2**	**5,413.2**	**5,502.4**	**5,542.4**
By type								
2 Interest-bearing	4,769.2	4,964.4	5,317.2	5,494.9	5,370.5	5,407.5	5,494.9	5,535.3
3 Marketable	3,126.0	3,307.2	3,459.7	3,456.8	3,433.1	3,439.6	3,456.8	3,467.1
4 Bills	733.8	760.7	777.4	715.4	704.1	701.9	715.4	720.1
5 Notes	1,867.0	2,010.3	2,112.3	2,106.1	2,132.6	2,122.2	2,106.1	2,091.9
6 Bonds	510.3	521.2	555.0	587.3	565.4	576.2	587.3	598.7
7 Inflation-indexed notes[1] and bonds	n.a.	n.a.	n.a.	33.0	15.9	24.4	33.0	41.5
8 Nonmarketable[2]	1,643.1	1,657.2	1,857.5	2,038.1	1,937.4	1,967.9	2,038.1	2,068.2
9 State and local government series	132.6	104.5	101.3	124.1	107.9	111.9	124.1	139.1
10 Foreign issues[3]	42.5	40.8	37.4	36.2	35.4	34.9	36.2	35.4
11 Government	42.5	40.8	47.4	36.2	35.4	34.9	36.2	36.4
12 Public	.0	.0	.0	.0	.0	.0	.0	.0
13 Savings bonds and notes	177.8	181.9	182.4	181.2	182.7	182.7	181.2	181.2
14 Government account series[4]	1,259.8	1,299.6	1,505.9	1,666.7	1,581.5	1,608.5	1,666.7	1,681.5
15 Non-interest-bearing	31.0	24.3	6.0	7.5	5.7	5.6	7.5	7.2
By holder[5]								
16 U.S. Treasury and other federal agencies and trust funds	1,257.1	1,304.5	1,497.2	1,655.7	1,571.6	1,598.5	1,655.7	↑
17 Federal Reserve Banks	374.1	391.0	410.9	451.9	426.4	436.5	451.9	
18 Private investors	3,168.0	3,294.9	3,411.2	3,393.4	3,361.7	3,388.9	3,393.4	
19 Commercial banks	290.4	278.7	261.7	260.0	265.7	261.6	260.0	
20 Money market funds	67.6	71.5	91.6	87.8	77.4	75.8	87.8	
21 Insurance companies	240.1	241.5	214.1	214.0	216.0	214.4	214.0	
22 Other companies	224.5	228.8	258.5	265.0	261.0	266.5	265.0	n.a.
23 State and local treasuries[6,7]	540.2	421.5	363.7	334.0	345.3	336.4	334.0	
Individuals								
24 Savings bonds	180.5	185.0	187.0	186.5	186.3	186.2	186.5	
25 Other securities	150.7	162.7	169.6	168.4	169.1	168.6	168.4	
26 Foreign and international[8]	688.6	862.2	1,131.8	1,278.2	1,221.7	1,266.8	1,278.2	
27 Other miscellaneous investors[7,9]	785.5	843.0	733.2	599.4	619.2	612.6	599.4	↓

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

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

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

Millions of dollars, daily averages

Item	1998			1998, week ending								
	Jan.	Feb.	Mar	Mar. 4	Mar. 11	Mar. 18	Mar. 25	Apr. 1	Apr. 8	Apr. 15	Apr. 22	Apr. 29
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	26,208	39,988[r]	35,701	50,598[r]	32,611[r]	27,647[r]	31,602[r]	43,584	36,486	47,926	32,172	38,463
Coupon securities, by maturity												
2 Five years or less	89,024	120,542[r]	119,974	140,638[r]	110,179[r]	105,770[r]	119,612[r]	134,927	116,132	98,456	93,500	132,337
3 More than five years	51,980	82,796[r]	64,952	85,940[r]	62,329[r]	60,799[r]	57,352[r]	67,180	84,844	54,609	52,391	63,256
4 Inflation-indexed		493	412	570	267	312	336	696	3,346	1,316	1,381	1,083
Federal agency												
5 Discount notes		36,835	38,968	41,752	35,848	36,799	36,241	46,898	40,084	40,436	38,736	36,834
Coupon securities, by maturity												
6 One year or less	n.a.	1,738	2,086	1,559	1,362	1,355	3,195	2,913	987	1,481	1,683	2,141
7 More than one year, but less than or equal to five years		3,452	4,051	5,714	3,618	3,531	4,149	3,873	3,940	4,512	4,166	3,774
8 More than five years		2,676	2,425	2,556	1,996	3,067	1,593	3,103	5,277	2,598	1,968	2,354
9 Mortgage-backed	49,482	64,305	62,728	54,896	92,600	58,456	48,003	55,006	96,057	70,033	52,683	55,953
By type of counterparty												
With interdealer broker												
10 U.S. Treasury	94,063	138,024[r]	125,029	153,150[r]	117,552[r]	113,762[r]	119,729[r]	133,994	135,974	109,897	97,073	129,930
11 Federal agency	1,224	1,987	2,101	2,179	2,227	2,047	1,519	2,681	3,115	2,558	2,070	1,831
12 Mortgage-backed	16,441	21,100	19,793	17,854	27,155	19,820	17,348	15,069	28,495	21,460	20,433	16,318
With other												
13 U.S. Treasury	73,148	105,795[r]	96,010	124,596[r]	87,834[r]	80,766[r]	89,174[r]	112,392	104,834	92,410	82,372	105,210
14 Federal agency	30,169	42,715	45,429	49,402	40,598	42,704	43,659	54,106	47,173	46,468	44,483	43,272
15 Mortgage-backed	33,042	43,204	42,934	37,041	65,445	38,636	30,655	39,937	67,562	48,572	32,250	39,635
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
16 U.S. Treasury bills	165	244[r]	289	361[r]	224[r]	194[r]	529[r]	133	83	530	114	39
Coupon securities, by maturity												
17 Five years or less	2,107	2,549[r]	2,555	4,367[r]	2,177[r]	3,071[r]	1,475[r]	2,375	2,598	1,844	1,347	2,417
18 More than five years	11,345	16,512[r]	15,909	21,656[r]	15,942[r]	16,711[r]	13,856[r]	13,120	17,193	13,302	10,835	14,885
19 Inflation-indexed		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
Coupon securities, by maturity												
21 One year or less	n.a.	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	0	0	0	0	0	0
23 More than five years		0	0	0	0	0	0	0	0	0	0	0
24 Mortgage-backed		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	2,173	2,652	2,305	3,467	2,674	1,703	2,282	1,754	1,856	2,775	2,308	2,828
27 More than five years	3,742	6,080[r]	5,422	6,231[r]	6,564[r]	3,951[r]	4,801[r]	6,002	6,382	4,438	4,917	7,365
28 Inflation-indexed		0	0	0	0	0	0	0	0	0	100	0
Federal agency												
29 Discount notes		0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
30 One year or less	n.a.	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	0	0	0	0	0	n.a.	n.a.	0
32 More than five years		0	0	0	0	0	0	0	0	0	0	0
33 Mortgage-backed	428	636	602	602[r]	754[r]	417[r]	646[r]	587	745	914	447	990

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

Dealers report cumulative transactions for each week ending Wednesday.

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

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

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

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

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

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending January 28, 1998.

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

Millions of dollars

Item	1998 Jan.	1998 Feb.	1998 Mar.	1998, week ending Mar. 4	Mar. 11	Mar. 18	Mar 25	Apr. 1	Apr 8	Apr. 15	Apr. 22
						Positions[2]					
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	12,567	8,517	16,723	14,758	14,989	16,613	15,195	21,969	23,704	21,401	13,518
Coupon securities, by maturity											
2 Five years or less	−12,119	−7,847	−11,431	−15,232	−16,412	−13,544	−1,981	−11,646	−11,992	−14,310	−20,678
3 More than five years	−17,495	−21,431	−23,667	−22,004	−26,879	−22,672	−24,588	−21,115	−21,661	−25,413	−26,804
4 Inflation-indexed	n.a.	1,422	1,099	1,004	958	1,164	1,232	1,097	2,536	2,132	1,592
Federal agency											
5 Discount notes	n.a.	18,759	16,943	16,681	22,161	15,785	14,512	15,215	17,680	20,726	18,940
Coupon securities, by maturity											
6 One year or less	n.a.	3,013	3,593	3,449	3,971	3,453	4,098	2,824	3,553	3,276	3,580
7 More than one year, but less than or equal to five years	n.a.	5,753	7,378	7,880	7,118	7,763	6,973	7,372	7,935	8,629	8,556
8 More than five years	n.a.	8,898	9,095	8,680	9,507	10,037	8,676	8,280	11,530	11,823	12,385
9 Mortgage-backed	46,961	50,013	51,110	48,178	54,641	53,106	46,506	51,988	63,690	58,167	52,983
NET FUTURES POSITIONS[4]											
By type of deliverable security											
10 U.S. Treasury bills	−3,588	−4,872	−2,503	−4,878	−4,374	−3,218	−616	−103	−86	−1,581	−1,325
Coupon securities, by maturity											
11 Five years or less	−1,082	−752	2,023	4,283	3,834	762	1,431	565	−1,069	−696	329
12 More than five years	−25,767	−18,954	−15,929	−12,575	−12,165	−18,719	−18,145	−16,718	−21,091	−17,265	−15,953
13 Inflation-indexed	n.a.	0	0	0	0	0	0	0	0	0	0
Federal agency											
14 Discount notes	n.a.	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
15 One year or less	n.a.	0	0	0	0	0	0	0	0	0	0
16 More than one year, but less than or equal to five years	n.a.	0	0	0	0	0	0	0	0	0	0
17 More than five years	n.a.	0	0	0	0	0	0	0	0	0	0
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	−667	−1,366	1,215	−743	641	2,782	1,433	1,110	1,695	388	495
21 More than five years	3,022	2,729	3,020	2,328	3,500	3,258	3,766	1,771	3,691	1,749	1,011
22 Inflation-indexed	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	154
Federal agency											
23 Discount notes	n.a.	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
24 One year or less	n.a.	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.	0	0	0	0	0	0	0	0	n.a.	n.a
26 More than five years	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
27 Mortgage-backed	701	907	1,119	2,148	1,253	1,098	1,022	415	−34	55	288
						Financing[5]					
Reverse repurchase agreements											
28 Overnight and continuing	324,675	352,684	358,975	384,614[r]	364,077[r]	355,155[r]	334,677	368,925	374,177	357,521	358,878
29 Term	746,499	722,028	758,517	689,804	736,348	786,546	802,422	746,266	799,086	801,292	836,706
Securities borrowed											
30 Overnight and continuing	214,756	214,345	212,345	218,488[r]	221,361[r]	211,727[r]	209,703	206,231	207,284	211,269	205,611
31 Term	88,880	80,881	89,654	84,980	86,934	90,597	92,059	92,064	95,425	95,220	104,223
Securities received as pledge											
32 Overnight and continuing	5,127	4,208	2,823	2,955[r]	2,817[r]	2,652[r]	2,652	2,836	2,749	2,853	3,032
33 Term	152	237	204	221[r]	247[r]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Repurchase agreements											
34 Overnight and continuing	715,197	735,160	740,803	747,707	739,482	758,664	712,405	750,037	773,282	808,266	810,360
35 Term	656,432	639,985	671,254	611,323	647,681	698,755	718,590	651,398	708,229	703,484	727,513
Securities loaned											
36 Overnight and continuing	8,157	8,531	9,819	9,453[r]	9,349[r]	9,502	9,987	10,816	11,669	11,533	12,062
37 Term	4,645	3,880	4,232	4,396[r]	4,148[r]	4,858[r]	4,698	2,987	2,509	1,917	2,024
Securities pledged											
38 Overnight and continuing	52,182	55,551	53,813	52,338[r]	53,139[r]	54,222[r]	53,543	50,774	49,323	50,241	48,493
39 Term	5,019	3,111	5,336	3,451	3,587	6,311	6,169	6,500	6,242	5,964	6,350
Collateralized loans											
40 Total	14,467	9,536	12,421	11,863	11,895	12,454	12,852	12,865	13,882	14,476	13,481

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.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending January 28, 1998.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1994	1995	1996	1997	1997			1998	
					Oct.	Nov.	Dec.	Jan.	Feb.
1 **Federal and federally sponsored agencies**	**738,928**	**844,611**	**925,823**	**1,022,609**	**1,003,177**	**1,014,907**	**1,022,609**	**1,032,486**	**1,038,348**
2 Federal agencies	39,186	37,347	29,380	27,792	27,356	27,500	27,792	27,110	27,101
3 Defense Department[1]	6	6	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	3,455	2,050	1,447	552	1,295	1,295	552	682	549
5 Federal Housing Administration[4]	116	97	84	102	68	93	102	133	79
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]	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Tennessee Valley Authority	27,536	29,429	27,853	27,786	27,350	27,494	27,786	27,104	27,095
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]	699,742	807,264	896,443	994,817	975,821	987,407	994,817	1,005,376	1,011,247
11 Federal Home Loan Banks	205,817	243,194	263,404	313,919	302,310	308,745	313,919	311,385	312,017
12 Federal Home Loan Mortgage Corporation	93,279	119,961	156,980	169,200	172,433	174,900	169,200	181,948	184,100
13 Federal National Mortgage Association	257,230	299,174	331,270	369,774	356,149	361,602	369,774	370,524	373,574
14 Farm Credit Banks[8]	53,175	57,379	60,053	63,517	61,093	61,093	63,517	61,317	61,177
15 Student Loan Marketing Association[9]	50,335	47,529	44,763	37,717	43,000	40,321	37,717	39,375	39,570
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]	**103,817**	**78,681**	**58,172**	**49,090**	**48,698**	**32,523**	**49,090**	**48,321**	**47,341**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	3,449	2,044	1,431	552	1,295	1,295	552	549	549
21 Postal Service[6]	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	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	3,200	3,200	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other lending[14]									
25 Farmers Home Administration	33,719	21,015	18,325	13,530	13,530	13,530	13,530	13,530	13,160
26 Rural Electrification Administration	17,392	17,144	16,702	14,898	14,819	14,819	14,898	14,841	14,852
27 Other	37,984	29,513	21,714	20,110	19,054	2,879	20,110	19,401[r]	18,780

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

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1995	1996	1997	1997				1998			
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 **All issues, new and refunding**[1]	**145,657**	**171,222**	**214,693**	**21,499**	**21,898**	**20,207**	**21,342**	**16,770**	**21,306**	**27,858**	**20,271**
By type of issue											
2 General obligation	56,980	60,409	69,934	3,590	7,837	5,713	8,005	5,608	9,893	9,597	8,069
3 Revenue	88,677	110,813	134,989	17,909	14,061	14,494	13,337	11,162	11,413	18,261	12,202
By type of issuer											
4 State	14,665	13,651	18,237	1,278	2,392	509	1,702	1,268	2,420	2,375	3,848
5 Special district or statutory authority[2]	93,500	113,228	134,919	14,890	13,195	13,586	15,600	11,794	14,228	19,629	12,504
6 Municipality, county, or township	37,492	44,343	70,558	16,592	13,920	5,920	4,098	3,708	4,658	5,859	4,219
7 **Issues for new capital**	**102,390**	**112,298**	**127,928**	**10,158**	**12,981**	**12,979**	**13,487**	**9,696**	**12,538**	**15,134**	**12,616**
By use of proceeds											
8 Education	23,964	26,851	31,860	1,943	2,647	2,973	2,981	2,338	3,525	4,297	4,080
9 Transportation	11,890	12,324	13,951	2,654	1,215	1,420	1,144	1,521	1,760	771	1,089
10 Utilities and conservation	9,618	9,791	12,219	907	1,402	1,217	683	598	687	1,866	749
11 Social welfare	19,566	24,583	27,794	2,305	2,341	4,090	2,940	1,540	2,903	3,104	n.a.
12 Industrial aid	6,581	6,287	6,667	441	729	574	897	448	581	1,236	678
13 Other purposes	30,771	32,462	35,095	1,908	4,642	2,705	4,842	3,251	3,082	3,860	3,255

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

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

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1995	1996	1997	1997					1998		
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1 **All issues**[1]	**673,779**	n.a.	n.a.	**52,117**	**85,001**	**71,219**	**58,350**	**63,992**	**73,614**[r]	**74,976**[r]	**111,832**
2 **Bonds**[2]	**573,206**	n.a.	n.a.	**46,576**	**75,166**	**58,166**	**46,543**	**55,973**	**66,198**[r]	**64,011**[r]	**94,323**
By type of offering											
3 Public, domestic	408,804	465,489	537,810[r]	40,840	60,226	46,967	42,969	54,443	55,647[r]	51,595[r]	81,453
4 Private placement, domestic[3]	87,492	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	76,910	83,433	103,188[r]	5,736	14,941	11,199	3,574	1,530	10,551[r]	12,416	12,870
By industry group											
6 Manufacturing	61,070	49,476	47,213[r]	5,087	3,534	4,668	2,152	2,976	10,079[r]	4,455	7,718
7 Commercial and miscellaneous	50,689	40,544	42,765[r]	3,196	4,330	7,982	1,166	1,978	5,397[r]	3,275[r]	4,435
8 Transportation	8,430	5,722	11,352	406	296	1,322	299	448	1,533[r]	1,410	496
9 Public utility	13,751	9,498	16,660	1,407	1,357	1,664	1,590	1,372	1,669[r]	1,053[r]	3,735
10 Communication	22,999	14,525	12,055	278	1,829	342	1,586	923	2,362[r]	2,509	1,345
11 Real estate and financial	416,269	429,157	510,953[r]	36,202	63,820	42,189	39,750	48,276	45,159[r]	51,309[r]	76,594
12 **Stocks**[2]	**100,573**	n.a.	n.a.	**5,541**	**9,835**	**13,053**	**11,807**	**8,019**	**7,416**	**10,965**[r]	**18,371**
By type of offering											
13 Public preferred	10,917	33,208	29,814	645	1,878	1,824	1,060	3,578	3,607	3,511[r]	6,954
14 Common	57,556	83,052	82,392	4,895	7,957	11,229	10,747	4,441	3,809	7,454[r]	10,562
15 Private placement[3]	32,100	↑	↑	n.a.	n.a.	↑	↑	↑	↑	↑	↑
By industry group											
16 Manufacturing	21,545			836	1,294	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
17 Commercial and miscellaneous	27,844	n.a.	n.a.	1,673	3,714						
18 Transportation	804			139	472						
19 Public utility	1,936			48	405						
20 Communication	1,077			52	235	↓	↓	↓	↓	↓	↓
21 Real estate and financial	47,367	↓	↓	2,371	3,885	6,583	5,449	5,257	5,675	8,328[r]	6,580

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

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

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

Millions of dollars

Item	1996	1997	1997 Sept.	1997 Oct.	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb	1998 Mar[r]	1998 Apr.
1 **Sales of own shares**[2]	**934,595**	**1,190,900**	**101,503**	**115,343**	**94,478**	**110,452**	**119,488**	**114,219**	**128,348**	**129,008**
2 Redemptions of own shares	702,711	918,728	72,279	91,654	66,135	89,982	92,621	81,688	97,248	97,072
3 Net sales[3]	231,885	272,172	29,224	23,689	28,343	20,471	26,867	32,532	31,100	31,936
4 **Assets**[4]	**2,624,463**	**3,409,315**	**3,368,362**	**3,284,252**	**3,356,347**	**3,409,315**	**3,459,354**	**3,675,392**	**3,843,971**	**3,910,200**
5 Cash[5]	138,559	174,154	178,786	179,909	186,582	174,154	183,648	180,415	174,058	168,417
6 Other	2,485,904	3,235,161	3,189,576	3,104,343	3,169,765	3,235,161	3,275,706	3,494,977	3,669,913	3,741,784

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	1995	1996	1997	1996 Q2	1996 Q3	1996 Q4	1997 Q1	1997 Q2	1997 Q3	1997 Q4	1998 Q1
1 Profits with inventory valuation and capital consumption adjustment	650.0	735.9	805.0	738.5	739.6	747.8	779.6	795.1	827.3	818.1	822.5
2 Profits before taxes	622.6	676.6	729.8	682.2	679.1	680.0	708.4	719.8	753.4	737.3	718.4
3 Profits-tax liability	213.2	229.0	249.4	232.2	231.6	226.0	241.2	244.5	258.2	253.6	245.4
4 Profits after taxes	409.4	447.6	480.3	450.0	447.5	454.0	467.2	475.3	495.2	483.7	473.0
5 Dividends	264.4	304.8	336.1	303.7	305.7	309.1	326.8	333.0	339.1	345.6	352.2
6 Undistributed profits	145.0	142.8	144.2	146.4	141.8	144.9	140.3	142.3	156.1	138.1	120.8
7 Inventory valuation	−24.3	−2.5	5.5	−5.4	−2.7	3.3	3.5	5.9	3.6	9.2	30.2
8 Capital consumption adjustment	51.6	61.8	69.7	61.6	63.2	64.4	67.7	69.4	70.3	71.6	73.9

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	1995	1996	1997[r]	1996 Q3	1996 Q4	1997 Q1	1997 Q2	1997 Q3	1997 Q4[r]	1998 Q1
ASSETS										
1 Accounts receivable, gross[2]	607.0	637.1	663.3	628.1	637.1	648.0	651.6	660.5	663.3	666.8
2 Consumer	233.0	244.9	256.8	244.4	244.9	249.4	255.1	254.5	256.8	251.3
3 Business	301.6	309.5	318.5	301.4	309.5	315.2	311.7	319.5	318.5	325.9
4 Real estate	72.4	82.7	87.9	82.2	82.7	83.4	84.8	86.4	87.9	89.6
5 LESS: Reserves for unearned income	60.7	55.6	52.7	54.8	55.6	51.3	57.2	54.6	52.7	52.1
6 Reserves for losses	12.8	13.1	13.0	12.9	13.1	12.8	13.3	12.7	13.0	13.1
7 Accounts receivable, net	533.5	568.3	597.6	560.5	568.3	583.9	581.2	593.1	597.6	601.6
8 All other	250.9	290.0	312.4	268.7	290.0	289.6	306.8	289.1	312.4	329.9
9 **Total assets**	**784.4**	**858.3**	**910.0**	**829.2**	**858.3**	**873.4**	**887.9**	**882.3**	**910.0**	**931.5**
LIABILITIES AND CAPITAL										
10 Bank loans	15.3	19.7	24.1	18.3	19.7	18.4	18.8	20.4	24.1	22.0
11 Commercial paper	168.6	177.6	201.5	173.1	177.6	185.3	193.7	189.6	201.5	211.7
Debt										
12 Owed to parent	51.1	60.3	64.7	57.9	60.3	61.0	60.0	61.6	64.7	64.6
13 Not elsewhere classified	300.0	332.5	328.8	322.3	332.5	324.6	345.3	322.8	328.8	338.1
14 All other liabilities	163.6	174.7	189.6	164.8	174.7	189.2	171.4	190.1	189.6	193.0
15 Capital, surplus, and undivided profits	85.9	93.5	101.3	92.8	93.5	94.9	98.7	97.9	101.3	102.0
16 **Total liabilities and capital**	**784.4**	**858.3**	**910.0**	**829.2**	**858.3**	**873.4**	**887.9**	**882.3**	**910.0**	**931.5**

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

1.52 DOMESTIC FINANCE COMPANIES Owned and Managed Receivables[1]

Billions of dollars, amounts outstanding

	Type of credit	1995	1996	1997	1997 Oct.	1997 Nov.	1997 Dec.	1998[r] Jan.	1998[r] Feb.	1998[r] Mar.
						Seasonally adjusted				
1	**Total**	**682.4**	**762.4**	**810.4**	**802.7**	**805.7**	**810.4**	**811.0**	**821.1**	**818.3**
2	Consumer	281.9	306.6	326.9	324.4	323.7	326.9	324.9	326.2	326.7
3	Real estate	72.4	111.9	121.1	121.5	121.7	121.1	121.9	123.7	121.6
4	Business	328.1	343.8	362.4	356.8	360.3	362.4	364.3	371.1	369.9
						Not seasonally adjusted				
5	**Total**	**689.5**	**769.7**	**818.1**	**800.8**	**806.9**	**818.1**	**812.2**	**819.6**	**819.4**
6	Consumer	285.8	310.6	330.9	324.2	325.4	330.9	326.2	324.8	325.0
7	Motor vehicles loans	81.1	86.7	87.0	86.8	86.0	87.0	87.4	84.7	86.8
8	Motor vehicle leases	80.8	92.5	96.8	95.9	96.4	96.8	94.5	94.7	95.2
9	Revolving[2]	28.5	32.5	38.6	34.7	34.8	38.6	37.6	36.9	36.3
10	Other[3]	42.6	33.2	34.4	35.3	35.5	34.4	34.5	34.1	33.0
	Securitized assets[4]									
11	Motor vehicle loans	34.8	36.8	44.3	42.6	42.5	44.3	42.8	45.3	45.0
12	Motor vehicle leases	3.5	8.7	10.8	9.9	11.0	10.8	10.7	10.6	10.5
13	Revolving	n.a.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14	Other	14.7	20.1	19.0	18.9	19.2	19.0	18.7	18.5	18.2
15	Real estate	72.4	111.9	121.1	121.5	121.7	121.1	121.9	123.7	121.6
16	One- to four-family	n.a.	52.1	59.0	58.5	59.4	59.0	59.8	62.2	61.5
17	Other	n.a.	30.5	28.9	29.3	29.0	28.9	29.1	29.0	28.1
	Securitized real estate assets[4]									
18	One- to four-family	n.a.	28.9	33.0	33.5	33.0	33.0	32.8	32.3	31.8
19	Other	n.a.	0.4	0.2	0.3	0.2	0.2	0.2	0.2	0.2
20	Business	331.2	347.2	366.1	355.1	359.8	366.1	364.0	371.1	372.7
21	Motor vehicles	66.5	67.1	63.5	61.2	62.0	63.5	61.8	64.8	67.8
22	Retail loans	21.8	25.1	25.6	26.5	26.3	25.6	26.1	26.4	27.3
23	Wholesale loans[5]	36.6	33.0	27.7	25.0	25.8	27.7	25.6	28.2	30.2
24	Leases	8.0	9.0	10.2	9.7	9.8	10.2	10.1	10.2	10.2
25	Equipment	8.0	9.0	10.2	198.5	198.9	203.9	204.2	204.7	206.5
26	Loans	8.0	9.0	10.2	50.3	49.6	51.5	50.7	49.9	50.8
27	Leases	8.0	9.0	10.2	148.2	149.4	152.3	153.5	154.8	155.7
28	Other business receivables[6]	8.0	9.0	10.2	54.7	54.0	51.1	52.1	55.6	51.6
	Securitized assets[4]									
29	Motor vehicles	8.0	9.0	10.2	28.4	32.4	33.0	31.5	31.2	32.1
30	Retail loans	8.0	9.0	10.2	2.1	2.5	2.4	2.3	2.2	2.0
31	Wholesale loans	8.0	9.0	10.2	26.3	29.8	30.5	29.2	29.0	30.0
32	Leases	8.0	9.0	10.2	0.0	0.0	0.0	0.0	0.0	0.0
33	Equipment	8.0	9.0	10.2	9.7	9.9	10.7	10.4	10.8	10.5
34	Loans	8.0	9.0	10.2	3.8	4.1	4.2	3.9	4.3	4.2
35	Leases	8.0	9.0	10.2	5.8	5.8	6.5	6.5	6.5	6.3
36	Other business receivables[6]	8.0	9.0	10.2	2.7	2.6	4.0	4.0	4.0	4.2

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

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

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

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

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

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

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

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

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1995	1996	1997	1997 Oct.	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	175.8	182.4	180.1	183.4	184.0	190.7	184.1	195.3	191.7	189.5
2 Amount of loan (thousands of dollars)	134.5	139.2	140.3	142.4	143.5	149.8	142.3	148.5	149.5	147.1
3 Loan-to-price ratio (percent)	78.6	78.2	80.4	80.1	80.8	81.0	80.5	78.6	81.0	80.4
4 Maturity (years)	27.7	27.2	28.2	28.1	28.6	28.2	28.5	28.0	28.3	28.4
5 Fees and charges (percent of loan amount)[2]	1.21	1.21	1.02	0.94	0.95	0.96	0.91	0.99	0.95	0.87
Yield (percent per year)										
6 Contract rate[1]	7.65	7.56	7.57	7.39	7.26	7.25	7.13	7.09	7.03	7.05
7 Effective rate[1,3]	7.85	7.77	7.73	7.54	7.40	7.40	7.27	7.24	7.17	7.19
8 Contract rate (HUD series)[4]	8.05	8.03	7.76	7.48	7.38	7.25	7.16	7.22	7.16	7.20
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	8.18	8.19	7.89	7.53	7.51	7.17	7.08	7.06	7.09	7.37
10 GNMA securities[6]	7.57	7.48	7.26	6.90	6.84	6.74	6.56	6.63	6.66	6.63
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	253,511	287,052	316,678	310,421	314,627	316,678	320,062	322,957	327,025	333,571
12 FHA/VA insured	28,762	30,592	31,925	32,080	31,878	31,925	31,621	31,650	31,965	32,734
13 Conventional	224,749	256,460	284,753	278,341	282,749	284,753	288,441	291,307	295,060	300,837
14 Mortgage transactions purchased (during period)	56,598	68,618	70,465	7,619	8,166	6,692	7,647	8,630	12,095	14,668
Mortgage commitments (during period)										
15 Issued[7]	56,092	65,859	69,965	9,190	5,123	6,275	12,199	10,587	14,057	17,556
16 To sell[8]	360	130	1,298	300	139	140	60	0	92	0
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	107,424	137,755	164,421	159,801	160,974	164,421	169,142	175,770	185,928	189,471
18 FHA/VA insured	267	220	177	183	180	177	173	170	170	170
19 Conventional	107,157	137,535	164,244	159,618	160,794	164,244	168,969	175,600	185,758	189,301
Mortgage transactions (during period)										
20 Purchases	98,470	125,103	117,401	12,175	11,152	15,979	13,120	13,610	21,011	25,132
21 Sales	85,877	119,702	114,258	11,712	10,832	14,587	12,702	12,481	19,085	24,479
22 Mortgage commitments contracted (during period)[9]	118,659	128,995	120,089	11,986	12,047	15,805	15,638	17,397	23,060	24,468

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	1994	1995	1996	1996 Q4	1997 Q1	1997 Q2	1997 Q3	1997 Q4[p]
1 **All holders**	**4,392,093**	**4,606,303**	**4,929,430**	**4,929,430**	**4,986,602**	**5,076,193**	**5,176,094**	**5,277,185**
By type of property								
2 One- to four-family residences	3,357,475	3,533,295	3,761,711	3,761,711	3,806,572	3,870,145	3,946,690	4,019,228
3 Multifamily residences	274,625	287,297	312,558	312,558	316,582	323,069	327,991	338,135
4 Nonfarm, nonresidential	677,022	701,150	768,027	768,027	775,795	794,301	811,657	829,476
5 Farm	82,971	84,561	87,134	87,134	87,653	88,678	89,755	90,346
By type of holder								
6 Major financial institutions	1,819,806	1,894,420	1,979,114	1,979,114	1,993,046	2,033,655	2,066,259	2,084,728
7 Commercial banks[2]	1,012,711	1,090,189	1,145,389	1,145,389	1,160,136	1,196,517	1,227,076	1,244,210
8 One- to four-family	615,861	669,434	698,508	698,508	708,802	733,670	752,011	762,421
9 Multifamily	39,346	43,837	46,675	46,675	47,618	49,124	49,648	51,100
10 Nonfarm, nonresidential	334,953	353,088	375,322	375,322	378,474	387,661	398,619	403,712
11 Farm	22,551	23,830	24,883	24,883	25,242	26,061	26,798	26,977
12 Savings institutions[3]	596,191	596,763	628,335	628,335	626,381	629,062	629,757	629,726
13 One- to four-family	477,626	482,353	513,712	513,712	513,393	516,521	518,199	518,976
14 Multifamily	64,343	61,987	61,570	61,570	60,645	60,070	60,335	59,527
15 Nonfarm, nonresidential	53,933	52,135	52,723	52,723	52,007	52,132	50,878	50,870
16 Farm	289	288	331	331	336	338	344	353
17 Life insurance companies	210,904	207,468	205,390	205,390	206,529	208,077	209,426	210,792
18 One- to four-family	7,018	7,316	6,772	6,772	6,799	6,842	7,080	7,186
19 Multifamily	23,902	23,435	23,197	23,197	23,320	23,499	23,615	23,755
20 Nonfarm, nonresidential	170,421	167,095	165,399	165,399	166,277	167,548	168,374	169,377
21 Farm	9,563	9,622	10,022	10,022	10,133	10,188	10,358	10,473
22 Federal and related agencies	315,580	306,774	300,935	300,935	295,203	292,966	291,410	292,522
23 Government National Mortgage Association	6	2	2	2	6	7	7	8
24 One- to four-family	6	2	2	2	6	7	7	8
25 Multifamily	0	0	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,781	41,791	41,596	41,596	41,485	41,400	41,332	41,195
27 One- to four-family	18,098	17,705	17,303	17,303	17,175	17,239	17,458	17,253
28 Multifamily	11,319	11,617	11,685	11,685	11,692	11,706	11,713	11,720
29 Nonfarm, nonresidential	5,670	6,248	6,841	6,841	6,969	7,135	7,246	7,370
30 Farm	6,694	6,221	5,768	5,768	5,649	5,321	4,916	4,852
31 Federal Housing and Veterans' Administrations	10,964	9,809	6,244	6,244	4,330	4,200	3,462	3,821
32 One- to four-family	4,753	5,180	3,524	3,524	2,335	2,299	2,810	3,091
33 Multifamily	6,211	4,629	2,719	2,719	1,995	1,900	652	730
34 Resolution Trust Corporation	10,428	1,864	0	0	0	0	0	0
35 One- to four-family	5,200	691	0	0	0	0	0	0
36 Multifamily	2,859	647	0	0	0	0	0	0
37 Nonfarm, nonresidential	2,369	525	0	0	0	0	0	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	7,821	4,303	2,431	2,431	2,217	1,816	1,476	724
40 One- to four-family	1,049	492	365	365	333	272	221	109
41 Multifamily	1,595	428	413	413	377	309	251	123
42 Nonfarm, nonresidential	5,177	3,383	1,653	1,653	1,508	1,235	1,004	492
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	174,312	176,824	174,556	174,556	172,829	170,386	168,458	167,722
45 One- to four-family	158,766	161,665	160,751	160,751	159,634	157,729	156,363	156,245
46 Multifamily	15,546	15,159	13,805	13,805	13,195	12,657	12,095	11,477
47 Federal Land Banks	28,555	28,428	29,602	29,602	29,668	29,963	30,346	30,598
48 One- to four-family	1,671	1,673	1,742	1,742	1,746	1,763	1,786	1,800
49 Farm	26,885	26,755	27,860	27,860	27,922	28,200	28,560	28,798
50 Federal Home Loan Mortgage Corporation	41,712	43,753	46,504	46,504	44,668	45,194	46,329	48,454
51 One- to four-family	38,882	39,901	41,758	41,758	39,640	40,092	40,953	42,629
52 Multifamily	2,830	3,852	4,746	4,746	5,028	5,102	5,376	5,825
53 Mortgage pools or trusts[5]	1,732,347	1,866,763	2,070,436	2,070,436	2,113,770	2,153,812	2,210,930	2,282,566
54 Government National Mortgage Association	450,934	472,283	506,340	506,340	513,471	520,938	529,867	536,810
55 One- to four-family	441,198	461,438	494,158	494,158	500,591	507,618	516,217	523,156
56 Multifamily	9,736	10,845	12,182	12,182	12,880	13,320	13,650	13,654
57 Federal Home Loan Mortgage Corporation	490,851	515,051	554,260	554,260	562,894	567,187	569,920	579,385
58 One- to four-family	487,725	512,238	551,513	551,513	560,369	564,445	567,340	576,846
59 Multifamily	3,126	2,813	2,747	2,747	2,525	2,742	2,580	2,539
60 Federal National Mortgage Association	530,343	582,959	650,780	650,780	663,668	673,931	690,919	709,582
61 One- to four-family	520,763	569,724	633,210	633,210	645,324	654,826	670,677	687,981
62 Multifamily	9,580	13,235	17,570	17,570	18,344	19,105	20,242	21,601
63 Farmers Home Administration[4]	19	11	3	3	3	2	2	2
64 One- to four-family	3	2	0	0	0	0	0	0
65 Multifamily	0	0	0	0	0	0	0	0
66 Nonfarm, nonresidential	9	5	0	0	0	0	0	0
67 Farm	7	4	3	3	3	2	2	2
68 Private mortgage conduits	260,200	296,459	359,053	359,053	373,734	391,753	420,222	456,787
69 One- to four-family[6]	208,500	227,800	261,900	261,900	271,100	279,450	299,400	318,000
70 Multifamily	14,925	21,279	33,689	33,689	35,607	38,992	41,973	48,261
71 Nonfarm, nonresidential	36,774	47,380	63,464	63,464	67,027	73,312	78,849	90,526
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[7]	524,360	538,347	578,945	578,945	584,583	595,761	607,495	617,369
74 One- to four-family	370,356	375,682	376,493	376,493	379,327	387,372	396,169	403,526
75 Multifamily	69,306	73,533	81,560	81,560	83,354	84,543	85,861	87,823
76 Nonfarm, nonresidential	67,715	71,291	102,625	102,625	103,533	105,279	106,689	107,129
77 Farm	16,983	17,841	18,268	18,268	18,368	18,567	18,776	18,891

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Includes securitized home equity loans.
7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCE. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 69 from Inside Mortgage Securities and other sources.

1.55 CONSUMER CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1995	1996	1997	1997 Oct.	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb r	1998 Mar.
	Seasonally adjusted								
1 **Total**	**1,094,197**	**1,179,892**	**1,230,671r**	**1,233,029r**	**1,226,947r**	**1,230,671r**	**1,234,553r**	**1,240,678**	**1,241,747**
2 Automobile	364,231	392,370	413,453r	409,011r	406,892r	413,453r	415,485r	416,755	419,680
3 Revolving	442,994	499,209	530,801r	530,741r	529,800r	530,801r	532,864r	536,592	537,158
4 Other[2]	286,972	288,313	286,417r	293,277r	290,255r	286,417r	286,204r	287,331	284,909
	Not seasonally adjusted								
5 **Total**	**1,122,828**	**1,211,590**	**1,264,079r**	**1,232,510r**	**1,234,477r**	**1,264,079r**	**1,244,598r**	**1,235,455**	**1,230,311**
By major holder									
6 Commercial banks	501,963	526,769	512,539	506,291	506,497	512,539	500,847	495,572	488,885
7 Finance companies	152,123	152,391	160,022	156,867	156,375	160,022	159,493r	155,675	156,139
8 Credit unions	131,939	144,148	152,362r	150,588r	150,649r	152,362r	151,024r	149,804	149,405
9 Savings institutions	40,106	44,711	47,172	48,049	47,611	47,172	46,733	46,295	45,856
10 Nonfinancial business[3]	85,061	77,745	78,927	68,547	70,464	78,927	75,355	72,772	72,777
11 Pools of securitized assets[4]	211,636	265,826	313,057	302,168	302,881	313,057	311,146	315,337	317,249
By major type of credit[5]									
12 Automobile	367,069	395,609	416,962r	413,514r	411,097r	416,962r	413,727r	412,461	415,619
13 Commercial banks	151,437	157,047	155,254	157,857	156,232	155,254	154,413	152,747	153,627
14 Finance companies	81,073	86,690	87,015	86,805	86,046	87,015	87,379	84,685	86,832
15 Pools of securitized assets[4]	44,635	51,719	64,950	60,648	60,378	64,950	63,066	65,957	65,062
16 Revolving	464,134	522,860	555,858r	527,472r	532,897r	555,858r	541,386r	535,936	531,194
17 Commercial banks	210,298	228,615	219,826	209,544	212,726	219,826	208,750	204,564	197,264
18 Finance companies	28,460	32,493	38,608	34,717	34,789	38,608	37,603r	36,851	36,272
19 Nonfinancial business[3]	53,525	44,901	44,966	37,479	38,865	44,966	42,689	40,976	41,355
20 Pools of securitized assets[4]	147,934	188,712	221,465	215,674	216,411	221,465	221,805	223,400	226,562
21 Other	291,625	293,121	291,259r	291,524r	290,483r	291,259r	289,485r	287,058	283,498
22 Commercial banks	140,228	141,107	137,459	138,890	137,539	137,459	137,684	138,261	137,994
23 Finance companies	42,590	33,208	34,399	35,345	35,540	34,399	34,511r	34,139	33,035
24 Nonfinancial business[3]	31,536	32,844	33,961	31,068	31,599	33,961	32,666	31,796	31,422
25 Pools of securitized assets[4]	19,067	25,395	26,642	25,846	26,092	26,642	26,275	25,980	25,625

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Comprises mobile home loans and all other loans that are not included in automobile or revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.
3. Includes retailers and gasoline companies.
4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.
5. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER CREDIT[1]

Percent per year except as noted

Item	1995	1996	1997	1997 Sept.	1997 Oct.	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	9.57	9.05	9.02	n.a.	n.a.	8.96	n.a.	n.a.	8.87	n.a.
2 24-month personal	13.94	13.54	13.90	n.a.	n.a.	14.50	n.a.	n.a.	14.01	n.a.
Credit card plan										
3 All accounts	16.02	15.63	15.77	n.a.	n.a.	15.65	n.a.	n.a.	15.65	n.a.
4 Accounts assessed interest	15.79	15.50	15.57	n.a.	n.a.	15.62	n.a.	n.a.	15.33	n.a.
Auto finance companies										
5 New car	11.19	9.84	7.12	6.12	7.27	6.85	5.93	6.12	6.98	5.94
6 Used car	14.48	13.53	13.27	13.29	13.22	13.14	13.16	12.77	12.87	12.79
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.1	51.6	54.1	55.4	54.4	53.7	53.5	52.8	52.6	51.5
8 Used car	52.2	51.4	51.0	50.8	50.6	50.5	50.5	52.2	52.5	52.6
Loan-to-value ratio										
9 New car	92	91	92	93	92	91	92	92	92	92
10 Used car	99	100	99	99	101	99	99	98	97	97
Amount financed (dollars)										
11 New car	16,210	16,987	18,077	18,520	18,779	18,923	19,121	18,944	18,825	18,932
12 Used car	11,590	12,182	12,281	12,190	12,287	12,389	12,547	12,391	12,356	12,431

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Data are available for only the second month of each quarter.
3. At auto finance companies.

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

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1993	1994	1995	1996	1997[r]	1996 Q3	1996 Q4	1997[r] Q1	1997[r] Q2	1997[r] Q3	1997[r] Q4	1998 Q1
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**588.0[r]**	**574.6[r]**	**702.8[r]**	**727.8[r]**	**764.2**	**685.5[r]**	**625.4[r]**	**712.3**	**624.4**	**786.9**	**933.4**	**941.2**
By sector and instrument												
2 Federal government	256.1	155.9	144.4	145.0	23.1	155.3[r]	112.3[r]	64.9	−43.5	30.3	40.8	−30.0
3 Treasury securities	248.3	155.7	142.9	146.6	23.2	158.4[r]	115.6[r]	66.3	−43.8	31.2	39.0	−27.6
4 Budget agency securities and mortgages	7.8	.2	1.5	−1.6	−.1	−3.1	−3.3	−1.4	.2	−.9	1.7	−2.4
5 Nonfederal	331.9[r]	418.7[r]	558.3[r]	582.8[r]	741.1	530.2[r]	513.1[r]	647.4	667.9	756.6	892.6	971.2
By instrument												
6 Commercial paper	10.0	21.4	18.1	−.9	13.7	−14.2	−24.1	7.2	20.3	14.5	12.8	53.9
7 Municipal securities and loans	74.8	−35.9	−48.2	2.6	71.4	−64.7	41.6	43.4	96.7	56.4	89.3	124.3
8 Corporate bonds	75.2	23.3	73.3	72.5	90.7	67.8	89.9	79.4	86.1	122.9	74.4	157.2
9 Bank loans n.e.c.	6.4	75.2	102.3[r]	66.2[r]	101.5	138.3[r]	27.2[r]	143.1	105.0	16.8	141.0	63.7
10 Other loans and advances	−18.9	34.0	67.2	33.8	66.8	63.0	3.9	37.5	18.5	76.3	134.9	94.8
11 Mortgages	123.7[r]	175.8[r]	206.7[r]	320.0[r]	344.5	258.1[r]	336.0[r]	266.0	281.4	419.2	411.4	420.5
12 Home	156.2[r]	178.5[r]	174.5[r]	264.9[r]	268.8	239.7[r]	249.9[r]	228.4	191.2	344.5	310.9	315.8
13 Multifamily residential	−6.8[r]	1.9[r]	10.6[r]	18.6[r]	17.2	12.9[r]	27.1[r]	9.5	18.8	7.7	33.0	27.7
14 Commercial	−26.7[r]	−6.9[r]	19.9[r]	33.9[r]	55.2	3.3[r]	57.4[r]	25.9	67.3	62.7	64.9	72.9
15 Farm	1.0	2.2	1.6	2.6	3.3	2.2	1.6	2.1	4.1	4.3	2.6	4.0
16 Consumer credit	60.7	124.9	138.9	88.8	52.5	81.9	38.6	70.8	60.0	50.5	28.8	56.9
By borrowing sector												
17 Household	205.9[r]	309.3[r]	348.9[r]	372.7[r]	350.3	355.2[r]	298.5[r]	339.2	292.5	381.4	388.0	426.9
18 Nonfinancial business	51.3[r]	141.7[r]	245.5[r]	195.8[r]	311.3	224.9[r]	163.3[r]	252.9	274.7	311.6	406.0	419.7
19 Corporate	45.5[r]	134.1[r]	218.6[r]	146.5[r]	241.5	193.4[r]	92.9[r]	200.3	199.6	242.8	323.4	323.8
20 Nonfarm noncorporate	3.2	3.3	23.9[r]	44.5[r]	63.5	30.9[r]	61.2[r]	48.3	68.5	65.7	71.3	88.9
21 Farm	2.6	4.4	2.9	4.8	6.4	.6	9.2	4.3	6.7	3.1	11.3	7.0
22 State and local government	74.7[r]	−32.3[r]	−36.0[r]	14.3[r]	79.5	−49.9[r]	51.4[r]	55.3	100.7	63.6	98.6	124.6
23 Foreign net borrowing in United States	69.8	−14.0	71.1	70.5	51.5	105.7	87.9	26.3	56.4	87.8	35.5	60.3
24 Commercial paper	−9.6	−26.1	13.5	11.3	3.7	37.5	4.4	15.5	10.4	−11.6	.7	56.0
25 Bonds	82.9	12.2	49.7	49.4	41.3	60.2	78.5	11.0	34.3	94.6	25.3	8.4
26 Bank loans n.e.c.	.7	1.4	8.5	9.1	8.5	4.7	7.8	−.7	11.5	7.3	15.7	5.5
27 Other loans and advances	−4.2	−1.5	−.5	.8	−2.0	3.4	−2.7	.5	.2	−2.5	−6.1	−9.6
28 **Total domestic plus foreign**	**657.8[r]**	**560.5[r]**	**773.8[r]**	**798.3[r]**	**815.7**	**791.2[r]**	**713.3[r]**	**738.6**	**680.8**	**874.7**	**968.9**	**1,001.5**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**294.4[r]**	**468.4[r]**	**456.4[r]**	**556.2[r]**	**649.2**	**456.5[r]**	**664.0[r]**	**342.5**	**679.6**	**603.1**	**971.7**	**828.5**
By instrument												
30 Federal government-related	165.3	287.5	204.1	231.5	212.8	222.9	252.8	105.7	286.2	161.0	298.1	227.3
31 Government-sponsored enterprise securities	80.6	176.9	105.9	90.4	98.4	80.0	123.3	−8.9	198.1	46.4	157.9	142.4
32 Mortgage pool securities	84.7	115.4	98.2	141.1	114.4	142.9	129.6	114.6	88.1	114.6	140.3	84.8
33 Loans from U.S. government	.0	−4.8	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	129.1[r]	180.9[r]	252.3[r]	324.7[r]	436.5	233.6[r]	411.1[r]	236.8	393.4	442.1	673.5	601.2
35 Open market paper	−5.5	40.5	42.7	92.2	166.7	84.4	162.0	175.9	77.8	168.2	244.6	236.7
36 Corporate bonds	123.1[r]	121.8[r]	196.7[r]	179.7[r]	206.8	104.0[r]	187.9[r]	63.4	234.8	202.0	327.0	304.6
37 Bank loans n.e.c.	−14.4	−13.7	3.9[r]	16.9[r]	19.7	.9[r]	25.1[r]	11.4	10.3	24.3	32.8	19.2
38 Other loans and advances	22.4	22.6	3.4	27.9	35.6	33.3	31.2	−20.1	63.0	37.5	61.7	32.7
39 Mortgages	3.6	9.8	5.6[r]	7.9[r]	7.8	11.0[r]	4.9[r]	6.2	7.5	10.1	7.3	8.0
By borrowing sector												
40 Commercial banking	13.4	20.1	22.5	13.0	46.1	14.7	26.8	13.7	77.3	32.0	61.4	83.2
41 Savings institutions	11.3	12.8	2.6	25.5	19.7	25.8	23.0	−16.8	31.9	22.3	41.7	9.8
42 Credit unions	.2	.2	−.1	.1	.1	.3	.3	−.2	.2	.2	.3	.5
43 Life insurance companies	.2	.3	−.1	1.1	.2	−.4	2.0	.8	.1	.2	−.3	.0
44 Government-sponsored enterprises	80.6	172.1	105.9	90.4	98.4	80.0	123.3	−8.9	198.1	46.4	157.9	142.4
45 Federally related mortgage pools	84.7	115.4	98.2	141.1	114.4	142.9	129.6	114.6	88.1	114.6	140.3	84.8
46 Issuers of asset-backed securities (ABSs)	83.6[r]	72.9[r]	141.1[r]	153.6[r]	203.3	109.6[r]	160.2[r]	84.5	116.5	231.0	381.2	239.8
47 Finance companies	−1.4	48.7	50.2	45.9	48.7	30.7	43.8	7.2	123.8	−2.9	66.5	82.2
48 Mortgage companies	.0	−11.5	.4	12.4	4.8	1.7	12.1	5.9	5.0	3.6	4.9	8.3
49 Real estate investment trusts (REITs)	3.4	13.7	5.7[r]	11.0[r]	24.8	11.8[r]	15.2[r]	15.1	19.8	32.0	32.1	36.3
50 Brokers and dealers	12.0	.5	−5.0	−2.0	8.1	5.7	4.9	−2.9	34.9	−6.9	7.0	−1.1
51 Funding corporations	6.3	23.1	34.9	64.1	80.7	33.7	123.0	129.4	−16.1	130.7	78.7	142.1

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

Transaction category or sector	1993	1994	1995	1996	1997[r]	1996		1997[r]				1998
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
	All sectors											
52 **Total net borrowing, all sectors**	**952.2[r]**	**1,028.9[r]**	**1,230.2[r]**	**1,354.5[r]**	**1,464.9**	**1,247.7[r]**	**1,377.3[r]**	**1,081.1**	**1,360.4**	**1,477.8**	**1,940.5**	**1,830.0**
53 Open market paper	−5.1	35.7	74.3	102.6	184.1	107.7	142.3	198.6	108.5	171.1	258.1	346.6
54 U.S. government securities	421.4	448.1	348.5	376.5	235.9	378.2[r]	365.1[r]	170.6	242.6	191.3	338.9	197.2
55 Municipal securities	74.8	−35.9	−48.2	2.6	71.4	−64.7	41.6	43.4	96.7	56.4	89.3	124.3
56 Corporate and foreign bonds	281.2[r]	157.3[r]	319.6[r]	301.7[r]	338.8	232.0[r]	356.2[r]	153.8	355.2	419.5	426.6	470.3
57 Bank loans n.e.c.	−7.2	62.9	114.7	92.1	129.6	143.8	60.1	153.8	126.8	48.4	189.5	88.4
58 Other loans and advances	−.8	50.3	70.1	62.5	100.4	99.7	32.4	17.9	81.7	111.3	190.5	117.8
59 Mortgages	127.3[r]	185.6[r]	212.3[r]	327.9[r]	352.3	269.1[r]	340.9[r]	272.2	288.9	429.3	418.7	428.5
60 Consumer credit	60.7	124.9	138.9	88.8	52.5	81.9	38.6	70.8	60.0	50.5	28.8	56.9
	Funds raised through mutual funds and corporate equities											
61 **Total net issues**	**429.7**	**125.2**	**143.9**	**230.5**	**184.5**	**71.9**	**156.0**	**186.1**	**131.8**	**291.1**	**128.8**	**258.1**
62 Corporate equities	137.7	24.6	−3.5	−7.0	−79.0	−100.1	−20.3	−67.3	−109.1	−12.6	−126.9	−78.2
63 Nonfinancial corporations	21.3	−44.9	−58.3	−64.2	−114.8	−127.6	−56.0	−90.4	−141.6	−83.2	−144.1	−109.6
64 Foreign shares purchased by U.S. residents	63.4	48.1	50.4	58.8	38.0	32.7	42.3	47.0	53.0	62.2	−10.4	9.3
65 Financial corporations	53.0	21.4	4.4	−1.6	−2.1	−5.1	−6.7	−23.9	−20.6	8.4	27.6	22.1
66 Mutual fund shares	292.0	100.6	147.4	237.6	263.4	171.9	176.3	253.4	240.9	303.7	255.7	336.2

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.4. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

Billions of dollars except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1993	1994	1995	1996	1997r	1996		1997				1998
						Q3	Q4	Q1	Q2	Q3	Q4r	Q1
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**952.2r**	**1,028.9r**	**1,230.2r**	**1,354.5r**	**1,464.9**	**1,247.7r**	**1,377.3r**	**1,081.1r**	**1,360.4r**	**1,477.8r**	**1,940.5**	**1,830.0**
2 Domestic nonfederal nonfinancial sectors	41.6r	241.1r	−92.6r	7.2r	−97.3	−202.6r	−145.2r	−193.4r	−21.4r	−164.4r	−9.8	−145.3
3 Household	1.0r	277.8r	2.8r	11.5r	−109.5	−106.5r	−36.6r	−245.9r	−10.3r	−158.9r	−23.0	−228.6
4 Nonfinancial corporate business	9.1	17.7	−8.8r	15.0r	9.9	−10.0r	−33.2r	77.9r	−53.3r	34.4r	−19.5	86.2
5 Nonfarm noncorporate business	−1.1	.6	4.7r	4.4r	2.7	4.4r	4.4r	2.5r	2.7r	2.8r	2.9	3.0
6 State and local governments	32.6	−55.0	−91.4r	−23.7r	−.3	−90.5r	−79.9r	−27.9r	39.5r	−42.7r	29.8	−5.8
7 Federal government	−18.4	−27.5	−.2	−7.7	4.9	−7.1	−4.1	1.9	5.6	3.0	9.1	13.8
8 Rest of the world	129.3	132.3	273.9	409.3	320.4	485.3	532.2	373.6r	301.2r	405.4r	201.4	242.3
9 Financial sectors	799.7r	683.0r	1,049.1r	945.8r	1,236.9	972.1r	994.5r	898.9r	1,075.0r	1,233.7r	1,739.8	1,719.2
10 Monetary authority	36.2	31.5	12.7	12.3	38.3	11.5	8.4	37.4	47.2	14.3	54.3	30.5
11 Commercial banking	142.2	163.4	265.9	187.5	324.8	196.1	248.3	308.1	309.2	209.8	472.2	291.8
12 U.S.-chartered banks	149.6	148.1	186.5	119.6	274.9	119.5	158.9	195.9	301.1	209.5	393.1	257.5
13 Foreign banking offices in United States	−9.8	11.2	75.4	63.3	40.2	71.1	80.5	104.0	1.1	−.6	56.4	13.5
14 Bank holding companies	.0	.9	−.3	3.9	5.4	4.8	10.5	2.2	5.1	−5.0	19.4	15.2
15 Banks in U.S.-affiliated areas	2.4	3.3	4.2	.7	4.2	.7	−1.6	6.1	1.8	5.8	3.2	5.6
16 Savings institutions	−23.3	6.7	−7.6	19.9	−4.7	49.7	−47.9	−5.3	23.8	−35.3r	−2.0	8.1
17 Credit unions	21.7	28.1	16.2	25.5	16.8	21.1	24.3	18.5	28.3r	14.4r	5.8	16.9
18 Bank personal trusts and estates	9.5	7.1	−8.3r	−7.7r	7.6	−14.8r	−2.5r	3.4r	10.7r	7.3r	8.8	2.4
19 Life insurance companies	100.9	66.7	99.2	72.5	113.2	123.2	118.1	94.3	175.0	107.0	76.4	104.1
20 Other insurance companies	27.7	24.9	21.5	22.5	23.3	14.2	27.7	−.1	27.9	32.4	32.8	25.5
21 Private pension funds	49.5	45.5	61.3r	48.3r	67.6	42.7r	34.1r	55.0r	58.5	66.2	90.7	72.6
22 State and local government retirement funds	22.7	22.3	27.5	45.9	36.6	45.5	41.9	3.6	39.2	90.6	13.0	38.2
23 Money market mutual funds	20.4	30.0	86.5	88.8	84.5	83.0	81.3	65.2	19.7	123.6	129.3	174.6
24 Mutual funds	159.5	−7.1	52.5	48.9	79.3	27.5	25.3	61.9	91.6	103.6	60.0	118.2
25 Closed-end funds	20.0	−3.7	10.5	2.2	1.2	2.2	2.2	2.7	1.3	.3	.4	.6
26 Government-sponsored enterprises	87.8	117.8	84.7	92.0	95.0	81.4	137.9	45.1	119.2	55.5	160.0	166.2
27 Federally related mortgage pools	84.7	115.4	98.2	141.1	114.4	142.9	129.6	114.6	88.1	114.6	140.3	84.8
28 Asset-backed securities issuers (ABSs)	81.0r	65.8r	119.3r	123.4r	164.9	83.6r	111.2r	60.9r	101.7r	168.4r	328.4	190.7
29 Finance companies	−20.9	48.3	49.9	18.4	21.9	13.2	−6.2	44.9	1.9	65.2	−24.3	33.6
30 Mortgage companies	.0	−24.0	−3.4	8.2	16.4	3.4	4.1	−1.3r	−24.4r	82.9r	8.3	10.4
31 Real estate investment trusts (REITs)	.6	4.7	2.2	2.0r	−2.0	3.4	−2.1r	−2.1r	−2.1r	−2.1r	−1.7	−2.0
32 Brokers and dealers	14.8	−44.2	90.1	−15.7	13.7	35.5	82.7	−14.5	−11.7	15.8	65.3	253.4
33 Funding corporations	−35.3	−16.2	−29.7r	9.8r	24.4	7.0r	−24.0r	6.5r	−30.0r	−.7r	121.7	98.5
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 **Net flows through credit markets**	**952.2r**	**1,028.9r**	**1,230.2r**	**1,354.5r**	**1,464.9**	**1,247.7r**	**1,377.3r**	**1,081.1r**	**1,360.4r**	**1,477.8r**	**1,940.5**	**1,830.0**
Other financial sources												
35 Official foreign exchange	.8	−5.8	8.8	−6.3	.7	−26.6	.7	−17.6	.4	2.4	17.5	−.8
36 Special drawing rights certificates	.0	.0	2.2	−.5	−.5	−1.8	.0	−2.1	.0	.0	.0	.0
37 Treasury currency	.4	.7	.6	0	.0	2.3	−2.3	.4	.2	1.3	−1.9	.3
38 Foreign deposits	−18.5	52.9	35.3	82.0	89.0	119.7	104.5	188.6	18.8	105.4	43.1	52.2
39 Net interbank transactions	50.5	89.8	9.9	−51.6	−46.3	−97.2	17.6	−86.1r	−46.4r	−42.6r	−10.0	61.9
40 Checkable deposits and currency	117.3	−9.7	−12.7	15.8	41.5	105.9	−53.3	85.3	64.2	−49.2	65.6	72.5
41 Small time and savings deposits	−70.3	−39.9	96.6	97.2	97.1	94.2	90.1	157.9	24.5	53.8r	152.3	165.6
42 Large time deposits	−23.5	19.6	65.6	114.0	122.5	180.2	135.4	49.9	176.3	194.1	69.9	105.0
43 Money market fund shares	20.2	43.3	142.3	145.8	157.6	145.1	187.5	182.4	58.5	243.6	146.0	283.2
44 Security repurchase agreements	71.3	78.2	110.4r	40.0r	115.2	−16.7r	84.3r	36.5r	198.0r	121.1r	105.3	253.2
45 Corporate equities	137.7	24.6	−3.5	−7.0	−79.0	−100.1	−20.3	−67.3r	−109.1r	−12.6r	−126.9	−78.2
46 Mutual fund shares	292.0	100.6	147.4	237.6	263.4	171.9	176.3	253.4	240.9	303.7	255.7	336.2
47 Trade payables	52.0	93.7	101.9r	72.1r	96.3	−14.7r	109.3r	63.1r	63.1r	135.5r	123.3	84.4
48 Security credit	61.4	−.1	26.7	52.4	110.1	5.3	125.2	117.1	137.4	79.7	106.3	150.7
49 Life insurance reserves	36.0	34.5	44.9	43.6	56.0	59.2	66.7	39.8	77.5	62.8	43.7	52.9
50 Pension fund reserves	255.6	246.1	233.4r	232.1r	290.2	225.0r	283.9r	256.8r	337.3	321.8r	244.7	281.2
51 Taxes payable	11.4	2.6	5.1r	15.0r	13.9	13.5r	17.6r	31.0r	2.4r	30.5r	−8.4	24.0
52 Investment in bank personal trusts	.9	17.8	4.0r	−8.6r	75.0	−17.4r	−4.2r	68.8r	71.8r	80.8r	78.4	25.7
53 Noncorporate proprietors' equity	25.5r	57.5r	53.8r	30.8r	22.5	51.3r	17.6r	33.1r	25.7r	28.5r	2.8	12.9
54 Miscellaneous	346.6r	251.0r	444.3r	434.9r	584.4	406.1r	572.6r	632.3r	529.8r	531.1r	644.6	841.2
55 **Total financial sources**	**2,319.3r**	**2,086.4r**	**2,747.2r**	**2,893.8r**	**3,474.5**	**2,552.9r**	**3,286.6r**	**3,104.4r**	**3,231.6r**	**3,669.4r**	**3,892.7**	**4,554.0**
Liabilities not identified as assets (−)												
56 Treasury currency	−.2	−.2	−.5	−1.0	−.6	1.3	−3.1	−.3	−.5	.8	−2.4	−.4
57 Foreign deposits	−5.7	43.0	25.1r	55.4r	71.5	86.1r	36.1r	178.7r	−10.5r	83.1r	34.7	2.2
58 Net interbank liabilities	4.2	−2.7	−3.1	−3.3	−19.8	−4.4	4.2	26.9	−24.4	−51.6	−30.0	101.4
59 Security repurchase agreements	46.4	69.4	22.9r	−.7r	71.9	−101.2r	114.7r	−91.5r	172.1r	27.4r	179.9	171.5
60 Taxes payable	15.8	16.6	17.8	16.3	14.1	20.3	21.6	12.2	28.3	11.2	4.9	−.9
61 Miscellaneous	−164.2r	−144.2r	−211.7r	−89.8r	−249.7	−124.5r	−8.2r	−104.2r	−372.5r	−212.1r	−310.0	−382.8
Floats not included in assets (−)												
62 Federal government checkable deposits	−1.5	−4.8	−6.0	.5	−2.7	27.1	−21.4	−9.4	16.1	2.1	−19.5	.9
63 Other checkable deposits	−1.3	−2.8	−3.8	−4.0	−3.9	−4.7	−3.7	−2.6	−4.8	−3.4	−4.8	−9.3
64 Trade credit	−4.3	.3	−12.2r	−32.2r	3.8	−102.5r	−41.2r	13.1r	−72.0r	68.6r	5.5	−26.2
65 **Total identified to sectors as assets**	**2,430.0r**	**2,111.8r**	**2,918.8r**	**2,952.6r**	**3,589.7**	**2,755.5r**	**3,187.5r**	**3,081.5r**	**3,499.8r**	**3,743.2r**	**4,034.6**	**4,697.6**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.1 and F.5. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1994	1995	1996	1997r	1996 Q3	1996 Q4	1997 Q1	1997 Q2	1997 Q3	1997 Q4r	1998 Q1
						Nonfinancial sectors					
1 **Total credit market debt owed by domestic nonfinancial sectors**	**13,016.8r**	**13,719.6r**	**14,447.4r**	**15,210.1**	**14,252.1r**	**14,447.4r**	**14,613.7r**	**14,729.1r**	**14,933.9r**	**15,210.1**	**15,435.2**
By sector and instrument											
2 Federal government	3,492.3	3,636.7	3,781.8	3,804.9	3,733.1	3,781.8	3,829.8	3,760.6	3,771.2	3,804.9	3,830.8
3 Treasury securities	3,465.6	3,608.5	3,755.1	3,778.3	3,705.7	3,755.1	3,803.5	3,734.3	3,745.1	3,778.3	3,804.8
4 Budget agency securities and mortgages	26.7	28.2	26.6	26.5	27.4	26.6	26.3	26.3	26.1	26.5	25.9
5 Nonfederal	9,524.5r	10,082.8r	10,665.6r	11,405.2	10,519.0r	10,665.6r	10,783.9r	10,968.5r	11,162.7r	11,405.2	11,604.4
By instrument											
6 Commercial paper	139.2	157.4	156.4	168.6	173.0	156.4	168.7	179.3	176.6	168.6	193.1
7 Municipal securities and loans	1,341.7	1,293.5	1,296.0	1,367.5	1,281.7	1,296.0	1,305.1r	1,326.8r	1,340.2r	1,367.5	1,397.1
8 Corporate bonds	1,253.0	1,326.3	1,398.8	1,489.5	1,376.4	1,398.8	1,418.7	1,440.2	1,470.9	1,489.5	1,528.8
9 Bank loans n.e.c.	759.9	862.1r	928.3r	1,029.8	920.5r	928.3r	962.9r	994.2r	994.2r	1,029.8	1,045.1
10 Other loans and advances	669.6	736.9	770.6	837.4	769.4	770.6	784.4r	788.0r	803.1r	837.4	865.7
11 Mortgages	4,377.2r	4,583.9r	4,903.8r	5,248.3	4,824.6r	4,903.8r	4,957.7r	5,035.0r	5,151.0r	5,248.3	5,341.2
12 Home	3,355.9r	3,530.4r	3,761.6r	4,030.3	3,703.8r	3,761.6r	3,806.1r	3,860.8r	3,958.1r	4,030.3	4,097.0
13 Multifamily residential	268.8r	279.5r	301.7r	319.0	295.0r	301.7r	304.1r	308.8r	310.7r	319.0	325.9
14 Commercial	669.5r	689.4r	753.4r	808.6	739.0r	753.4r	759.9r	776.7r	792.4r	808.6	826.8
15 Farm	83.0	84.6	87.1	90.4	86.7	87.1	87.7	88.7	89.8	90.4	91.4
16 Consumer credit	983.9	1,122.8	1,211.6	1,264.1	1,173.5	1,211.6	1,186.4	1,205.0	1,226.7r	1,264.1	1,233.5
By borrowing sector											
17 Household	4,446.2r	4,800.4r	5,143.9r	5,497.0	5,043.7r	5,143.9r	5,174.6r	5,260.7r	5,374.4r	5,497.0	5,546.5
18 Nonfinancial business	3,927.1r	4,167.3r	4,392.3r	4,699.3	4,361.9r	4,392.3r	4,466.9r	4,543.0r	4,608.2r	4,699.3	4,818.3
19 Corporate	2,663.1r	2,876.5r	3,052.1r	3,289.3	3,038.1r	3,052.1r	3,116.3r	3,170.2r	3,217.6r	3,289.3	3,387.1
20 Nonfarm noncorporate	1,121.8	1,145.8r	1,190.2r	1,253.7	1,174.3r	1,190.2r	1,202.2r	1,219.3r	1,235.2r	1,253.7	1,275.9
21 Farm	142.2	145.1	149.9	156.3	149.5	149.9	148.3	153.4	155.4	156.3	155.3
22 State and local government	1,151.1r	1,115.1r	1,129.4r	1,209.0	1,113.4r	1,129.4r	1,142.4r	1,164.8r	1,180.1r	1,209.0	1,239.6
23 **Foreign credit market debt held in United States**	**371.8**	**442.9**	**513.4**	**558.8**	**490.2**	**513.4**	**517.8**	**531.6**	**548.7**	**558.8**	**571.3**
24 Commercial paper	42.7	56.2	67.5	65.1	65.8	67.5	69.3	71.3	64.3	65.1	76.7
25 Bonds	242.3	291.9	341.3	382.6	321.7	341.3	344.1	352.7	376.3	382.6	384.7
26 Bank loans n.e.c.	26.1	34.6	43.7	52.1	41.7	43.7	43.5	46.4	48.2	52.1	53.5
27 Other loans and advances	60.8	60.2	61.0	59.0	61.0	61.0	60.9	61.2	59.9	59.0	56.4
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**13,388.7r**	**14,162.5r**	**14,960.8r**	**15,768.9**	**14,742.3r**	**14,960.8r**	**15,131.5r**	**15,260.7r**	**15,482.6r**	**15,768.9**	**16,006.5**
						Financial sectors					
29 **Total credit market debt owed by financial sectors**	**3,822.2r**	**4,281.2r**	**4,837.3r**	**5,453.5**	**4,672.0r**	**4,837.3r**	**4,918.2r**	**5,090.9r**	**5,211.8r**	**5,453.5**	**5,655.7**
By instrument											
30 Federal government-related	2,172.7	2,376.8	2,608.3	2,821.0	2,545.1	2,608.3	2,634.7	2,706.2	2,746.5	2,821.0	2,877.9
31 Government-sponsored enterprise securities	700.6	806.5	896.9	995.3	866.1	896.9	894.7	944.2	955.8	995.3	1,030.9
32 Mortgage pool securities	1,472.1	1,570.3	1,711.4	1,825.8	1,679.0	1,711.4	1,740.0	1,762.1	1,790.7	1,825.8	1,847.0
33 Loans from U.S. government	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	1,649.5r	1,904.4r	2,229.1r	2,632.5	2,126.9r	2,229.1r	2,283.5r	2,384.7r	2,465.3r	2,632.5	2,777.9
35 Open market paper	441.6	486.9	579.1	745.7	538.6	579.1	623.0	642.5	684.7	745.7	804.9
36 Corporate bonds	1,008.8r	1,205.4r	1,385.1r	1,558.9	1,339.4r	1,385.1r	1,396.5r	1,457.7r	1,478.6r	1,558.9	1,630.3
37 Bank loans n.e.c.	48.9	52.8r	69.7r	89.4	62.8r	69.7r	72.2r	75.2r	80.7r	89.4	94.0
38 Other loans and advances	131.6	135.0	162.9	198.5	155.1	162.9	157.9	173.7	183.0	198.5	206.6
39 Mortgages	18.7	24.3r	32.2r	40.0	31.0r	32.2r	33.8r	35.6r	38.2r	40.0	42.0
By borrowing sector											
40 Commercial banks	94.5	102.6	113.6	140.6	107.7	113.6	115.3	125.7	130.0	140.6	148.7
41 Bank holding companies	133.6	148.0	150.0	168.6	149.1	150.0	151.6	160.5r	164.0r	168.6	181.3
42 Savings institutions	112.4	115.0	140.5	160.3	134.8	140.5	136.3	144.3	149.8	160.3	162.7
43 Credit unions	.5	.4	.4	.6	.4	.4	.4	.4	.5	.6	.7
44 Life insurance companies	.6	.5	1.6	1.8	1.1	1.6	1.8	1.8	1.9	1.8	1.8
45 Government-sponsored enterprises	700.6	806.5	896.9	995.3	866.1	896.9	894.7	944.2	955.8	995.3	1,030.9
46 Federally related mortgage pools	1,472.1	1,570.3	1,711.4	1,825.8	1,679.0	1,711.4	1,740.0	1,762.1	1,790.7	1,825.8	1,847.0
47 Issuers of asset-backed securities (ABSs)	579.0r	720.1r	873.8r	1,088.1	830.5r	873.8r	889.9r	918.0r	989.6r	1,088.1	1,142.7
48 Brokers and dealers	34.3	29.3	27.3	35.3	26.1	27.3	26.6	35.3	33.6	35.3	35.1
49 Finance companies	433.7	483.9	529.8	554.5	513.7	529.8	528.4	557.8	532.7	554.5	571.8
50 Mortgage companies	18.7	19.1	31.5	36.4	28.5	31.5	33.0	34.3	35.2	36.4	38.5
51 Real estate investment trusts (REITs)	31.1	36.8r	47.8r	72.6	44.0r	47.8r	51.6r	56.6r	64.6r	72.6	81.7
52 Funding corporations	211.0	248.6	312.7	373.8	291.0	312.7	348.6	350.0	363.4	373.8	412.9
						All sectors					
53 **Total credit market debt, domestic and foreign**	**17,210.9r**	**18,443.7r**	**19,798.2r**	**21,222.4**	**19,414.3r**	**19,798.2r**	**20,049.6r**	**20,351.6r**	**20,694.4r**	**21,222.4**	**21,662.2**
54 Open market paper	623.5	700.4	803.0	979.4	777.4	803.0	861.1	893.1	925.7	979.4	1,074.8
55 U.S. government securities	5,665.0	6,013.6	6,390.0	6,625.9	6,278.2	6,390.0	6,464.5	6,466.8	6,517.7	6,625.9	6,708.6
56 Municipal securities	1,341.7	1,293.5	1,296.0	1,367.5	1,281.7	1,296.0	1,305.1r	1,326.8r	1,340.2r	1,367.5	1,397.1
57 Corporate and foreign bonds	2,504.0r	2,823.6r	3,125.3r	3,431.0	3,037.5r	3,125.3r	3,159.3r	3,250.6r	3,325.9r	3,431.0	3,543.8
58 Bank loans n.e.c.	834.9	949.6	1,041.7	1,171.3	1,025.0	1,041.7	1,078.6	1,115.7	1,123.1	1,171.3	1,192.6
59 Other loans and advances	862.0	932.1	994.5	1,094.9	985.4	994.5	1,003.2r	1,022.9r	1,046.0r	1,094.9	1,128.7
60 Mortgages	4,395.9r	4,608.2r	4,936.0r	5,288.3	4,855.6r	4,936.0r	4,991.5r	5,070.6r	5,189.1r	5,288.3	5,383.2
61 Consumer credit	983.9	1,122.8	1,211.6	1,264.1	1,173.5	1,211.6	1,186.4	1,205.0	1,226.7r	1,264.1	1,233.5

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1994	1995	1996	1997[r]	1996		1997				1998
					Q3	Q4	Q1	Q2	Q3	Q4[r]	Q1
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**17,210.9[r]**	**18,443.7[r]**	**19,798.2[r]**	**21,222.4**	**19,414.3[r]**	**19,798.2[r]**	**20,049.6[r]**	**20,351.6[r]**	**20,694.4[r]**	**21,222.4**	**21,662.2**
2 Domestic nonfederal nonfinancial sectors	3,002.4[r]	2,874.6[r]	2,926.9[r]	2,793.6	2,911.5[r]	2,926.9[r]	2,854.7[r]	2,812.5[r]	2,758.3[r]	2,793.6	2,736.5
3 Household	1,945.7[r]	1,913.3[r]	1,979.3[r]	1,833.8	1,955.9[r]	1,979.3[r]	1,920.2[r]	1,873.7	1,822.7[r]	1,833.8	1,783.5
4 Nonfinancial corporate business	289.2	280.4[r]	286.0[r]	295.9	275.7[r]	286.0[r]	281.8	271.9[r]	280.3[r]	295.9	292.3
5 Nonfarm noncorporate business	37.6	42.3[r]	46.7[r]	49.4	45.6[r]	46.7[r]	47.4[r]	48.0[r]	48.7[r]	49.4	50.2
6 State and local governments	729.9	638.6[r]	614.8[r]	614.5	634.4[r]	614.8[r]	605.4[r]	618.9[r]	606.6[r]	614.5	610.5
7 Federal government	204.4	204.2	196.5	201.4	197.5	196.5	196.9	198.3	199.1	201.4	204.8
8 Rest of the world	1,254.8	1,563.1	1,953.6	2,274.0	1,844.8	1,953.6	2,052.7[r]	2,126.4[r]	2,229.1[r]	2,274.0	2,340.0
9 Financial sectors	12,749.2[r]	13,801.8[r]	14,721.2[r]	15,953.4	14,460.5[r]	14,721.2[r]	14,945.4[r]	15,214.3[r]	15,507.8[r]	15,953.4	16,381.0
10 Monetary authority	368.2	380.8	393.1	431.4	386.2	393.1	397.1	412.4	412.7	431.4	433.8
11 Commercial banking	3,254.3	3,520.1	3,707.7	4,032.5	3,643.3	3,707.7	3,775.7	3,856.8	3,912.9	4,032.5	4,095.8
12 U.S.-chartered banks	2,869.6	3,056.1	3,175.8	3,450.7	3,135.3	3,175.8	3,218.1	3,295.2	3,351.9	3,450.7	3,507.1
13 Foreign banking offices in United States	337.1	412.6	475.8	516.1	454.2	475.8	499.5	501.8	501.0	516.1	517.7
14 Bank holding companies	18.4	18.0	22.0	27.4	19.3	22.0	22.5	23.8	22.5	27.4	31.2
15 Banks in U.S.-affiliated areas	29.2	33.4	34.1	38.3	34.5	34.1	35.6	36.1	37.5	38.3	39.7
16 Savings institutions	920.8	913.3	933.2	928.5	945.2	933.2	931.9	937.8	929.0[r]	928.5	930.5
17 Credit unions	246.8	263.0	288.5	305.3	282.6	288.5	291.2	299.9[r]	303.9[r]	305.3	307.5
18 Bank personal trusts and estates	248.0	239.7[r]	232.0[r]	239.5	232.6[r]	232.0[r]	232.8[r]	235.5[r]	237.3[r]	239.5	240.1
19 Life insurance companies	1,482.6	1,581.8	1,654.3	1,767.4	1,627.0	1,654.3	1,680.2	1,724.1	1,750.4	1,767.4	1,795.7
20 Other insurance companies	446.4	468.7	491.2	514.4	484.2	491.2	491.2	498.1	506.2	514.4	520.8
21 Private pension funds	656.9	718.2[r]	766.5[r]	834.2	758.0[r]	766.5[r]	780.3[r]	794.9[r]	811.5[r]	834.2	852.3
22 State and local government retirement funds	455.8	483.3	529.2	565.8	517.7	529.2	531.6	542.7	562.0	565.8	577.0
23 Money market mutual funds	459.0	545.5	634.3	718.8	606.6	634.3	659.0	656.5	678.7	718.8	770.1
24 Mutual funds	718.8	771.3	820.2	899.5	818.3	820.2	838.3	860.6	889.2	899.5	931.6
25 Closed-end funds	86.0	96.4	98.7	99.8	98.1	98.7	99.3	99.7	99.7	99.8	100.0
26 Government-sponsored enterprises	663.3	748.0	813.6	908.6	779.3	813.6	824.3	854.8	868.7	908.6	949.5
27 Federally related mortgage pools	1,472.1	1,570.3	1,711.4	1,825.8	1,679.0	1,711.4	1,740.0	1,762.1	1,790.7	1,825.8	1,847.0
28 Asset-backed securities issuers (ABSs)	541.7[r]	661.0[r]	784.4[r]	949.2	753.4[r]	784.4[r]	794.6[r]	819.0[r]	863.9[r]	949.2	991.5
29 Finance companies	476.2	526.2	544.5	566.4	538.3	544.5	552.4	553.1	564.4	566.4	571.6
30 Mortgage companies	36.5	33.0	41.2	57.6	40.2	41.2	40.9[r]	34.8[r]	55.5[r]	57.6	60.2
31 Real estate investment trusts (REITs)	13.3	15.5	17.5[r]	15.5	18.0	17.5[r]	17.0[r]	16.5[r]	15.9[r]	15.5	15.0
32 Brokers and dealers	93.3	183.4	167.7	181.4	147.1	167.7	164.1	161.2	165.1	181.4	244.8
33 Funding corporations	109.3	82.2[r]	92.0[r]	111.7	105.4[r]	92.0[r]	103.6[r]	93.8[r]	90.1[r]	111.7	145.9
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
34 **Total credit market debt**	**17,210.9[r]**	**18,443.7[r]**	**19,798.2[r]**	**21,222.4**	**19,414.3[r]**	**19,798.2[r]**	**20,049.6[r]**	**20,351.6[r]**	**20,694.4[r]**	**21,222.4**	**21,662.2**
Other liabilities											
35 Official foreign exchange	53.2	63.7	53.7	48.9	54.3	53.7	46.3	46.7	46.1	48.9	48.2
36 Special drawing rights certificates	8.0	10.2	9.7	9.2	9.7	9.7	9.2	9.2	9.2	9.2	9.2
37 Treasury currency	17.6	18.2	18.2	18.2	18.8	18.2	18.3	18.3	18.7	18.2	18.3
38 Foreign deposits	324.6	359.2	438.1	527.0	415.1	438.1	485.2	489.9	516.2	527.0	540.1
39 Net interbank liabilities	280.1	290.7	240.8	192.8	225.8	240.8	210.9[r]	197.1	186.9	192.8	201.2
40 Checkable deposits and currency	1,242.0	1,229.3	1,245.1	1,286.6	1,220.8	1,245.1	1,220.0	1,265.3	1,234.2	1,286.6	1,259.8
41 Small time and savings deposits	2,183.2	2,279.7	2,377.0	2,474.1	2,357.9	2,377.0	2,427.1	2,432.3	2,438.8[r]	2,474.1	2,526.0
42 Large time deposits	411.2	476.9	590.9	713.4	557.2	590.9	606.0	646.7	696.1	713.4	742.4
43 Money market fund shares	602.9	745.3	891.1	1,048.7	838.1	891.1	950.8	952.4	1,005.1	1,048.7	1,132.9
44 Security repurchase agreements	549.5	659.9[r]	699.9[r]	815.1	686.9[r]	699.9[r]	713.8[r]	766.7[r]	795.4[r]	815.1	881.1
45 Mutual fund shares	1,477.3	1,852.8	2,342.4	2,994.7	2,211.6	2,342.4	2,411.5	2,719.6	2,977.0	2,994.7	3,348.4
46 Security credit	279.0	305.7	358.1	468.2	317.8	358.1	380.0	414.8	432.2	468.2	498.6
47 Life insurance reserves	505.3	550.2	593.8	649.7	577.1	593.8	603.7	623.1	638.8	649.7	663.0
48 Pension fund reserves	4,880.1	5,599.6[r]	6,329.5[r]	7,452.2	6,039.8[r]	6,329.5[r]	6,417.1[r]	6,942.5[r]	7,331.8[r]	7,452.2	8,036.2
49 Trade payables	1,141.5	1,243.4[r]	1,315.5[r]	1,411.8	1,260.6[r]	1,315.5[r]	1,300.4[r]	1,321.9[r]	1,351.9[r]	1,411.8	1,401.7
50 Taxes payable	101.4	106.5[r]	121.5[r]	135.4	119.1[r]	121.5[r]	134.8[r]	130.7[r]	139.5[r]	135.4	147.1
51 Investment in bank personal trusts	699.4	803.0[r]	871.7[r]	1,082.8	843.1[r]	871.7[r]	888.7[r]	982.9[r]	1,058.9[r]	1,082.8	1,173.1
52 Miscellaneous	5,397.3[r]	5,767.7[r]	6,082.7[r]	6,489.0	5,972.2[r]	6,082.7[r]	6,276.5[r]	6,224.3[r]	6,396.9[r]	6,489.0	6,725.1
53 **Total liabilities**	**37,364.7[r]**	**40,805.7[r]**	**44,377.7[r]**	**49,040.3**	**43,140.3[r]**	**44,377.7[r]**	**45,150.1[r]**	**46,536.0[r]**	**47,968.1[r]**	**49,040.3**	**51,014.5**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	21.1	22.1	21.4	21.1	21.2	21.4	20.9	21.1	21.0	21.1	21.2
55 Corporate equities	6,237.9	8,331.3	10,061.1	12,958.6	9,340.5	10,061.1	10,072.3	11,719.8	12,804.6	12,958.6	14,618.6
56 Household equity in noncorporate business	3,422.6[r]	3,647.5[r]	3,863.3[r]	4,156.7	3,817.7[r]	3,863.3[r]	3,947.1[r]	4,030.7[r]	4,093.1[r]	4,156.7	4,203.9
Liabilities not identified as assets (−)											
57 Treasury currency	−5.4	−5.8	−6.8	−7.4	−6.0	−6.8	−6.9	−7.0	−6.8	−7.4	−7.5
58 Foreign deposits	276.2	300.6[r]	353.1[r]	424.6	347.0[r]	353.1[r]	397.8[r]	395.2[r]	416.0[r]	424.6	425.2
59 Net interbank transactions	−6.5	−9.0	−10.6	−32.1	−11.6	−10.6	−1.6	−8.1	−22.1	−32.1	−2.2
60 Security repurchase agreements	67.8	90.7[r]	90.0[r]	162.0	72.1[r]	90.0[r]	68.4[r]	109.2[r]	126.0[r]	162.0	203.8
61 Taxes payable	48.8	61.3[r]	74.7[r]	88.5	68.9[r]	74.7[r]	72.3[r]	74.3[r]	84.2[r]	88.5	84.9
62 Miscellaneous	−983.1[r]	−1,260.8[r]	−1,650.8[r]	−1,960.4	−1,492.7[r]	−1,650.8[r]	−1,606.0[r]	−1,745.9[r]	−1,789.5[r]	−1,960.4	−2,070.6
Floats not included in assets (−)											
63 Federal government checkable deposits	3.4	3.1	−1.6	−8.1	−1.7	−1.6	−9.7	−6.8	−7.8	−8.1	−10.4
64 Other checkable deposits	38.0	34.2	30.1	26.2	23.1	30.1	25.6	27.9	19.5	26.2	19.9
65 Trade credit	−245.8	−258.1[r]	−290.3[r]	−297.5	−359.7[r]	−290.3[r]	−345.8[r]	−371.8[r]	−380.2[r]	−297.5	−364.2
66 **Total identified to sectors as assets**	**47,852.8[r]**	**53,850.5[r]**	**59,735.7[r]**	**67,780.8**	**57,680.3[r]**	**59,735.7[r]**	**60,596.4[r]**	**63,840.5[r]**	**66,447.6[r]**	**67,780.8**	**71,579.2**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.1 and L.5. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1992=100, except as noted

Measure	1995	1996	1997	1997 Aug.	1997 Sept.	1997 Oct.	1997 Nov.	1997 Dec.	1998[r] Jan.	1998[r] Feb.	1998[r] Mar.	1998[r] Apr.
1 **Industrial production**[1]	**114.5**	**118.5**	**124.5**	**125.2**	**125.6**	**126.5**	**127.5**	**127.9**	**127.8**	**127.4**	**127.7**	**127.8**
Market groupings												
2 Products, total	110.6	113.7	118.5	119.2	119.1	120.2	121.2	121.0	121.3	120.6	121.0	121.2
3 Final, total	111.3	114.6	119.6	120.5	120.3	121.5	122.5	122.2	122.6	121.6	122.0	122.3
4 Consumer goods	109.9	111.8	114.4	114.6	114.5	115.9	116.7	115.9	116.6	115.2	115.5	115.5
5 Equipment	113.8	119.6	128.8	130.9	130.6	131.3	132.8	133.4	133.1	133.0	133.7	134.5
6 Intermediate	108.3	110.8	115.1	115.3	115.2	116.3	117.3	117.4	117.4	117.6	117.7	117.5
7 Materials	120.8	126.2	134.1	134.9	136.1	136.7	137.7	138.9	138.2	138.2	138.5	138.5
Industry groupings												
8 Manufacturing	116.0	120.2	127.0	127.9	128.0	129.1	130.4	130.9	131.1	130.7	130.5	130.8
9 Capacity utilization, manufacturing (percent)[2]	82.8	81.4	81.7	81.8	81.6	81.9	82.3	82.3	82.1	81.5	81.0	80.8
10 Construction contracts[3]	122.0	130.7[r]	140.8[r]	140.0[r]	141.0[r]	141.0[r]	141.0[r]	141.0[r]	140.0	141.0	135.0	135.0
11 Nonagricultural employment, total[4]	114.9	117.2	119.9	120.1	120.4	120.7	121.1	121.5	121.9	122.1	122.1	122.4
12 Goods-producing, total	98.3	99.0	100.3	100.4	100.4	100.6	100.9	101.3	101.9	102.0	101.6	101.7
13 Manufacturing, total	97.5	97.2	97.6	97.7	97.7	97.9	98.1	98.3	98.5	98.6	98.5	98.5
14 Manufacturing, production workers	99.0	98.4	98.9	98.9	99.0	99.2	99.5	99.7	99.9	100.0	99.9	99.8
15 Service-producing	120.2	123.0	126.2	126.5	126.8	127.2	127.6	127.9	128.3	128.6	128.7	129.0
16 Personal income, total	158.2	167.0	176.8	177.8	178.3	179.2	180.5	181.3	182.3	183.4	184.0	184.8
17 Wages and salary disbursements	150.9	159.8	170.6	171.7	172.3	173.5	175.6	176.4	177.7	179.2	179.7	180.5
18 Manufacturing	130.4	135.7	142.0	142.1	142.8	144.4	145.7	146.4	146.6	147.0	147.1	146.7
19 Disposable personal income[5]	158.7	166.2	174.4	175.2	175.8	176.6	177.7	178.4	179.0	179.9	180.5	181.1
20 Retail sales[5]	151.5[r]	159.6[r]	166.9[r]	168.5[r]	168.0[r]	167.8[r]	168.4[r]	169.1[r]	170.8	172.2	172.2	173.1
Prices[6]												
21 Consumer (1982–84=100)	152.4	156.9	160.5	160.8	161.2	161.6	161.5	161.3	161.6	161.9	162.2	162.5
22 Producer finished goods (1982=100)	127.9	131.3	131.8	131.7	131.8	132.3	131.7	131.1	130.2	130.1	129.7	130.0

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in December 1997. The recent annual revision is described in an article in the February 1998 issue of the *Bulletin*. For a description of the aggregation methods for industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. For details about the construction of individual industrial production series, see "Industrial Production. 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.
2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.
3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.
4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.
5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.
6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

NOTE. Basic data (not indexes) for series mentioned in notes 4 and 5, and indexes for series mentioned in notes 3 and 6, can also be found in the *Survey of Current Business*.

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590–605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1995	1996	1997	1997 Sept.	1997 Oct.	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.[r]	1998 Apr.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	132,304	133,943	126,297	136,439	136,406	136,864	137,169	137,493	137,557	137,523	137,242
Employment											
2 Nonagricultural industries[3]	121,460	123,264	126,159	126,339	126,583	127,191	127,392	127,764	127,829	127,862	128,033
3 Agriculture	3,440	3,443	3,399	3,422	3,327	3,384	3,385	3,319	3,335	3,132	3,350
Unemployment											
4 Number	7,404	7,236	6,739	6,678	6,496	6,289	6,392	6,409	6,393	6,529	5,859
5 Rate (percent of civilian labor force)	5.6	5.4	4.9	4.9	4.8	4.6	4.7	4.7	4.6	4.7	4.3
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**117,191**	**119,523**	**122,257**	**122,792**	**123,083**	**123,512**	**123,866**	**124,265**	**124,524[r]**	**124,500**	**124,762**
7 Manufacturing	18,524	18,457	18,538	18,553	18,590	18,634	18,674	18,722	18,723	18,716	18,706
8 Mining	581	574	573	576	574	572	574	574	573[r]	570	566
9 Contract construction	5,160	5,400	5,627	5,642	5,650	5,682	5,747	5,843	5,878[r]	5,793	5,828
10 Transportation and public utilities	6,132	6,261	6,426	6,473	6,497	6,495	6,478	6,516	6,544[r]	6,559	6,557
11 Trade	27,565	28,108	28,788	28,902	28,970	29,132	29,196	29,242	29,270[r]	29,258	29,313
12 Finance	6,806	6,899	7,053	7,082	7,108	7,132	7,151	7,170	7,190	7,218	7,248
13 Service	33,117	34,377	35,597	35,850	35,945	36,102	36,276	36,417	36,534[r]	36,572	36,711
14 Government	19,305	19,447	19,655	19,714	19,749	19,763	19,770	19,781	19,812	19,814	19,833

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.
2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.
3. Includes self-employed, unpaid family, and domestic service workers
4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1997 Q2	1997 Q3	1997 Q4	1998 Q1[r]	1997 Q2	1997 Q3	1997 Q4	1998 Q1	1997 Q2	1997 Q3	1997 Q4	1998 Q1[r]
	Output (1992=100)				Capacity (percent of 1992 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**123.3**	**125.1**	**127.3**	**127.6**	**149.6**	**151.3**	**153.0**	**154.8**	**82.4**	**82.7**	**83.2**	**82.4**
2 Manufacturing	125.7	127.6	130.1	130.8	154.3	156.3	158.3	160.4	81.5	81.6	82.2	81.5
3 Primary processing[3]	117.7	118.5	119.8	120.2	136.9	138.0	139.2	140.4	86.0	85.8	86.0	85.6
4 Advanced processing[4]	129.7	132.1	135.3	136.0	163.2	165.7	168.1	170.7	79.5	79.8	80.4	79.7
5 Durable goods	140.2	143.7	147.2	148.1	173.8	177.2	180.6	184.2	80.7	81.1	81.5	80.4
6 Lumber and products	116.4	114.9	114.7	116.0	138.6	140.0	141.3	142.2	84.0	82.1	81.2	81.6
7 Primary metals	123.8	125.5	127.8	127.6	136.0	137.2	138.5	140.1	91.0	91.5	92.3	91.1
8 Iron and steel	122.6	122.8	126.5	126.1	135.4	136.6	137.9	139.4	90.6	89.9	91.8	90.5
9 Nonferrous	125.3	128.8	129.4	129.5	136.4	137.7	138.9	140.7	91.8	93.5	93.2	92.0
10 Industrial machinery and equipment	168.2	173.9	177.6	180.5	199.0	204.4	210.0	215.9	84.5	85.1	84.6	83.6
11 Electrical machinery	226.6	236.6	246.0	253.8	276.7	289.1	301.9	315.6	81.9	81.9	81.5	80.4
12 Motor vehicles and parts	130.5	136.7	144.0	137.3	182.6	184.7	186.7	188.8	71.4	74.0	77.1	72.7
13 Aerospace and miscellaneous transportation equipment	92.8	95.6	98.6	101.6	123.4	124.1	124.8	125.4	75.2	77.1	79.0	81.0
14 Nondurable goods	110.7	111.1	112.6	113.1	134.3	135.0	135.7	136.5	82.4	82.3	82.9	82.9
15 Textile mill products	108.5	110.9	111.5	110.1	131.1	131.7	132.3	132.9	82.8	84.3	84.3	82.9
16 Paper and products	112.2	114.1	113.5	112.8	125.5	126.0	126.7	127.4	89.4	90.5	89.6	88.5
17 Chemicals and products	114.8	114.8	117.1	118.4	145.1	146.3	147.5	148.7	79.1	78.5	79.4	79.6
18 Plastics materials	127.6	130.6	131.4	..	138.1	140.0	141.9	..	92.4	93.3	92.6	...
19 Petroleum products	111.0	109.5	109.8	111.9	114.7	115.2	115.7	116.2	96.8	95.1	94.9	96.3
20 Mining	106.0	106.4	105.9	107.9	117.9	118.1	118.2	118.4	89.9	90.1	89.6	91.1
21 Utilities	111.7	114.0	115.5	110.8	126.3	126.7	127.1	127.4	88.5	90.0	90.9	86.9
22 Electric	111.3	114.2	115.7	112.1	124.6	125.0	125.4	125.7	89.3	91.4	92.3	89.1

Series	1973 High	1975 Low	Previous cycle[5] High	Previous cycle[5] Low	Latest cycle[6] High	Latest cycle[6] Low	1997 Apr.	1997 Nov.	1997 Dec.	1998 Jan.[r]	1998 Feb.[r]	1998 Mar.	1998 Apr.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.1**	**85.4**	**78.1**	**82.6**	**83.3**	**83.3**	**82.9**	**82.3**	**82.2**	**81.9**
2 Manufacturing	88.5	70.5	86.9	69.0	85.7	76.6	81.6	82.3	82.3	82.1	81.5	81.0	80.8
3 Primary processing[3]	91.2	68.2	88.1	66.2	88.9	77.7	86.2	86.2	86.3	86.1	85.6	85.1	84.8
4 Advanced processing[4]	87.2	71.8	86.7	70.4	84.2	76.1	79.6	80.6	80.5	80.3	79.6	79.1	79.1
5 Durable goods	89.2	68.9	87.7	63.9	84.6	73.1	80.8	81.8	81.7	81.0	80.3	79.9	79.6
6 Lumber and products	88.7	61.2	87.9	60.8	93.6	75.5	83.9	82.8	80.7	80.8	82.1	81.8	82.1
7 Primary metals	100.2	65.9	94.2	45.1	92.7	73.7	90.2	93.1	91.6	92.7	91.1	89.5	88.5
8 Iron and steel	105.8	66.6	95.8	37.0	95.2	71.8	89.8	92.1	91.2	92.2	90.8	88.4	87.6
9 Nonferrous	90.8	59.8	91.1	60.1	89.3	74.2	90.8	94.4	92.3	93.6	91.6	90.9	89.8
10 Industrial machinery and equipment	96.0	74.3	93.2	64.0	85.4	72.3	85.2	84.6	84.3	84.3	83.0	83.5	83.1
11 Electrical machinery	89.2	64.7	89.4	71.6	84.0	75.0	82.1	82.0	81.6	81.4	80.5	79.5	79.0
12 Motor vehicles and parts	93.4	51.3	95.0	45.5	89.1	55.9	71.3	78.1	78.2	73.5	72.4	72.2	73.0
13 Aerospace and miscellaneous transportation equipment	78.4	67.6	81.9	66.6	87.3	79.2	74.7	78.5	80.5	81.3	81.2	80.6	79.9
14 Nondurable goods	87.8	71.7	87.5	76.4	87.3	80.7	82.7	83.0	83.0	83.4	82.9	82.3	82.3
15 Textile mill products	91.4	60.0	91.2	72.3	90.4	77.7	83.4	85.1	83.4	84.3	82.6	81.7	81.4
16 Paper and products	97.1	69.2	96.1	80.6	93.5	85.0	89.7	89.7	89.9	88.4	89.9	87.3	86.8
17 Chemicals and products	87.6	69.7	84.6	69.9	86.2	79.3	79.6	78.9	79.9	80.1	79.5	79.3	79.0
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	93.0	93.0	93.7	93.9	90.3	...	...
19 Petroleum products	96.7	81.1	90.0	66.8	88.5	85.1	96.2	93.8	94.6	96.7	95.7	96.6	97.1
20 Mining	94.3	88.2	96.0	80.3	88.0	87.0	89.5	89.7	89.4	91.6	91.1	90.7	90.5
21 Utilities	96.2	82.9	89.1	75.9	92.6	83.4	89.2	90.7	89.9	85.4	85.2	90.2	88.4
22 Electric	99.0	82.7	88.2	78.9	95.0	87.1	90.6	91.5	91.0	87.7	87.9	91.8	89.6

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in December 1997. The recent annual revision is described in an article in the February 1998 issue of the *Bulletin*. For a description of the aggregation methods for industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. For details about the construction of individual industrial production series, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; synthetic materials; fertilizer materials; petroleum products; rubber and plastics; stone, clay, and glass; primary metals; and fabricated metals.

4. Advanced processing includes foods; tobacco; apparel; furniture and fixtures, printing and publishing; chemical products such as drugs and toiletries; agricultural chemicals; leather and products; machinery; transportation equipment; instruments; and miscellaneous manufactures.

5. Monthly highs, 1978–80; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1992 proportion	1997 avg.	1997 Apr.	1997 May	1997 June	1997 July	1997 Aug.	1997 Sept	1997 Oct.	1997 Nov.	1997 Dec.	1998 Jan.[r]	1998 Feb.[r]	1998 Mar.	1998 Apr.[p]
			Index (1992 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**124.5**	**123.1**	**123.3**	**123.5**	**124.5**	**125.2**	**125.6**	**126.5**	**127.5**	**127.9**	**127.8**	**127.4**	**127.7**	**127.8**
2 Products	60.5	118.5	117.2	117.7	117.6	118.1	119.2	119.1	120.2	121.2	121.0	121.3	120.6	121.0	121.2
3 Final products	46.3	119.6	118.0	118.6	118.6	119.2	120.5	120.3	121.5	122.5	122.2	122.6	121.6	122.0	122.3
4 Consumer goods, total	29.1	114.4	113.4	113.9	113.5	113.9	114.6	114.5	115.9	116.7	115.9	116.6	115.2	115.5	115.5
5 Durable consumer goods	6.1	131.3	127.4	128.8	129.8	128.1	132.1	131.9	131.4	136.5	134.7	135.6	134.3	134.3	135.5
6 Automotive products	2.6	129.9	122.3	124.6	126.7	120.3	131.6	132.8	131.2	138.4	133.8	132.6	131.0	131.2	132.3
7 Autos and trucks	1.7	136.5	124.4	127.6	130.3	120.2	137.6	140.9	139.7	147.8	142.7	139.9	137.2	135.1	139.3
8 Autos, consumer	.9	115.2	110.7	112.4	110.8	113.0	118.6	119.9	115.2	120.3	113.9	116.0	105.7	105.2	107.7
9 Trucks, consumer	.7	159.1	142.7	147.3	154.2	131.9	161.2	166.5	168.6	179.8	175.7	168.2	172.7	168.8	174.8
10 Auto parts and allied goods	.9	119.3	118.2	119.1	120.3	119.3	121.8	120.1	117.9	123.8	120.1	120.9	121.0	124.5	121.0
11 Other	3.5	132.3	131.4	132.1	132.3	134.4	132.5	131.1	131.5	135.0	135.3	138.0	136.9	136.8	138.2
12 Appliances, televisions, and air conditioners	1.0	168.6	164.2	166.5	165.4	174.8	169.8	166.0	169.4	177.2	178.7	186.4	188.1	191.1	197.2
13 Carpeting and furniture	.8	117.0	116.7	117.7	119.0	116.4	117.7	116.2	116.5	122.1	116.8	122.5	118.1	115.2	117.1
14 Miscellaneous home goods	1.6	120.0	120.3	120.2	120.3	122.1	119.8	119.4	118.6	119.2	122.1	121.0	120.8	120.8	120.2
15 Nondurable consumer goods	23.0	110.2	109.9	110.1	109.4	110.3	110.3	110.2	112.1	111.8	111.3	112.0	110.5	110.9	110.6
16 Foods and tobacco	10.3	109.3	109.1	108.9	108.1	109.6	108.9	108.6	109.7	110.7	110.0	113.0	112.0	111.2	111.6
17 Clothing	2.4	95.9	96.5	95.8	95.4	95.8	96.0	96.0	96.4	95.1	95.1	95.2	93.5	94.0	93.6
18 Chemical products	4.5	119.1	118.4	119.3	119.1	117.3	119.4	119.4	123.0	121.3	121.8	122.9	121.7	121.5	121.4
19 Paper products	2.9	109.3	108.2	108.9	109.8	110.8	109.8	110.1	111.3	111.7	110.1	110.2	107.9	105.6	105.3
20 Energy	2.9	111.3	111.9	112.8	109.7	112.4	112.8	112.4	116.2	113.9	113.5	107.4	105.1	111.8	109.9
21 Fuels	.8	109.3	109.6	111.3	111.5	108.8	111.0	110.8	112.0	106.7	109.3	110.5	110.0	110.1	110.5
22 Residential utilities	2.1	112.0	112.6	113.0	108.3	113.7	113.2	112.8	117.8	117.1	115.1	105.4	102.2	112.2	109.1
23 Equipment	17.2	128.8	126.0	126.8	127.7	128.6	130.9	130.6	131.3	132.8	133.4	133.1	133.0	133.7	134.5
24 Business equipment	13.2	141.9	137.9	139.0	140.2	141.6	144.6	144.4	145.5	147.5	148.6	147.3	146.7	147.8	149.2
25 Information processing and related	5.4	168.1	163.0	164.4	166.8	169.3	171.1	172.9	174.3	174.7	176.0	175.4	177.4	177.9	181.4
26 Computer and office equipment	1.1	385.6	358.4	365.3	375.8	391.6	407.1	414.6	420.3	427.3	440.1	457.1	473.1	494.1	509.1
27 Industrial	4.0	133.3	131.6	131.5	131.7	133.7	135.8	133.8	135.9	136.3	137.8	136.4	134.3	135.6	134.7
28 Transit	2.5	111.2	104.6	106.7	107.3	106.9	113.3	114.2	113.0	119.9	121.2	119.8	117.9	119.5	121.2
29 Autos and trucks	1.2	119.7	112.5	114.6	113.6	111.5	120.3	120.2	117.0	128.2	124.6	121.1	116.4	120.6	123.9
30 Other	1.3	135.0	134.4	135.2	136.3	136.3	137.9	135.1	137.5	137.3	136.2	133.6	132.6	133.9	135.8
31 Defense and space equipment	3.3	75.2	75.4	75.6	76.0	74.9	75.0	74.7	74.7	74.5	74.5	75.7	76.0	75.4	75.7
32 Oil and gas well drilling	.6	149.7	151.4	150.7	150.9	152.1	153.2	153.1	149.1	150.0	145.9	154.0	158.9	158.6	150.5
33 Manufactured homes	.2	139.1	142.9	141.9	139.1	143.5	139.5	137.2	136.9	138.1	132.4	144.0	148.6	..	...
34 Intermediate products, total	14.2	115.1	114.7	114.9	114.7	114.6	115.3	115.2	116.3	117.3	117.4	117.4	117.6	117.7	117.5
35 Construction supplies	5.3	121.8	121.8	122.2	122.2	121.2	122.7	120.4	121.3	123.6	123.2	125.2	125.9	125.1	124.9
36 Business supplies	8.9	111.1	110.6	110.6	110.2	110.6	111.0	112.2	113.4	113.5	113.9	112.9	112.7	113.3	113.2
37 Materials	39.5	134.1	132.5	132.4	133.0	134.9	134.9	136.1	136.7	137.7	138.9	138.2	138.2	138.5	138.5
38 Durable goods materials	20.8	158.2	155.1	155.4	156.9	159.3	160.3	161.3	163.2	165.0	166.5	166.2	165.8	165.9	166.1
39 Durable consumer parts	4.0	139.2	137.1	134.7	136.2	139.2	140.3	140.7	141.8	142.3	146.9	138.5	139.4	138.7	138.3
40 Equipment parts	7.6	221.9	213.4	216.7	220.0	224.6	227.6	229.6	233.3	237.9	240.9	245.5	246.3	247.5	248.4
41 Other	9.2	125.5	124.7	124.5	125.0	125.9	126.0	126.6	127.8	128.8	128.3	128.8	127.3	127.2	127.3
42 Basic metal materials	3.1	120.6	118.8	119.9	121.2	121.1	121.8	121.7	122.5	124.9	122.2	125.0	124.5	122.2	121.9
43 Nondurable goods materials	8.9	113.0	113.0	111.8	111.9	113.5	112.3	113.3	113.1	114.4	116.0	114.5	115.5	114.1	113.9
44 Textile materials	1.1	109.3	109.4	106.1	108.1	112.3	108.4	111.4	111.9	111.0	112.5	107.9	108.8	107.9	106.8
45 Paper materials	1.8	112.6	112.6	112.6	110.9	113.8	114.3	112.7	113.4	112.2	113.7	112.3	113.7	110.1	109.8
46 Chemical materials	3.9	115.2	115.4	113.8	113.8	115.1	113.9	115.6	115.0	116.5	119.1	119.2	119.0	118.3	118.2
47 Other	2.1	110.3	109.7	109.5	110.8	110.1	108.6	109.5	109.0	113.7	113.3	109.4	112.5	111.5	111.7
48 Energy materials	9.7	103.9	103.7	103.7	103.2	104.6	103.9	105.5	104.7	103.9	104.2	103.7	103.5	105.6	105.3
49 Primary energy	6.3	101.7	101.7	102.1	101.0	102.3	102.4	102.2	101.7	101.4	100.7	102.8	102.4	103.2	103.1
50 Converted fuel materials	3.3	108.3	107.6	106.8	107.3	109.0	106.8	111.8	110.6	108.6	110.9	105.5	105.5	110.2	109.7
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.1	124.3	123.2	123.4	123.6	124.8	125.1	125.4	126.5	127.2	127.7	127.7	127.4	127.7	127.7
52 Total excluding motor vehicles and parts	95.1	123.8	122.7	123.0	123.1	124.3	124.6	124.8	125.9	126.6	127.0	127.3	126.9	127.2	127.3
53 Total excluding computer and office equipment	98.2	121.9	120.7	120.9	121.1	122.0	122.6	122.9	123.8	124.8	125.1	124.9	124.4	124.6	124.6
54 Consumer goods excluding autos and trucks	27.4	113.2	112.8	113.1	112.5	113.5	113.4	113.0	114.6	115.0	114.4	115.4	114.0	114.4	114.2
55 Consumer goods excluding energy	26.2	114.8	113.6	114.0	114.0	114.1	114.9	114.7	115.9	117.0	116.2	117.9	116.6	116.0	116.3
56 Business equipment excluding autos and trucks	12.0	144.5	141.0	141.9	143.4	145.2	147.5	147.3	149.0	149.7	151.5	150.5	150.3	151.0	152.3
57 Business equipment excluding computer and office equipment	12.1	129.1	126.0	126.9	127.7	128.6	131.2	130.8	131.8	133.5	134.4	132.7	131.6	132.2	133.2
58 Materials excluding energy	29.8	143.7	141.6	141.4	142.5	144.6	144.8	145.8	147.0	148.6	150.2	149.4	149.5	149.1	149.2

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

Group	SIC[2] code	1992 proportion	1997 avg.	1997 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1998 Jan[r]	Feb.[r]	Mar.	Apr.[p]
				Index (1992 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	. .	**100.0**	**124.5**	**123.1**	**123.3**	**123.5**	**124.5**	**125.2**	**125.6**	**126.5**	**127.5**	**127.9**	**127.8**	**127.4**	**127.7**	**127.8**
60 Manufacturing	. . .	85.4	127.0	125.4	125.7	126.1	126.9	127.9	128.0	129.1	130.4	130.9	131.1	130.7	130.5	130.8
61 Primary processing	. . .	26.5	118.1	117.7	117.7	117.7	118.3	118.5	118.6	118.9	120.0	120.5	120.6	120.3	119.8	119.7
62 Advanced processing	. . .	58.9	131.4	129.2	129.6	130.2	131.2	132.5	132.7	134.1	135.5	136.1	136.4	135.9	135.8	136.4
63 Durable goods	. .	45.0	142.3	139.5	140.1	141.2	142.4	144.3	144.4	145.5	147.7	148.6	148.3	147.8	148.1	148.7
64 Lumber and products	24	2.0	114.9	115.9	116.4	117.0	116.1	115.4	113.3	112.9	117.0	114.4	114.8	116.8	116.5	117.1
65 Furniture and fixtures	25	1.4	122.5	123.5	123.3	123.5	124.2	121.1	122.0	123.0	124.1	124.4	122.5	120.6	121.1	121.3
66 Stone, clay, and glass products	32	2.1	120.5	121.1	119.4	120.0	120.9	120.5	121.2	121.0	122.1	123.4	122.3	121.5	121.9	121.5
67 Primary metals	33	3.1	124.5	122.3	124.2	124.9	125.2	125.5	125.9	127.4	128.9	127.2	129.3	127.7	126.0	125.3
68 Iron and steel	331,2	1.7	122.8	121.2	123.9	122.6	122.2	121.8	124.5	126.4	127.0	126.1	127.9	126.7	123.8	123.2
69 Raw steel	331PT	.1	115.9	115.1	115.4	114.9	115.5	116.1	119.2	117.7	120.9	119.2	122.8	123.7	119.5	118.7
70 Nonferrous	333–6,9	1.4	126.4	123.5	124.6	127.7	128.8	129.9	127.7	128.6	131.1	128.5	131.0	128.9	128.6	127.9
71 Fabricated metal products	34	5.0	122.9	122.5	122.7	121.9	122.4	122.8	122.7	124.4	124.7	126.7	125.6	124.4	124.6	124.0
72 Industrial machinery and equipment	35	8.0	171.4	167.8	168.0	168.8	172.2	175.9	173.7	176.5	177.7	178.6	180.3	179.3	181.9	182.8
73 Computer and office equipment	357	1.8	382.3	354.1	361.4	372.3	388.5	403.9	412.0	418.0	425.7	438.3	457.1	473.3	494.8	509.8
74 Electrical machinery	36	7.3	231.5	223.7	226.3	229.7	235.5	236.8	237.5	240.8	247.4	249.9	252.9	254.0	254.5	256.9
75 Transportation equipment	37	9.5	115.6	110.7	110.8	113.0	112.2	117.0	118.8	118.3	121.6	123.4	119.9	119.2	118.9	119.6
76 Motor vehicles and parts	371	4.9	137.2	129.7	129.2	132.5	130.0	138.9	141.2	139.6	145.9	146.6	138.3	136.7	136.8	138.9
77 Autos and light trucks	371PT	2.6	128.3	117.8	120.6	122.4	115.0	129.5	132.3	130.4	137.7	132.5	130.8	126.7	124.9	128.7
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.6	94.4	92.0	92.7	93.8	94.6	95.5	96.8	97.3	97.9	100.6	101.8	101.9	101.3	100.5
79 Instruments	38	5.4	108.0	106.6	107.6	107.9	108.0	109.2	108.9	109.7	109.5	109.0	109.0	109.4	109.0	110.1
80 Miscellaneous	39	1.3	125.9	125.1	125.5	126.0	127.0	126.7	126.1	126.5	126.2	128.5	128.0	128.5	128.3	128.9
81 Nondurable goods	. .	40.4	111.1	110.8	110.7	110.5	110.9	111.0	111.3	112.2	112.6	112.9	113.6	113.1	112.4	112.6
82 Foods	20	9.4	109.6	109.2	109.2	108.8	110.0	108.9	108.6	109.2	110.9	110.9	112.9	112.2	111.4	112.0
83 Tobacco products	21	1.6	112.7	113.0	111.5	109.0	110.5	112.5	112.0	118.8	115.9	110.1	116.9	115.9	114.9	114.1
84 Textile mill products	22	1.8	109.6	109.2	107.2	109.1	110.7	110.7	111.4	111.6	112.5	110.4	111.8	109.7	108.8	108.5
85 Apparel products	23	2.2	99.6	99.8	99.8	99.6	99.7	99.1	99.1	99.3	98.6	99.3	99.3	97.7	97.7	97.5
86 Paper and products	26	3.6	112.9	112.4	112.6	111.7	114.2	114.4	113.7	112.8	113.6	114.1	112.4	114.5	111.5	111.1
87 Printing and publishing	27	6.7	104.9	104.4	104.5	104.1	104.1	104.4	105.1	106.7	107.4	107.1	106.5	105.7	104.5	104.6
88 Chemicals and products	28	9.9	115.3	115.2	114.5	114.6	114.3	114.5	115.6	116.7	116.5	118.2	118.7	118.2	118.1	117.9
89 Petroleum products	29	1.4	110.1	110.1	111.4	111.3	108.9	109.7	110.1	111.2	108.6	109.7	112.3	111.1	112.4	113.0
90 Rubber and plastic products	30	3.5	126.4	124.4	125.4	125.6	126.0	127.9	127.6	127.4	129.6	129.3	129.3	129.5	129.9	131.3
91 Leather and products	31	.3	73.7	75.9	75.3	74.0	74.0	71.2	70.9	72.4	71.0	71.3	69.4	70.9	68.9	67.4
92 Mining	. . .	6.9	106.0	105.5	106.7	105.7	106.5	106.3	106.5	105.9	106.1	105.7	108.4	107.8	107.4	107.2
93 Metal	10	.5	106.9	105.3	105.9	109.9	105.2	106.0	105.3	111.1	113.2	103.8	105.3	113.2	107.0	107.9
94 Coal	12	1.0	109.9	105.4	115.9	107.4	112.1	107.7	109.5	109.6	111.2	117.4	116.0	108.4	109.4	110.6
95 Oil and gas extraction	13	4.8	103.2	103.8	103.4	102.9	103.9	104.1	104.3	103.1	102.6	101.7	105.0	105.2	105.4	104.6
96 Stone and earth minerals	14	.6	118.8	116.8	118.2	120.9	117.8	119.9	117.7	116.2	119.2	120.2	124.3	122.6	118.6	120.0
97 Utilities	. . .	7.7	112.5	112.5	111.8	110.9	113.8	113.0	115.1	116.9	115.3	114.3	108.7	108.5	115.1	112.8
98 Electric	491,493PT	6.2	113.1	112.7	110.4	110.7	113.8	113.1	115.7	118.1	114.7	114.2	110.2	110.6	115.5	112.9
99 Gas	492,493PT	1.6	111.0	111.5	117.1	111.9	113.5	112.5	112.7	111.9	117.8	115.0	103.0	100.7	113.4	112.5
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	. .	80.5	126.4	125.2	125.5	125.7	126.7	127.2	127.3	128.4	129.4	130.0	130.7	130.3	130.1	130.4
101 Manufacturing excluding office and computing machines	. . .	83.6	124.1	122.7	122.9	123.2	123.9	124.8	124.9	125.9	127.2	127.6	127.8	127.2	126.9	127.2
				Gross value (billions of 1992 dollars, annual rates)												
MAJOR MARKETS																
102 **Products, total**	.	**2,001.9**	**2,373.2**	**2,353.4**	**2,365.8**	**2,365.3**	**2,368.4**	**2,402.0**	**2,396.9**	**2,416.1**	**2,442.2**	**2,435.3**	**2,442.8**	**2,428.0**	**2,437.0**	**2,444.5**
103 Final	.	1,552.1	1,855.8	1,832.9	1,844.4	1,844.6	1,849.1	1,879.3	1,875.6	1,890.6	1,911.0	1,904.9	1,911.9	1,895.8	1,903.9	1,911.9
104 Consumer goods	.	1,049.6	1,195.5	1,187.7	1,194.1	1,190.2	1,191.0	1,205.2	1,203.3	1,215.9	1,224.1	1,215.7	1,224.6	1,210.9	1,213.0	1,215.3
105 Equipment	. .	502.5	660.0	644.8	649.8	654.1	657.8	674.0	672.3	674.5	686.9	689.4	687.3	685.1	691.2	697.0
106 Intermediate	.	449.9	518.1	520.6	521.7	521.0	519.9	523.7	522.2	526.5	532.3	531.4	532.0	532.8	533.8	533.5

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in December 1997. The recent annual revision is described in an article in the February 1998 issue of the *Bulletin*. For a description of the aggregation methods for industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. For details about the construction of individual industrial production series, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76, (April 1990), pp. 187–204.

2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1995	1996	1997	1997 June	1997 July	1997 Aug.	1997 Sept.	1997 Oct.	1997 Nov.	1997 Dec.	1998[r] Jan.	1998[r] Feb.	1998[r] Mar.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,333	1,426	1,442	1,398[r]	1,441[r]	1,445[r]	1,475[r]	1,502[r]	1,475[r]	1,467[r]	1,553	1,635	1,569
2 One-family	997	1,070	1,056	1,051[r]	1,052[r]	1,059[r]	1,084[r]	1,106[r]	1,102[r]	1,094[r]	1,142	1,176	1,136
3 Two-family or more	335	356	387	347[r]	389[r]	386[r]	391[r]	396[r]	373[r]	373[r]	411	459	433
4 Started	1,354	1,477	1,474	1,502	1,461	1,383	1,501	1,529	1,523	1,540	1,545	1,616	1,575
5 One-family	1,076	1,161	1,134	1,132	1,144	1,076	1,174	1,124	1,167	1,130	1,225	1,263	1,232
6 Two-family or more	278	316	340	370	317	307	327	405	356	410	320	353	343
7 Under construction at end of period[1]	776	820	834	828	836	834	843	853	862	872[r]	888	908	913
8 One-family	554	584	570	566	570	567	571	574	575	580[r]	593	609	617
9 Two-family or more	222	235	264	262	266	267	272	279	287	292	295	299	296
10 Completed	1,319	1,405	1,407	1,307	1,331	1,335	1,433	1,384	1,432	1,413[r]	1,314	1,451	1,488
11 One-family	1,073	1,123	1,122	1,097	1,074	1,062	1,133	1,063	1,145	1,094[r]	1,007	1,131	1,132
12 Two-family or more	247	283	285	210	257	273	300	321	287	319[r]	307	320	356
13 Mobile homes shipped	341	361	354	353	356	354	351	349	352	353	362	377	374
Merchant builder activity in one-family units													
14 Number sold	667	757	803	810	808	799	809	805	875	805[r]	847	872	828
15 Number for sale at end of period[1]	374	326	287[r]	288	288	286	284	284	280	282[r]	283	284	290
Price of units sold (thousands of dollars)[2]													
16 Median	133.9	140.0	145.9	145.0	145.9	144.0	146.3	141.5	145.0	145.9[r]	148.0	155.0	153.9
17 Average	158.7	166.4	175.8	179.4	175.5	170.7	177.5	172.9	175.4	175.8[r]	179.3	179.6	183.5
EXISTING UNITS (one-family)													
18 Number sold	3,812	4,087	4,215	4,120	4,180	4,280	4,300	4,380	4,390	4,370	4,370	4,770	4,890
Price of units sold (thousands of dollars)[2]													
19 Median	113.1	118.2	124.1	127.2	126.5	127.5	125.8	124.4	124.3	125.9	126.1	124.5	127.1
20 Average	139.1	145.5	154.2	158.4	157.6	159.1	155.4	154.7	155.0	157.5	156.8	153.9	157.2
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 Total put in place	**534,463**	**567,179**	**600,116**	**594,195**	**603,002**	**603,684**	**605,748**	**611,742**	**610,933**	**616,027**	**619,733**	**624,635**	**624,995**
22 Private	407,370	435,929	461,401	456,927	464,326	465,236	468,822	469,560	470,041	475,262	483,253	486,346	489,255
23 Residential	231,230	246,659	259,575	257,277	258,803	259,958	263,799	265,422	267,207	270,822	275,667	279,229	283,292
24 Nonresidential	176,140	189,271	201,826	199,650	205,523	205,278	205,023	204,138	202,834	204,440	207,586	207,117	205,963
25 Industrial buildings	32,505	31,997	30,707	31,046	31,796	31,480	30,675	30,048	29,352	29,697	29,885	30,850	31,409
26 Commercial buildings	68,223	74,593	80,823	79,009	82,346	81,552	80,551	81,489	81,511	82,104	84,528	80,509	81,176
27 Other buildings	27,089	30,525	36,998	35,775	36,672	37,274	38,729	37,707	37,681	38,345	37,787	38,520	38,060
28 Public utilities and other	48,323	52,156	53,298	53,820	54,709	54,972	55,068	54,894	54,290	54,294	55,386	57,238	55,318
29 Public	127,092	131,250	138,715	137,268	138,676	138,448	136,926	142,182	140,893	140,765	136,480	138,289	135,740
30 Military	2,983	2,541	2,553	2,580	2,738	2,767	2,451	2,827	2,740	2,234	2,483	2,918	2,865
31 Highway	36,319	37,898	41,148	41,531	41,087	41,715	40,126	39,484	44,271	42,114	41,718	42,986	42,012
32 Conservation and development	6,391	5,807	5,467	4,952	5,002	5,469	6,177	4,859	5,209	5,910	5,270	6,193	5,449
33 Other	81,399	85,005	89,547	88,205	89,849	88,497	88,172	95,012	88,673	90,507	87,009	86,192	85,414

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, Apr. 1998[1]
	1997 Apr.	1998 Apr.	1997			1998	1997	1998				
			June	Sept.	Dec.	Mar.	Dec.	Jan.	Feb.	Mar.	Apr.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**2.5**	**1.4**	**1.5**	**2.3**	**1.5**	**.2**	**.1**	**.0**	**.1**	**.0**	**.2**	**162.5**
2 Food	2.8	2.0	2.1	2.8	1.5	1.3	.0	.3	.0	.0	.1	159.8
3 Energy items	.0	−7.4	−11.8	8.3	−7.7	−21.1	−1.8	−2.4	−2.2	−1.2	−.1	101.9
4 All items less food and energy	2.7	2.1	2.6	1.7	2.4	2.4	.2	.2	.3	.1	.3	173.0
5 Commodities	1.1	.2	.6	−.3	.6	.8	.0	.1	.2	−.1	.1	143.8
6 Services	3.3	3.0	3.1	2.6	3.3	3.0	.3	.2	.3	.2	.4	189.7
PRODUCER PRICES (1982=100)												
7 Finished goods	.8	−1.2	−3.0	1.2	−1.2	−4.2	−.2	−.7	−.1	−.3	.2	130.0
8 Consumer foods	2.4	−.5	−3.5	−1.5	1.5	−2.1	.0r	−.6r	.4	−.4	.4	133.6
9 Consumer energy	−1.8	−8.7	−13.0	6.0	−5.7	−26.2	−.6r	−3.8r	−1.8	−1.9	−.1	74.7
10 Other consumer goods	1.0	.7	−.6	1.7	−.3	.6	−.1r	−.1	.1	.1	.3	146.2
11 Capital equipment	.2	−.6	−.9	.6	−2.0	−.3	−.1	.0r	−.1	.0	.1	137.8
Intermediate materials												
12 Excluding foods and feeds	−.2	−1.2	−1.6	.6	−.6	−4.4	−.2	−.5	−.2	−.4	.1	123.7
13 Excluding energy	.2	−.1	.3	.6	.0	−1.2	.0	−.1	−.1	−.1	.0	134.1
Crude materials												
14 Foods	−2.4	−9.0	−10.8	−5.0	4.1	−13.4	.0r	−3.4r	−.7	.7	.3	106.2
15 Energy	−12.5	−6.3	11.3	21.8	5.4	−54.6	−13.2r	−8.3r	−6.5	−4.3	3.5	71.6
16 Other	−.8	−5.8	−3.7	.3	−8.2	−14.7	−1.6r	−2.1r	.1	−1.9	−.9	147.4

1. Not seasonally adjusted.
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. U.S. Department of Labor, Bureau of Labor Statistics.

2.16 GROSS DOMESTIC PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1995	1996	1997	1997				1998
				Q1	Q2	Q3	Q4	Q1
GROSS DOMESTIC PRODUCT								
1 **Total**	**7,265.4**	**7,636.0**	**8,079.9**	**7,933.6**	**8,034.3**	**8,124.3**	**8,227.4**	**8,344.9**
By source								
2 Personal consumption expenditures	4,957.7	5,207.6	5,485.8	5,405.7	5,432.1	5,527.4	5,577.8	5,666.5
3 Durable goods	608.5	634.5	659.3	658.4	644.5	667.3	666.8	688.8
4 Nondurable goods	1,475.8	1,534.7	1,592.0	1,587.4	1,578.9	1,600.8	1,600.9	1,621.2
5 Services	2,873.4	3,038.4	3,234.5	3,159.9	3,208.7	3,259.3	3,310.0	3,356.5
6 Gross private domestic investment	1,038.2	1,116.5	1,242.5	1,193.6	1,242.0	1,250.2	1,284.1	1,352.1
7 Fixed investment	1,008.1	1,090.7	1,174.1	1,127.5	1,160.8	1,201.3	1,206.8	1,248.6
8 Nonresidential	723.0	781.4	846.9	811.3	836.3	872.0	868.0	896.3
9 Structures	200.6	215.2	230.2	227.4	226.8	232.9	233.9	230.9
10 Producers' durable equipment	522.4	566.2	616.7	583.9	609.5	639.1	634.2	665.4
11 Residential structures	285.1	309.2	327.2	316.2	324.6	329.3	338.8	352.3
12 Change in business inventories	30.1	25.9	68.4	66.1	81.1	48.9	77.2	103.5
13 Nonfarm	38.1	23.0	61.7	62.2	74.9	40.9	68.7	96.5
14 Net exports of goods and services	−86.0	−94.8	−101.1	−98.8	−88.7	−111.3	−105.3	−136.8
15 Exports	818.4	870.9	957.1	922.2	960.3	965.8	980.0	960.4
16 Imports	904.5	965.7	1,058.1	1,021.0	1,049.0	1,077.1	1,085.4	1,097.2
17 Government consumption expenditures and gross investment	1,355.5	1,406.7	1,452.7	1,433.1	1,449.0	1,457.9	1,470.9	1,463.1
18 Federal	509.6	520.0	523.8	516.1	526.1	525.7	527.3	515.3
19 State and local	846.0	886.7	928.9	917.0	923.0	932.3	943.6	947.7
By major type of product								
20 Final sales, total	7,235.3	7,610.2	8,011.5	7,867.4	7,953.2	8,075.3	8,150.2	8,241.3
21 Goods	2,637.9	2,759.3	2,876.7	2,838.4	2,854.9	2,903.2	2,910.4	2,951.5
22 Durable	1,133.9	1,212.0	1,284.0	1,248.0	1,275.3	1,305.3	1,307.3	1,335.1
23 Nondurable	1,503.9	1,547.3	1,592.8	1,590.4	1,579.6	1,597.9	1,603.1	1,616.4
24 Services	3,980.7	4,187.3	4,430.4	4,338.2	4,400.1	4,462.3	4,521.0	4,560.7
25 Structures	616.8	663.6	704.4	690.8	698.2	709.8	718.8	729.1
26 Change in business inventories	30.1	25.9	68.4	66.1	81.1	48.9	77.2	103.5
27 Durable goods	29.1	16.9	33.0	31.8	46.8	18.6	34.8	47.3
28 Nondurable goods	1.1	9.0	35.4	34.3	34.4	30.3	42.4	56.3
MEMO								
29 **Total GDP in chained 1992 dollars**	**6,742.1**	**6,928.4**	**7,188.8**	**7,101.6**	**7,159.6**	**7,214.0**	**7,280.0**	**7,365.6**
NATIONAL INCOME								
30 **Total**	**5,912.3**	**6,254.5**	**6,649.7**	**6,510.0**	**6,599.0**	**6,699.6**	**6,790.1**	**6,902.9**
31 Compensation of employees	4,215.4	4,426.9	4,703.6	4,606.3	4,663.4	4,725.2	4,819.6	4,916.7
32 Wages and salaries	3,442.6	3,633.6	3,878.6	3,792.7	3,842.7	3,897.3	3,981.6	4,066.2
33 Government and government enterprises	623.0	642.6	665.3	657.8	662.0	667.7	673.7	682.1
34 Other	2,819.6	2,991.0	3,213.3	3,134.9	3,180.8	3,229.6	3,307.9	3,384.1
35 Supplement to wages and salaries	772.9	793.3	825.0	813.6	820.7	827.9	837.9	850.5
36 Employer contributions for social insurance	366.0	385.7	408.4	401.3	405.6	410.2	416.6	425.5
37 Other labor income	406.8	407.6	416.6	412.3	415.1	417.7	421.4	425.1
38 Proprietors' income[1]	489.0	520.3	544.5	534.6	543.6	547.2	552.5	556.7
39 Business and professional[1]	465.5	483.1	503.8	494.4	500.0	506.3	514.3	524.2
40 Farm[1]	23.4	37.2	40.7	40.2	43.6	40.9	38.2	32.5
41 Rental income of persons[2]	132.8	146.3	147.9	149.0	148.7	148.0	145.7	143.6
42 Corporate profits[1]	650.0	735.9	805.0	779.6	795.1	827.3	818.1	822.5
43 Profits before tax[3]	622.6	676.6	729.8	708.4	719.8	753.4	737.3	718.4
44 Inventory valuation adjustment	−24.3	−2.5	5.5	3.5	5.9	3.6	9.2	30.2
45 Capital consumption adjustment	51.6	61.8	69.7	67.7	69.4	70.3	71.6	73.9
46 Net interest	425.1	425.1	448.7	440.5	448.1	451.8	454.2	463.3

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	1995	1996	1997	1997				1998
				Q1	Q2	Q3	Q4	Q1
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**6,150.8**	**6,495.2**	**6,873.9**	**6,746.2**	**6,829.1**	**6,906.9**	**7,013.5**	**7,125.9**
2 Wage and salary disbursements	3,429.5	3,632.5	3,877.4	3,791.5	3,841.6	3,896.1	3,980.4	4,065.0
3 Commodity-producing industries	864.4	909.1	960.3	942.9	952.8	961.4	984.1	997.9
4 Manufacturing	648.4	674.7	706.0	694.1	700.3	706.0	723.4	730.4
5 Distributive industries	783.1	823.3	876.3	856.8	867.0	880.8	900.6	919.0
6 Service industries	1,159.0	1,257.5	1,375.5	1,334.1	1,359.8	1,386.3	1,422.0	1,466.1
7 Government and government enterprises	623.0	642.6	665.3	657.8	662.0	667.7	673.7	682.1
8 Other labor income	406.8	407.6	416.6	412.3	415.1	417.7	421.4	425.1
9 Proprietors' income[1]	489.0	520.3	544.5	534.6	543.6	547.2	552.5	556.7
10 Business and professional[1]	465.5	483.1	503.8	494.4	500.0	506.3	514.3	524.2
11 Farm[1]	23.4	37.2	40.7	40.2	43.6	40.9	38.2	32.5
12 Rental income of persons[2]	132.8	146.3	147.9	149.0	148.7	148.0	145.7	143.6
13 Dividends	251.9	291.2	321.5	312.5	318.3	324.5	330.7	336.8
14 Personal interest income	718.9	735.7	768.6	757.2	766.1	772.6	778.4	783.3
15 Transfer payments	1,015.0	1,068.0	1,121.1	1,107.2	1,117.0	1,125.7	1,134.8	1,153.6
16 Old-age survivors, disability, and health insurance benefits	507.8	537.6	566.7	558.9	564.4	569.4	574.2	584.9
17 LESS: Personal contributions for social insurance	293.1	306.3	323.7	318.2	321.3	324.8	330.4	338.2
18 EQUALS: Personal income	6,150.8	6,495.2	6,873.9	6,746.2	6,829.1	6,906.9	7,013.5	7,125.9
19 LESS: Personal tax and nontax payments	795.1	886.9	988.7	955.7	979.2	998.0	1,022.1	1,059.7
20 EQUALS: Disposable personal income	5,355.7	5,608.3	5,885.2	5,790.5	5,849.9	5,908.9	5,991.4	6,066.3
21 LESS: Personal outlays	5,101.1	5,368.8	5,658.5	5,574.6	5,602.8	5,700.8	5,755.6	5,844.1
22 EQUALS: Personal saving	254.6	239.6	226.7	215.9	247.0	208.2	235.8	222.1
MEMO								
Per capita (chained 1992 dollars)								
23 Gross domestic product	25,615.7	26,085.8	26,834.0	26,597.8	26,765.0	26,897.9	27,073.3	27,340.9
24 Personal consumption expenditures	17,459.2	17,748.7	18,168.9	18,045.2	18,053.9	18,255.7	18,319.6	18,558.0
25 Disposable personal income	18,861.0	19,116.0	19,493.0	19,331.0	19,439.0	19,518.0	19,681.0	19,865.0
26 Saving rate (percent)	4.8	4.3	3.9	3.7	4.2	3.5	3.9	3.7
GROSS SAVING								
27 **Gross saving**	**1,165.5**	**1,267.8**	**1,394.3**	**1,332.9**	**1,396.9**	**1,411.6**	**1,435.8**	**1,493.6**
28 Gross private saving	1,093.1	1,125.5	1,164.2	1,134.0	1,178.1	1,159.6	1,185.2	1,184.2
29 Personal saving	254.6	239.6	226.7	215.9	247.0	208.2	235.8	222.1
30 Undistributed corporate profits[1]	172.4	202.1	219.5	211.5	217.6	230.0	218.9	224.9
31 Corporate inventory valuation adjustment	−24.3	−2.5	5.5	3.5	5.9	3.6	9.2	30.2
Capital consumption allowances								
32 Corporate	428.9	452.3	475.6	467.4	472.6	478.0	484.5	489.7
33 Noncorporate	224.1	230.5	241.2	238.0	239.7	242.4	244.9	246.4
34 Gross government saving	72.4	142.3	230.1	198.9	218.8	251.9	250.6	309.3
35 Federal	−103.6	−39.3	42.8	15.9	34.7	60.8	59.7	120.4
36 Consumption of fixed capital	70.9	71.2	71.6	71.4	71.5	71.6	71.8	71.5
37 Current surplus or deficit (−), national accounts	−174.4	−110.5	−28.8	−55.5	−36.8	−10.8	−12.1	49.0
38 State and local	176.0	181.5	187.3	182.9	184.1	191.1	190.9	188.9
39 Consumption of fixed capital	72.9	76.2	79.5	78.2	79.2	79.7	80.8	81.3
40 Current surplus or deficit (−), national accounts	103.1	105.3	107.8	104.7	104.9	111.4	110.1	107.6
41 **Gross investment**	**1,137.2**	**1,207.9**	**1,308.3**	**1,268.6**	**1,323.4**	**1,308.4**	**1,332.7**	**1,379.2**
42 Gross private domestic investment	1,038.2	1,116.5	1,242.5	1,193.6	1,242.0	1,250.2	1,284.1	1,352.1
43 Gross government investment	213.4	224.3	226.0	223.3	227.4	227.1	226.1	223.8
44 Net foreign investment	−114.4	−132.9	−160.2	−148.4	−146.0	−168.9	−177.4	−196.7
45 **Statistical discrepancy**	**−28.2**	**−59.9**	**−86.0**	**−64.3**	**−73.5**	**−103.2**	**−103.1**	**−114.4**

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	1995	1996	1997	1996	1997			
				Q4	Q1	Q2	Q3	Q4[p]
1 Balance on current account	−129,095	−148,184	−166,446	−36,874	−39,916	−37,795	−43,114	−45,619
2 Merchandise trade balance[2]	−173,560	−191,170	−198,934	−48,190	−49,844	−47,188	−52,001	−49,901
3 Merchandise exports	575,871	612,069	678,348	157,846	162,341	171,227	170,255	174,525
4 Merchandise imports	−749,431	−803,239	−877,282	−206,036	−212,185	−218,415	−222,256	−224,426
5 Military transactions, net	3,866	3,786	3,830	1,295	437	1,048	1,398	947
6 Other service transactions, net	67,837	76,344	81,462	20,697	20,083	20,470	20,696	20,215
7 Investment income, net	6,808	2,824	−14,277	1,250	−2,015	−3,270	−4,137	−4,856
8 U.S. government grants	−11,096	−14,933	−11,688	−5,499	−2,109	−2,245	−2,231	−5,103
9 U.S. government pensions and other transfers	−3,420	−4,331	−4,075	−1,050	−988	−1,033	−1,031	−1,023
10 Private remittances and other transfers	−19,530	−20,704	−22,763	−5,377	−5,480	−5,577	−5,808	−5,898
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	−549	−690	177	−284	−21	−268	461	5
12 Change in U.S. official reserve assets (increase, −)	−9,742	6,668	−1,010	−315	4,480	−236	−730	−4,524
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−808	370	−350	−146	72	−133	−139	−150
15 Reserve position in International Monetary Fund	−2,466	−1,280	−3,575	−28	1,055	54	−463	−4,221
16 Foreign currencies	−6,468	7,578	2,915	−141	3,353	−157	−128	−153
17 Change in U.S. private assets abroad (increase, −)	−296,916	−358,422	−426,105	−153,837	−132,756	−90,760	−110,427	−92,159
18 Bank-reported claims[3]	−75,108	−98,186	−151,076	−66,657	−62,026	−27,947	−30,602	−30,501
19 Nonbank-reported claims	−34,997	−64,234	−76,298	−26,115	−29,466	−3,984	−17,848	..
20 U.S. purchases of foreign securities, net	−100,074	−108,189	−79,287	−30,200	−14,510	−21,841	−39,214	−3,722
21 U.S. direct investments abroad, net	−86,737	−87,813	−119,444	−30,865	−26,754	−36,988	−22,763	−32,936
22 Change in foreign official assets in United States (increase, +)	110,729	122,354	18,157	33,097	28,891	−5,374	21,867	−27,227
23 U.S. Treasury securities	68,977	111,253	−7,019	33,564	23,289	−12,108	6,686	−24,886
24 Other U.S. government obligations	3,735	4,381	4,048	1,854	651	644	2,667	86
25 Other U.S. government liabilities[4]	744	720	539	160	478	654	−510	−83
26 Other U.S. liabilities reported by U.S. banks[3]	34,008	4,722	21,274	−4,270	7,698	4,536	12,391	−3,351
27 Other foreign official assets[5]	3,265	1,278	−685	1,789	−3,225	900	633	1,007
28 Change in foreign private assets in United States (increase, +)	340,505	425,201	672,340	161,482	153,391	148,433	161,425	209,090
29 U.S. bank-reported liabilities[3]	30,176	9,784	142,545	38,960	17,387	28,100	10,102	86,956
30 U.S. nonbank-reported liabilities	34,588	31,786	44,740	−2,912	15,210	−7,916	22,046	...
31 Foreign private purchases of U.S. Treasury securities, net	111,848	172,878	...	75,326	51,289	49,915	42,919	43,731
32 Foreign purchases of other U.S. securities, net	96,367	133,798	189,273	32,447	38,820	51,682	60,409	38,362
33 Foreign direct investments in United States, net	67,526	76,955	107,928	17,661	30,685	26,652	25,949	24,641
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	−14,931	−46,927	−97,113	−3,269	−14,069	−14,000	−29,482	−39,566
36 Due to seasonal adjustment	..	...	...	2,669	7,287	−1,485	−8,489	2,683
37 Before seasonal adjustment	−14,931	−46,926	−97,113	−5,938	−21,356	−12,515	−20,993	−42,249
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−9,742	6,668	−1,010	−315	4,480	−236	−730	−4,524
39 Foreign official assets in United States, excluding line 25 (increase, +)	109,985	121,634	17,618	32,937	28,413	−6,028	22,377	−27,144
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	4,239	12,278	12,782	3,315	9,272	2,287	2,619	−1,396

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.
2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.
3. Reporting banks include all types of depository institutions as well as some brokers and dealers.
4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

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

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1995[r]	1996[r]	1997[r]	1997[r]			1998			
				Oct.	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.	Apr.[p]
1 Goods and services, balance	−99,891	−108,574	−110,207	−8,650	−9,600	−10,205	−9,936	−11,720	−13,209	−14,458
2 Merchandise	−173,729	−191,337	−197,955	−16,270	−16,605	−16,962	−17,076	−18,120	−20,504	−21,477
3 Services	73,838	82,763	87,748	7,620	7,005	6,757	7,140	6,400	7,295	7,019
4 Goods and services, exports	795,647	850,775	937,593	80,589	79,088	79,784	79,571	77,684	79,148	77,112
5 Merchandise	575,845	611,983	679,325	58,467	57,482	58,336	57,902	56,350	57,217	55,280
6 Services	219,802	238,792	258,268	22,122	21,606	21,448	21,669	21,334	21,931	21,832
7 Goods and services, imports	−895,538	−959,349	−1,047,799	−89,240	−88,688	−89,989	−89,506	−89,404	−92,356	−91,570
8 Merchandise	−749,574	−803,320	−877,279	−74,738	−74,087	−75,087	−74,977	−74,470	−77,720	−76,757
9 Services	−145,964	−156,029	−170,520	−14,502	−14,601	−14,691	−14,529	−14,934	−14,636	−14,813

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900*, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1994	1995	1996	1997				1998			
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]
1 **Total**	**74,335**	**85,832**	**75,090**	**67,148**	**68,036**	**67,112**	**69,954**	**70,003**	**70,632**	**69,354**	**70,328**
2 Gold stock, including Exchange Stabilization Fund[1]	11,051	11,050	11,049	11,050	11,050	11,050	11,050	11,046	11,050	11,050	11,048
3 Special drawing rights[2,3]	10,039	11,037	10,312	9,997	10,132	10,120	10,027	9,998	10,217	10,108	10,188
4 Reserve position in International Monetary Fund[2]	12,030	14,649	15,435	14,042	14,243	14,571	18,071	18,039	18,135	17,976	18,218
5 Foreign currencies[4]	41,215	49,096	38,294	32,059	32,611	31,371	30,809	30,920	31,230	30,220	30,874

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.
2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.
3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Asset	1994	1995	1996	1997				1998			
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]
1 **Deposits**	**250**	**386**	**167**	**188**	**190**	**167**	**457**	**215**	**243**	**167**	**162**
Held in custody											
2 U.S. Treasury securities[2]	441,866	522,170	638,049	655,406	638,100	635,092	620,885	625,219	621,956	630,602	622,220
3 Earmarked gold[3]	12,033	11,702	11,197	10,793	10,793	10,793	10,763	10,709	10,705	10,664	10,651

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.
3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1995	1996	1997				1998		
			Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[p]
1 **Total**[1]	**630,918**	**758,624**	**803,721**	**798,696**	**791,668**	**776,986**	**778,915**	**778,573**	**788,226**
By type									
2 Liabilities reported by banks in the United States[2]	107,394	113,098	138,276	153,804	147,796	135,026	140,511	139,171	133,275
3 U.S. Treasury bills and certificates[3]	168,534	198,921	161,610	153,283	150,102	148,301	145,609	144,324	153,335
U.S. Treasury bonds and notes									
4 Marketable	293,690	379,497	434,260	421,412	423,243	422,876	421,687	422,929	429,063
5 Nonmarketable[4]	6,491	5,968	5,879	5,919	5,955	5,994	6,033	6,069	6,110
6 U.S. securities other than U.S. Treasury securities[5]	54,809	61,140	63,696	64,278	64,572	64,789	65,075	66,080	66,443
By area									
7 Europe[1]	222,406	257,915	276,694	280,589	272,680	263,078	261,505	260,840	258,484
8 Canada	19,473	21,295	21,233	19,418	19,275	18,749	18,339	19,065	20,280
9 Latin America and Caribbean	66,721	80,623	94,754	90,190	94,135	97,316	96,697	99,081	97,229
10 Asia	311,016	385,484	394,551	391,541	390,203	381,196	386,007	384,151	395,956
11 Africa	6,296	7,379	10,218	9,812	9,542	10,118	10,213	10,518	11,440
12 Other countries	5,004	5,926	6,269	7,144	5,831	6,527	6,152	4,916	4,835

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero-coupon Treasury bond issues to foreign governments as follows: Mexico, beginning March 1988, 20-year maturity issue and beginning March 1990, 30-year maturity issue; Venezuela, beginning December 1990, 30-year maturity issue; Argentina, beginning April 1993, 30-year maturity issue.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1994	1995	1996	1997			
				Mar.	June	Sept.	Dec.
1 Banks' liabilities	89,258	109,713	103,383	110,102	110,224	120,105	116,738
2 Banks' claims	60,711	74,016	66,018	72,731	85,305	91,158	82,732[r]
3 Deposits	19,661	22,696	22,467	26,390	28,900	32,154	28,355
4 Other claims	41,050	51,320	43,551	46,341	56,405	59,004	54,377[r]
5 Claims of banks' domestic customers[2]	10,878	6,145	10,978	10,196	10,265	10,210	8,476

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Item	1995	1996	1997	1997 Sept.	1997 Oct.	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.p
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**1,099,549**	**1,162,148**	**1,283,334r**	**1,200,331**	**1,226,033**	**1,240,488**	**1,283,334r**	**1,264,391r**	**1,280,908**	**1,254,000**
2 Banks' own liabilities	753,461	758,998	883,238r	799,271	824,677	834,237	883,238r	864,362r	877,151	843,063
3 Demand deposits	24,448	27,034	32,104	28,332	33,503	35,690	32,104	29,716r	29,687	32,441
4 Time deposits[2]	192,558	186,910	198,507r	187,840	193,751	191,970	198,507r	187,719r	183,497	183,361
5 Other[3]	140,165	143,510	167,676r	171,138	193,950	180,925	167,676r	184,826r	189,318	188,462
6 Own foreign offices[4]	396,290	401,544	484,951r	411,961	403,473	425,652	484,951r	462,101r	474,649	438,799
7 Banks' custodial liabilities[5]	346,088	403,150	400,096	401,060	401,356	406,251	400,096	400,029r	403,757	410,937
8 U.S. Treasury bills and certificates[6]	197,355	236,874	193,325	205,946	200,215	196,476	193,325	184,881r	186,564	191,571
9 Other negotiable and readily transferable instruments[7]	52,200	72,011	93,604	90,686	95,108	99,882	93,604	96,945	99,370	96,332
10 Other	96,533	94,265	113,167	104,428	106,033	109,893	113,167	118,203	117,823	123,034
11 Nonmonetary international and regional organizations[8]	11,039	13,972	11,390	11,806	13,914	12,469	11,390	11,240r	16,452	15,815
12 Banks' own liabilities	10,347	13,355	11,186	11,524	13,509	12,205	11,186	11,048r	16,123	15,494
13 Demand deposits	21	29	16	771	36	43	16	175	74	98
14 Time deposits[2]	4,656	5,784	5,466	5,967	5,161	6,310	5,466	5,023	5,416	5,987
15 Other[3]	5,670	7,542	5,704	4,786	8,312	5,852	5,704	5,850r	10,633	9,409
16 Banks' custodial liabilities[5]	692	617	204	282	405	264	204	192	329	321
17 U.S. Treasury bills and certificates[6]	350	352	69	53	148	46	69	85	149	247
18 Other negotiable and readily transferable instruments[7]	341	265	133	229	257	217	133	107	180	72
19 Other	1	0	2	0	0	1	2	0	0	2
20 Official institutions[9]	275,928	312,019	283,327	299,886	307,087	297,898	283,327	286,120	283,495	286,610
21 Banks' own liabilities	83,447	79,406	101,610	105,454	118,154	109,988	101,610	110,607	109,391	102,562
22 Demand deposits	2,098	1,511	2,314	1,745	2,034	1,891	2,314	1,682	1,910	2,051
23 Time deposits[2]	30,717	33,336	41,120	39,984	41,770	39,716	41,120	38,306	36,842	39,360
24 Other[3]	50,632	44,559	58,176	63,725	74,350	68,381	58,176	70,619	70,639	61,151
25 Banks' custodial liabilities[5]	192,481	232,613	181,717	194,432	188,933	187,910	181,717	175,513	174,104	184,048
26 U.S. Treasury bills and certificates[6]	168,534	198,921	148,301	161,610	153,283	150,102	148,301	145,609	144,324	153,335
27 Other negotiable and readily transferable instruments[7]	23,603	33,266	33,211	32,315	35,236	37,374	33,211	29,614	29,643	30,183
28 Other	344	426	205	507	414	434	205	290	137	530
29 Banks[10]	691,412	694,835	816,263r	724,645	732,963	765,574	816,263r	792,291r	797,734	763,179
30 Banks' own liabilities	567,834	562,898	642,523r	563,884	568,367	595,667	642,523r	618,053r	621,004	584,913
31 Unaffiliated foreign banks	171,544	161,354	157,572	151,923	164,894	170,015	157,572	155,952	146,355	146,114
32 Demand deposits	11,758	13,692	17,527	13,852	18,354	21,316	17,527	15,974	16,084	18,330
33 Time deposits[2]	103,471	89,765	83,770r	76,683	83,162	84,621	83,770r	79,573r	75,789	71,040
34 Other[3]	56,315	57,897	56,275r	61,388	63,378	64,078	56,275r	60,405r	54,482	56,744
35 Own foreign offices[4]	396,290	401,544	484,951r	411,961	403,473	425,652	484,951r	462,101r	474,649	438,799
36 Banks' custodial liabilities[5]	123,578	131,937	173,740	160,761	164,596	169,907	173,740	174,238	176,730	178,266
37 U.S. Treasury bills and certificates[6]	15,872	23,106	31,915	30,012	33,085	32,995	31,915	27,607	30,620	28,499
38 Other negotiable and readily transferable instruments[7]	13,035	17,027	35,333	32,886	32,065	33,826	35,333	35,266	35,107	34,962
39 Other	94,671	91,804	106,492	97,863	99,446	103,086	106,492	111,365	111,003	114,805
40 Other foreigners	121,170	141,322	172,354	163,994	172,069	164,547	172,354	174,740r	183,227	188,396
41 Banks' own liabilities	91,833	103,339	127,919	118,409	124,647	116,377	127,919	124,654r	130,633	140,094
42 Demand deposits	10,571	11,802	12,247	11,964	13,079	12,440	12,247	11,885r	11,619	11,962
43 Time deposits[2]	53,714	58,025	68,151	65,206	63,658	61,323	68,151	64,817r	65,450	66,974
44 Other[3]	27,548	33,512	47,521	41,239	47,910	42,614	47,521	47,952	53,564	61,158
45 Banks' custodial liabilities[5]	29,337	37,983	44,435	45,585	47,422	48,170	44,435	50,086r	52,594	48,302
46 U.S. Treasury bills and certificates[6]	12,599	14,495	13,040	14,271	13,699	13,333	13,040	11,580r	11,471	9,490
47 Other negotiable and readily transferable instruments[7]	15,221	21,453	24,927	25,256	27,550	28,465	24,927	31,958	34,440	31,115
48 Other	1,517	2,035	6,468	6,058	6,173	6,372	6,468	6,548	6,683	7,697
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	9,103	14,573	16,046	15,872	15,485	16,553	16,046	17,038	20,791	22,384

1. Reporting banks include all types of depository institutions as well as some brokers and dealers. Excludes bonds and notes of maturities longer than one year.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks for foreign customers.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

Item	1995	1996	1997	1997				1998		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[p]
AREA										
50 **Total, all foreigners**	**1,099,549**	**1,162,148**	**1,283,334[r]**	**1,200.331**	**1,226,033**	**1,240,488**	**1,283,334[r]**	**1,264,391[r]**	**1,280,908**	**1,254,000**
51 **Foreign countries**	**1,088,510**	**1,148,176**	**1,271,944[r]**	**1,188,525**	**1,212,119**	**1,228,019**	**1,271,944[r]**	**1,253,151[r]**	**1,264,456**	**1,238,185**
52 Europe	362,819	376,590	420,487[r]	402,428	418,988	425,584	420,487[r]	401,454[r]	419.743	390,392
53 Austria	3,537	5,128	2,717	2.691	2,679	2,319	2,717	2.787	2,774	2,370
54 Belgium and Luxembourg	24,792	24,084	41,007	43.436	46,067	46,258	41,007	39,018	38.178	33,249
55 Denmark	2,921	2,565	1,514	2.867	2,359	2,157	1,514	1,625	1,215	1,094
56 Finland	2.831	1,958	2,246	2,163	1,997	1,969	2,246	2,177	2,136	1,549
57 France	39,218	35,078	46.607	43,065	45,057	45,653	46,607	44,773	44,990	44,059
58 Germany	24,035	24,660	23,737	25.201	22,117	23,040	23,737	21,988	23,290	20,820
59 Greece	2,014	1,835	1.515	2,086	2,075	1,229	1.515	1.676	1,663	1,988
60 Italy	10,868	10,946	11,378	9,852	11,449	10,713	11.378	9,854	9,804	9,628
61 Netherlands	13,745	11,110	7,385	8.413	8,119	7,010	7,385	6,287	7,043	8,208
62 Norway	1,394	1,288	317	1,321	1,022	1,793	317	955	845	346
63 Portugal	2,761	3,562	2,262	1,958	1,888	1,987	2,262	1,515	1,437	1,426
64 Russia	7,948	7,623	7,968	12,784	11,722	6,938	7,968	5,573	6,118	6,466
65 Spain	10.011	17,707	18,989	17,796	21,934	20,921	18.989	19.413	20,137	16,319
66 Sweden	3,246	1,623	1,628	2,024	1,348	1,614	1,628	1,415	2,055	1,967
67 Switzerland	43,625	44,538	39,258	36,862	37,075	39,665	39,258	37,340[r]	37,182	35,736
68 Turkey	4,124	6,738	4.054	4,736	4,661	4,218	4,054	3,659	4,047	4,154
69 United Kingdom	139,183	153,420	181,904[r]	159.189	165,199	177,781	181,904[r]	176,457[r]	191,181	174.148
70 Yugoslavia[11]	177	206	239	243	233	234	239	292	244	236
71 Other Europe and other former U.S.S.R.[12]	26,389	22,521	25.762	25,741	31,987	30,085	25,762	24,650	25,404	26,629
72 Canada	30,468	38,920	28,341	29,592	30,282	30,921	28,341	29,035	29,470	27.132
73 Latin America and Caribbean	440,213	467,529	536,365[r]	504,051	502,099	499.513	536,365[r]	530,589[r]	531,147	528,121
74 Argentina	12,235	13,877	20,199	16,643	17,700	18.358	20,199	19,215	18,278	18,835
75 Bahamas	94,991	88,895	112,217	86,914	89,631	92,390	112,217	117,457[r]	110,778	109,042
76 Bermuda	4,897	5,527	6,911	6,084	6.209	6,012	6,911	6,279	8,283	8,273
77 Brazil	23,797	27,701	31,037	33,575	31,680	32,614	31,037	31,857	33,026	34,017
78 British West Indies	239,083	251,465	276,389[r]	274,964	269,997	263,763	276,389[r]	266,023[r]	270,860	260,330
79 Chile	2,826	2.915	4,072	3,327	3,579	3,283	4,072	4,514	4,450	3,996
80 Colombia	3,659	3,256	3,652	2,657	3,478	3,341	3,652	3,584[r]	3,879	4,176
81 Cuba	8	21	66	55	71	57	66	63	58	55
82 Ecuador	1,314	1,767	2,078	1,508	1,671	1,704	2,078	1.867[r]	1,997	1,755
83 Guatemala	1,276	1,282	1,494	1,449	1,399	1,361	1,494	1,492	1,382	1,437
84 Jamaica	481	628	450	523	481	445	450	449	437	431
85 Mexico	24,560	31,240	33,972	32,640	32,749	32,678	33,972	33.230	33,611	35,647
86 Netherlands Antilles	4,673	6,099	5,085	7,591	6,069	4,995	5,085	5,777	5,417	11,348
87 Panama	4,264	4,099	4,241	3,835	4,109	4,293	4,241	3,921	4,087	3,958
88 Peru	974	834	893	904	917	907	893	876	912	878
89 Uruguay	1,836	1,890	2,382	1,997	2,184	2,247	2,382	2.201	2,247	2,228
90 Venezuela	11,808	17,363	21,601	20,639	20,699	22,111	21,601	22,339[r]	21,887	21,477
91 Other	7,531	8,670	9,626	8,746	9,476	8,954	9,626	9,445	9,558	10,238
92 Asia	240,595	249.083	269,198[r]	234,560	242,064	255,000	269,198[r]	274,301[r]	267,957	275,201
China										
93 Mainland	33,750	30,438	18,252	12,664	16,234	17,433	18,252	20,153	18,575	20,743
94 Taiwan	11,714	15.995	11,760	13,460	15,207	13,586	11,760	12,936	12,942	13,619
95 Hong Kong	20,197	18.789	17,722	18,533	19,755	18,886	17,722	18,002	17,797	17,815
96 India	3,373	3.930	4,567	4,451	5.131	4,913	4,567	5,331	5,265	5,586
97 Indonesia	2,708	2,298	3,554	2,810	4,568	3,092	3,554	2,909	2.989	4,015
98 Israel	4,041	6,051	6,281[r]	4,534	4,200	3,745	6,281[r]	7,190[r]	7,197	7,590
99 Japan	109.193	117,316	143,401	118,536	116,852	133,690	143,401	138,685	140,426	137,700
100 Korea (South)	5,749	5,949	12,959[r]	9,327	8,597	9,982	12,959[r]	11,703	12,530	11,233
101 Philippines	3,092	3,378	3,250	2,409	2,505	2.558	3,250	2,530	2,872	3,009
102 Thailand	12,279	10,912	6,501	6,545	6,988	5,824	6.501	5,858	4,676	9,073
103 Middle Eastern oil-exporting countries[13]	15,582	16,285	14,959	14,279	14,436	14,017	14,959	16,059	14,146	14,609
104 Other	18,917	17,742	25,992	27,012	27,591	27,274	25,992	32.945	26.736	28,598
105 Africa	7,641	8,116	10,347	10,380	10,310	9,520	10,347	10,291	9,670	11,385
106 Egypt	2,136	2,012	1,663	2,050	1,742	1,836	1.663	1,949	1,670	1,449
107 Morocco	104	112	138	99	105	69	138	131	73	88
108 South Africa	739	458	2,158	2.047	2,028	1,615	2,158	1.685	1,825	2.547
109 Zaire	10	10	10	14	3	5	10	7	4	10
110 Oil-exporting countries[14]	1,797	2,626	3,060	3.280	3,194	2,948	3,060	3,470	2,959	3,515
111 Other	2,855	2,898	3,318	2,890	3,238	3,047	3,318	3,049	2.619	3,016
112 Other	6,774	7,938	7,206	7,514	8,376	7,481	7,206	7,481	6,469	5.954
113 Australia	5,647	6,479	6,304	6,391	7,284	6,283	6,304	6,385	5,466	4,989
114 Other	1,127	1,459	902	1,123	1,092	1,198	902	1.096	1,003	965
115 Nonmonetary international and regional organizations	11,039	13,972	11,390	11,806	13,914	12,469	11,390	11,240[r]	16,452	15,815
116 International[15]	9.300	12,099	10,217	10,634	11,943	10,926	10,217	10,016[r]	14,859	14,900
117 Latin American regional[16]	893	1,339	424	708	1,277	1,053	424	975	1.217	536
118 Other regional[17]	846	534	749	464	694	490	749	249	376	379

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.

12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.

13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

14. Comprises Algeria, Gabon, Libya, and Nigeria.

15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.

16. Principally the Inter-American Development Bank.

17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

	Area or country	1995	1996	1997	1997				1998		
					Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[p]
1	**Total, all foreigners**	**532,444**	**599,925**	**708,233[r]**	**655,419**	**681,287**	**699,095**	**708,233[r]**	**703,148[r]**	**703,671[r]**	**687,467**
2	**Foreign countries**	**530,513**	**597,321**	**705,770[r]**	**653,376**	**679,539**	**696,609**	**705,770[r]**	**700,231[r]**	**700,916[r]**	**684,521**
3	Europe	132,150	165,769	199,880[r]	199,256	213,472	215,077	199,880[r]	204,763	212,362[r]	205,558
4	Austria	565	1,662	1,354	1,371	1,913	2,034	1,354	1,917	1,934	1,600
5	Belgium and Luxembourg	7,624	6,727	6,641	7,847	8,347	7,475	6,641	5,714	6,021	6,111
6	Denmark	403	492	980	1,082	896	844	980	1,531	907	895
7	Finland	1,055	971	1,233	1,889	1,808	1,259	1,233	1,492	1,554	1,686
8	France	15,033	15,246	16,239	17,531	16,831	19,817	16,239	21,474	18,963	18,206
9	Germany	9,263	8,472	12,676	11,724	11,617	13,245	12,676	10,849	10,752	12,930
10	Greece	469	568	402	499	463	401	402	504	504	620
11	Italy	5,370	6,457	6,230	7,670	7,145	6,871	6,230	6,655	5,974	6,621
12	Netherlands	5,346	7,117	6,141	11,543	11,503	11,496	6,141	5,384	5,447	6,628
13	Norway	665	808	555	1,713	1,419	2,080	555	989	1,296	850
14	Portugal	888	418	777	563	615	695	777	655	533	503
15	Russia	660	1,669	1,248	1,927	2,054	2,207	1,248	1,297	1,143	1,195
16	Spain	2,166	3,211	2,942	5,431	6,625	6,339	2,942	6,926	6,255	5,804
17	Sweden	2,080	1,739	1,854	1,659	1,838	1,804	1,854	1,736	2,184[r]	2,798
18	Switzerland	7,474	19,798	28,846	25,393	29,779	29,399	28,846	28,515	29,119[r]	31,400
19	Turkey	803	1,109	1,558	1,410	1,424	1,572	1,558	1,648	1,675	1,912
20	United Kingdom	67,784	85,234	103,143	93,825	102,405	100,870	103,143	99,302	110,307	97,478
21	Yugoslavia[2]	147	115	52	75	75	74	52	53	53	61
22	Other Europe and other former U.S.S.R.[3]	4,355	3,956	7,009[r]	6,104	6,715	6,595	7,009[r]	8,122	7,741	8,260
23	Canada	20,874	26,436	27,176[r]	23,523	22,815	24,765	27,176[r]	25,155	24,872	29,837
24	Latin America and Caribbean	256,944	274,153	343,820[r]	302,678	303,917	317,508	343,820[r]	345,787[r]	345,389[r]	338,639
25	Argentina	6,439	7,400	8,924	7,243	8,129	8,761	8,924	9,076	9,402	8,780
26	Bahamas	58,818	71,871	89,379	66,073	73,838	72,739	89,379	90,823	84,982	77,444
27	Bermuda	5,741	4,129	8,782	9,353	8,008	6,552	8,782	9,385	8,917	8,989
28	Brazil	13,297	17,259	21,696	19,429	20,134	20,390	21,696	22,541	23,987[r]	25,201
29	British West Indies	124,037	105,510	145,471	133,797	133,309	141,801	145,471	145,935	149,266[r]	147,818
30	Chile	4,864	5,136	7,913	6,350	7,304	7,783	7,913	7,910	8,249	8,170
31	Colombia	4,550	6,247	6,945	6,543	6,869	6,976	6,945	6,733	6,729	6,781
32	Cuba	0	0	0	0	0	3	0	0	0	0
33	Ecuador	825	1,031	1,311	1,218	1,307	1,292	1,311	1,390	1,398	1,475
34	Guatemala	457	620	886	764	761	787	886	863	868	904
35	Jamaica	323	345	424	374	364	405	424	410	401	364
36	Mexico	18,024	18,425	19,518	18,770	18,584	18,904	19,518	20,515[r]	21,107[r]	20,681
37	Netherlands Antilles	9,229	25,209	17,838	20,335	12,274	17,064	17,838	16,026[r]	15,594[r]	17,619
38	Panama	3,008	2,786	4,364	3,555	3,958	4,089	4,364	4,074	4,232	4,108
39	Peru	1,829	2,720	3,491	3,060	3,185	3,457	3,491	3,413	3,550	3,539
40	Uruguay	466	589	629	728	709	651	629	588	594	919
41	Venezuela	1,661	1,702	2,129	1,716	1,642	1,921	2,129	2,257	2,334	2,171
42	Other	3,376	3,174	4,120[r]	3,370	3,542	3,933	4,120[r]	3,848[r]	3,779[r]	3,676
43	Asia	115,336	122,478	125,024[r]	119,395	129,622	129,760	125,024[r]	114,415[r]	108,927[r]	101,378
	China										
44	Mainland	1,023	1,401	1,579	2,798	2,345	2,102	1,579	2,534	1,988	2,762
45	Taiwan	1,713	1,894	921	1,250	1,271	1,000	921	847	820	741
46	Hong Kong	12,821	12,802	13,990	13,568	15,338	15,151	13,990	14,548	13,477	12,607
47	India	1,846	1,946	2,200	2,086	2,360	2,501	2,200	2,299	2,172	1,927
48	Indonesia	1,696	1,762	2,634[r]	2,713	2,731	2,774	2,634[r]	2,361[r]	2,266[r]	2,289
49	Israel	739	633	768	907	1,539	1,201	768	946	987	811
50	Japan	61,468	59,967	59,540[r]	52,480	59,437	60,195	59,540[r]	52,904	51,891	46,710
51	Korea (South)	13,975	18,901	18,123	19,983	19,927	19,258	18,123	14,429	12,741	11,522
52	Philippines	1,318	1,697	1,689	1,670	1,455	1,533	1,689	1,794	1,645	1,813
53	Thailand	2,612	2,679	2,259	2,479	2,317	2,180	2,259	2,164	2,138	2,144
54	Middle Eastern oil-exporting countries[4]	9,639	10,424	10,790	7,988	8,490	8,909	10,790	9,133	9,101	8,919
55	Other	6,486	8,372	10,531	11,473	12,412	12,956	10,531	10,456	9,701	9,133
56	Africa	2,742	2,776	3,530	3,464	3,342	3,332	3,530	3,580	3,403	3,593
57	Egypt	210	247	247	251	245	282	247	279	304	289
58	Morocco	514	524	511	547	599	412	511	498	514	518
59	South Africa	465	584	805	655	557	743	805	694	573	580
60	Zaire	1	0	0	0	0	0	0	0	0	0
61	Oil-exporting countries[5]	552	420	1,212	1,123	1,111	1,091	1,212	1,324	1,219	1,364
62	Other	1,000	1,001	755	888	830	804	755	785	793	842
63	Other	2,467	5,709	6,340	5,060	6,371	6,167	6,340	6,531	5,963	5,516
64	Australia	1,622	4,577	5,299	4,314	5,296	4,962	5,299	5,419	5,139	5,011
65	Other	845	1,132	1,041	746	1,075	1,205	1,041	1,112	824	505
66	Nonmonetary international and regional organizations[6]	1,931	2,604	2,463	2,043	1,748	2,486	2,463	2,917	2,755	2,946

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1995	1996	1997[r]	1997				1998		
				Sept.	Oct.	Nov.	Dec.[r]	Jan.[r]	Feb.	Mar.[p]
1 **Total**	**655,211**	**743,919**	**857,967**	**825,412**	...	...	**857,967**	...	...	...
2 Banks' claims	532,444	599,925	708,233	655,419	681,287	699,095	708,233	703,148	703,671	687,467
3 Foreign public borrowers	22,518	22,216	20,660	28,875	29,795	27,739	20,660	30,184	27,030	28,175
4 Own foreign offices[2]	307,427	341,574	431,685	374,452	400,207	409,314	431,685	415,690	421,383	402,095
5 Unaffiliated foreign banks	101,595	113,682	109,224	104,744	115,095	122,350	109,224	111,015	106,577	107,843
6 Deposits	37,771	33,826	31,042	31,056	31,711	33,850	31,042	30,768	26,559	25,743
7 Other	63,824	79,856	78,182	73,688	83,384	88,500	78,182	80,247	80,018	82,100
8 All other foreigners	100,904	122,453	146,664	147,348	136,190	139,692	146,664	146,259	148,681	149,354
9 Claims of banks' domestic customers[3]	122,767	143,994	149,734	169,993	...	...	149,734	...	...	
10 Deposits	58,519	77,657	73,110	100,460	...	...	73,110	...	...	
11 Negotiable and readily transferable instruments[4]	44,161	51,207	53,967	51,514	...	...	53,967	...		...
12 Outstanding collections and other claims	20,087	15,130	22,657	18,019	...	...	22,657	...	...	...
MEMO										
13 Customer liability on acceptances	8,410	10,388	9,624	10,881	...	...	9,624	...	...	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	30,717	39,661	34,148	38,171	39,157	37,527	34,148	36,328	37,119	32,028

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]	1994	1995	1996	1997			
				Mar.	June	Sept.	Dec.
1 **Total**	**202,282**	**224,932**	**258,106**	**276,217**	**272,014**	**280,968**	**276,558**
By borrower							
2 Maturity of one year or less	170,411	178,857	211,859	223,836	210,882	217,949	205,859
3 Foreign public borrowers	15,435	14,995	15,411	19,935	17,979	20,123	12,134
4 All other foreigners	154,976	163,862	196,448	203,901	192,903	197,826	193,725
5 Maturity of more than one year	31,871	46,075	46,247	52,381	61,132	63,019	70,699
6 Foreign public borrowers	7,838	7,522	6,790	8,903	11,406	8,752	8,525
7 All other foreigners	24,033	38,553	39,457	43,478	49,726	54,267	62,174
By area							
Maturity of one year or less							
8 Europe	56,381	55,622	55,690	74,888	69,233	69,204	58,294
9 Canada	6,690	6,751	8,339	10,423	10,381	8,460	9,917
10 Latin America and Caribbean	59,583	72,504	103,254	96,942	87,059	99,918	97,277
11 Asia	40,567	40,296	38,078	36,484	38,435	34,629	33,972
12 Africa	1,379	1,295	1,316	1,451	1,899	2,157	2,211
13 All other[3]	5,811	2,389	5,182	3,648	3,875	3,581	4,188
Maturity of more than one year							
14 Europe	4,358	4,995	6,965	9,512	11,884	11,202	13,240
15 Canada	3,505	2,751	2,645	2,944	3,174	3,842	2,512
16 Latin America and Caribbean	15,717	27,681	24,943	26,797	31,001	34,988	42,069
17 Asia	5,323	7,941	9,392	10,772	12,509	10,393	10,159
18 Africa	1,583	1,421	1,361	1,204	1,264	1,236	1,236
19 All other[3]	1,385	1,286	941	1,152	1,300	1,358	1,483

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Maturity is time remaining until maturity
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1993	1994	1995	1996				1997			
			Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec
1 **Total**	**409.5**	**499.5**	**551.9**	**574.7**	**612.8**	**586.2**	**645.3**	**688.4**	**718.7**	**747.8**	**764.9**
2 G-10 countries and Switzerland	161.9	191.2	206.0	203.4	226.9	220.0	228.3	255.9	274.0	268.4	261.6
3 Belgium and Luxembourg	7.4	7.2	13.6	11.0	11.4	11.3	11.7	15.2	10.8	12.5	11.5
4 France	12.0	19.1	19.4	17.9	18.0	17.4	16.6	21.5	19.3	21.6	17.6
5 Germany	12.6	24.7	27.3	31.5	31.4	33.9	29.8	34.0	35.1	37.3	32.4
6 Italy	7.7	11.8	11.5	13.2	14.9	15.2	16.0	16.4	23.1	22.4	17.5
7 Netherlands	4.7	3.6	3.7	3.1	4.7	5.9	4.0	4.6	7.1	7.7	6.7
8 Sweden	2.7	2.7	2.7	3.3	2.7	3.0	2.6	3.4	3.6	4.1	3.3
9 Switzerland	5.9	5.1	6.7	5.2	6.3	6.3	5.3	6.1	5.5	4.9	7.2
10 United Kingdom	84.4	85.8	82.4	84.7	101.6	90.5	104.7	112.7	119.9	115.9	119.9
11 Canada	6.9	10.0	10.3	10.8	12.2	14.8	14.0	17.0	17.5	15.8	14.0
12 Japan	17.6	21.1	28.5	22.7	23.6	21.7	23.7	25.1	32.1	26.2	31.6
13 Other industrialized countries	26.5	45.7	50.2	61.3	55.5	62.1	65.7	67.4	72.7	74.7	65.5[r]
14 Austria	.7	1.1	.9	1.3	1.2	1.0	1.1	2.0	1.6	1.8	1.5
15 Denmark	1.0	1.3	2.6	3.4	3.3	1.7	1.5	1.7	2.8	3.7	2.4
16 Finland	.4	.9	.8	.7	.6	.6	.8	.7	1.4	1.9	1.3
17 Greece	3.2	4.5	5.7	5.6	5.6	6.1	6.7	6.3	6.1	6.2	5.1
18 Norway	1.7	2.0	3.2	2.1	2.3	3.0	8.0	5.3	4.7	4.6	3.6
19 Portugal	.8	1.2	1.3	1.6	1.6	1.4	.9	1.0	1.2	1.4	1.1
20 Spain	9.9	13.6	11.6	17.5	13.6	16.1	13.2	15.0	16.2	14.6	12.3
21 Turkey	2.1	1.6	1.9	2.0	2.3	2.8	2.7	2.8	3.4	4.4	4.5
22 Other Western Europe	3.2	3.2	4.7	3.8	3.4	4.8	4.7	6.3	5.5	6.1	8.2
23 South Africa	1.1	1.0	1.2	1.7	2.0	1.7	2.0	1.9	1.9	1.9	2.2
24 Australia	2.3	15.4	16.4	21.7	19.6	22.8	24.0	24.5	27.8	28.1	23.2
25 OPEC[2]	17.6	24.1	22.1	21.2	20.1	19.2	19.7	22.1	22.5	23.2	26.3
26 Ecuador	.5	.5	.7	.8	.9	.9	1.1	1.1	1.0	1.3	1.3
27 Venezuela	5.1	3.7	2.7	2.9	2.3	2.3	2.4	2.0	2.1	2.3	2.6
28 Indonesia	3.3	3.8	4.8	4.7	4.9	5.4	5.2	5.0	5.7	6.6	6.8
29 Middle East countries	7.6	15.3	13.3	12.3	11.5	10.2	10.7	13.3	12.6	11.8	14.4
30 African countries	1.2	.9	.6	.6	.5	.4	.4	.7	1.2	1.2	1.2
31 Non-OPEC developing countries	83.2	96.0	112.6	118.6	126.5	124.4	130.3	131.9	144.8	141.4	143.7
Latin America											
32 Argentina	7.7	11.2	12.9	12.7	14.1	15.0	14.3	14.9	16.9	17.5	18.8
33 Brazil	12.0	8.4	13.7	18.3	21.7	17.8	20.7	22.7	28.3	27.4	29.9
34 Chile	4.7	6.1	6.8	6.4	6.7	6.6	7.0	7.1	7.9	8.3	9.2
35 Colombia	2.1	2.6	2.9	2.9	2.8	3.1	4.1	3.9	3.6	3.6	3.7
36 Mexico	17.9	18.4	17.3	16.1	15.4	16.3	16.2	17.9	17.4	17.1	18.3
37 Peru	.4	.5	.8	.9	1.2	1.3	1.6	1.7	1.6	2.0	2.1
38 Other	3.1	2.7	2.8	3.1	3.0	3.0	3.3	3.6	3.7	3.8	4.3
Asia											
China											
39 Mainland	2.0	1.1	1.8	3.3	2.9	2.6	2.5	2.7	3.6	4.3	3.2
40 Taiwan	7.3	9.2	9.4	9.7	9.8	10.4	10.3	10.5	10.6	9.7	9.0
41 India	3.2	4.2	4.4	4.7	4.2	3.8	4.3	4.9	5.3	5.0	5.0
42 Israel	.5	.4	.5	.5	.6	.5	.5	1.0	1.1	1.5	1.2
43 Korea (South)	6.7	16.2	19.1	19.3	21.7	21.9	21.5	14.9	16.6	16.5	15.9
44 Malaysia	4.4	3.1	4.4	5.2	5.3	5.5	6.0	6.5	6.4	5.6	5.1
45 Philippines	3.1	3.3	4.1	3.9	4.7	5.4	5.8	6.1	7.0	5.7	5.7
46 Thailand	3.1	2.1	4.9	5.2	5.4	4.8	5.7	6.8	7.3	6.2	5.4
47 Other Asia	3.1	4.7	4.5	4.3	4.8	4.1	4.1	4.4	4.8	4.6	4.4
Africa											
48 Egypt	.4	.3	.4	.5	.5	.6	.7	.9	1.1	.9	.9
49 Morocco	.7	.6	.7	.7	.8	.7	.7	.6	.7	.7	.6
50 Zaire	.0	.0	.0	.0	.0	.0	.1	.0	.0	.0	.0
51 Other Africa[3]	.8	.8	.9	.8	.8	1.0	.9	.9	.9	.9	.8
52 Eastern Europe	3.2	2.7	4.2	6.3	5.1	5.3	6.9	9.0	7.2	9.9	9.2
53 Russia[4]	1.6	.8	1.0	1.4	1.0	1.8	3.7	3.6	4.2	5.1	5.1
54 Other	1.6	1.9	3.2	4.9	4.1	3.5	3.2	5.4	3.0	4.7	4.0
55 Offshore banking centers	73.5	72.9	99.2	101.3	106.1	105.2	134.7	142.5	140.0	149.6	159.4
56 Bahamas	10.9	10.2	11.0	13.9	17.3	14.2	20.3	21.1	17.2	20.5	31.1
57 Bermuda	8.9	8.4	6.3	5.3	4.1	4.0	4.5	6.7	7.9	9.8	9.8
58 Cayman Islands and other British West Indies	18.4	21.4	32.4	28.8	26.1	32.0	37.2	41.2	43.1	52.1	51.5
59 Netherlands Antilles	2.8	1.6	10.3	11.1	13.2	11.7	26.1	20.0	15.9	21.8	14.7
60 Panama[5]	2.4	1.3	1.4	1.6	1.7	1.7	2.0	2.2	2.7	2.3	3.4
61 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
62 Hong Kong, China	18.8	20.0	25.0	25.3	27.6	26.0	27.9	30.9	35.2	27.3	32.3
63 Singapore	11.2	10.1	13.1	15.4	15.9	15.5	16.7	20.3	17.7	15.9	16.7
64 Other[6]	.1	.1	.1	.1	.1	.1	.1	.1	.3	.1	.1
65 Miscellaneous and unallocated[7]	43.6	66.9	57.6	62.6	72.7	50.0	59.6	59.6	57.6	80.8	99.1

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	1994	1995	1996	1996		1997			
					Sept.	Dec.	Mar.	June	Sept.	Dec.p
1	**Total**	**54,309**	**46,448**	**54,798**	**51,604**	**54,798**	**58,750**	**55,184**	**55,476**	**58,245**
2	Payable in dollars	38,298	33,903	38,956	36,374	38,956	39,944	38,494	39,583	41,838
3	Payable in foreign currencies	16,011	12,545	15,842	15,230	15,842	18,806	16,690	15,893	16,407
	By type									
4	Financial liabilities	32,954	24,241	26,065	25,445	26,065	29,633	26,864	25,970	27,790
5	Payable in dollars	18,818	12,903	11,327	11,272	11,327	11,847	11,203	11,248	12,975
6	Payable in foreign currencies	14,136	11,338	14,738	14,173	14,738	17,786	15,661	14,722	14,815
7	Commercial liabilities	21,355	22,207	28,733	26,159	28,733	29,117	28,320	29,506	30,455
8	Trade payables	10,005	11,013	12,720	11,791	12,720	11,515	11,122	10,961	10,900
9	Advance receipts and other liabilities	11,350	11,194	16,013	14,368	16,013	17,602	17,198	18,545	19,555
10	Payable in dollars	19,480	21,000	27,629	25,102	27,629	28,097	27,291	28,335	28,863
11	Payable in foreign currencies	1,875	1,207	1,104	1,057	1,104	1,020	1,029	1,171	1,592
	By area or country									
	Financial liabilities									
12	Europe	21,703	15,622	16,195	16,086	16,195	20,081	18,530	18,019	19,121
13	Belgium and Luxembourg	495	369	632	547	632	769	238	89	186
14	France	1,727	999	1,091	1,220	1,091	1,205	1,280	1,334	1,684
15	Germany	1,961	1,974	1,834	2,276	1,834	1,589	1,765	1,730	2,018
16	Netherlands	552	466	556	519	556	507	466	507	494
17	Switzerland	688	895	699	830	699	694	591	645	776
18	United Kingdom	15,543	10,138	10,177	9,837	10,177	13,863	12,968	12,165	12,201
19	Canada	629	632	1,401	973	1,401	602	456	399	1,186
20	Latin America and Caribbean	2,034	1,783	1,668	1,169	1,668	1,876	1,279	1,061	1,386
21	Bahamas	101	59	236	50	236	293	124	10	141
22	Bermuda	80	147	50	25	50	27	55	64	229
23	Brazil	207	57	78	52	78	75	97	52	143
24	British West Indies	998	866	1,030	764	1,030	965	769	663	604
25	Mexico	0	12	17	13	17	16	15	76	26
26	Venezuela	5	2	1	1	1	1	1	1	1
27	Asia	8,403	5,988	6,423	6,969	6,423	6,370	6,015	6,006	5,394
28	Japan	7,314	5,436	5,869	6,602	5,869	5,794	5,435	5,492	5,085
29	Middle Eastern oil-exporting countries[1]	35	27	25	25	25	72	39	23	32
30	Africa	135	150	38	153	38	29	29	33	60
31	Oil-exporting countries[2]	123	122	0	121	0	0	0	0	0
32	All other[3]	50	66	340	95	340	675	555	452	643
	Commercial liabilities									
33	Europe	6,773	7,700	9,767	8,680	9,767	9,551	8,711	9,362	10,212
34	Belgium and Luxembourg	241	331	479	427	479	643	738	705	666
35	France	728	481	680	657	680	680	709	783	763
36	Germany	604	767	1,002	949	1,002	1,047	852	950	1,271
37	Netherlands	722	500	766	668	766	553	290	453	439
38	Switzerland	327	413	624	405	624	481	430	401	375
39	United Kingdom	2,444	3,568	4,303	3,663	4,303	4,165	3,827	3,834	4,083
40	Canada	1,037	1,040	1,090	1,144	1,090	1,068	1,136	1,150	1,171
41	Latin America and Caribbean	1,857	1,740	2,574	2,386	2,574	2,563	2,501	2,225	2,159
42	Bahamas	19	1	63	33	63	43	33	38	16
43	Bermuda	345	205	297	355	297	479	397	180	203
44	Brazil	161	98	196	198	196	201	225	233	212
45	British West Indies	23	56	14	15	14	14	26	23	11
46	Mexico	574	416	665	446	665	633	594	562	564
47	Venezuela	276	221	328	341	328	318	304	322	259
48	Asia	10,741	10,421	13,422	12,227	13,422	13,968	13,926	14,682	14,958
49	Japan	4,555	3,315	4,614	4,149	4,614	4,502	4,460	4,587	4,499
50	Middle Eastern oil-exporting countries[1]	1,576	1,912	2,168	1,951	2,168	2,495	2,420	2,984	3,109
51	Africa	428	619	1,040	1,020	1,040	1,037	941	929	870
52	Oil-exporting countries[2]	256	254	532	490	532	479	423	504	408
53	Other[3]	519	687	840	702	840	930	1,105	1,158	1,085

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	1994	1995	1996	1996		1997			
				Sept.	Dec.	Mar.	June	Sept.	Dec.^{p}
1 **Total**	**57,888**	**52,509**	**63,642**	**59,092**	**63,642**	**66,202**	**67,039**	**68,646**	**65,287**
2 Payable in dollars	53,805	48,711	58,630	55,014	58,630	60,226	60,855	62,030	57,383
3 Payable in foreign currencies	4,083	3,798	5,012	4,078	5,012	5,976	6,184	6,616	7,904
By type									
4 Financial claims	33,897	27,398	35,268	34,200	35,268	38,647	39,490	39,945	34,200
5 Deposits	18,507	15,133	21,404	19,877	21,404	20,250	22,896	21,837	18,431
6 Payable in dollars	18,026	14,654	20,631	19,182	20,631	18,599	21,405	20,278	16,582
7 Payable in foreign currencies	481	479	773	695	773	1,651	1,491	1,559	1,849
8 Other financial claims	15,390	12,265	13,864	14,323	13,864	18,397	16,594	18,108	15,769
9 Payable in dollars	14,306	10,976	12,069	12,234	12,069	15,381	13,337	14,795	11,576
10 Payable in foreign currencies	1,084	1,289	1,795	2,089	1,795	3,016	3,257	3,313	4,193
11 Commercial claims	23,991	25,111	28,374	24,892	28,374	27,555	27,549	28,701	31,087
12 Trade receivables	21,158	22,998	25,751	22,454	25,751	24,801	24,858	25,110	27,454
13 Advance payments and other claims	2,833	2,113	2,623	2,438	2,623	2,754	2,691	3,591	3,633
14 Payable in dollars	21,473	23,081	25,930	23,598	25,930	26,246	26,113	26,957	29,225
15 Payable in foreign currencies	2,518	2,030	2,444	1,294	2,444	1,309	1,436	1,744	1,862
By area or country									
Financial claims									
16 Europe	7,936	7,609	9,282	9,777	9,282	11,176	11,677	13,758	12,240
17 Belgium and Luxembourg	86	193	185	126	185	119	203	360	406
18 France	800	803	694	733	694	760	680	1,112	1,015
19 Germany	540	436	276	272	276	324	281	352	427
20 Netherlands	429	517	493	520	493	567	519	764	677
21 Switzerland	523	498	474	432	474	570	447	448	434
22 United Kingdom	4,649	4,303	6,119	6,603	6,119	7,937	8,604	9,150	7,578
23 Canada	3,581	2,851	3,445	4,502	3,445	4,917	6,422	4,279	3,313
24 Latin America and Caribbean	19,536	14,500	19,577	17,241	19,577	19,742	18,725	19,166	15,543
25 Bahamas	2,424	1,965	1,452	1,746	1,452	1,894	2,064	2,442	2,459
26 Bermuda	27	81	140	113	140	157	188	190	108
27 Brazil	520	830	1,468	1,438	1,468	1,404	1,617	1,501	1,313
28 British West Indies	15,228	10,393	15,182	12,819	15,182	15,176	13,553	12,947	10,311
29 Mexico	723	554	457	413	457	517	497	508	537
30 Venezuela	35	32	31	20	31	22	21	15	36
31 Asia	1,871	1,579	2,221	1,834	2,221	2,068	1,934	2,015	2,133
32 Japan	953	871	1,035	1,001	1,035	831	766	999	823
33 Middle Eastern oil-exporting countries[1]	141	3	22	13	22	12	20	15	11
34 Africa	373	276	174	177	174	182	179	174	319
35 Oil-exporting countries[2]	0	5	14	13	14	14	15	16	15
36 All other[3]	600	583	569	669	569	562	553	553	652
Commercial claims									
37 Europe	9,540	9,824	10,443	9,288	10,443	9,863	9,603	10,486	12,098
38 Belgium and Luxembourg	213	231	226	213	226	364	327	331	328
39 France	1,881	1,830	1,644	1,532	1,644	1,514	1,377	1,642	1,793
40 Germany	1,027	1,070	1,337	1,250	1,337	1,364	1,229	1,395	1,612
41 Netherlands	311	452	562	424	562	582	613	573	597
42 Switzerland	557	520	642	594	642	418	389	381	551
43 United Kingdom	2,556	2,656	2,946	2,516	2,946	2,626	2,836	2,904	3,652
44 Canada	1,988	1,951	2,165	2,083	2,165	2,381	2,464	2,649	2,636
45 Latin America and Caribbean	4,117	4,364	5,276	4,409	5,276	5,067	5,241	5,028	5,742
46 Bahamas	9	30	35	14	35	40	29	22	27
47 Bermuda	234	272	275	290	275	159	197	128	244
48 Brazil	612	898	1,303	968	1,303	1,216	1,136	1,101	1,163
49 British West Indies	83	79	190	119	190	127	98	98	109
50 Mexico	1,243	993	1,128	936	1,128	1,102	1,140	1,219	1,385
51 Venezuela	348	285	357	316	357	330	451	418	576
52 Asia	6,982	7,312	8,376	7,289	8,376	8,348	8,460	8,576	8,691
53 Japan	2,655	1,870	2,003	1,919	2,003	2,065	2,079	2,048	1,973
54 Middle Eastern oil-exporting countries[1]	708	974	971	945	971	1,078	1,014	987	1,104
55 Africa	454	654	746	731	746	718	618	764	677
56 Oil-exporting countries[2]	67	87	166	142	166	100	81	207	119
57 Other[3]	910	1,006	1,368	1,092	1,368	1,178	1,163	1,198	1,243

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Comprises Algeria, Gabon, Libya, and Nigeria.
3. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction, and area or country	1996	1997	1998 Jan.–Mar.	1997 Sept.	1997 Oct.	1997 Nov.	1997 Dec.	1998 Jan.[r]	1998 Feb.	1998 Mar.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	590,714	963,885	314,184	80,546	106,673	85,149	90,994	90,106	99,236	124,842
2 Foreign sales	578,203	897,850	285,151	75,428	105,668	80,133	85,670	83,839	89,228	112,084
3 **Net purchases, or sales (−)**	**12,511**	**66,035**	**29,033**	**5,118**	**1,005**	**5,016**	**5,324**	**6,267**	**10,008**	**12,758**
4 **Foreign countries**	**12,585**	**66,175**	**29,079**	**5,123**	**1,023**	**5,024**	**5,358**	**6,319**	**9,998**	**12,762**
5 Europe	5,367	59,041	26,761	5,296	5,910	5,318	5,832	6,637	9,625	10,499
6 France	−2,402	3,134	1,988	241	−80	−65	299	665	492	831
7 Germany	1,104	9,075	1,941	374	538	857	788	546	768	627
8 Netherlands	1,415	3,833	1,310	820	757	579	409	613	140	557
9 Switzerland	2,715	7,845	3,771	−405	848	1,043	1,474	683	1,132	1,956
10 United Kingdom	4,478	22,215	10,749	3,559	2,444	1,875	1,232	2,755	4,588	3,406
11 Canada	2,226	−1,174	−178	−560	−520	−344	−304	−254	−478	554
12 Latin America and Caribbean	5,816	5,264	6,940	813	−4,091	−627	−1,224	2,646	2,184	2,110
13 Middle East[1]	−1,600	171	−610	32	78	15	21	−166	−273	−171
14 Other Asia	918	2,061	−3,838	−519	−508	888	1,071	−2,693	−944	−201
15 Japan	−372	4,780	−3,201	−313	229	709	551	−1,112	−667	−1,422
16 Africa	−85	471	130	94	80	−36	7	34	13	83
17 Other countries	−57	341	−126	−33	74	−190	−45	115	−129	−112
18 **Nonmonetary international and regional organizations**	**−74**	**−140**	**−46**	**−5**	**−18**	**−8**	**−34**	**−52**	**10**	**−4**
BONDS[2]										
19 Foreign purchases	393,953	614,253	193,389	50,709	58,462	52,632	52,484	57,479	67,414	68,496
20 Foreign sales	268,487	477,786	143,338	41,201	44,435	48,772	43,171	44,334	49,991	49,013
21 **Net purchases, or sales (−)**	**125,466**	**136,467**	**50,051**	**9,508**	**14,027**	**3,860**	**9,313**	**13,145**	**17,423**	**19,483**
22 **Foreign countries**	**125,295**	**135,875**	**49,811**	**9,507**	**13,500**	**3,948**	**9,302**	**13,113**	**17,354**	**19,344**
23 Europe	77,570	74,301	26,039	5,843	3,598	2,395	4,575	5,416	8,249	12,374
24 France	4,460	3,300	1,073	300	142	546	−67	74	272	727
25 Germany	4,439	2,742	957	638	120	165	−474	289	419	249
26 Netherlands	2,107	3,576	130	135	369	185	425	−433	199	364
27 Switzerland	1,170	187	1,384	−501	−109	712	733	760	266	358
28 United Kingdom	60,509	56,804	19,944	4,109	2,611	−104	3,069	4,163	6,243	9,538
29 Canada	4,486	6,264	1,923	624	866	459	677	1,409	114	400
30 Latin America and Caribbean	17,737	34,821	15,585	1,265	3,712	3,884	7,220	5,339	5,512	4,734
31 Middle East[1]	1,679	1,656	1,420	−1	−183	199	142	78	820	522
32 Other Asia	23,762	17,017	4,087	1,591	5,634	−3,193	−3,526	485	2,428	1,174
33 Japan	14,173	9,354	678	−613	5,207	−2,883	−3,764	−958	886	750
34 Africa	624	1,005	106	8	11	88	49	142	36	−72
35 Other countries	−563	811	651	177	−138	116	165	244	195	212
36 **Nonmonetary international and regional organizations**	**171**	**592**	**240**	**1**	**527**	**−88**	**11**	**32**	**69**	**139**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	−59,268	−40,243	−2,321	−334	−2,820	2,045	1,541	156	−1,098	−1,379
38 Foreign purchases	450,365	719,145	209,919	62,690	79,549	70,286	64,328	62,333	66,652	80,934
39 Foreign sales	509,633	759,388	212,240	63,024	82,369	68,241	62,787	62,177	67,750	82,313
40 Bonds, net purchases, or sales (−)	−51,369	−47,241	−2,111	−8,006	−739	−4,468	−3,062	−3,725	−2,816	4,430
41 Foreign purchases	1,114,035	1,466,784	326,172	121,636	163,626	111,000	115,302	95,481	100,231	130,460
42 Foreign sales	1,165,404	1,514,025	328,283	129,642	164,365	115,468	118,364	99,206	103,047	126,030
43 **Net purchases, or sales (−), of stocks and bonds**	**−110,637**	**−87,484**	**−4,432**	**−8,340**	**−3,559**	**−2,423**	**−1,521**	**−3,569**	**−3,914**	**3,051**
44 **Foreign countries**	**−109,766**	**−87,428**	**−4,273**	**−8,334**	**−3,394**	**−2,375**	**−1,435**	**−3,480**	**−3,872**	**3,079**
45 Europe	−57,139	−28,060	−774	−5,544	−5,227	−2,528	909	−3,963	−1,811	5,000
46 Canada	−7,685	−3,794	1,467	−1,236	412	557	−78	842	452	173
47 Latin America and Caribbean	−11,507	−25,043	1,926	−146	1,899	−2,160	−2,918	829	537	560
48 Asia	−27,831	−24,972	−6,711	−709	889	1,684	936	−1,119	−3,009	−2,583
49 Japan	−5,887	−10,014	−3,984	−183	1,828	2,261	1,862	−413	−1,826	−1,745
50 Africa	−1,517	−3,296	−432	−273	−1,027	−380	−74	−114	−147	−171
51 Other countries	−4,087	−2,263	251	−426	−340	452	−210	45	106	100
52 **Nonmonetary international and regional organizations**	**−871**	**−56**	**−159**	**−6**	**−165**	**−48**	**−86**	**−89**	**−42**	**−28**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions[1]

Millions of dollars; net purchases, or sales (−) during period

Area or country	1996	1997	1998 Jan.–Mar.	1997 Sept.	1997 Oct.	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.[p]
1 **Total estimated**	**232,241**	**183,596**	**11,779**	**15,174**	**16,858**	**15,909**	**−9,398**	**5,512[r]**	**9,957**	**−3,690**
2 Foreign countries	234,083	183,179	10,195	14,788	17,094	15,489	−7,788	4,990[r]	10,091	−4,886
3 Europe	118,781	144,920	24,556	19,152	23,102	10,158	−37	18,215[r]	6,798	−457
4 Belgium and Luxembourg	1,429	3,427	1,260	138	357	384	161	304	252	704
5 Germany	17,980	22,471	2,008	2,714	4,847	5,255	3,052	−1,085	1,096	1,997
6 Netherlands	−582	1,746	−2,122	−3	334	375	−1,525	403	−792	−1,733
7 Sweden	2,242	−465	52	16	302	−67	−124	82	−430	400
8 Switzerland	328	6,028	4,279	109	690	1,395	2,847	2,419	1,690	170
9 United Kingdom	65,658	98,253	14,349	12,856	18,779	5,640	−1,792	11,879	5,875	−3,405
10 Other Europe and former U.S.S.R.	31,726	13,460	4,730	3,322	−2,207	−2,824	−2,656	4,213[r]	−893	1,410
11 Canada	2,331	−811	−252	−414	−730	730	−2,132	−1	266	−517
12 Latin America and Caribbean	20,785	−2,541	−9,878	−769	−1,434	6,512	3,737	−3,619	2,123	−8,382
13 Venezuela	−69	655	−26	−691	107	397	−36	4	97	−127
14 Other Latin America and Caribbean	8,439	−536	4,649	−2,880	−3,723	−723	2,485	1,711	2,949	−11
15 Netherlands Antilles	12,415	−2,660	−14,501	2,802	2,182	6,838	1,288	−5,334	−923	−8,244
16 Asia	89,735	39,047	−3,887	−4,614	−5,394	−1,002	−10,359	−8,757[r]	1,348	3,522
17 Japan	41,366	20,360	−5,888	−2,782	4,160	−4,784	−7,860	−6,484[r]	764	−168
18 Africa	1,083	1,523	287	461	45	−82	268	−43[r]	176	154
19 Other	1,368	1,041	−631	972	1,505	−827	735	−805	−620	794
20 Nonmonetary international and regional organizations	−1,842	417	1,584	386	−236	420	−1,610	522	−134	1,196
21 International	−1,390	552	1,122	341	−74	451	−1,025	445	−223	900
22 Latin American regional	−779	173	13	−21	78	−24	−131	32	−29	10
MEMO										
23 Foreign countries	234,083	183,179	10,195	14,788	17,094	15,489	−7,788	4,990[r]	10,091	−4,886
24 Official institutions	85,807	43,379	6,187	3,091	−12,848	1,831	−367	−1,189	1,242	6,134
25 Other foreign	148,276	139,800	4,008	11,697	29,942	13,658	−7,421	6,179[r]	8,849	−11,020
Oil-exporting countries										
26 Middle East[2]	10,232	7,116	−677	52	−3,877	3,175	−1,506	−2,411	409	1,325
27 Africa[3]	1	−13	1	0	0	0	0	1	0	0

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

Country	Rate on May 31, 1998: Percent	Rate on May 31, 1998: Month effective	Country	Rate on May 31, 1998: Percent	Rate on May 31, 1998: Month effective
Austria	2.5	Apr. 1996	Germany	2.5	Apr. 1996
Belgium	2.75	Oct. 1997	Italy	5.0	Apr. 1998
Canada	5.0	Jan. 1998	Japan	.5	Sept. 1995
Denmark	3.75	May 1998	Netherlands	2.5	Apr. 1996
France[2]	3.3	Oct. 1997	Switzerland	1.0	Sept. 1996

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1995	1996	1997	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr	1998 May
1 Eurodollars	5.93	5.38	5.61	5.71	5.79	5.53	5.53	5.56	5.56	5.57
2 United Kingdom	6.63	5.99	6.81	7.52	7.60	7.49	7.46	7.47	7.41	7.37
3 Canada	7.14	4.49	3.59	4.02	4.61	4.68	5.02	4.93	4.94	5.09
4 Germany	4.43	3.21	3.24	3.68	3.67	3.51	3.45	3.44	3.56	3.55
5 Switzerland	2.94	1.92	1.58	1.91	1.56	1.27	.98	1.06	1.39	1.52
6 Netherlands	4.30	2.91	3.25	3.65	3.61	3.42	3.36	3.42	3.52	3.53
7 France	6.43	3.81	3.35	3.57	3.57	3.50	3.45	3.45	3.50	3.50
8 Italy	10.43	8.79	6.86	6.49	6.07	6.05	6.12	5.59	5.09	4.98
9 Belgium	4.73	3.19	3.40	3.72	3.61	3.47	3.53	3.61	3.69	3.67
10 Japan	1.20	.58	.58	.53	.78	.77	.84	.74	.66	.56

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar except as noted

Country/currency unit	1995	1996	1997	1997	1998				
				Dec.	Jan.	Feb.	Mar.	Apr.	May
1 Australia/dollar[2]	74.073	78.283	74.368	66.187	65.659	67.436	66.963	65.231	63.124
2 Austria/schilling	10.076	10.589	12.206	12.510	12.765	12.735	12.852	12.760	12.491
3 Belgium/franc	29.472	30.970	35.807	36.748	37.536	37.417	37.699	37.424	36.624
4 Canada/dollar	1.3725	1.3638	1.3849	1.4271	1.4409	1.4334	1.4166	1.4298	1.4452
5 China, P.R./yuan	8.3700	8.3389	8.3193	8.3099	8.3094	8.3072	8.3076	8.3058	8.3084
6 Denmark/krone	5.5999	5.8003	6.6092	6.7752	6.9190	6.9089	6.9661	6.9174	6.7662
7 Finland/markka	4.3763	4.5948	5.1956	5.3789	5.5006	5.4999	5.5467	5.5053	5.3966
8 France/franc	4.9864	5.1158	5.8393	5.9542	6.0832	6.0744	6.1257	6.0782	5.9528
9 Germany/deutsche mark	1.4321	1.5049	1.7348	1.7788	1.8165	1.8123	1.8272	1.8132	1.7753
10 Greece/drachma	231.68	240.82	273.28	279.93	287.24	286.70	306.05	315.82	307.22
11 Hong Kong/dollar	7.7357	7.7345	7.7431	7.7456	7.7425	7.7412	7.7458	7.7497	7.7490
12 India/rupee	32.418	35.506	36.365	39.400	39.391	39.008	39.569	39.703	40.469
13 Ireland/pound[2]	160.35	159.95	151.63	145.33	138.19	137.71	136.72	138.94	141.74
14 Italy/lira	1,629.45	1,542.76	1,703.81	1,743.86	1,787.87	1,788.28	1,799.07	1,791.24	1,750.79
15 Japan/yen	93.96	108.78	121.06	129.73	129.55	125.85	129.08	131.75	134.90
16 Malaysia/ringgit	2.5073	2.5154	2.8173	3.7907	4.4093	3.8148	3.7456	3.7376	3.8204
17 Netherlands/guilder	1.6044	1.6863	1.9525	2.0051	2.0472	2.0432	2.0598	2.0422	2.0005
18 New Zealand/dollar[2]	65.625	68.765	66.247	59.137	57.925	58.286	57.261	55.339	53.876
19 Norway/krone	6.3355	6.4594	7.0857	7.2630	7.5007	7.5530	7.5833	7.5315	7.4539
20 Portugal/escudo	149.88	154.28	175.44	181.91	185.80	185.54	187.03	185.81	181.87
21 Singapore/dollar	1.4171	1.4100	1.4857	1.6518	1.7477	1.6509	1.6188	1.6007	1.6374
22 South Africa/rand	3.6284	4.3011	4.6072	4.8706	4.9417	4.9337	4.9746	5.0459	5.0927
23 South Korea/won	772.69	805.00	950.77	1,494.04	1,707.30	1,628.42	1,489.36	1,391.55	1,399.05
24 Spain/peseta	124.64	126.68	146.53	150.46	153.93	153.61	154.95	153.99	150.81
25 Sri Lanka/rupee	51.047	55.289	59.026	61.591	62.281	62.363	62.083	62.903	64.261
26 Sweden/krona	7.1406	6.7082	7.6446	7.7977	8.0193	8.0723	7.9677	7.8238	7.7026
27 Switzerland/franc	1.1812	1.2361	1.4514	1.4393	1.4748	1.4631	1.4901	1.5051	1.4790
28 Taiwan/dollar	26.495	27.468	28.775	32.502	34.117	32.948	32.524	33.016	33.466
29 Thailand/baht	24.921	25.359	31.072	44.309	52.983	45.987	41.366	39.654	39.198
30 United Kingdom/pound[2]	157.85	156.07	163.76	165.97	163.50	164.08	166.19	167.23	163.82
MEMO									
31 United States/dollar[3]	84.25	87.34	96.38	98.82	100.52	99.93	100.47	100.30	99.61

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.

2. Value in U.S. cents.

3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

Guide to Statistical Releases and Special Tables

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin *Reference*

SPECIAL TABLES—Data Published Irregularly, with Latest Bulletin *Reference*

4.31 PRO FORMA FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

A. Pro forma balance sheet

Millions of dollars

Item	Mar. 31, 1998		Mar. 31, 1997	
Short-term assets (Note 1)				
Imputed reserve requirement on clearing balances	610.7		672.9	
Investment in marketable securities	5,496.3		6,056.1	
Receivables	68.5		65.5	
Materials and supplies	4.6		3.0	
Prepaid expenses	24.3		45.4	
Items in process of collection	5,892.3		1,089.6	
Total short-term assets		12,096.8		7,932.5
Long-term assets (Note 2)				
Premises	391.8		383.9	
Furniture and equipment	130.8		137.3	
Leases and leasehold improvements	25.4		35.2	
Prepaid pension costs	366.4		303.0	
Total long-term assets		914.4		859.4
Total assets		**13,011.2**		**8,792.0**
Short-term liabilities				
Clearing balances and balances arising from early credit of uncollected items	7,381.2		6,796.6	
Deferred-availability items	4,618.1		1,022.0	
Short-term debt	97.4		113.9	
Total short-term liabilities		12,096.8		7,932.5
Long-term liabilities				
Obligations under capital leases	.0		.7	
Long-term debt	191.8		188.2	
Postretirement/postemployment benefits obligation	207.7		196.1	
Total long-term liabilities		399.5		385.0
Total liabilities		**12,496.3**		**8,317.5**
Equity		514.9		474.4
Total liabilities and equity (Note 3)		**13,011.2**		**8,792.0**

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

Some of the 1997 data have been revised.

B. Pro forma income statement

Millions of dollars

Item	Quarter ending Mar. 31, 1998		Quarter ending Mar. 31, 1996	
Revenue from services provided to depository institutions (Note 4)		195.1		193.0
Operating expenses (Note 5)		162.9		163.3
Income from operations		32.3		29.7
Imputed costs (Note 6)				
Interest on float	5.4		4.3	
Interest on debt	4.3		4.4	
Sales taxes	2.0		2.7	
FDIC insurance	.0	11.7	.5	11.8
Income from operations after imputed costs		20.6		17.9
Other income and expenses (Note 7)				
Investment income on clearing balances	93.5		88.3	
Earnings credits	84.0	9.5	78.2	10.1
Income before income taxes		30.1		28.0
Imputed income taxes (Note 8)		9.7		9.0
Net income		**20.4**		**19.0**
MEMO				
Targeted return on equity (Note 9)		15.7		13.7

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

NOTES TO FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

(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 $16.2 million in the first quarter of 1998 and $15.6 million in the first quarter of 1997, 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) 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 $0.7 million in the first quarter of 1998 and $0.7 million in the first quarter of 1997. 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).

The following list shows the daily average recovery of float by the Reserve Banks for the first quarter of 1998 and 1997 in millions of dollars:

	1998	1997
Total float	758.7	685.0
Unrecovered float	(10.7)	11.3
Float subject to recovery	769.4	673.7
Sources of float recovery		
Income on clearing balances	76.6	67.7
As-of adjustments	376.4	346.1
Direct charges	141.4	146.4
Per-item fees	175.0	113.4

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 and direct charges are mid-week closing float and interterritory check float, which may be recovered from depositing institutions through adjustments to the institution's reserve or clearing balance or by valuing the float at the federal funds rate and billing the institution directly. 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 1998.

(7) OTHER INCOME AND EXPENSES

Consists of investment income on clearing balances and the 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 $2.6 million for first quarter of 1998 and $2.3 million for the first quarter of 1997. The Reserve Banks plan to recover these amounts, along with a finance charge, by the end of the year 2001.

Index to Statistical Tables

References are to pages A3–A65 although the prefix "A" is omitted in this index

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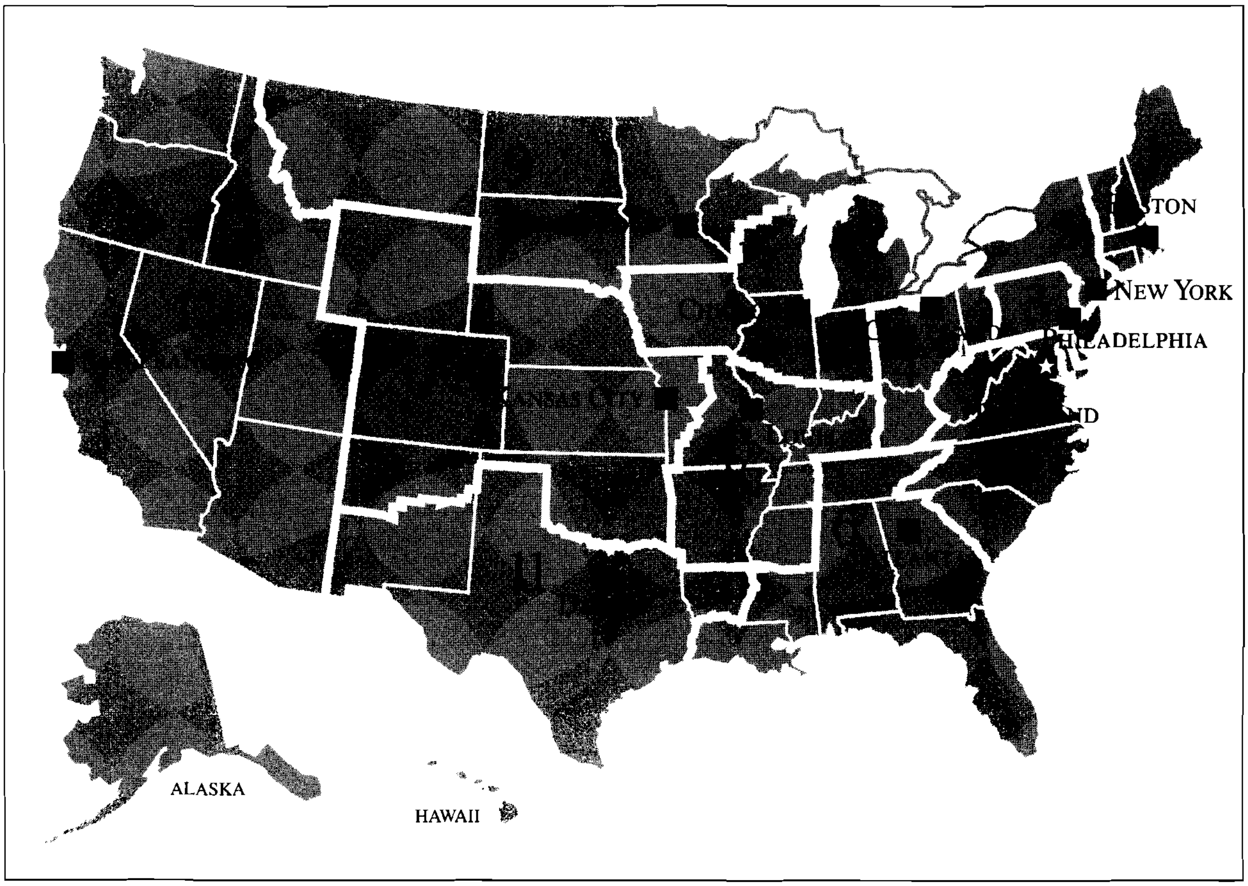

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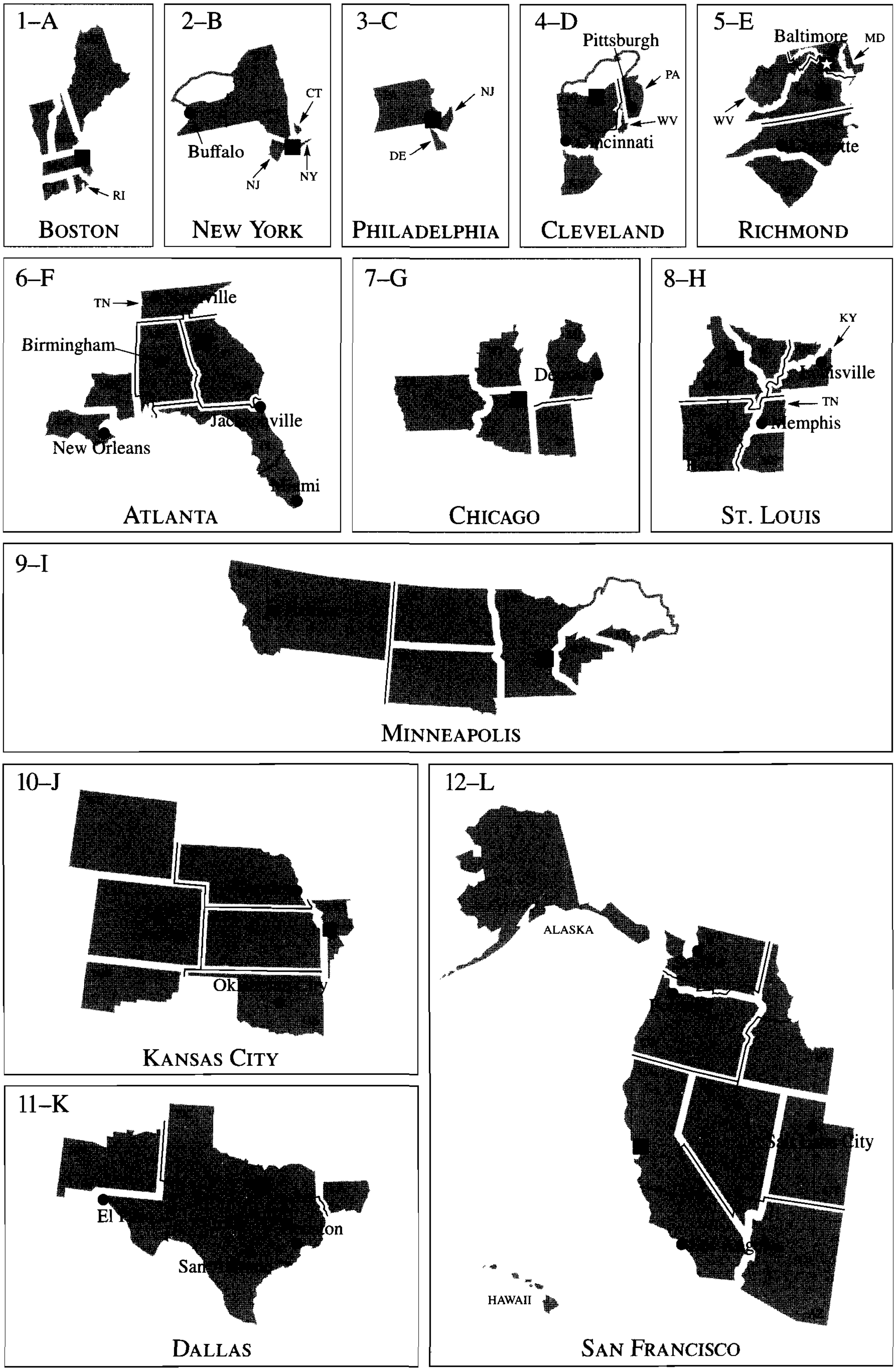
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