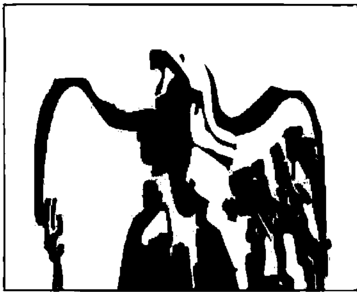
VOLUME 84 □ NUMBER 6 □ JUNE 1998



# FEDERAL RESERVE BULLETIN

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

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For the intermeeting period ahead, the Committee adopted a directive that called for maintaining conditions in reserve markets that were consistent with an unchanged federal funds rate of about 5½ percent and that did not include a presumption about the direction of a change, if any, in the stance of policy during the intermeeting period.

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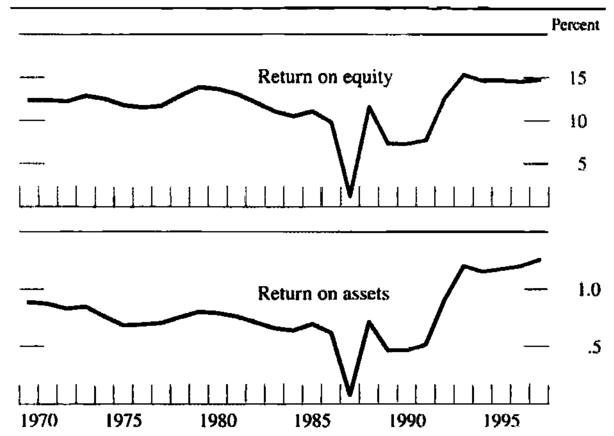
# Profits and Balance Sheet Developments at U.S. Commercial Banks in 1997

*William B. English and William R. Nelson, of the Board's Division of Monetary Affairs, prepared this article. Thomas C. Allard assisted in the preparation of the data, and Lisa X. Chen provided research assistance.*

U.S. commercial banks had another excellent year in 1997. Their return on equity remained in the elevated range that it has occupied for five consecutive years, and their return on assets reached a new high (chart 1). Banks maintained their profitability while also adding significantly to assets. The year's strong economic growth increased demand for credit, and banks more than met that demand, gaining market share. In addition, banks departed from the pattern of recent years by sharply increasing their holdings of securities. Compared with 1996, banks earned a slightly lower average rate on their interest-earning assets and paid a bit more on their liabilities, but these developments were more than offset by higher fee income and increased efficiency. Loan losses remained low relative to loans.[1]

The advance in bank profits helped boost bank holding company stock prices substantially last year. With banks retaining a slightly larger fraction of income, dividend growth slowed relative to the large increases of recent years. The resulting increase in retained income helped boost bank capital, which grew about in line with assets. As has been true for several years, virtually all bank assets were at institutions classified as "well-capitalized" at the end of 1997. Only one bank—a small one—failed last year.

1. Measures of commercial bank profitability, 1970–97




Consolidation continued in 1997. In June, most of the remaining legal restrictions on interstate mergers were removed, and several bank holding companies combined subsidiary banks that had been operating in separate regions. Partly as a result, the number of banks declined to 9,217, down from 9,575 at the end of 1996 and far below the peak, reached in 1984, of about 14,500 (chart 2). At year-end 1997, the largest 100 banks accounted for two-thirds of bank assets, up from about half in 1991.

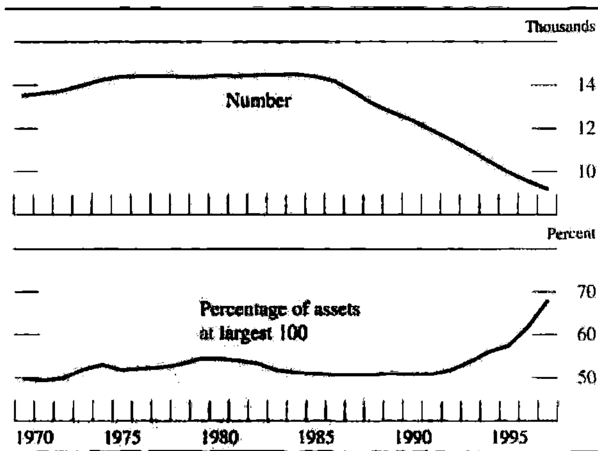
## BALANCE SHEET DEVELOPMENTS

Bank assets grew 9¼ percent in 1997, the fastest growth in more than a decade (table 1). Demand for credit was strong, and banks were generally willing lenders. As a result, loans increased 8¼ percent, a bit faster than in 1996.[2] In addition, securities, which

1. Except where otherwise indicated, data in this article are from the quarterly Reports of Condition and Income (Call Reports) for insured domestic commercial banks and nondeposit trust companies (hereafter, banks). The data consolidate information from foreign and domestic offices and have been adjusted to take account of mergers (see appendix). Size categories, based on assets at the start of each quarter, are as follows: the 10 largest banks, large banks (those ranked 11 through 100 by size), medium-sized banks (those ranked 101 through 1,000 by size), and small banks (those not among the largest 1,000 banks). At the start of the fourth quarter of 1997, the approximate asset size of the banks in those groups were as follows: the 10 largest banks, more than $70 billion; large banks, $6 billion to $70 billion; medium-sized banks, $300 million to $6 billion; small banks, less than $300 million. Many of the data series reported here begin in 1985 because the Call Reports were significantly revised at the start of that year. Data from before 1985 are taken from Federal Deposit Insurance Corporation, *Statistics on Banking* (FDIC, 1997). The data are also available on the World Wide Web site of the FDIC (http://www.fdic.gov/databank/sob/). Data shown may not match data published in earlier years because of revisions and corrections. In the tables, components may not sum to totals because of rounding.

2. The growth rates have been adjusted to remove the effects of an accounting change that lowered measured growth in loans and increased measured growth in federal funds sold. Before 1997, sales of federal funds by foreign offices were classified as loans. Starting in 1997, they are classified as federal funds sold.

2. Number of commercial banks, and percentage of assets at the largest 100 banks, 1970–97




had been about unchanged for the past few years, expanded nearly 9 percent. Non-interest-earning assets, which make up about 13 percent of total assets, expanded 11¼ percent, in large part because of growth in the gross positive fair value of derivatives. Core deposit growth picked up, but not enough to keep pace with assets; managed liabilities and equity made up the difference.

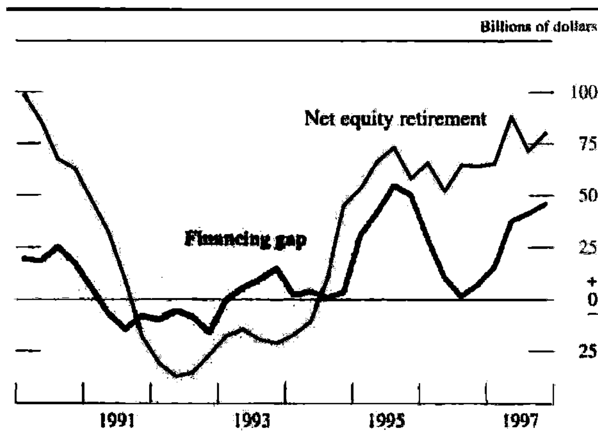
### *Loans to Businesses*

The value of commercial and industrial (C&I) loans on bank balance sheets expanded nearly 12¼ percent, the second largest annual increase in seventeen years. C&I loans increased in part because inventory accumulation and fixed investment by businesses apparently outstripped their internally generated funds last year; at nonfinancial corporations, the excess of capital expenditures over internal funds rose to $45 billion, up from $6½ billion in 1996 (chart 3). The borrowing needs of nonfinancial corporations were further increased because, as has been true for several years, they retired a large volume of equity, on net, via stock buybacks and during corporate acquisitions.

Banks expanded their share of outstanding nonmortgage business credit to its highest level since 1989 (chart 4). In part, this expansion reflected a substantial rise in the number of mergers and acquisitions among middle-market firms, which are more likely to be financed by bank loans than are the combinations of large corporations. Those respondents that reported stronger demand for business loans on the Federal Reserve's quarterly Senior Loan Officer Opinion Survey on Bank Lending Practices (BLPS) last year most commonly attributed the increased demand to mergers and acquisitions; in addition, banks cited financing for inventories and for plant and equipment.

Banks also expanded their market share by competing more vigorously for business loans. Although only small fractions of the respondents to the BLPS said they had eased standards on business loans in 1997, large fractions indicated they had eased loan terms, particularly the spreads of loan rates over their bank's cost of funds (chart 5). These results are somewhat at odds with the Federal Reserve's quarterly Survey of Terms of Business Lending (STBL), which showed a slight widening of the average spread

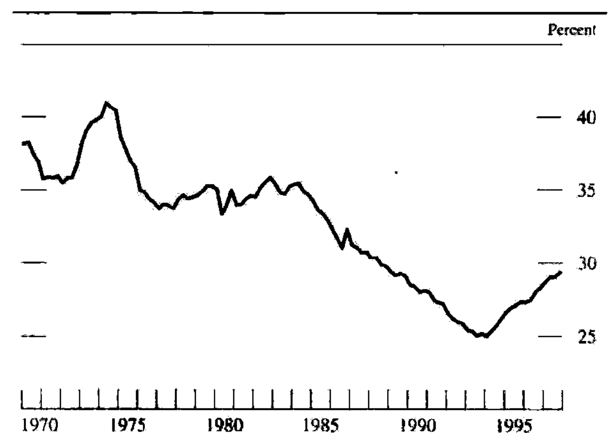
3. Financing gap and net equity retirement at nonfarm nonfinancial corporations, 1990–97




NOTE. The data are four-quarter moving averages. The financing gap is the difference between capital expenditures and internally generated funds. Net equity retirement is funds used to repurchase equity less funds raised in equity markets.

SOURCE. Federal Reserve Board, Statistical Release Z.1, "Flow of Funds Accounts of the United States," table F. 102.

4. Bank loans as a share of total nonmortgage credit market debt, nonfinancial businesses, 1970–97




SOURCE. Federal Reserve Board, Statistical Release Z.1, "Flow of Funds Accounts of the United States," table L. 101.

1. Annual rates of growth of balance sheet items, 1988–97

Percent

| Item | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | Memo: Dec. 1997 level (billions of dollars) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | 4.33 | 5.35 | 2.64 | 1.33 | 2.19 | 5.68 | 8.06 | 7.61 | 6.03 | 9.22 | 4,971 |
| Interest-earning assets | 4.04 | 5.61 | 2.23 | 1.98 | 2.53 | 6.56 | 5.77 | 7.76 | 5.60 | 8.88 | 4,281 |
| Loans and leases (net) | 5.93 | 6.24 | 2.37 | −2.65 | −1.04 | 6.05 | 9.83 | 10.63 | 8.02 | 8.38 | 2,885 |
| Commercial and industrial | 1.84 | 2.97 | −.67 | −9.10 | −4.10 | .52 | 9.33 | 12.26 | 7.24 | 12.15 | 791 |
| Real estate | 12.43 | 12.69 | 8.79 | 2.73 | 1.94 | 6.13 | 7.90 | 8.33 | 5.44 | 9.20 | 1,235 |
| Booked in domestic offices | 11.99 | 13.02 | 8.55 | 2.90 | 2.57 | 6.17 | 7.64 | 8.48 | 5.50 | 9.42 | 1,207 |
| One- to four-family residential | 14.60 | 16.13 | 14.00 | 7.76 | 7.53 | 11.08 | 10.09 | 10.06 | 4.65 | 9.69 | 713 |
| Other | 9.84 | 10.34 | 3.62 | −1.93 | −2.86 | .22 | 4.35 | 6.25 | 6.75 | 9.04 | 494 |
| Booked in foreign offices | 27.03 | 2.99 | 16.64 | −2.35 | −17.80 | 4.67 | 18.35 | 2.81 | 3.18 | .34 | 28 |
| Consumer | 7.64 | 6.18 | .38 | −2.55 | −1.66 | 9.06 | 16.01 | 9.98 | 4.44 | −2.17 | 544 |
| Other loans and leases | −3.09 | −.94 | −5.68 | −4.91 | −4.24 | 9.97 | 5.29 | 14.23 | 22.28 | 13.78 | 372 |
| Loan loss reserves and unearned income | −4.20 | 10.29 | .35 | −3.78 | −4.85 | −5.82 | −2.22 | .47 | .06 | −.69 | 58 |
| Securities | 3.27 | 5.08 | 8.46 | 16.23 | 12.29 | 12.26 | −2.61 | .59 | .82 | 8.85 | 1,006 |
| Investment account | 2.93 | 4.04 | 8.19 | 14.42 | 11.44 | 8.11 | −1.73 | −1.55 | −1.14 | 8.66 | 861 |
| U.S. Treasury | −5.80 | −13.79 | 3.50 | 32.01 | 23.95 | 7.24 | −8.46 | −19.21 | −14.30 | −8.88 | 151 |
| U.S. government agency and corporation obligations | 22.54 | 33.41 | 24.02 | 15.88 | 12.77 | 9.62 | .87 | 6.43 | 3.62 | 14.19 | 500 |
| Other | −2.46 | −5.35 | −6.70 | −2.56 | −5.20 | 6.09 | 2.49 | 4.33 | 1.71 | 11.20 | 210 |
| Trading account | 8.58 | 20.62 | 11.87 | 38.88 | 21.01 | 51.84 | −20.46 | 18.51 | 14.44 | 9.97 | 145 |
| Other | −5.82 | 2.49 | −11.70 | 2.82 | 1.57 | −7.90 | 3.25 | 7.64 | −.90 | 12.81 | 390 |
| Non-interest-earning assets | 6.45 | 3.50 | 5.51 | −3.10 | −.32 | −.86 | 25.65 | 6.63 | 8.89 | 11.35 | 690 |
| **Liabilities** | 4.05 | 5.43 | 2.37 | 1.01 | 1.35 | 5.12 | 8.31 | 7.23 | 5.89 | 9.12 | 4,557 |
| Core deposits | 5.48 | 5.75 | 7.58 | 5.25 | 5.09 | 1.49 | −.17 | 3.97 | 4.12 | 4.52 | 2,494 |
| Transaction deposits | 2.65 | .93 | 2.43 | 3.38 | 14.62 | 5.47 | −.33 | −3.09 | −3.45 | −4.58 | 757 |
| Savings and small time deposits | 7.29 | 8.71 | 10.51 | 6.24 | .18 | −.85 | −.08 | 8.37 | 8.34 | 9.05 | 1,737 |
| Managed liabilities[1] | 2.27 | 5.13 | −6.15 | −6.19 | −6.07 | 12.30 | 17.57 | 10.61 | 9.48 | 13.83 | 1,720 |
| Deposits booked in foreign offices | −7.77 | −1.07 | −5.88 | 3.81 | −5.85 | 15.06 | 30.89 | 5.13 | 4.27 | 11.13 | 526 |
| Large time | 9.22 | 5.00 | −5.68 | −19.73 | −26.20 | −9.21 | 8.72 | 19.61 | 21.16 | 20.13 | 379 |
| Subordinated notes and debentures | −4.25 | 16.98 | 20.99 | 4.69 | 34.90 | 10.82 | 9.23 | 6.61 | 17.74 | 21.00 | 62 |
| Other managed liabilities | 5.45 | 9.86 | −8.06 | −1.39 | 6.94 | 22.18 | 12.91 | 11.63 | 7.83 | 12.22 | 753 |
| Other | −.06 | 3.29 | 4.43 | −4.18 | −1.02 | 15.30 | 79.17 | 20.50 | 2.57 | 23.77 | 344 |
| **Equity capital** | 8.76 | 4.18 | 6.64 | 5.98 | 13.75 | 12.58 | 5.24 | 12.07 | 7.66 | 10.34 | 414 |
| **Memo** | | | | | | | | | | | |
| Commercial real estate loans[2] | n.a. | n.a. | n.a. | −2.54 | −4.03 | −.60 | 4.00 | 6.35 | 7.66 | 9.85 | 496 |
| Mortgage backed securities | 19.06 | 41.00 | 34.39 | 19.27 | 10.37 | 9.66 | −3.12 | .67 | 2.03 | 14.18 | 380 |

Note. Data are from year-end to year-end.

n.a. Not available.

1. Measured as the sum of deposits in foreign offices, large time deposits in domestic offices, federal funds purchased and securities sold under agreements to resell, demand notes issued to the U.S. Treasury, subordinated notes and debentures, and other borrowed money.

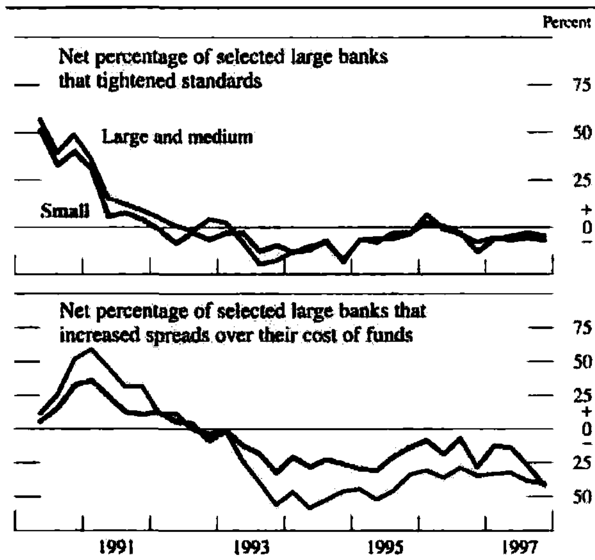
2. Measured as the sum of construction and land development loans secured by real estate; real estate loans secured by nonfarm nonresidential properties; real estate loans secured by multifamily residential properties; and loans to finance commercial real estate, construction, and land development activities not secured by real estate.

on business loans last year (chart 6). Nevertheless, the average of measured spreads reported in the STBL narrowed over the preceding several years, so results from both surveys are broadly indicative of aggressive pricing of business loans.

Spreads on the largest loans are the narrowest relative to historical norms. Partly as a result, several large banks established programs last year to package and sell "collateralized loan obligations" (CLOs)—securities backed by large commercial and industrial loans. Respondents to the November 1997 BLPS attributed the recent interest in CLOs to a desire by banks to deploy their capital more efficiently by moving relatively high quality loans (which have the same regulatory capital requirement as riskier loans) off their balance sheets.[3] With these loans off the books, the measured growth in business loans last year understates the expansion of bank-originated credit. However, the understatement was small

3. This explanation presumes that the increase in the expected return on equity that occurs when capital is allocated to riskier assets increases the value of the bank's stock, but this need not be true. Just as selling $100 of safe stock and buying $100 of risky stock leaves one's net worth unchanged, replacing low-risk assets with high-risk assets should leave the value of the bank's stock essentially unaffected so long as the bank must pay appropriately higher rates on its liabilities. However, the rates banks pay on insured deposits are insensitive to a broad range of riskiness in bank assets, and the sensitivity of many other bank liabilities at the largest banks may be muted by the perception that regulators might be unwilling to allow such institutions to fail because of the damage to the financial system that could result.

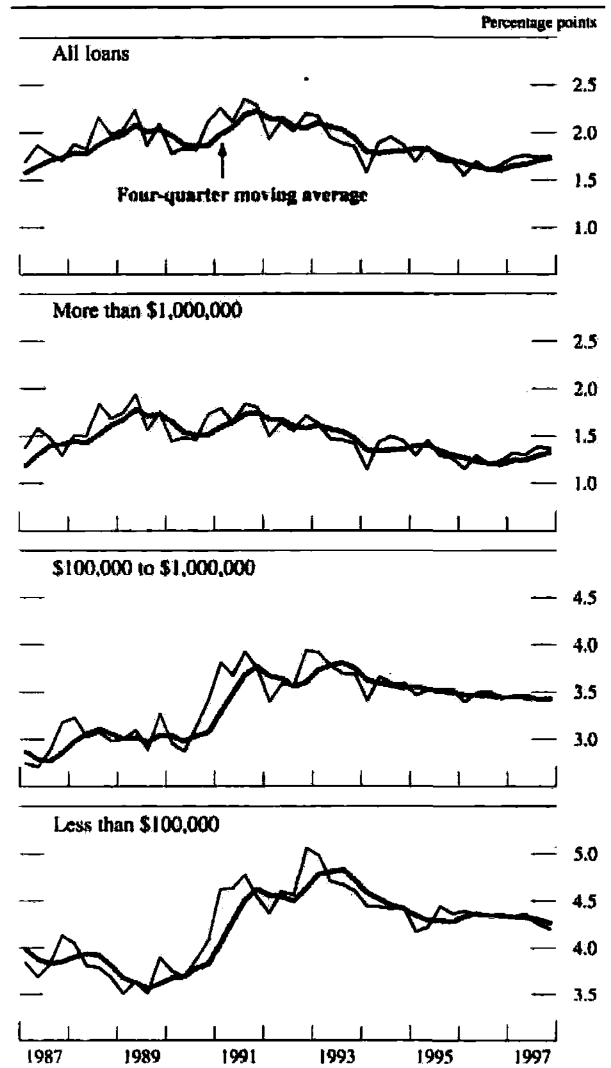
5. C&I loan standards and terms, by size of borrower, 1990–97




NOTE. Net percentage is the percentage of banks reporting a tightening of standards or an increase in spreads less the percentage reporting an easing or decrease. The definition for firm size suggested for, and generally used by, survey respondents is that medium firms are those with sales of between $50 million and $250 million.

SOURCE. Federal Reserve Board, Senior Loan Officer Opinion Survey on Bank Lending Practices.

6. Spread of C&I loan rate over intended federal funds rate, by size of loan, 1987–97




NOTE. The data are weighted by loan volume.

SOURCE. Federal Reserve Board, Statistical Release E.2, "Survey of Terms of Business Lending."

because the bulk of the CLO activity involved loans by foreign rather than U.S. banks. Nonetheless, the survey results suggest that CLOs have the potential to shift significant amounts of C&I loans off the books of domestic banks over time.

Banks' holdings of commercial real estate loans increased more than 9¾ percent last year. The growth of these loans has been picking up for the past four years following a sharp pullback in the early 1990s. A variety of indicators show continued improvement in the condition of the commercial real estate industry, including falling vacancy rates and rising prices for properties. Commercial real estate loans have grown much more rapidly in recent years at smaller banks; after adjusting for the effect of mergers, these loans at the largest 100 banks increased 4¼ percent last year, whereas growth at the remaining banks was 15½ percent. The losses on such loans in the early 1990s were concentrated at large banks, which may therefore remain relatively more cautious. Growth at large banks may also have been held down somewhat by the issuance of commercial mortgage-backed securities (CMBSs); many of the respondents to the August 1997 BLPS—particularly the largest banks—reported that they had issued CMBSs. These securities were virtually nonexistent ten years ago. In 1997, however, the increase in the outstanding dollar amount of CMBSs exceeded the increase in the commercial mortgage loans on the books of commercial banks; by this measure, CMBSs and bank loans were the two leading sources of finance for commercial real estate activities.

### *Loans to Households*

In contrast to business loans, consumer loans on banks' books contracted 2¼ percent last year. Several factors contributed to the decline, including reduced demand for such loans by households, which in turn partly reflected a substitution toward home equity loans; a tightening of terms and standards on consumer loans by some banks; and the increased securitization of consumer loans. Consumer credit

from all sources grew 4½ percent last year, down from 8 percent in 1996 and 14 percent in the two preceding years.

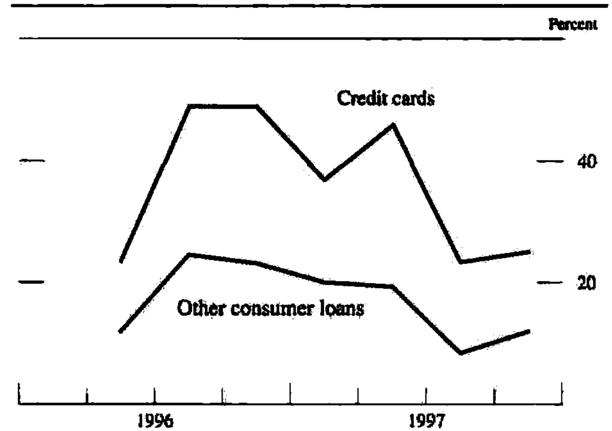
As is typical over an economic expansion, the deceleration has been more pronounced for consumer credit than for spending on consumer durables; the growth of the latter slowed from 9¼ percent in 1994 to 4 percent last year. In the early stages of an expansion, net increases in consumer debt tend to be large because an upturn in spending for consumer durables boosts loan originations, while past low levels of originations keep debt repayments low. But as the economy continues to expand, the growth of repayments provides more of an offset to new originations, resulting in smaller net additions to the stock of debt.

As discussed below, the average repayment performance of consumer loans deteriorated significantly in 1995–96 and remained poor last year. In response, for the past two years a large percentage of banks tightened their standards on consumer loans, according to responses to the BLPS (chart 7). But the percentages reporting tightening were lower in the second half of 1997, suggesting that many banks felt that they had altered their standards sufficiently. Some banks also reported imposing lower credit limits on credit cards and raising finance charges on outstanding balances. While these adjustments may have made credit card lines harder to acquire for less creditworthy customers, banks apparently remained eager to attract more creditworthy borrowers. Reportedly, credit card solicitations continued at a record pace, and the value of credit card lines grew 11¾ percent. By the end of 1997 the aggregate credit card utilization rate—credit drawn on credit card lines relative to the total size of such lines—had fallen to less than one-third.

Despite the decline in consumer loans on the books of banks, outstanding consumer loans originated by banks grew nearly 4 percent last year. The decline in loans on the books resulted from an increase of more than 20 percent in the volume of loans originated by banks and then securitized; at the end of the year, these off-balance-sheet amounts accounted for nearly 30 percent of consumer loans originated by banks (chart 8). Given the marked deterioration in the performance of consumer loans in recent years, banks may be inclined to reduce the amount of such loans appearing on their balance sheets. In addition, banks evidently find securitization frequently to be a less expensive way of funding consumer loans than funding them on their balance sheets.[4]

4. For information on the securitization of credit card loans, see William R. Nelson and Brian K. Reid, "Profits and Balance Sheet Developments at U.S. Commercial Banks in 1995," *Federal Reserve Bulletin*, vol. 82 (June 1996), p. 488.

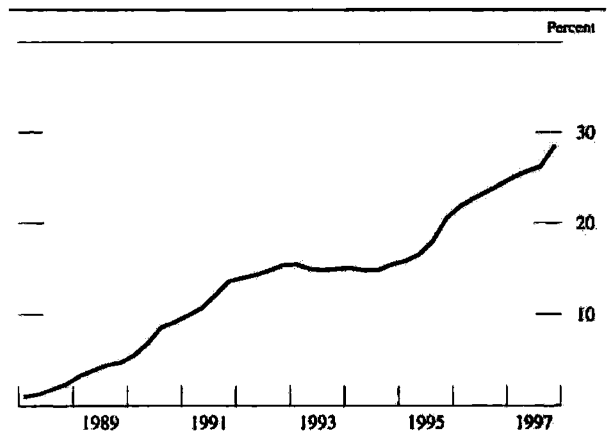
7. Net percentage of selected commercial banks that tightened standards for credit cards and other consumer loans, 1996–97




NOTE. Net percentage is the percentage of banks reporting a tightening of standards less the percentage reporting an easing.
SOURCE. Federal Reserve Board, Senior Loan Officer Opinion Survey on Bank Lending Practices.

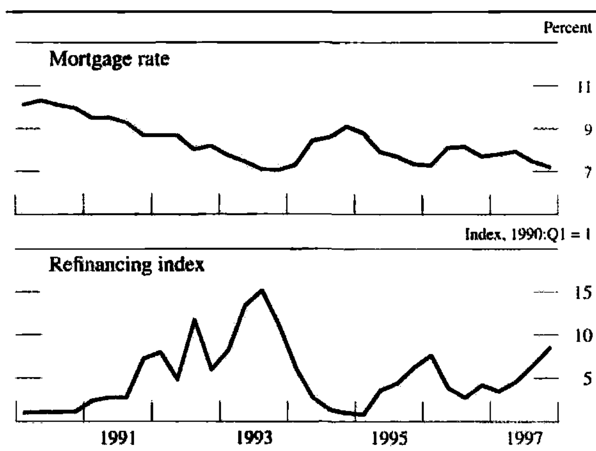
Consumer loans were likely also depressed last year because many households refinanced them with loans backed by real estate, which typically have lower interest rates and for which interest payments are generally tax deductable. Borrowing under home equity lines of credit at banks increased 15 percent in 1997, and closed-end residential real estate loans secured by junior liens increased 10¾ percent. Real-estate-secured borrowing from nonbanks, particularly finance companies, was also strong. When asked in the February 1997 BLPS to account for the strength in home equity loans, most banks cited increased demand from households or specific encouragement by the banks to consolidate unsecured consumer credit with such loans.

8. Securitized share of outstanding consumer loans originated by banks, 1988–97




SOURCE. Federal Reserve Board, Statistical Releases H.8, "Assets and Liabilities of Commercial Banks in the United States," and G.19, "Consumer Credit."

9. Average rate on new, fixed-rate thirty-year mortgages, and the mortgage refinancing index, 1990–97




SOURCE. The mortgage rate is from the Federal Home Loan Mortgage Corporation; the refinancing index is from the Mortgage Bankers Association.

Home mortgages secured by first liens also accelerated in 1997, expanding 8¾ percent. Some of the strength in mortgages reflected the high level of residential construction activity last year, although increased construction activity generally raises the level of mortgages only gradually. Toward the end of the year, the low level of mortgage interest rates induced large numbers of borrowers to refinance existing mortgages (chart 9). The resulting increase in refinancing activity likely contributed to the expansion of banks' holdings of mortgages because some households increase their mortgage size and take cash out when refinancing. The added cash may be used to pay down other debts, so the heightened level of refinancing probably contributed a bit to the weakness in consumer loans discussed above. The high level of refinancing activity may also have boosted mortgage loans on banks' books temporarily, as previously securitized loans were replaced by new loans that appear on the balance sheets of the refinancing institution, at least for a while.

As has been true for several years, real estate loans at banks were also boosted somewhat by banks' acquisition of savings institutions; last year such acquisitions added about 2 percentage points to the growth of real estate loans at banks. Banks have been absorbing savings institutions since the savings and loan crisis in the late 1980s. Partly as a result, banks have become bigger players in the mortgage business, which had previously been dominated by thrift institutions. At the end of the fourth quarter, single family mortgages accounted for nearly as large a share of bank assets (14½ percent) as did C&I loans (15¾ percent).

*Securities*

Banks' holdings of securities increased more than 8¾ percent last year after declining in 1994 and changing little in 1995 and 1996. Securities also expanded sharply earlier in the 1990s, but that increase occurred during a period of weak loan demand and strong inflows of core deposits; it may also have reflected banks' efforts to comply with new regulatory standards that imposed larger capital requirements on loans than on securities.[5] The strength in securities last year, by contrast, coincided with substantial loan growth and thus does not seem to indicate any diminution in the demand for loans or in the willingness of banks to provide them. Indeed, responses to the May 1998 BLPS indicated that the growth in securities was due in part to an increased willingness on the part of some banks to boost leverage in an effort to raise return on equity. Many responses also attributed the growth to mergers: Some banks were expanding their balance sheets in line with capital accumulated because their holding companies had recently participated in pooling-of-interest mergers and therefore were constrained from buying back stock.

Securities in investment accounts at banks expanded 8¾ percent last year. Within investment accounts, mortgage-backed securities, which account for about half of the securities in such accounts, increased much more rapidly than the remaining types of securities. The 10 percent growth in interest-earning trading account securities was concentrated in securities booked at domestic offices; foreign office trading accounts declined somewhat. The decline in trading account securities booked in foreign offices was largely in the fourth quarter, when the turmoil in East Asia probably induced banks to sell some securities and reduced the value of some that they kept.

Non-interest-earning trading account assets were boosted by a $42½ billion rise in the gross positive fair value of derivatives written on interest rates, exchange rates, and equity, commodity, and other prices (see box "Off-Balance-Sheet Activity"). Much of this gain was probably the result of an increase in the value of exchange-rate contracts in the fourth quarter, most likely because of the large depreciations of several East Asian currencies at that time. Banks typically hold offsetting positions in such contracts, so large movements in exchange rates generally

5. Core deposits consist of demand deposits, NOW accounts, savings and money market deposit accounts, and small (that is, less than $100,000) time deposits.

increase bank assets and liabilities without greatly affecting net worth. Exchange-rate-based derivative contracts in a negative position, which are recorded as liabilities on the balance sheet, also increased substantially in the fourth quarter.

### *Liabilities*

Bank core deposits grew 4½ percent last year, about the same rate as in 1996 and only half as fast as the rise in bank assets. Core deposit growth was relatively slow, in part because banks set deposit rates low in comparison to market rates, as they have done for several years. For example, the average rate paid by banks on their interest-bearing core deposits was 1¼ percentage points below the yield on six-month Treasury bills last year. By contrast, the average difference was only ¼ percentage point from 1987 to 1993 (chart 10). Yields available on core deposits were especially low relative to the returns on bond and stock mutual funds last year, and households' substitution toward such funds likely continued to depress the growth of core deposits.

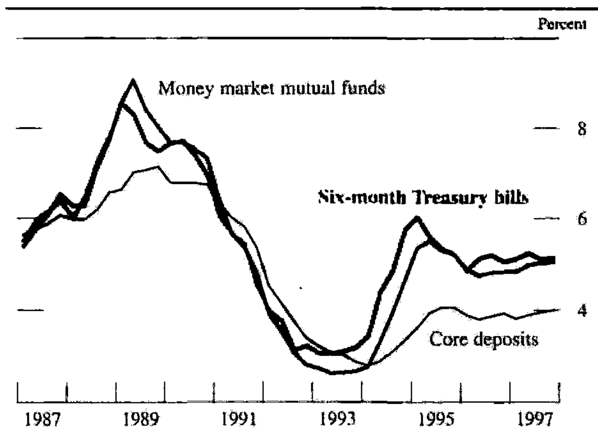
Within core deposits, savings accounts expanded rapidly, mainly because of the ongoing introduction of "sweep" programs. These programs automatically move funds out of transactions deposits, against which banks must hold non-interest-bearing reserves, into savings accounts, against which banks do not have to hold reserves. Sweep programs thus release funds that banks can invest in interest-earning assets. In 1997, banks slowed the initiation of programs that sweep funds out of NOW accounts—until last year the most common form of retail sweep program—but they accelerated the creation of programs that sweep funds from household demand deposits; on net, the amount moved by the initiation of new sweep programs—$84 billion—was about 25 percent lower than in 1996.

With core deposits growing more slowly than assets, banks funded their robust growth last year largely with managed liabilities, which increased 13¾ percent. Large time deposits, deposits in foreign offices, and subordinated debt all expanded at double-digit rates last year. During the past five years of substantial growth of bank assets, the share funded by managed liabilities rose from 28¼ percent to nearly 34 percent, a level just below that in the late 1980s.

Historically, banks have increased their reliance on managed liabilities during periods of rapid asset growth (chart 11), perhaps because they cannot profitably attract new core deposits quickly enough to keep up with rapidly growing assets. Managed liabilities can generally be raised in large amounts with little or no change in the rates paid for the funds. The public's demand for core deposits, however, is much less sensitive to rates, so banks would have to increase deposit rates substantially to induce large inflows over relatively short periods of time. Thus, even though core deposits on average are less expensive than managed liabilities, the latter may still be the more profitable means for banks to finance rapid growth in assets, with reliance on those liabilities declining when asset growth is weak.

Bank borrowing from the Federal Home Loan Bank System (FHLB) grew significantly last year, rising by more than a half and reaching about 1 percent of bank assets by year-end. Membership in the FHLB was limited to thrift institutions until 1989,

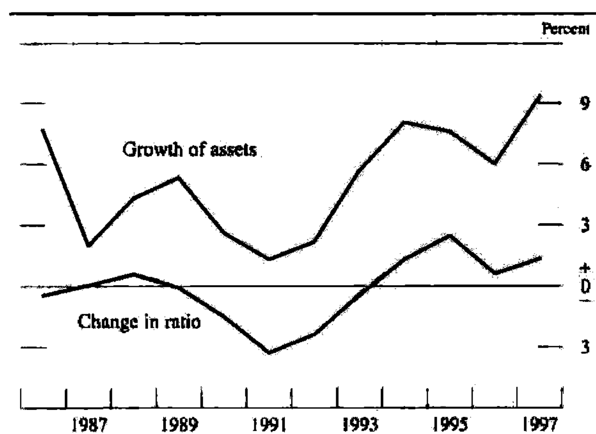
10. Selected interest rates, 1987–97




NOTE. The rate for core deposits is the average for NOW accounts, savings and money market deposit accounts, and small time deposits, and it excludes demand deposits, which do not bear interest; see also text note 5.

SOURCE. Federal Reserve Board, Statistical Release H.15, "Selected Interest Rates"; and *IBC's Money Fund Report*.

11. Annual change in the ratio of managed liabilities to assets, and growth of assets, 1986–97



## Off-Balance-Sheet Activity

Off-balance-sheet activities are of three general types. The first involves a promise by the bank to provide funds on demand (for example, a loan commitment) or as a guarantee (as with certain letters of credit). The obligation does not appear on the balance sheet because the funds have not been extended. The meaning of "off-balance-sheet" is somewhat more obscure when applied to the second type of activity, derivatives, because the value of most derivatives is reported on the balance sheet—as an asset if the value is positive or as a liability if the value is negative. Derivatives are assets whose payments are derived from the performance of other assets; it is the underlying assets that are off the balance sheet. The third type of activity, loan securitization, is generally spoken of as an off-balance-sheet activity because the securitized loans typically are moved off of banks' balance sheets. The table provides the year-end amounts of selected off-balance-sheet items in dollars and as a percentage of assets.

### *Commitments*

Unused commitments equaled $3 trillion at the end of 1997, nearly two-thirds of assets. The rise in unused lines as a share of assets since 1990 is almost entirely attributable to the growth of credit card lines, which tripled as a percentage of assets over the period and accounted for more than half of unused commitments last year. Unused residential and commercial real estate lines and unused lines for securities underwriting summed to less than 10 percent of unused commitments last year; other unused lines, primarily commercial and industrial, accounted for the remainder.

### *Letters of Credit*

Banks issue commercial and standby letters of credit. Commercial letters of credit are issued specifically to facilitate payment for goods. They are arranged by the buyer to guarantee payment to the seller of the goods, who receives funds from the bank only when the terms of the purchase are fulfilled. Commercial letters of credit equaled less than 1 percent of bank assets last year.

A standby letter of credit is a promise by the issuing bank to pay a specific sum to a third party if the issuing bank's customer fails to fulfill specific commitments; the customer is then obligated to repay the funds to the bank. If the customer's commitments are financial, such as repaying holders of commercial paper, the letter is called a financial standby letter of credit. If the commitments are not financial, such as the delivery of merchandise or the completion of a construction project, the letter is called a performance standby letter of credit. Banks' potential obligations under financial standby letters equaled 3¾ percent of their assets last year; potential obligations under performance standby letters totaled about 1 percent of assets.

### *Derivatives*

Derivatives can be roughly classified into two types: forwards and options. Forwards are agreements to buy or sell

Selected off-balance-sheet items, year-end

| Item | 1997 (billions of dollars) | Percentage of assets | |
|---|---|---|---|
| | | 1990 | 1997 |
| Unused commitments | 3,040.7 | 33.0 | 61.2 |
| Letters of credit | | | |
| Commercial | 29.2 | .9 | .6 |
| Standby | | | |
| Financial | 185.9 | 3.7 | 3.7 |
| Performance | 44.4 | 1.7 | .9 |
| Derivatives (excluding credit derivatives) | | | |
| Interest rate | | | |
| Notional amount | 17,176.1 | 98.1 | 345.5 |
| Fair value | | | |
| Positive | 162.8 | n.a. | 3.3 |
| Negative | 161.3 | n.a. | 3.2 |
| Exchange rate | | | |
| Notional amount | 7,832.5 | 104.3 | 157.6 |
| Fair value | | | |
| Positive | 192.2 | n.a. | 3.9 |
| Negative | 185.5 | n.a. | 3.7 |
| Other | | | |
| Notional amount | 493.7 | 2.4 | 9.9 |
| Fair value | | | |
| Positive | 22.9 | n.a. | .5 |
| Negative | 27.7 | n.a. | .6 |
| Credit derivatives (notional amount) | | | |
| Guarantor | 33.4 | n.a. | .7 |
| Beneficiary | 63.7 | n.a. | 1.3 |
| Assets transferred with recourse | 230.6 | n.a. | 4.6 |

n.a. Not available.

when the Financial Institutions Reform, Recovery, and Enforcement Act allowed qualifying commercial banks to join; more than half of all commercial banks had become members by the end of 1997.

### *Capital*

Bank equity grew 10¼ percent last year, a bit faster than assets. More than one-third of the growth in capital arose from a 30 percent increase in retained income. Retained income increased so much partly because net income was strong, but also because the proportion of income retained by banks rose, from 24¼ percent in 1996 to 27¾ percent last year. With the increased rate of retention, dividends rose just 8 percent, well below the 29 percent annual rate posted between 1993 and 1996. About one-fourth of the increase in capital was new capital, acquired

**Off-Balance-Sheet Activity—Continued**

something for a specific price at a designated future date; options give the holder the opportunity, but not the obligation, to buy or sell something at a specific price, typically during an agreed-upon interval.[1] Swaps, in which the income streams from two assets are exchanged at specified future dates, are essentially a combination of several forward contracts. Most derivatives contracts held by banks are based on interest rates or exchange rates. At banks, the most common forms of interest rate contracts are swaps; exchange-rate contracts are most commonly forwards; and other derivatives are most often options.

Derivatives contracts are reported for accounting purposes in terms of their fair value, which is the price at which the contract could be replaced, and their notional value, which is generally the value of the underlying asset used in the computation of the payment streams. For example, an interest rate swap is commonly written so that its initial fair value is zero, that is, so that the present values of the bank's obligation to its counterparty and the counterparty's obligation to the bank are equal, even if the notional value—the reference amount used for calculating the income stream being swapped—is in the millions of dollars.

The difference between notional and fair values given in the example is reflected in the aggregate values: The total notional amount of banks' holdings of derivatives (excluding credit derivatives, which are discussed below) at the end of last year equaled $25½ trillion, while the gross fair value of the derivatives (positive and negative) was about $750 billion. Notional amounts can be useful as one indicator of the change in the amount of derivatives activity over time. However, because notional amounts are so far removed from the actual value of derivatives, they vastly overstate the exposure of the institutions.

Derivatives holdings are concentrated at the largest banks. At the end of last year, more than 99 percent of derivatives, measured either by notional amount or gross fair value, were held at the top 100 banks. Furthermore, about 90 percent of derivatives (again by either measure) were held at the top 10 banks.

1. For additional information on the use and holdings of derivatives by banks, see "Derivatives Disclosures by Major U.S. Banks, 1995," *Federal Reserve Bulletin*, vol. 82 (September 1996), pp. 791–805.

More than 90 percent of derivatives (by notional amount) were held in trading accounts last year. Such holdings frequently arise either as financial institutions trade among themselves or when a nonbank customer wishes to purchase a derivative and the bank acts as a counterparty. Given the volatility of these assets, banks rarely allow a position to be unmatched for very long. As a result, at any given time, the positive and negative fair values of banks' derivatives holdings tend to be about equal.

Another type of derivative contract, an option, is a "credit derivative," which allows parties to transfer the credit risk of an underlying asset. Generally, the derivatives are structured so that the seller (guarantor) will pay the buyer (beneficiary) if an asset held by the beneficiary defaults, thus allowing the beneficiary to hold the asset without being exposed to some or all of the credit risk of the asset. At the end of last year, the notional value of credit derivatives on which banks were the guarantors equaled ¾ percent of bank assets, and the notional value of credit derivatives on which banks were the beneficiary equaled 1¼ percent of assets.

*Securitization*

Although loan securitization is often spoken of as an off-balance-sheet *activity*, securitized assets are reported as an off-balance-sheet *item* only if the assets have been transferred with recourse; that is, if the bank has removed the asset from its balance sheet but remains exposed to some of the risk of loss posed by the asset. When residential mortgages are securitized through one of the federal housing agencies, for example, the originating bank has no responsibility for the repayment of the loan (although it may service the mortgages for a fee), and thus the loan is not an off-balance-sheet item. In contrast, credit card securitizations are typically structured so that if the repayment performance of the underlying accounts deteriorates sufficiently, the originating bank is obliged to repurchase the remaining securitized loans over a fairly short period. Most of the loans that are reported as off-balance-sheet items on the Call Report, which equaled 4½ percent of bank assets last year, were credit card loans.

generally from the issuance of stock or the injection of funds from parent holding companies. Most of the remaining growth in capital arose from two sources: the increase in goodwill arising from bank mergers and the increase in net unrealized gains on investment account securities available for sale.[6]

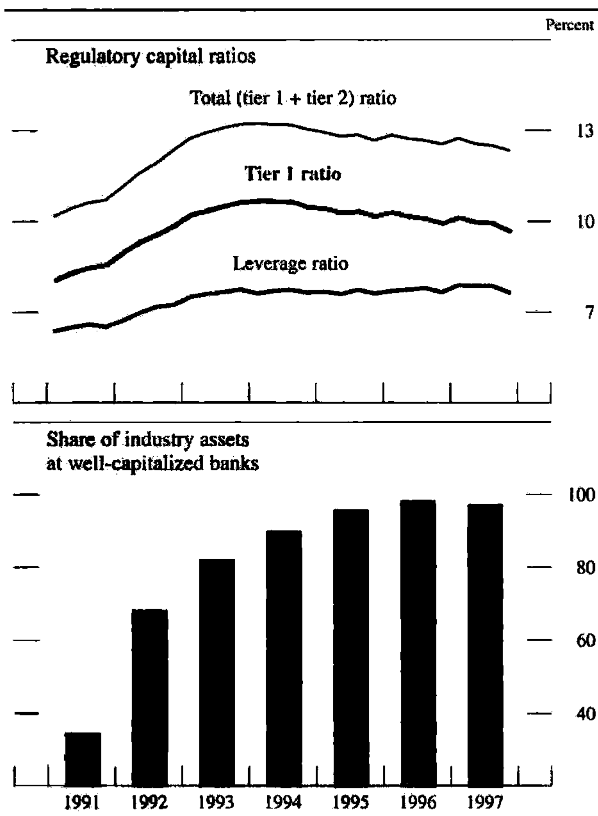
Capital for regulatory purposes, which excludes both goodwill and net unrealized gains on investment account securities, increased only 7¼ percent, a bit less than assets; hence, the average leverage ratio edged down over the year (chart 12). Industry-average risk-weighted capital ratios (total and tier 1) also declined slightly over the year.[7] Even though

6. Goodwill is the difference between the acquisition price and the net fair value of the identifiable assets and liabilities acquired. Unrealized gains on available-for-sale investment account securities are the difference between the fair value of the securities and their amortized cost.

7. The tier 1 ratio is the ratio of tier 1 capital to risk-weighted assets, and the total ratio is the ratio of the sum of tier 1 and tier 2

*(Footnote continues on next page)*

12. Regulatory capital ratios and share of industry assets at well-capitalized banks, 1991–97




NOTE. For definition of capital ratios, see text note 7.

securities, which generally have low risk weights, increased a bit more rapidly than loans, which generally carry high risk weights, risk-weighted assets increased more rapidly than total assets because of rapid growth in the selected off-balance-sheet items that are included in risk-weighted assets on a credit-equivalent basis. The risk-weighted credit-equivalent amount of these items increased 30 percent from year-end 1996 to year-end 1997, raising their share of risk-weighted assets to nearly 20 percent. Despite the slight declines, average capital ratios remain high relative to regulatory standards. Furthermore, virtually all banks remained well capitalized: At the end of the year, 97½ percent of bank assets were at well-capitalized banks.[8]

capital to risk-weighted assets. Tier 1 capital consists mainly of common equity (excluding intangible assets such as goodwill and excluding net unrealized gains on investment account securities classified as available for sale) and certain perpetual preferred stock. Tier 2 capital consists primarily of subordinated debt, non-tier-1 preferred stock, and loan-loss reserves. Risk-weighted assets are calculated by multiplying the amount of assets and the credit-equivalent amount of off-balance-sheet items (an estimate of the potential credit exposure posed by the item) by the risk weight for each category, where the risk weights rise from zero to 1 as the credit risk of the assets increases. The leverage ratio is the ratio of tier 1 capital to average tangible assets. Tangible assets are equal to total assets less assets excluded from common equity in the calculation of tier 1 capital.

## *Trends in Profitability*

The 1997 rise of 12¾ percent in the net income of U.S. commercial banks boosted the industry's return on assets to 1.25 percent, a new record, and its return on equity to more than 14¾ percent (table 2). With profits strong, bank holding company stock prices advanced rapidly over the first three quarters of the year (chart 13). In the fourth quarter, however, bank holding company stocks, especially those of money center banks, were buffeted by concerns that economic problems in Asia would depress earnings. Nonetheless, for the year as a whole, stock prices of the money center companies about matched the broader market, while those of regional banking companies easily surpassed both.

Rates of commercial bank profitability averaged over the past five years are higher than in the previous five-year period and significantly exceed longer-term averages. For example, the industry's 14¾ percent average return on equity over the past five years was about 5½ percentage points higher than the average over the previous five years and 4 percentage points higher than the average for the forty years from 1948 to 1987.[9] The improvement in the 1993–97 returns over the 1988–92 returns is primarily the result of a much-reduced level of loss provisioning relative to loans. The decline in provisioning in turn resulted from the vastly improved quality of assets: Troubled sovereign and commercial real estate credits extended in the 1970s and 1980s were worked out, and the sustained economic expansion contributed to a low level of losses on more recent lending. The high level of profits also reflects banks'

8. Well-capitalized banks are those with a total capital ratio greater than 10, a tier 1 ratio greater than 6, a leverage ratio greater than 5, and a composite CAMELS rating of 1 or 2.

9. Over the past two five-year periods, the return on assets improved even more than the return on equity. The increasing importance of off-balance-sheet activities in recent years, however, makes comparisons of return on assets over long periods of time potentially misleading. Nevertheless, a large fraction of banking is still tied to traditional on-balance-sheet items, and in interpreting changes in net income over shorter periods, assets remain a useful scaling factor for separating the effects of growth from those of improved profitability. By contrast, return on equity should not be affected by changes in the relative importance of off-balance-sheet activity because investors expect to receive an appropriate return on their investment regardless of whether activities are on or off the balance sheet. Returns on equity may, however, have been affected at least temporarily by the substantial increases in capital-to-asset ratios in recent years, which have in part been a response to regulatory changes.

2. Selected income and expense items as a proportion of assets, 1991–97

Percent

| Item | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|
| Net interest income | 3.62 | 3.89 | 3.90 | 3.78 | 3.72 | 3.73 | 3.67 |
| Noninterest income | 1.81 | 1.95 | 2.13 | 2.00 | 2.02 | 2.18 | 2.23 |
| Noninterest expense | 3.75 | 3.86 | 3.94 | 3.75 | 3.64 | 3.71 | 3.61 |
| Loss provisioning | 1.03 | .78 | .47 | .28 | .31 | .37 | .40 |
| Realized gains on investment account securities | .09 | .11 | .09 | −.01 | .01 | .03 | .04 |
| Income before taxes and extraordinary items | .73 | 1.32 | 1.70 | 1.73 | 1.81 | 1.85 | 1.93 |
| Taxes and extraordinary items | .22 | .41 | .50 | .58 | .63 | .65 | .68 |
| Net income (return on assets) | .51 | .91 | 1.20 | 1.15 | 1.18 | 1.20 | 1.25 |
| Dividends | .45 | .41 | .62 | .73 | .75 | .91 | .90 |
| Retained income | .07 | .49 | .58 | .42 | .43 | .30 | .35 |
| MEMO | | | | | | | |
| Return on equity | 7.71 | 12.64 | 15.32 | 14.63 | 14.69 | 14.53 | 14.87 |

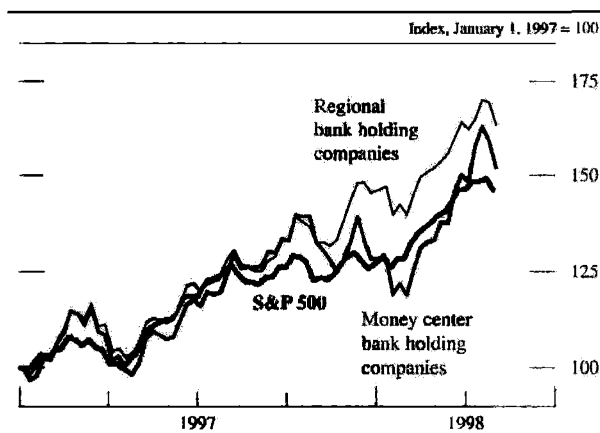
efforts to limit costs, which have helped lower the share of revenue needed to cover noninterest expenses. Over a longer period, noninterest income has accounted for an increasing share of bank revenue as banks have shifted away from traditional intermediation and toward such fee-based activities as servicing loans funded by others and selling and servicing mutual funds and annuities.

### *Interest Income and Expense*

Net interest income as a percentage of average assets declined 6 basis points last year because of a decline in banks' net interest margin (net interest income as a percentage of interest-earning assets, chart 14). The narrowing of the net interest margin was produced by a slight decline in the average rate received on interest-earning assets and an increase in the average rate paid on interest-bearing liabilities. Although shorter-term market rates on balance changed little over the year, the average rate earned on assets edged slightly lower as the distribution of bank assets shifted toward those that carry lower interest rates. On the liability side, the net interest margin has been squeezed by the need to fund rapid asset growth with managed liabilities, on which the average rate paid substantially exceeds that paid on core deposits.

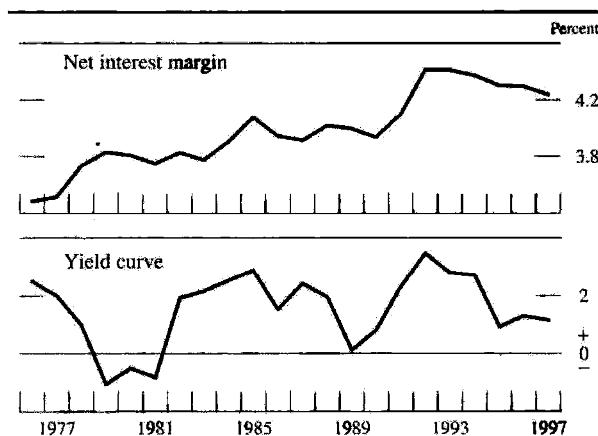
The net interest margin has been drifting lower since 1993 but remains high relative to the levels of the late 1980s. Some reports in the financial press in the early 1990s attributed the rise in bank net interest margins at that time to the concurrent rapid decline in short-term market interest rates and to the steepening of the yield curve that accompanied that decline. Underlying this explanation is the assumption that rates on liabilities adjust more frequently than rates on assets at many banks. The validity of the assumption is hard to assess directly because of the difficulty

13. Stock price indexes, 1997–April 1998




NOTE. The holding company indexes are for seven money center companies and forty-two regional companies as defined by Dow Jones.
SOURCE. Dow Jones and Standard and Poor's.

14. Net interest margin and the slope of the yield curve, 1976–97




NOTE. Net interest margin is net interest income divided by interest-earning assets. The slope of the yield curve is the yield on the ten-year Treasury note less the coupon-equivalent yield on the three-month Treasury bill.

of measuring the repricing frequency of many bank assets and liabilities. However, this assumption is not consistent with past movements in the net interest margin and the slope of the yield curve, which do not suggest a tight link between them; nor is such a link evident between net interest margins and changes in the slope of the yield curve. For example, since the early 1990s the yield curve has flattened considerably, but the net interest margin, while trending lower, has remained fairly wide. Similarly, during periods of very steep (or steepening) yield curves in the 1980s, the net interest margin showed little if any response.

Rather than being a response to a very steep yield curve, the sharp widening of the net interest margin in the early 1990s likely reflected two other factors. First, margins had been compressed in the late 1980s by competition among banks for loans and funding sources as well as by the elevated rates that some troubled banks and thrift institutions were paying for funds. Second, a number of banks may not have had the capital levels they needed to meet the risk-based capital rules phased in between 1990 and 1992. With bank equity prices depressed at that time, capital was expensive to raise, and so these banks were under pressure to limit balance sheet expansion and boost profits. Their consequently less aggressive efforts to bid for deposits and make loans likely led to a widening of spreads between loan and deposit rates. During this time, competitive pressures on margins may also have eased as troubled institutions were recapitalized or closed.

Since 1993, banks' increasingly competitive stance in loan markets has contributed to some narrowing of the net interest margin. However, the resulting squeeze on banks' margins has been mitigated by three other factors. First, margins were supported until last year by the shift of bank assets away from securities, which generally yield relatively low returns, toward loans, especially loans to households. In addition, respondents to the November 1997 BLPS indicated that the average rate earned on business loans had been boosted over the previous year by an increase in their average risk, which in turn primarily reflected an increase in loans used to finance mergers and acquisitions.

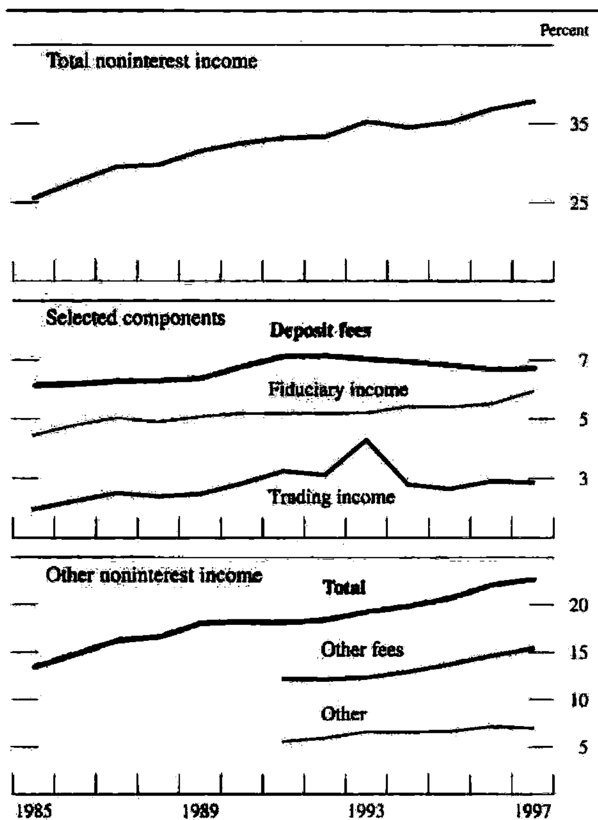
A second factor supporting the net interest margin has been the relatively low level of rates paid on retail deposits as gauged by the difference between deposit rates and market interest rates in earlier years. Although the lower level of rates has increased banks' reliance on relatively expensive managed liabilities, it has kept down the cost of core deposits, which continue to account for more than half of bank liabilities. Finally, compared with the early 1990s, banks have been funding a significantly larger fraction of assets with capital, and the returns paid on capital are not included in interest expense. More broadly, to the extent that banks must pay higher returns on equity than on borrowed money, the rise in capital ratios gives banks a strong incentive to boost net interest margins to raise the return on assets and thereby keep the return on equity from deteriorating.

### *Noninterest Income*

Noninterest income increased 5 basis points as a percentage of assets last year. The types of noninterest income that expanded most were earnings from fiduciary activities and the "other fee income" component of the broad category "other noninterest income," which includes, among other things, credit card fees, mortgage servicing fees, fees from the sale and servicing of mutual funds and annuities, ATM surcharges, and fee income from securitized loans. In particular, fee income from securitized credit card loans likely increased last year because of the high volume of securitization noted earlier. Through the first three quarters of 1997, higher trading revenue also buoyed noninterest income, but trading results were depressed in the fourth quarter by the effects of the economic problems in Asia (discussed below). On balance, trading revenues over the year were about unchanged as a share of assets.

Taking a longer perspective, a shift by banks away from traditional intermediation and toward fee-based income sources has been enlarging the share of noninterest income in bank revenue for more than a decade. Since the mid-1980s, noninterest income has increased from about 26 percent to about 38 percent of total bank revenue (defined as net interest income plus noninterest income, chart 15). Since the early 1990s, the bulk of the increase has come from "other fee income," which has risen from about 12 percent to more than 15 percent of revenue since 1991. The second largest contributor to the rise is the nonfee component of other noninterest income, which includes revenue from the provision of data processing services, income from unconsolidated subsidiaries, and gains from sales of assets other than securities and trading assets (including bank premises, other real estate owned by banks, and loans). Before 1991, data on these two income components were not reported separately; the share of revenue contributed by the two combined increased roughly 4½ percentage points between 1985 and 1990.

15. Noninterest income and its components as a share of total revenue, 1985–97




NOTE. Components of "other noninterest income" were first included in the March 1991 Call Reports.

### *Noninterest Expense*

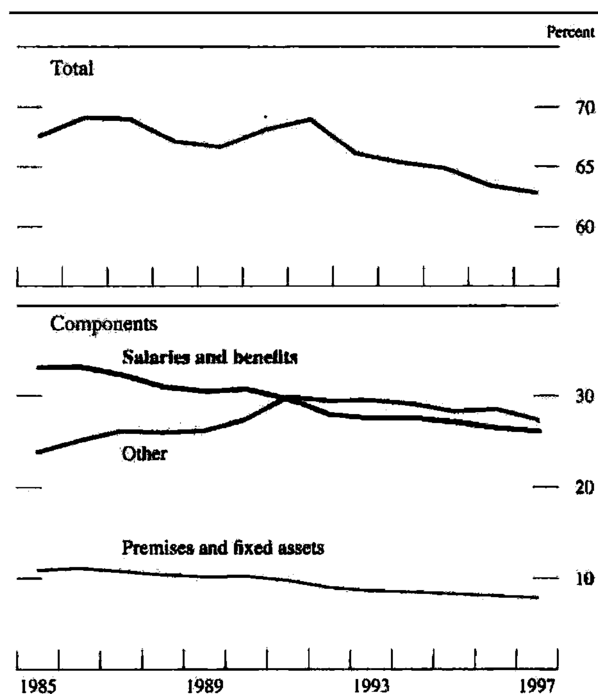
Banks also benefited last year from a reduction in noninterest expense relative to both assets and revenues (chart 16). The bulk of the improvement was produced by a decline in "other noninterest expense," a broad category that accounts for nearly half of noninterest expense and includes deposit insurance premiums, losses on the sale of assets other than securities and trading assets, amortization of intangible assets, expenditures for information processing services provided by others, advertising, and merger restructuring charges. In part, last year's improvement reflected a temporary rise in expenses in 1996 owing to a large special charge for merger-related costs and a one-time assessment to recapitalize the Savings Association Insurance Fund, which was paid by banks that had acquired the deposits of thrift institutions.

Labor costs and occupancy costs, the other components of noninterest expense, grew more slowly than industry revenue last year but expanded rapidly in comparison with earlier in the decade. Labor costs increased 6¾ percent, the largest rise since 1986. Industry employment expanded 2 percent, after several years of essentially no growth, and labor costs per employee continued to rise at about the same rate seen in recent years. Similarly, occupancy costs increased roughly 5¾ percent, just below the year-earlier pace but considerably faster than over the previous several years. The number of bank offices rose 2¾ percent last year, the largest advance since 1994 and the third largest since 1981.

Despite the pickup in these expense categories last year, the banking industry has restrained the growth in labor and occupancy costs since the mid-1980s. Since 1985, after adjusting for inflation, consolidated assets increased nearly 30 percent and revenues expanded about 60 percent. By contrast, employment declined 2 percent and the number of bank offices increased less than 20 percent. Thus, average revenue generated per employee increased more than 60 percent, while revenue per office rose more than 30 percent. Furthermore, over the same period, the inflation-adjusted occupancy cost per bank office fell 3 percent, a decline influenced perhaps by a shift of some banks toward smaller branches in supermarkets and other nontraditional locations.

By contrast, other noninterest expense increased substantially as a share of revenue in the late 1980s and early 1990s, and only a part of that rise has been reversed since 1991. The earlier rise likely resulted,

16. Noninterest expense and its components as a percentage of total revenue, 1985–97



at least in part, from collection costs and legal expenses generated by the high level of problem loans at that time. With these expenses presumably down considerably since then, noninterest expense has probably been supported more recently by increases in servicing and administrative costs generated by the rapid growth in consumer loans, particularly credit card loans, as well as by the costs associated with the growing volume of off-balance-sheet and fee-based activities.

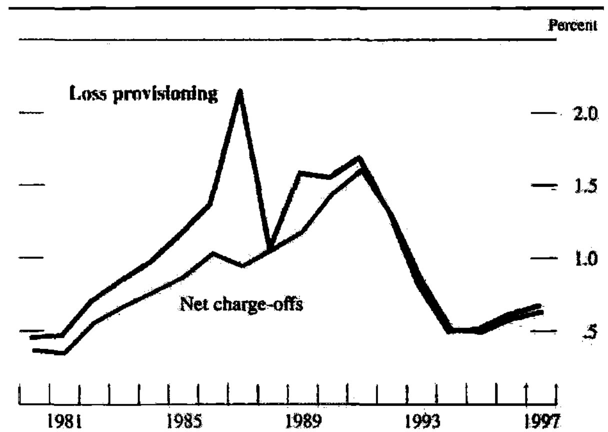
### *Loss Provisioning and Loan Quality*

Provisioning for loan and lease losses as a percentage of assets edged higher last year. Nonetheless, with charge-offs remaining relatively low, provisioning as a share of loans has risen only a little from its 1994 trough (chart 17). The low level of charge-offs, in turn, reflects the excellent overall performance of bank loan portfolios thus far in this expansion. This overall outcome, however, masks substantial differences between the results for loans to businesses and those for loans to households. Delinquency and charge-off rates on loans to businesses declined sharply earlier in the decade and have remained very low (chart 18, top panels), whereas those on loans to households, and especially on credit card loans, have increased substantially since late 1994 (chart 18, bottom panels). Consumer delinquency rates flattened out early last year, however, and by late in the year, charge-offs showed signs of stabilizing.

The flattening of loss rates on loans to households last year was reflected in the results for credit card banks.[10] Profitability at these institutions has been much higher than for the industry as a whole for several years, as strong noninterest income and the high spread on credit card loans have more than compensated for the relatively high level of noninterest expense and loan losses. However, credit card banks' earnings deteriorated considerably between mid-1995 and early 1997 before rebounding in the second half of last year. For the year as a whole, the return on equity for credit card banks averaged nearly 18 percent, considerably below the 25 percent to 30 percent returns posted between 1988 and 1995 but only about 1½ percentage points lower than in 1996.

10. Credit card banks are defined as banks among the top 1,000 for which credit card loans are more than half of assets. Primarily as a result of consolidation in this market segment, the number of credit card banks dropped from more than 40 at the end of 1995 to just 29 at the end of last year. See William R. Nelson and Ann L. Owen, "Profits and Balance Sheet Developments at U.S. Commercial Banks in 1996," *Federal Reserve Bulletin*, vol. 83 (June 1997), pp. 476–77, for a discussion of the profitability of credit card banks.

17. Loss provisioning and net charge-offs as a percentage of loans, 1980–97



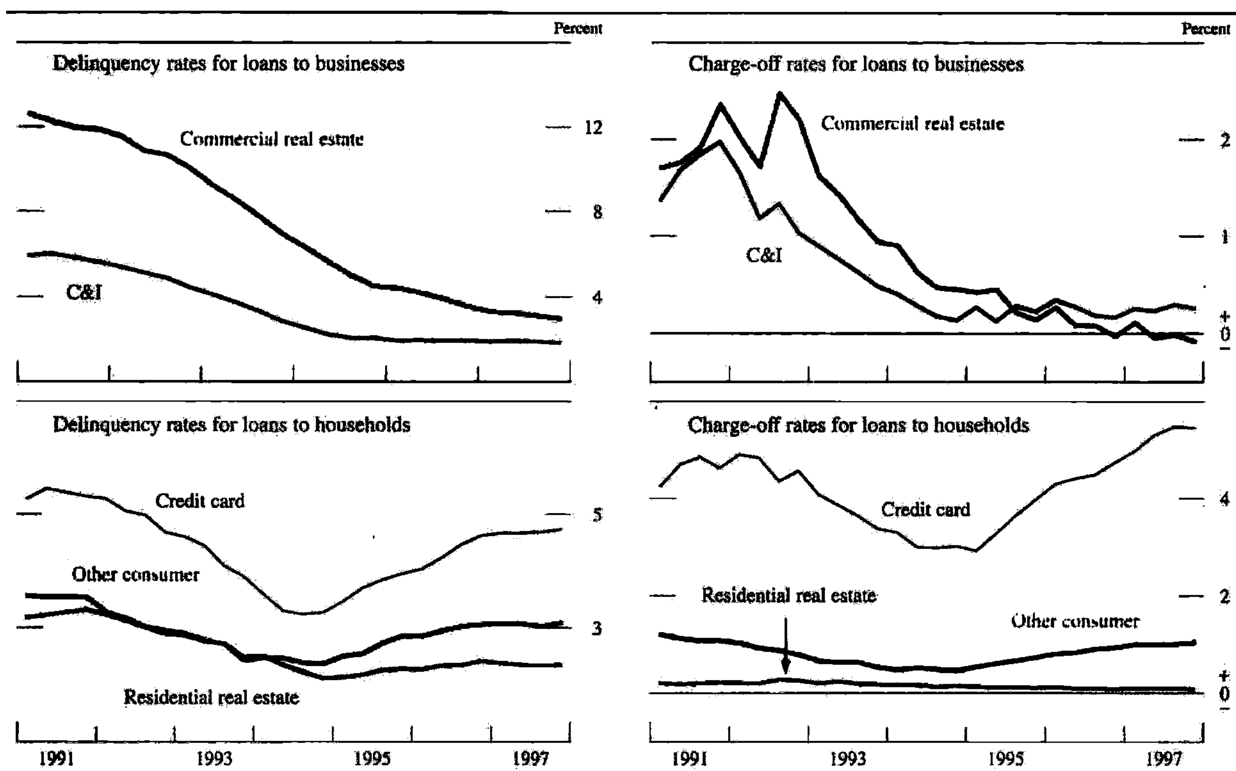

NOTE. Net charge-offs are charge-offs net of recoveries.

The apparent stabilization in measures of consumer loan quality was mirrored in a flattening of the trajectory of household bankruptcy filings in the second half of last year after two years of double-digit annual increases. Two factors have likely contributed importantly to the plateauing of these measures of financial distress. First, as noted above, some banks have selectively tightened lending standards in an effort to reduce loan losses. Second, the household debt burden (interest payments and required principal payments as a percentage of disposable income) has changed little recently after increasing steadily between 1994 and 1996 (chart 19). This stability reflects the slowing of consumer loan growth and the lower interest rates paid by households, which in turn resulted from mortgage refinancing and the substitution of mortgage credit for consumer loans.

In contrast, the low and declining burden of business debts likely contributed to the low delinquency and charge-off rates on loans to businesses in recent years. The business debt burden (nonfinancial corporate interest payments as a percentage of cash flow) has declined since its peak in 1990 for three reasons: the reduction in the general level of interest rates, significant declines in corporate leverage in the early 1990s, and strong growth in profits. However, the debt burden of the nonfinancial business sector leveled out recently as profit growth moderated while debt growth remained strong.

With total charge-offs about matching loss provisioning in each of the past several years, banks' reserves have been about flat, and the rapid pace of loan growth has unwound about half of the 1980s increase in the ratio of reserves to loans (chart 20). Although reserves have been declining relative to charge-offs since 1994, they remain relatively high

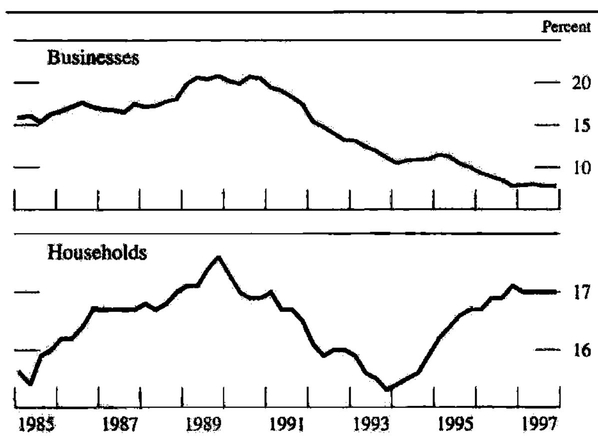
18. Delinquency and charge-off rates, by type of loan, 1991–97




NOTE. The data are seasonally adjusted. Delinquent loans are loans that are not accruing interest and those that are accruing interest but are more than thirty days past due. The delinquency rate is the end-of-period level of delinquent loans divided by the end-of-period level of outstanding loans. The charge-off rate is the annualized amount of charge-offs over the period, net of recoveries, divided by the average level of outstanding loans over the period.

by historical standards, as one would expect with aggregate loan losses near their cyclical lows as a percentage of loans and the economy performing exceptionally well.

19. Debt burden of businesses and households, 1985–97



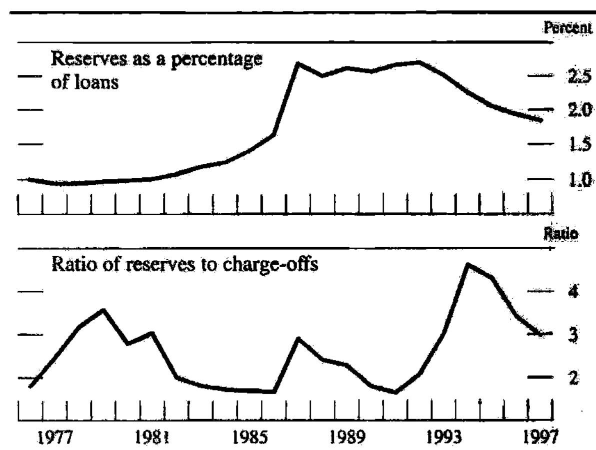

NOTE. For businesses (nonfinancial corporations only), the debt burden is calculated as interest payments as a percentage of cash flow; for households, it is an estimate of interest payments and required principal payments as a percentage of disposable income.

SOURCE. National income and product accounts and the Federal Reserve System.

*Effects of the Economic Difficulties in Asia*

Profits at several large U.S. banks were reduced by the effects of economic problems in some of the industrializing economies in Asia. These problems emerged last summer when the Thai baht dropped sharply following a decision by the Thai authorities to no longer defend the baht's peg. Subsequently,

20. Measures of reserves for loan and lease losses, 1976–97



## International Operations of U.S. Banks

The share of U.S. bank assets that were booked at foreign offices increased about one-fourth, from 12 percent to 15 percent, between the end of 1993 and the end of 1997 (table).[1] The share of bank profits earned at foreign offices peaked at more than 16 percent in 1993 and was roughly 12 percent over the 1994 to 1996 period; the share dipped further in 1997 because foreign office results suffered in the second half of the year from the economic problems in Asia.

Responses to the Federal Reserve's Quarterly Report of Assets and Liabilities of Large Foreign Offices of U.S. Banks provide data on the geographical distribution of the assets and liabilities of major foreign branches and subsidiaries of U.S. banks. As has been the case for some time, about half of the assets reported on the survey at the end of 1997 were booked in European branches and subsidiaries. The bulk of the European assets were booked in the United Kingdom, a share reflecting, at least in part, the importance of London's financial markets. Nearly one-fourth of the reported assets were booked in Asian branches and subsidiaries, with the largest volumes in Hong Kong and Singapore. Large shares were also booked in the Caribbean (primarily the Cayman Islands and the Bahamas), with considerably smaller volumes in Latin America and elsewhere. The location in which an asset is booked is often a strong indicator of the nationality of the customer or the nature of the asset, but the interactions between U.S. and foreign regulations or tax laws can also influence the booking site.

Not surprisingly, banks with by far the largest share of assets and earnings at foreign offices were the largest banks (those with assets of more than $150 billion) (chart). Among these five banks, however, the scope of international operations varied considerably. Two of the banks held roughly three-fourths of their assets, and booked more than three-fourths of their income, at foreign offices. On the other hand, at one of the banks, a "super regional" institution, foreign operations accounted for less than 4 percent of assets and an even smaller share of income.

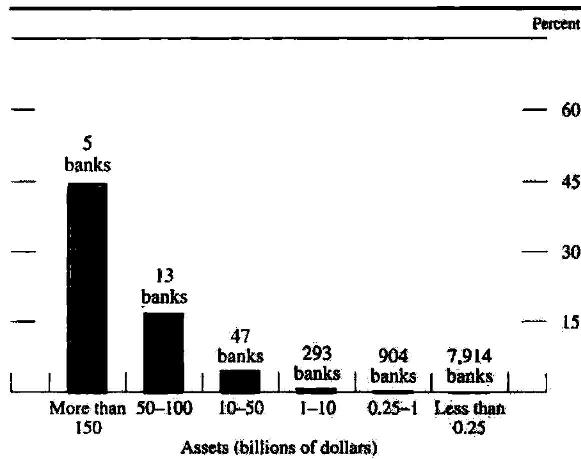
1. Foreign offices include Edge Act and agreement subsidiaries and international banking facilities (IBFs). Edge Act and agreement subsidiaries are federally or state-chartered corporations, respectively, that are domiciled in the United States but engage in international banking activities. An IBF is a set of asset and liability accounts that cover selected international transactions of the U.S. offices of the bank. For more detail on the structure of foreign operations of U.S. banks, see James V. Houpt, *International Trends for U.S. Banks and Banking Markets*, Staff Studies 156 (Board of Governors of the Federal Reserve System, 1988).

Share of U.S. bank assets and net income booked at foreign offices, 1993–97
Percent

| Year | Assets | Net income |
|---|---|---|
| 1993 | 12.2 | 16.3 |
| 1994 | 13.2 | 11.9 |
| 1995 | 13.6 | 11.6 |
| 1996 | 14.8 | 12.0 |
| 1997 | 15.1 | 10.2 |
| Q1 | 14.9 | 16.2 |
| Q2 | 15.2 | 14.6 |
| Q3 | 15.5 | 8.4 |
| Q4 | 15.1 | 2.3 |

NOTE. For definition of foreign offices, see box note 1.

**Share of U.S. bank assets booked at foreign offices, by bank size, year-end 1997**




NOTE. For definition of foreign offices, see box note 1. Banks that are subsidiaries of other banks are not separately included because their assets are already accounted for in the consolidated assets of their parent banks.

other East Asian economies experienced downward pressure on their currencies and equity prices and upward pressure on interest rates. The turbulence spread to Taiwan and Hong Kong in the fall. In Taiwan, the authorities allowed some downward adjustment of the Taiwan dollar, whereas in Hong Kong the peg to the dollar has been maintained at the cost of somewhat elevated interest rate levels. Near the end of the year, the crisis spread to Korea, where the condition of the financial system had been strained by bankruptcies of a number of major industrial conglomerates in 1997.

In response, authorities in Thailand, Indonesia, and Korea negotiated international support packages with the International Monetary Fund and other international financial institutions, as well as bilateral assistance programs with other countries. Markets in these countries were kept turbulent into 1998, however, by

3. Exposure of U.S. banking organizations to troubled Asian economies, relative to capital, year-end 1997

Percent

| Country | All reporting | Money center | Super regional | Other | MEMO: Total exposure (billions of dollars) |
|---|---|---|---|---|---|
| Indonesia | 2.6 | 6.2 | 1.4 | .3 | 9.0 |
| Korea | 7.4 | 17.2 | 3.0 | 1.4 | 25.3 |
| Thailand | 2.7 | 6.8 | .6 | .4 | 9.4 |
| **Total** | **12.7** | **30.2** | **5.0** | **2.1** | **43.6** |
| Selected other economies[1] | 19.9 | 50.1 | 6.7 | 1.4 | 68.1 |

NOTE. Exposures include the institutions' lending and derivatives exposures for cross-border as well as local-office operations. Respondents may file information on one bank or on the bank holding company as a whole. Capital is defined as equity, subordinated debt, and loan loss reserves.

1. Mainland China, Hong Kong, Taiwan, Malaysia, the Philippines, and Singapore.

SOURCE. Federal Financial Institutions Examination Council, Country Exposure Report.

concerns about the magnitude of the countries' financial problems and in some cases about the willingness or ability of their governments to undertake difficult reforms. On balance, the currencies of these countries depreciated significantly relative to the U.S. dollar in 1997, with the Indonesian rupiah dropping the most (about 58 percent), followed by the Korean won (44 percent) and the Thai baht (42 percent).

The effects of the financial crisis in Asia on the earnings of U.S. banking organizations were concentrated on a fairly small number of large institutions with relatively large exposures to the region (see box "International Operations of U.S. Banks"). For the three most troubled Asian economies (Indonesia, Korea, and Thailand), the total exposure of reporting banking organizations amounted to roughly 13 percent of capital (table 3). Most of this exposure was at six large money center organizations (which include five of the largest ten banks either directly or through a parent bank holding company), which had exposures totaling about 30 percent of capital.

The effect of the problems in Asia showed up primarily in the trading income of the top ten banks, which averaged $1.9 billion per quarter over the first three quarters of the year but fell to just $810 million in the fourth quarter (table 4). Trading income related to foreign exchange positions was strong in the fourth quarter, suggesting that some U.S. banks benefited either from wider spreads on Asian currency contracts or an increased volume of trades in such contracts. By contrast, gains on interest rate positions fell more than half, and substantial losses on equity, commodity, and other exposures reversed all of the gains attained on such contracts over the first three quarters of the year. Reportedly, these losses reflected those on positions not only in Asia but also in other emerging markets, including those in Latin America and Eastern Europe, that suffered from the Asian downdraft.

Despite the Asia-related troubles in the fourth quarter, however, net trading revenues for the year as a whole were nearly 6 percent higher than in 1996 because of the strong results in the first three quarters of the year. Also, the largest U.S. banks continued to report strong total earnings in the fourth quarter, thanks to extraordinarily robust domestic earnings and higher-than-usual realized gains on investment account securities.

4. Trading revenue at the ten largest U.S. banks, by type of exposure, 1995–97

Millions of dollars

| Year | Total | Interest rate | Foreign exchange | Equity and other |
|---|---|---|---|---|
| 1995 | 4,830 | 2,632 | 1,772 | 426 |
| 1996 | 6,213 | 3,621 | 1,973 | 618 |
| 1997 | 6,570 | 3,549 | 3,039 | −18 |
| Q1 | 2,052 | 1,221 | 505 | 326 |
| Q2 | 1,609 | 822 | 698 | 88 |
| Q3 | 2,099 | 1,081 | 813 | 205 |
| Q4 | 810 | 425 | 1,023 | −637 |

## *DEVELOPMENTS IN 1998*

During the first quarter of 1998, assets at the domestic offices of U.S. commercial banks expanded somewhat more rapidly than they did last year. Growth in commercial and industrial loans picked up a bit further from its already robust 1997 pace, and the surge in refinancing activity that followed the decline in interest rates late last year and early this year supported growth in real estate loans. By contrast, the value of consumer loans on banks' books declined over the quarter, as a moderate increase in bank-originated loans outstanding was more than offset by increased securitization. The pace of securities acquisitions slowed a bit from its rapid pace late last year but remained quite strong.

Stock prices of the largest banking companies have, on balance, increased sharply this year,

although they have remained volatile. In part, the rise likely reflected the market's belief that the economic situation in Asia might be stabilizing and the consequent fading of concerns about the effects of the Asian crisis on future earnings. In addition, the effects of both anticipated and announced mergers involving large banking organizations substantially boosted the stock prices of some of the affected companies, at least for a time. Finally, investors pushed the broader equity markets sharply higher, as incoming economic data were seen by the markets as increasing the likelihood of continued healthy growth with low inflation. Over the first four months of 1998, stocks of money center banks advanced 18½ percent, and regional bank stocks rose 12 percent. By contrast, the broader market, as measured by the S&P 500, rose 14¾ percent.

Initial reports of first-quarter profits of bank holding companies generally showed a continuation of last year's trends, with gains in noninterest income about offsetting weaker net interest income. A few large banks reported costs relating to problems in Asia, but trading income rebounded from the poor results posted in the fourth quarter of 1997.

## *Appendix: Adjustments to the Reported Bank Income Data*

Income and expense items are reported on quarterly Call Reports on a year-to-date basis. Complete industry income for a given year cannot, however, be collected from the year-end Call Reports because a number of factors can lead to dicrepancies between income in a year and income reported at year-end. The data used in this article have been adjusted to eliminate, as far as possible, such discrepancies.

The most common problem is bank mergers handled under "purchase accounting." Under that method, the balance sheet items of the acquired bank are marked to market and then combined with those of the acquiring bank; the difference between the purchase price of the bank and the balance sheet value of identifiable assets and liabilities is reported as the intangible asset item "goodwill." The year-to-date flow of income and expense of the acquired bank as of the date of the merger goes unreported by the acquiring institution subsequent to the merger.

In contrast, "pooling of interest accounting" combines the balance sheets and income statements of the merging banks; the income statement of the successor institution for the year of the merger includes the income earned by each entity before the merger.

Beginning in 1995, data exist on the accounting method used for each bank merger. To calculate the adjustment required for mergers before 1995, we use the income data reported by the individual banks involved in the transaction to evaluate which of the accounting methods was the more likely to have been employed.

The income data in this article include an estimate of the income earned by banks acquired under purchase-accounting rules during the part of the year preceding the date of the merger. The estimate is based on the income reported by the acquired bank for those quarters preceding the merger and includes an estimate of the income earned in the quarter of the merger.

Two other situations that lead to discrepancies between actual industry income for a year and that reported on the fourth-quarter Call Reports are bank closures and the adoption by banks of "push down" accounting during the year.[11] Methods similar to those used for purchase mergers are used to estimate the income earned by such banks that is not reported at year-end.

In recent years the cumulative effects of the adjustments made to reported data have boosted industry net income about ½ percent relative to the aggregate income reported on fourth-quarter Call Reports. This increase in net income raised the average return on assets about ½ basis point. The effects were considerably larger in some earlier years.

11. When the ownership of a bank changes substantially (for example, when it is bought by a holding company but retains its separate corporate existence), its assets and liabilities may be revalued according to the price paid by the acquiring firm for some or all of its shares. (In most cases revaluation is required.) Income items subsequently reported on the Call Report include earnings only since the date of the revaluation. This change in accounting basis is called push-down accounting because the revaluation adjustments made in the purchase by the acquiring firm are "pushed down" to the books of the acquired firm. Data on the banks applying push-down accounting are available only since 1995.

A.1. Report of income, all U.S. banks, 1988–97

Millions of dollars

| Item | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Gross interest income** | **274,271** | 317,046 | 320,404 | 290,657 | 256,415 | 244,739 | 257,064 | 302,423 | 313,516 | **338,160** |
| **Taxable equivalent** | **279,842** | 321,251 | 324,054 | 293,844 | 259,394 | 247,617 | 259,821 | 305,058 | 315,974 | **340,595** |
| **Loans** | **202,943** | 237,815 | 238,829 | 214,999 | 185,938 | 178,422 | 189,762 | 227,296 | 239,719 | **255,442** |
| **Securities** | 42,202 | 46,713 | 51,031 | 52,766 | 51,825 | 48,677 | 48,299 | 51,005 | 50,595 | **52,658** |
| **Gross federal funds sold and reverse repurchase agreements** | 10,671 | 13,059 | 12,571 | 9,146 | 5,913 | 4,796 | 6,415 | 9,743 | 9,251 | **13,654** |
| **Other** | 18,455 | 19,461 | 17,971 | 13,747 | 12,739 | 12,843 | 12,587 | 14,382 | 13,950 | **16,406** |
| **Gross interest expense** | 166,430 | 205,078 | 204,949 | 168,469 | 122,517 | 105,613 | 110,849 | 147,965 | 150,187 | **164,471** |
| **Deposits** | 130,387 | 157,466 | 161,483 | 139,413 | 98,809 | 79,501 | 79,106 | 105,285 | 107,492 | 117,332 |
| **Gross federal funds purchased and repurchase agreements** | 18,965 | 24,898 | 22,778 | 14,436 | 9,263 | 8,442 | 12,476 | 18,422 | 16,779 | **20,435** |
| **Other** | 17,078 | 22,713 | 20,687 | 14,622 | 14,441 | 17,669 | 19,269 | 24,258 | 25,914 | **26,705** |
| **Net interest income** | 107,841 | 111,968 | 115,455 | 122,188 | 133,898 | 139,126 | 146,215 | 154,458 | 163,329 | **173,689** |
| **Taxable equivalent** | 113,412 | 116,173 | 119,105 | 125,375 | 136,877 | 142,004 | 148,972 | 157,093 | 165,787 | **176,124** |
| **Loss provisioning**[1] | 19,812 | 31,297 | 32,282 | 34,866 | 26,813 | 16,841 | 10,993 | 12,663 | 16,302 | 19,066 |
| **Noninterest income** | 45,737 | 51,599 | 55,684 | 61,089 | 67,044 | 75,847 | 77,223 | 83,844 | 95,278 | **105,761** |
| **Service charges on deposits** | 9,536 | 10,270 | 11,446 | 12,883 | 14,126 | 14,898 | 15,281 | 16,052 | 17,042 | **18,553** |
| **Income from fiduciary activities** | 7,531 | 8,313 | 8,886 | 9,499 | 10,452 | 11,199 | 12,124 | 12,890 | 14,260 | **16,605** |
| **Trading income** | 3,691 | 4,051 | 4,854 | 5,954 | 6,273 | 9,238 | 6,249 | 6,337 | 7,527 | **8,037** |
| **Other** | 24,980 | 28,965 | 30,497 | 32,750 | 36,193 | 40,513 | 43,572 | 48,564 | 56,449 | **62,567** |
| **Noninterest expense** | 103,095 | 108,993 | 116,606 | 126,643 | 132,815 | 140,521 | 144,905 | 151,096 | 162,504 | **170,981** |
| **Salaries, wages, and employee benefits** | **47,148** | 49,412 | 52,111 | 53,801 | 55,484 | 58,506 | 60,904 | 63,994 | 67,811 | **72,342** |
| **Expenses of premises and fixed assets** | **16,007** | 16,697 | 17,547 | 17,982 | 18,152 | 18,577 | 18,978 | 19,750 | 20,889 | **22,079** |
| **Other** | 39,939 | 42,885 | 46,948 | 54,859 | 59,181 | 63,438 | 65,023 | 67,351 | 73,802 | **76,559** |
| **Net noninterest expense** | 57,358 | 57,394 | 60,922 | 65,554 | 65,771 | 64,674 | 67,682 | 67,252 | 67,226 | 65,220 |
| **Realized gains on investment account securities** | 277 | 800 | 474 | 2,898 | 3,957 | 3,054 | −560 | 480 | 1,118 | 1,827 |
| **Income before taxes and extraordinary items** | 30,948 | 24,079 | 22,725 | 24,665 | 45,273 | 60,663 | 66,989 | 75,023 | 80,920 | 91,229 |
| **Taxes** | 10,002 | 9,547 | 7,749 | 8,285 | 14,450 | 19,861 | 22,430 | 26,239 | 28,451 | **32,009** |
| **Extraordinary items** | 812 | 312 | 650 | 995 | 401 | 2,085 | −17 | 28 | 88 | 26 |
| **Net income** | **21,757** | **14,843** | **15,626** | **17,375** | **31,224** | **42,886** | **44,542** | **48,811** | **52,558** | **59,246** |
| **Cash dividends declared** | 13,288 | 14,127 | 13,965 | 15,088 | 14,226 | 22,068 | 28,164 | 31,105 | 39,620 | 42,830 |
| **Retained income** | 8,469 | 716 | 1,661 | 2,288 | 16,997 | 20,817 | 16,377 | 17,707 | 12,939 | 16,417 |

1. Includes provisions for loan and lease losses and for allocated transfer risk.

A.2. Portfolio composition, interest rates, and income and expense, all U.S. banks, 1988–97

A. All banks

| Item | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance sheet items as a percentage of average net consolidated assets | | | | | | | | | |
| Interest-earning assets | 88.00 | 87.94 | 87.82 | 88.04 | 88.33 | 88.50 | 86.55 | 86.48 | 86.80 | 86.58 |
| Loans and leases, net | 59.80 | 60.64 | 60.53 | 59.55 | 57.30 | 56.25 | 56.07 | 58.39 | 59.89 | 58.70 |
| Commercial and industrial | 19.50 | 19.09 | 18.50 | 17.33 | 15.78 | 14.88 | 14.51 | 15.20 | 15.60 | 15.78 |
| U.S. addressees | 16.55 | 16.54 | 15.99 | 15.00 | 13.54 | 12.72 | 12.35 | 12.87 | 13.07 | 13.18 |
| Foreign addressees | 2.95 | 2.55 | 2.51 | 2.33 | 2.24 | 2.16 | 2.16 | 2.33 | 2.53 | 2.60 |
| Consumer | 11.72 | 11.89 | 11.77 | 11.45 | 11.00 | 11.00 | 11.43 | 12.11 | 12.21 | 11.44 |
| Credit card | 3.47 | 3.69 | 3.78 | 3.88 | 3.80 | 3.88 | 4.21 | 4.72 | 4.87 | 4.55 |
| Installment and other | 8.25 | 8.20 | 7.99 | 7.57 | 7.20 | 7.11 | 7.22 | 7.39 | 7.34 | 6.89 |
| Real estate | 20.86 | 22.50 | 23.86 | 24.87 | 24.87 | 24.80 | 24.43 | 25.00 | 25.06 | 25.01 |
| In domestic offices | 20.18 | 21.78 | 23.10 | 24.11 | 24.18 | 24.18 | 23.80 | 24.36 | 24.43 | 24.40 |
| Construction and land development | 4.06 | 4.16 | 4.00 | 3.41 | 2.64 | 1.99 | 1.65 | 1.59 | 1.63 | 1.73 |
| Farmland | .49 | .51 | .51 | .53 | .56 | .57 | .56 | .56 | .56 | .55 |
| One- to four-family residential | 9.21 | 10.15 | 11.21 | 12.27 | 12.91 | 13.49 | 13.74 | 14.41 | 14.43 | 14.42 |
| Home equity | 1.14 | 1.42 | 1.67 | 1.95 | 2.09 | 2.07 | 1.91 | 1.88 | 1.85 | 1.94 |
| Other | 8.07 | 8.73 | 9.54 | 10.32 | 10.83 | 11.42 | 11.84 | 12.54 | 12.57 | 12.48 |
| Multifamily residential | .59 | .60 | .62 | .66 | .75 | .79 | .79 | .81 | .85 | .83 |
| Nonfarm nonresidential | 5.83 | 6.36 | 6.76 | 7.23 | 7.32 | 7.33 | 7.07 | 6.97 | 6.96 | 6.88 |
| In foreign offices | .68 | .72 | .76 | .76 | .69 | .62 | .63 | .65 | .63 | .61 |
| Depository institutions | 2.04 | 1.76 | 1.60 | 1.42 | 1.24 | 1.08 | 1.42 | 1.88 | 2.29 | 1.90 |
| Foreign governments | 1.22 | 1.03 | .78 | .75 | .73 | .67 | .41 | .30 | .26 | .18 |
| Agricultural production | .98 | .96 | .96 | 1.01 | 1.02 | .99 | 1.00 | .96 | .92 | .90 |
| Other loans | 4.52 | 4.31 | 3.93 | 3.60 | 3.50 | 3.56 | 3.34 | 3.15 | 3.36 | 2.84 |
| Lease-financing receivables | 1.06 | 1.10 | 1.12 | 1.09 | 1.03 | .99 | 1.03 | 1.19 | 1.51 | 1.87 |
| LESS: Unearned income on loans | −.50 | −.48 | −.42 | −.36 | −.28 | −.21 | −.16 | −.14 | −.12 | −.09 |
| LESS: Loss reserves[1] | −1.61 | −1.52 | −1.57 | −1.62 | −1.60 | −1.51 | −1.36 | −1.27 | −1.21 | −1.13 |
| Securities | 18.45 | 18.39 | 19.09 | 20.70 | 23.52 | 25.37 | 24.27 | 21.94 | 21.01 | 20.41 |
| Investment account | 17.17 | 17.14 | 17.63 | 18.93 | 21.18 | 22.50 | 21.60 | 19.38 | 18.20 | 17.25 |
| Debt | 17.17 | 16.84 | 17.37 | 18.62 | 20.82 | 22.12 | 21.21 | 18.97 | 17.75 | 16.75 |
| U.S. Treasury | 5.60 | 4.98 | 4.57 | 5.06 | 6.49 | 7.08 | 6.77 | 5.25 | 4.20 | 3.38 |
| U.S. government agency and corporation obligations | 4.88 | 6.04 | 7.56 | 8.75 | 9.86 | 10.73 | 10.24 | 9.81 | 9.75 | 9.74 |
| Government-backed mortgage pools | 2.59 | 3.27 | 4.08 | 4.51 | 4.52 | 4.74 | 4.67 | 4.46 | 4.80 | 4.94 |
| Collateralized mortgage obligations | n.a. | n.a. | 1.25 | 2.07 | 3.12 | 3.72 | 3.24 | 2.67 | 2.11 | 1.94 |
| Other | 2.29 | 2.77 | 2.22 | 2.16 | 2.21 | 2.27 | 2.33 | 2.68 | 2.83 | 2.86 |
| State and local government | 3.69 | 3.15 | 2.64 | 2.28 | 2.08 | 2.06 | 2.02 | 1.80 | 1.68 | 1.59 |
| Private mortgage-backed securities | n.a. | n.a. | n.a. | .94 | .82 | .73 | .64 | .62 | .61 | .50 |
| Other | 2.99 | 2.68 | 2.59 | 1.59 | 1.58 | 1.52 | 1.54 | 1.49 | 1.51 | 1.54 |
| Equity[2] | n.a. | .30 | .27 | .31 | .37 | .38 | .39 | .41 | .45 | .50 |
| Trading account | 1.28 | 1.25 | 1.46 | 1.77 | 2.34 | 2.87 | 2.67 | 2.55 | 2.81 | 3.16 |
| Gross federal funds sold and reverse RPs | 4.55 | 4.33 | 4.46 | 4.58 | 4.54 | 4.27 | 3.82 | 3.93 | 3.82 | 5.18 |
| Interest-bearing balances at depositories | 5.21 | 4.58 | 3.75 | 3.21 | 2.97 | 2.62 | 2.40 | 2.23 | 2.08 | 2.29 |
| Non-interest-earning assets | 12.00 | 12.06 | 12.18 | 11.96 | 11.67 | 11.50 | 13.45 | 13.52 | 13.20 | 13.42 |
| Revaluation gains on off-balance-sheet items[3] | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 2.61 | 2.90 | 2.25 | 2.59 |
| Other | 12.00 | 12.06 | 12.18 | 11.96 | 11.67 | 11.50 | 10.84 | 10.62 | 10.95 | 10.82 |
| Liabilities | 93.84 | 93.64 | 93.60 | 93.33 | 92.82 | 92.15 | 92.12 | 91.99 | 91.73 | 91.58 |
| Interest-bearing liabilities | 75.40 | 76.02 | 76.53 | 76.58 | 75.32 | 73.92 | 71.86 | 71.87 | 71.62 | 71.37 |
| Deposits | 62.06 | 62.58 | 63.44 | 64.45 | 62.94 | 60.26 | 57.34 | 56.28 | 55.87 | 55.01 |
| In foreign offices | 10.41 | 9.68 | 9.26 | 8.55 | 8.37 | 8.32 | 9.39 | 10.27 | 10.01 | 10.02 |
| In domestic offices | 51.66 | 52.90 | 54.18 | 55.90 | 54.56 | 51.94 | 47.96 | 46.01 | 45.86 | 44.99 |
| Other checkable deposits | 6.25 | 6.12 | 6.19 | 6.72 | 7.65 | 8.24 | 7.80 | 6.63 | 4.75 | 3.62 |
| Savings (including MMDAs) | 17.60 | 16.28 | 16.59 | 18.00 | 20.28 | 20.91 | 19.60 | 17.47 | 18.71 | 19.13 |
| Small-denomination time deposits | 16.25 | 18.38 | 19.96 | 21.30 | 19.21 | 16.98 | 15.33 | 16.14 | 15.97 | 15.17 |
| Large-denomination time deposits | 11.55 | 12.13 | 11.44 | 9.89 | 7.42 | 5.81 | 5.23 | 5.77 | 6.42 | 7.08 |
| Gross federal funds purchased and RPs | 8.02 | 8.22 | 8.03 | 7.09 | 7.02 | 7.47 | 7.60 | 7.70 | 7.18 | 8.13 |
| Other | 5.31 | 5.22 | 5.07 | 5.03 | 5.36 | 6.19 | 6.92 | 7.88 | 8.57 | 8.22 |
| Non-interest-bearing liabilities | 18.45 | 17.62 | 17.07 | 16.75 | 17.50 | 18.23 | 20.26 | 20.12 | 20.11 | 20.21 |
| Demand deposits in domestic offices | 14.25 | 13.49 | 12.79 | 12.59 | 13.24 | 13.86 | 13.49 | 12.68 | 12.82 | 12.16 |
| Revaluation losses on off-balance-sheet items[3] | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 2.32 | 2.88 | 2.14 | 2.64 |
| Other | 4.20 | 4.13 | 4.27 | 4.16 | 4.27 | 4.37 | 4.45 | 4.57 | 5.14 | 5.41 |
| Capital account | 6.16 | 6.36 | 6.40 | 6.67 | 7.18 | 7.85 | 7.88 | 8.01 | 8.27 | 8.42 |
| MEMO | | | | | | | | | | |
| Commercial real estate loans | n.a. | n.a. | n.a. | 12.02 | 11.34 | 10.63 | 9.94 | 9.83 | 9.91 | 9.98 |
| Other real estate owned | .39 | .39 | .50 | .75 | .82 | .63 | .36 | .19 | .14 | .11 |
| Managed liabilities | 35.83 | 35.78 | 34.31 | 31.05 | 28.70 | 28.28 | 29.61 | 32.10 | 32.73 | 34.09 |
| Average net consolidated assets (billions of dollars) | 3,048 | 3,187 | 3,338 | 3,379 | 3,442 | 3,566 | 3,863 | 4,149 | 4,376 | 4,733 |

A.2. Continued

A. All banks

| Item | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Effective interest rate (percent)[4] | | | | | | | | | |
| ***Rates earned*** | | | | | | | | | | |
| Interest-earning assets | 10.06 | 11.13 | 10.67 | 9.57 | 8.27 | 7.61 | 7.61 | 8.33 | 8.15 | 8.14 |
| Taxable equivalent | 10.27 | 11.29 | 10.80 | 9.69 | 8.37 | 7.71 | 7.70 | 8.40 | 8.23 | 8.21 |
| Loans and leases, gross | 10.87 | 12.02 | 11.49 | 10.40 | 9.20 | 8.69 | 8.62 | 9.25 | 9.01 | 9.01 |
| Net of loss provisions | 9.81 | 10.44 | 9.94 | 8.72 | 7.87 | 7.87 | 8.12 | 8.73 | 8.40 | 8.34 |
| Securities | 8.38 | 8.73 | 8.79 | 8.18 | 7.04 | 6.08 | 5.96 | 6.50 | 6.42 | 6.50 |
| Taxable equivalent | 9.07 | 9.25 | 9.21 | 8.56 | 7.34 | 6.36 | 6.20 | 6.73 | 6.66 | 6.74 |
| Investment account | 8.07 | 8.55 | 8.67 | 8.25 | 7.11 | 6.07 | 5.79 | 6.34 | 6.35 | 6.45 |
| U.S. government and other debt | 8.25 | 8.83 | 8.92 | 8.43 | 7.18 | 6.07 | 5.80 | 6.42 | 6.47 | 6.60 |
| State and local | 7.39 | 7.45 | 7.39 | 7.25 | 6.81 | 6.25 | 5.87 | 5.81 | 5.56 | 5.41 |
| Equity[2] | n.a. | 7.70 | 7.34 | 6.20 | 5.32 | 4.79 | 4.79 | 5.50 | 5.23 | 5.15 |
| Trading account | 12.63 | 11.11 | 10.15 | 7.53 | 6.40 | 6.16 | 7.41 | 7.73 | 6.87 | 6.76 |
| Gross federal funds sold and reverse RPs | 7.54 | 9.17 | 8.08 | 5.69 | 3.58 | 3.04 | 4.26 | 5.63 | 5.20 | 5.45 |
| Interest-bearing balances at depositories | 8.71 | 10.59 | 9.96 | 8.44 | 7.31 | 6.61 | 5.71 | 6.84 | 6.21 | 6.26 |
| ***Rates paid*** | | | | | | | | | | |
| Interest-bearing liabilities | 7.28 | 8.53 | 8.04 | 6.54 | 4.75 | 4.01 | 4.01 | 4.99 | 4.82 | 4.92 |
| Interest-bearing deposits | 6.86 | 7.87 | 7.57 | 6.34 | 4.51 | 3.65 | 3.53 | 4.47 | 4.34 | 4.39 |
| In foreign offices | 8.91 | 10.87 | 10.71 | 8.54 | 7.32 | 6.82 | 5.59 | 6.12 | 5.55 | 5.44 |
| In domestic offices | 6.45 | 7.32 | 7.02 | 6.00 | 4.07 | 3.14 | 3.14 | 4.11 | 4.07 | 4.16 |
| Other checkable deposits | 4.77 | 4.83 | 4.79 | 4.34 | 2.70 | 1.99 | 1.85 | 2.06 | 2.04 | 2.25 |
| Savings (including MMDAs) | 5.55 | 6.18 | 5.99 | 5.11 | 3.25 | 2.50 | 2.58 | 3.19 | 2.99 | 2.93 |
| Large-denomination time deposits[5] | 7.49 | 8.66 | 8.03 | 6.69 | 4.90 | 4.00 | 4.09 | 5.46 | 5.40 | 5.44 |
| Small-denomination time deposits[5] | 7.34 | 8.29 | 7.97 | 6.93 | 5.15 | 4.19 | 4.17 | 5.44 | 5.40 | 5.54 |
| Gross federal funds purchased and RPs | 7.43 | 9.20 | 7.97 | 5.75 | 3.64 | 3.07 | 4.18 | 5.64 | 5.12 | 5.17 |
| Other interest-bearing liabilities | 10.61 | 13.76 | 12.26 | 8.65 | 7.87 | 8.02 | 7.25 | 7.45 | 6.95 | 6.94 |
| | Income and expense as a percentage of average net consolidated assets | | | | | | | | | |
| Gross interest income | 9.00 | 9.95 | 9.60 | 8.60 | 7.45 | 6.86 | 6.65 | 7.29 | 7.16 | 7.14 |
| Taxable equivalent | 9.18 | 10.08 | 9.71 | 8.70 | 7.54 | 6.94 | 6.73 | 7.35 | 7.22 | 7.20 |
| Loans | 6.66 | 7.46 | 7.15 | 6.36 | 5.40 | 5.00 | 4.91 | 5.48 | 5.48 | 5.40 |
| Securities | 1.38 | 1.47 | 1.53 | 1.56 | 1.51 | 1.37 | 1.25 | 1.23 | 1.16 | 1.11 |
| Gross federal funds sold and reverse RPs | .35 | .41 | .38 | .27 | .17 | .13 | .17 | .23 | .21 | .29 |
| Other | .61 | .61 | .54 | .41 | .37 | .36 | .33 | .35 | .32 | .35 |
| Gross interest expense | 5.46 | 6.44 | 6.14 | 4.99 | 3.56 | 2.96 | 2.87 | 3.57 | 3.43 | 3.47 |
| Deposits | 4.28 | 4.94 | 4.84 | 4.13 | 2.87 | 2.23 | 2.05 | 2.54 | 2.46 | 2.48 |
| Gross federal funds purchased and RPs | .62 | .78 | .68 | .43 | .27 | .24 | .32 | .44 | .38 | .43 |
| Other | .56 | .71 | .62 | .43 | .42 | .50 | .50 | .58 | .59 | .56 |
| Net interest income | 3.54 | 3.51 | 3.46 | 3.62 | 3.89 | 3.90 | 3.78 | 3.72 | 3.73 | 3.67 |
| Taxable equivalent | 3.72 | 3.65 | 3.57 | 3.71 | 3.98 | 3.98 | 3.86 | 3.79 | 3.79 | 3.72 |
| Loss provisioning[6] | .65 | .98 | .97 | 1.03 | .78 | .47 | .28 | .31 | .37 | .40 |
| Noninterest income | 1.50 | 1.62 | 1.67 | 1.81 | 1.95 | 2.13 | 2.00 | 2.02 | 2.18 | 2.23 |
| Service charges on deposits | .31 | .32 | .34 | .38 | .41 | .42 | .40 | .39 | .39 | .39 |
| Income from fiduciary activities | .25 | .26 | .27 | .28 | .30 | .31 | .31 | .31 | .33 | .35 |
| Trading income | .12 | .13 | .15 | .18 | .18 | .26 | .16 | .15 | .17 | .17 |
| Interest rate exposures | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | .09 | .08 |
| Foreign exchange exposures | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | .06 | .08 |
| Equity, commodity, and other exposures | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | .02 | * |
| Other | .82 | .91 | .91 | .97 | 1.05 | 1.14 | 1.13 | 1.17 | 1.29 | 1.32 |
| Noninterest expense | 3.38 | 3.42 | 3.49 | 3.75 | 3.86 | 3.94 | 3.75 | 3.64 | 3.71 | 3.61 |
| Salaries, wages, and employee benefits | 1.55 | 1.55 | 1.56 | 1.59 | 1.61 | 1.64 | 1.58 | 1.54 | 1.55 | 1.53 |
| Expenses of premises and fixed assets | .53 | .52 | .53 | .53 | .53 | .52 | .49 | .48 | .48 | .47 |
| Other | 1.31 | 1.35 | 1.41 | 1.62 | 1.72 | 1.78 | 1.68 | 1.62 | 1.69 | 1.62 |
| Net noninterest expense | 1.88 | 1.80 | 1.83 | 1.94 | 1.91 | 1.81 | 1.75 | 1.62 | 1.54 | 1.38 |
| Realized gains on investment account securities | .01 | .03 | .01 | .09 | .11 | .09 | -.01 | .01 | .03 | .04 |
| Income before taxes and extraordinary items | 1.02 | .76 | .68 | .73 | 1.32 | 1.70 | 1.73 | 1.81 | 1.85 | 1.93 |
| Taxes | .33 | .30 | .23 | .25 | .42 | .56 | .58 | .63 | .65 | .68 |
| Extraordinary items | .03 | .01 | .02 | .03 | .01 | .06 | * | * | * | * |
| Net income (return on assets) | .71 | .47 | .47 | .51 | .91 | 1.20 | 1.15 | 1.18 | 1.20 | 1.25 |
| Cash dividends declared | .44 | .44 | .42 | .45 | .41 | .62 | .73 | .75 | .91 | .90 |
| Retained income | .28 | .02 | .05 | .07 | .49 | .58 | .42 | .43 | .30 | .35 |
| MEMO: Return on equity | 11.60 | 7.33 | 7.31 | 7.71 | 12.64 | 15.32 | 14.63 | 14.69 | 14.53 | 14.87 |

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes the allowance for loan and lease losses and the allocated transfer risk reserve.
2. As in the Call Reports, equity securities are combined with "other debt securities" before 1989.
3. Before 1994, the netted value of off-balance-sheet items appeared in "trading account securities" if a gain and "other non-interest bearing liabilities" if a loss.
4. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Reports.
5. Before 1997, data for large time open accounts are included in small-denomination time deposits.
6. Includes provisions for loan and lease losses and for allocated transfer risk.

A.2. Portfolio composition, interest rates, and income and expense, all U.S. banks, 1988–97

B. Ten largest banks by assets

| Item | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance sheet items as a percentage of average net consolidated assets | | | | | | | | | |
| Interest-earning assets | 85.22 | 85.16 | 84.85 | 85.41 | 85.16 | 84.79 | 76.97 | 77.02 | 79.94 | 81.61 |
| Loans and leases, net | 58.69 | 59.66 | 61.69 | 62.14 | 58.34 | 55.57 | 49.91 | 50.05 | 53.51 | 50.90 |
| Commercial and industrial | 23.36 | 22.61 | 22.91 | 22.42 | 20.32 | 18.65 | 16.43 | 16.16 | 17.17 | 16.90 |
| U.S. addressees | 13.01 | 13.18 | 13.39 | 13.44 | 12.00 | 10.75 | 9.16 | 8.66 | 9.59 | 10.24 |
| Foreign addressees | 10.36 | 9.43 | 9.53 | 8.97 | 8.32 | 7.90 | 7.27 | 7.50 | 7.59 | 6.65 |
| Consumer | 6.19 | 6.21 | 6.87 | 7.20 | 7.31 | 7.33 | 6.59 | 6.60 | 6.22 | 6.40 |
| Credit card | 2.08 | 1.99 | 2.20 | 2.53 | 2.61 | 2.50 | 2.28 | 1.96 | 1.23 | 1.34 |
| Installment and other | 4.10 | 4.22 | 4.67 | 4.67 | 4.70 | 4.83 | 4.31 | 4.65 | 4.99 | 5.06 |
| Real estate | 15.46 | 18.02 | 20.56 | 21.68 | 19.93 | 18.54 | 16.21 | 15.82 | 16.53 | 17.42 |
| In domestic offices | 12.80 | 15.05 | 17.36 | 18.37 | 17.07 | 15.99 | 13.80 | 13.48 | 14.44 | 15.69 |
| Construction and land development | 3.48 | 3.60 | 3.79 | 3.42 | 2.48 | 1.59 | .84 | .58 | .51 | .68 |
| Farmland | .06 | .08 | .08 | .08 | .07 | .07 | .06 | .06 | .06 | .09 |
| One- to four-family residential | 5.83 | 7.45 | 9.31 | 10.34 | 10.08 | 10.29 | 9.69 | 9.62 | 10.43 | 11.02 |
| Home equity | .76 | 1.04 | 1.31 | 1.63 | 1.63 | 1.60 | 1.40 | 1.40 | 1.53 | 1.70 |
| Other | 5.07 | 6.41 | 8.00 | 8.71 | 8.46 | 8.68 | 8.29 | 8.22 | 8.90 | 9.31 |
| Multifamily residential | .65 | .68 | .68 | .57 | .58 | .53 | .41 | .38 | .38 | .39 |
| Nonfarm nonresidential | 2.78 | 3.23 | 3.51 | 3.95 | 3.86 | 3.51 | 2.79 | 2.83 | 3.05 | 3.52 |
| In foreign offices | 2.66 | 2.97 | 3.20 | 3.32 | 2.85 | 2.55 | 2.41 | 2.35 | 2.09 | 1.73 |
| Depository institutions | 5.21 | 4.56 | 3.64 | 3.05 | 2.56 | 2.35 | 3.37 | 4.95 | 6.06 | 4.14 |
| Foreign governments | 3.63 | 3.34 | 2.76 | 2.88 | 2.75 | 2.46 | 1.27 | .90 | .69 | .45 |
| Agricultural production | .33 | .31 | .31 | .31 | .28 | .27 | .25 | .21 | .23 | .31 |
| Other loans | 6.23 | 6.36 | 6.05 | 5.61 | 6.05 | 6.82 | 6.44 | 5.85 | 6.42 | 4.21 |
| Lease-financing receivables | 1.44 | 1.49 | 1.60 | 1.68 | 1.51 | 1.30 | 1.14 | 1.14 | 1.59 | 2.24 |
| LESS: Unearned income on loans | −.43 | −.45 | −.39 | −.35 | −.27 | −.21 | −.16 | −.14 | −.11 | −.07 |
| LESS: Loss reserves[1] | −2.74 | −2.77 | −2.63 | −2.34 | −2.08 | −1.94 | −1.63 | −1.45 | −1.31 | −1.09 |
| Securities | 12.96 | 13.13 | 14.03 | 15.58 | 19.13 | 22.74 | 20.43 | 19.53 | 19.83 | 20.00 |
| Investment account | 8.67 | 9.05 | 9.22 | 9.38 | 10.70 | 12.45 | 11.68 | 10.65 | 10.60 | 10.97 |
| Debt | 8.67 | 8.83 | 8.98 | 9.08 | 10.36 | 12.08 | 11.30 | 10.27 | 10.22 | 10.55 |
| U.S. Treasury | 1.41 | 1.29 | 1.09 | 1.35 | 2.30 | 2.39 | 2.17 | 2.03 | 1.93 | 1.56 |
| U.S. government agency and corporation obligations | 1.94 | 2.29 | 2.91 | 3.46 | 4.45 | 6.14 | 5.16 | 4.46 | 4.59 | 5.34 |
| Government-backed mortgage pools | 1.84 | 2.07 | 2.24 | 2.26 | 2.43 | 3.30 | 2.79 | 2.89 | 3.58 | 4.26 |
| Collateralized mortgage obligations | n.a. | n.a. | .54 | 1.12 | 1.97 | 2.76 | 2.31 | 1.50 | .95 | .93 |
| Other | .10 | .22 | .14 | .08 | .05 | .08 | .06 | .08 | .06 | .15 |
| State and local government | 1.80 | 1.58 | 1.08 | .77 | .66 | .59 | .60 | .49 | .39 | .51 |
| Private mortgage-backed securities | n.a. | n.a. | n.a. | .48 | .33 | .38 | .43 | .32 | .30 | .32 |
| Other | 3.52 | 3.68 | 3.90 | 3.01 | 2.62 | 2.59 | 2.94 | 2.97 | 3.01 | 2.81 |
| Equity[2] | n.a. | .22 | .24 | .30 | .33 | .36 | .38 | .38 | .38 | .42 |
| Trading account | 4.29 | 4.08 | 4.81 | 6.19 | 8.43 | 10.30 | 8.74 | 8.88 | 9.23 | 9.03 |
| Gross federal funds sold and reverse RPs | 4.61 | 4.12 | 2.88 | 2.96 | 3.23 | 2.71 | 2.68 | 3.20 | 3.10 | 7.56 |
| Interest-bearing balances at depositories | 8.97 | 8.26 | 6.25 | 4.74 | 4.45 | 3.76 | 3.95 | 4.25 | 3.50 | 3.15 |
| Non-interest-earning assets | 14.78 | 14.84 | 15.15 | 14.59 | 14.84 | 15.21 | 23.03 | 22.98 | 20.06 | 18.39 |
| Revaluation gains on off-balance-sheet items[3] | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 9.89 | 10.77 | 7.63 | 7.37 |
| Other | 14.78 | 14.84 | 15.15 | 14.59 | 14.84 | 15.21 | 13.14 | 12.21 | 12.43 | 11.02 |
| Liabilities | 95.41 | 95.11 | 95.29 | 94.97 | 94.44 | 93.24 | 93.42 | 93.59 | 93.04 | 92.61 |
| Interest-bearing liabilities | 73.76 | 74.17 | 73.97 | 74.62 | 73.08 | 71.56 | 64.33 | 63.37 | 64.45 | 65.82 |
| Deposits | 57.67 | 57.56 | 57.95 | 57.67 | 55.73 | 52.91 | 48.20 | 47.49 | 47.87 | 47.36 |
| In foreign offices | 31.49 | 30.08 | 29.66 | 28.47 | 27.16 | 25.51 | 26.10 | 28.36 | 26.41 | 22.18 |
| In domestic offices | 26.18 | 27.49 | 28.28 | 29.19 | 28.56 | 27.41 | 22.10 | 19.12 | 21.46 | 25.18 |
| Other checkable deposits | 2.68 | 2.70 | 2.74 | 3.00 | 3.38 | 3.45 | 2.91 | 2.30 | 1.61 | 1.21 |
| Savings (including MMDAs) | 11.42 | 11.32 | 12.05 | 13.50 | 14.91 | 15.33 | 12.70 | 10.56 | 12.31 | 14.26 |
| Small-denomination time deposits | 5.03 | 5.64 | 6.16 | 6.55 | 5.72 | 5.09 | 3.98 | 4.04 | 4.68 | 5.82 |
| Large-denomination time deposits | 7.05 | 7.82 | 7.33 | 6.14 | 4.56 | 3.53 | 2.51 | 2.23 | 2.86 | 3.89 |
| Gross federal funds purchased and RPs | 6.40 | 6.72 | 6.90 | 6.80 | 6.19 | 6.70 | 5.83 | 6.17 | 5.88 | 10.26 |
| Other | 9.69 | 9.89 | 9.13 | 10.15 | 11.16 | 11.94 | 10.29 | 9.71 | 10.69 | 8.20 |
| Non-interest-bearing liabilities | 21.65 | 20.94 | 21.32 | 20.35 | 21.36 | 21.68 | 29.09 | 30.22 | 28.59 | 26.79 |
| Demand deposits in domestic offices | 11.93 | 11.60 | 10.93 | 10.36 | 11.05 | 11.27 | 10.15 | 8.88 | 9.73 | 8.98 |
| Revaluation losses on off-balance-sheet items[3] | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 8.75 | 10.68 | 7.27 | 7.53 |
| Other | 9.71 | 9.34 | 10.39 | 9.99 | 10.30 | 10.41 | 10.20 | 10.66 | 11.59 | 10.27 |
| Capital account | 4.59 | 4.89 | 4.71 | 5.03 | 5.56 | 6.76 | 6.58 | 6.41 | 6.96 | 7.39 |
| MEMO | | | | | | | | | | |
| Commercial real estate loans | n.a. | n.a. | n.a. | 9.05 | 8.01 | 6.46 | 4.65 | 4.40 | 4.65 | 5.44 |
| Other real estate owned | .22 | .23 | .42 | .78 | 1.13 | 1.02 | .58 | .27 | .18 | .13 |
| Managed liabilities | 56.41 | 56.13 | 54.79 | 53.23 | 50.82 | 49.23 | 46.21 | 47.94 | 47.39 | 46.02 |
| Average net consolidated assets (billions of dollars) | 685 | 693 | 725 | 717 | 775 | 818 | 949 | 1,051 | 1,189 | 1,515 |

A.2.—Continued

B. Ten largest banks by assets

| Item | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Effective interest rate (percent)[4] | | | | | | | | | |
| *Rates earned* | | | | | | | | | | |
| Interest-earning assets | 10.76 | 12.31 | 11.65 | 9.92 | 8.67 | 8.16 | 8.15 | 8.20 | 7.72 | 7.55 |
| Taxable equivalent | 10.88 | 12.31 | 11.70 | 9.95 | 8.72 | 8.20 | 8.18 | 8.22 | 7.74 | 7.60 |
| Loans and leases, gross | 11.35 | 13.19 | 12.29 | 10.46 | 9.36 | 9.07 | 8.89 | 8.84 | 8.32 | 8.25 |
| Net of loss provisions | 10.70 | 10.87 | 11.10 | 8.58 | 7.51 | 7.95 | 8.38 | 8.62 | 8.11 | 7.93 |
| Securities | 10.54 | 10.11 | 9.85 | 8.52 | 7.38 | 6.69 | 7.09 | 7.41 | 6.80 | 6.70 |
| Taxable equivalent | 11.06 | 10.08 | 10.00 | 8.63 | 7.54 | 6.77 | 7.19 | 7.47 | 6.85 | 6.85 |
| Investment account | 8.70 | 9.20 | 9.34 | 8.99 | 7.96 | 6.90 | 6.57 | 7.06 | 6.71 | 6.61 |
| U.S. government and other debt | 8.95 | 9.60 | 9.68 | 9.29 | 8.13 | 6.99 | 6.70 | 7.22 | 6.86 | 6.80 |
| State and local | 7.74 | 7.69 | 7.54 | 7.67 | 7.40 | 6.99 | 6.35 | 6.23 | 5.73 | 5.55 |
| Equity[2] | n.a. | 7.03 | 5.82 | 4.22 | 4.04 | 3.72 | 3.27 | 4.03 | 3.84 | 3.47 |
| Trading account | 14.33 | 12.13 | 10.75 | 7.84 | 6.69 | 6.45 | 7.79 | 7.83 | 6.90 | 6.81 |
| Gross federal funds sold and reverse RPs | 7.31 | 8.98 | 8.01 | 5.60 | 3.65 | 3.02 | 4.52 | 5.20 | 4.92 | 5.45 |
| Interest-bearing balances at depositories | 9.13 | 10.88 | 11.06 | 10.05 | 9.29 | 8.34 | 7.27 | 7.15 | 6.71 | 6.91 |
| *Rates paid* | | | | | | | | | | |
| Interest-bearing liabilities | 8.75 | 10.74 | 10.18 | 7.71 | 6.17 | 5.60 | 5.43 | 5.88 | 5.44 | 5.41 |
| Interest-bearing deposits | 7.77 | 9.19 | 9.03 | 7.09 | 5.33 | 4.50 | 4.32 | 4.99 | 4.57 | 4.54 |
| In foreign offices | 9.00 | 10.96 | 11.11 | 8.76 | 7.55 | 6.87 | 6.04 | 6.07 | 5.62 | 5.52 |
| In domestic offices | 6.28 | 7.28 | 6.81 | 5.47 | 3.25 | 2.36 | 2.35 | 3.42 | 3.32 | 3.69 |
| Other checkable deposits | 4.43 | 4.40 | 4.35 | 3.93 | 1.97 | 1.28 | 1.10 | 1.29 | 1.32 | 1.97 |
| Savings (including MMDAs) | 5.55 | 6.49 | 6.21 | 5.09 | 1.95 | 2.14 | 2.35 | 3.11 | 2.76 | 2.68 |
| Large-denomination time deposits[3] | 7.75 | 8.87 | 7.96 | 6.50 | 4.66 | 3.55 | 3.12 | 3.73 | 4.62 | 5.17 |
| Small-denomination time deposits[5] | 7.11 | 8.26 | 7.76 | 6.09 | 3.81 | 3.01 | 2.80 | 5.08 | 4.58 | 5.45 |
| Gross federal funds purchased and RPs | 7.43 | 9.27 | 7.75 | 5.98 | 4.04 | 3.26 | 4.05 | 5.22 | 4.93 | 5.02 |
| Other interest-bearing liabilities | 14.02 | 19.31 | 17.27 | 11.20 | 10.40 | 11.16 | 10.87 | 9.80 | 8.86 | 9.13 |
| | Income and expense as a percentage of average net consolidated assets | | | | | | | | | |
| Gross interest income | 9.52 | 10.82 | 10.37 | 8.77 | 7.69 | 7.22 | 6.37 | 6.42 | 6.26 | 6.31 |
| Taxable equivalent | 9.63 | 10.83 | 10.43 | 8.80 | 7.72 | 7.25 | 6.40 | 6.43 | 6.27 | 6.33 |
| Loans | 6.93 | 8.23 | 7.96 | 6.77 | 5.65 | 5.22 | 4.49 | 4.44 | 4.48 | 4.31 |
| Securities | .75 | .83 | .86 | .84 | .85 | .86 | .77 | .75 | .71 | .73 |
| Gross federal funds sold and reverse RPs | .40 | .37 | .25 | .17 | .14 | .11 | .15 | .21 | .18 | .45 |
| Other | 1.44 | 1.39 | 1.30 | .98 | 1.05 | 1.04 | .97 | 1.00 | .88 | .82 |
| Gross interest expense | 6.51 | 8.01 | 7.65 | 5.81 | 4.54 | 4.06 | 3.52 | 3.74 | 3.52 | 3.55 |
| Deposits | 4.56 | 5.37 | 5.41 | 4.23 | 3.09 | 2.48 | 2.15 | 2.43 | 2.26 | 2.26 |
| Gross federal funds purchased and RPs | .58 | .72 | .64 | .43 | .28 | .24 | .24 | .35 | .31 | .54 |
| Other | 1.37 | 1.92 | 1.60 | 1.15 | 1.17 | 1.35 | 1.13 | .95 | .95 | .75 |
| Net interest income | 3.01 | 2.82 | 2.72 | 2.96 | 3.15 | 3.16 | 2.86 | 2.68 | 2.73 | 2.76 |
| Taxable equivalent | 3.12 | 2.82 | 2.77 | 2.99 | 3.18 | 3.19 | 2.88 | 2.70 | 2.75 | 2.78 |
| Loss provisioning[6] | .40 | 1.45 | .77 | 1.21 | 1.12 | .64 | .26 | .11 | .11 | .16 |
| Noninterest income | 2.07 | 2.19 | 2.27 | 2.40 | 2.59 | 2.99 | 2.33 | 2.16 | 2.34 | 2.12 |
| Service charges on deposits | .19 | .22 | .23 | .26 | .30 | .30 | .26 | .25 | .28 | .32 |
| Income from fiduciary activities | .23 | .27 | .31 | .33 | .37 | .39 | .36 | .30 | .31 | .34 |
| Trading income | .41 | .42 | .52 | .64 | .66 | .91 | .53 | .46 | .52 | .43 |
| Interest rate exposures | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | .30 | .23 |
| Foreign exchange exposures | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | .17 | .20 |
| Equity, commodity, and other exposures | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | .05 | * |
| Other | 1.24 | 1.29 | 1.21 | 1.16 | 1.27 | 1.38 | 1.18 | 1.15 | 1.23 | 1.04 |
| Noninterest expense | 3.29 | 3.43 | 3.55 | 3.83 | 3.86 | 4.13 | 3.56 | 3.32 | 3.57 | 3.24 |
| Salaries, wages, and employee benefits | 1.63 | 1.66 | 1.74 | 1.79 | 1.78 | 1.88 | 1.65 | 1.58 | 1.57 | 1.45 |
| Expenses of premises and fixed assets | .60 | .62 | .65 | .66 | .65 | .66 | .55 | .50 | .50 | .47 |
| Other | 1.05 | 1.15 | 1.16 | 1.38 | 1.43 | 1.59 | 1.36 | 1.24 | 1.50 | 1.33 |
| Net noninterest expense | 1.21 | 1.24 | 1.28 | 1.44 | 1.27 | 1.14 | 1.23 | 1.16 | 1.23 | 1.12 |
| Realized gains on investment account securities | .03 | .03 | .02 | .04 | .11 | .13 | .02 | .03 | .04 | .08 |
| Income before taxes and extraordinary items | 1.43 | .16 | .69 | .34 | .87 | 1.50 | 1.39 | 1.44 | 1.44 | 1.56 |
| Taxes | .44 | .38 | .27 | .17 | .26 | .53 | .48 | .55 | .52 | .58 |
| Extraordinary items | .08 | .03 | .06 | .03 | * | .16 | * | * | * | * |
| Net income (return on assets) | 1.07 | −.19 | .48 | .21 | .61 | 1.13 | .91 | .88 | .92 | .98 |
| Cash dividends declared | .38 | .37 | .26 | .21 | .18 | .28 | .58 | .57 | .70 | .82 |
| Retained income | .69 | −.57 | .21 | * | .43 | .85 | .33 | .31 | .21 | .15 |
| MEMO: Return on equity | 23.30 | −3.92 | 10.13 | 4.23 | 10.91 | 16.75 | 13.86 | 13.78 | 13.21 | 13.21 |

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes the allowance for loan and lease losses and the allocated transfer risk reserve.
2. As in the Call Reports, equity securities are combined with "other debt securities" before 1989.
3. Before 1994, the netted value of off-balance-sheet items appeared in "trading account securities" if a gain and "other non-interest bearing liabilities" if a loss.
4. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Reports.
5. Before 1997, data for large time open accounts are included in small-denomination time deposits.
6. Includes provisions for loan and lease losses and for allocated transfer risk.

A.2. Portfolio composition, interest rates, and income and expense, all U.S. banks, 1988–97

C. Banks ranked 11th through 100th by assets

| Item | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance sheet items as a percentage of average net consolidated assets | | | | | | | | | |
| Interest-earning assets | 87.23 | 86.91 | 86.81 | 86.88 | 87.97 | 88.36 | 88.16 | 88.31 | 87.75 | 86.95 |
| Loans and leases, net | 61.99 | 62.61 | 61.22 | 60.08 | 58.30 | 57.33 | 58.56 | 62.68 | 64.24 | 63.85 |
| Commercial and industrial | 23.45 | 22.75 | 21.76 | 20.53 | 18.83 | 18.03 | 18.03 | 19.26 | 18.95 | 19.00 |
| U.S. addressees | 21.43 | 21.23 | 20.44 | 19.30 | 17.78 | 17.05 | 16.99 | 18.10 | 17.71 | 17.77 |
| Foreign addressees | 2.02 | 1.53 | 1.33 | 1.24 | 1.05 | .98 | 1.04 | 1.16 | 1.24 | 1.22 |
| Consumer | 12.20 | 12.97 | 12.25 | 11.66 | 11.72 | 11.47 | 12.62 | 14.23 | 15.67 | 15.63 |
| Credit card | 4.85 | 5.82 | 5.48 | 5.04 | 5.16 | 5.23 | 5.99 | 7.34 | 8.26 | 8.52 |
| Installment and other | 7.35 | 7.16 | 6.76 | 6.62 | 6.56 | 6.24 | 6.63 | 6.89 | 7.40 | 7.11 |
| Real estate | 17.94 | 19.09 | 20.21 | 21.51 | 21.89 | 22.11 | 22.26 | 23.25 | 23.26 | 22.97 |
| In domestic offices | 17.65 | 18.85 | 20.04 | 21.37 | 21.78 | 22.01 | 22.17 | 23.10 | 23.10 | 22.82 |
| Construction and land development | 5.27 | 5.25 | 4.91 | 4.00 | 3.02 | 2.08 | 1.63 | 1.50 | 1.55 | 1.69 |
| Farmland | .11 | .12 | .12 | .12 | .14 | .13 | .14 | .13 | .13 | .14 |
| One- to four-family residential | 6.85 | 7.54 | 8.53 | 10.17 | 11.36 | 12.30 | 12.98 | 14.16 | 14.15 | 13.87 |
| Home equity | 1.17 | 1.41 | 1.67 | 2.07 | 2.50 | 2.54 | 2.33 | 2.19 | 2.08 | 2.22 |
| Other | 5.68 | 6.13 | 6.86 | 8.10 | 8.85 | 9.76 | 10.65 | 11.97 | 12.07 | 11.65 |
| Multifamily residential | .43 | .45 | .46 | .54 | .66 | .71 | .71 | .77 | .89 | .93 |
| Nonfarm nonresidential | 4.99 | 5.49 | 6.01 | 6.53 | 6.61 | 6.79 | 6.72 | 6.54 | 6.37 | 6.19 |
| In foreign offices | .29 | .24 | .18 | .14 | .11 | .10 | .09 | .15 | .16 | .15 |
| Depository institutions | 1.84 | 1.55 | 1.57 | 1.58 | 1.43 | 1.30 | 1.49 | 1.59 | 1.50 | 1.27 |
| Foreign governments | 1.22 | .88 | .52 | .39 | .33 | .30 | .28 | .20 | .20 | .09 |
| Agricultural production | .29 | .29 | .28 | .31 | .31 | .29 | .29 | .26 | .28 | .28 |
| Other loans | 5.54 | 5.17 | 4.82 | 4.55 | 4.28 | 4.05 | 3.47 | 3.32 | 3.30 | 3.21 |
| Lease-financing receivables | 1.69 | 1.73 | 1.67 | 1.53 | 1.49 | 1.47 | 1.60 | 1.96 | 2.41 | 2.69 |
| LESS: Unearned income on loans | −.37 | −.34 | −.26 | −.22 | −.17 | −.11 | −.07 | −.07 | −.06 | −.05 |
| LESS: Loss reserves[1] | −1.80 | −1.48 | −1.60 | −1.76 | −1.79 | −1.60 | −1.41 | −1.32 | −1.27 | −1.24 |
| Securities | 15.54 | 15.21 | 16.19 | 17.38 | 20.38 | 21.97 | 21.19 | 18.64 | 16.87 | 15.82 |
| Investment account | 14.73 | 14.38 | 15.32 | 16.25 | 19.24 | 20.60 | 19.82 | 17.88 | 16.06 | 15.08 |
| Debt | 14.73 | 14.15 | 15.14 | 16.02 | 18.99 | 20.34 | 19.50 | 17.51 | 15.62 | 14.59 |
| U.S. Treasury | 4.89 | 4.10 | 3.42 | 3.78 | 5.88 | 7.05 | 6.85 | 4.82 | 3.34 | 2.82 |
| U.S. government agency and corporation obligations | 3.58 | 5.01 | 7.42 | 8.43 | 9.26 | 9.55 | 9.28 | 9.40 | 9.12 | 8.98 |
| Government-backed mortgage pools | 2.96 | 4.03 | 5.32 | 5.38 | 5.22 | 5.21 | 5.30 | 5.06 | 5.42 | 5.17 |
| Collateralized mortgage obligations | n.a. | n.a. | 1.56 | 2.48 | 3.54 | 3.71 | 3.07 | 2.82 | 2.16 | 2.13 |
| Other | .61 | .98 | .54 | .57 | .50 | .63 | .91 | 1.51 | 1.54 | 1.69 |
| State and local government | 3.32 | 2.70 | 2.03 | 1.63 | 1.46 | 1.31 | 1.21 | 1.11 | .99 | .88 |
| Private mortgage-backed securities | n.a. | n.a. | n.a. | 1.09 | 1.05 | 1.06 | .93 | 1.02 | .96 | .73 |
| Other | 2.94 | 2.34 | 2.27 | 1.10 | 1.34 | 1.37 | 1.22 | 1.16 | 1.21 | 1.18 |
| Equity[2] | n.a. | .23 | .18 | .22 | .25 | .26 | .32 | .37 | .44 | .49 |
| Trading account | .82 | .83 | .88 | 1.13 | 1.14 | 1.37 | 1.37 | .76 | .80 | .73 |
| Gross federal funds sold and reverse RPs | 3.68 | 3.71 | 4.41 | 4.90 | 4.78 | 4.98 | 5.11 | 4.52 | 4.26 | 4.39 |
| Interest-bearing balances at depositories | 6.01 | 5.38 | 4.98 | 4.51 | 4.52 | 4.08 | 3.30 | 2.47 | 2.38 | 2.89 |
| Non-interest-earning assets | 12.77 | 13.09 | 13.19 | 13.12 | 12.03 | 11.64 | 11.84 | 11.69 | 12.25 | 13.05 |
| Revaluation gains on off-balance-sheet items[3] | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | .57 | .50 | .51 | .69 |
| Other | 12.77 | 13.09 | 13.19 | 13.12 | 12.03 | 11.64 | 11.28 | 11.18 | 11.75 | 12.36 |
| Liabilities | 94.77 | 94.45 | 94.35 | 93.93 | 93.13 | 92.56 | 92.47 | 92.23 | 92.02 | 91.84 |
| Interest-bearing liabilities | 75.34 | 76.23 | 77.02 | 76.07 | 74.66 | 73.38 | 72.86 | 74.05 | 73.14 | 72.63 |
| Deposits | 55.02 | 56.45 | 57.46 | 59.24 | 56.99 | 54.22 | 53.03 | 52.32 | 51.81 | 51.46 |
| In foreign offices | 9.68 | 8.63 | 7.84 | 6.69 | 6.20 | 6.78 | 8.05 | 8.12 | 7.52 | 7.84 |
| In domestic offices | 45.34 | 47.82 | 49.62 | 52.54 | 50.79 | 47.43 | 44.98 | 44.20 | 44.30 | 43.62 |
| Other checkable deposits | 4.68 | 4.67 | 4.75 | 5.36 | 6.26 | 7.21 | 6.91 | 5.62 | 3.06 | 1.94 |
| Savings (including MMDAs) | 15.67 | 14.58 | 15.50 | 17.62 | 20.21 | 20.60 | 20.13 | 18.78 | 20.76 | 21.08 |
| Small-denomination time deposits | 11.05 | 13.49 | 15.59 | 17.99 | 15.98 | 14.19 | 13.26 | 14.24 | 14.09 | 13.43 |
| Large-denomination time deposits | 13.95 | 15.08 | 13.78 | 11.56 | 8.34 | 5.44 | 4.68 | 5.55 | 6.39 | 7.17 |
| Gross federal funds purchased and RPs | 13.72 | 13.22 | 13.03 | 10.94 | 11.45 | 11.93 | 11.48 | 11.37 | 10.00 | 9.35 |
| Other | 6.59 | 6.57 | 6.53 | 5.89 | 6.22 | 7.23 | 8.34 | 10.36 | 11.32 | 11.81 |
| Non-interest-bearing liabilities | 19.44 | 18.22 | 17.33 | 17.87 | 18.47 | 19.18 | 19.62 | 18.18 | 18.89 | 19.21 |
| Demand deposits in domestic offices | 15.04 | 13.86 | 13.23 | 13.76 | 14.52 | 15.38 | 15.27 | 14.26 | 14.47 | 14.16 |
| Revaluation losses on off-balance-sheet items[3] | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | .53 | .49 | .49 | .68 |
| Other | 4.40 | 4.36 | 4.10 | 4.10 | 3.95 | 3.80 | 3.82 | 3.43 | 3.93 | 4.37 |
| Capital account | 5.23 | 5.55 | 5.65 | 6.07 | 6.87 | 7.44 | 7.53 | 7.77 | 7.98 | 8.16 |
| MEMO | | | | | | | | | | |
| Commercial real estate loans | n.a. | n.a. | n.a. | 11.83 | 11.09 | 10.29 | 9.69 | 9.42 | 9.38 | 9.42 |
| Other real estate owned | .31 | .30 | .46 | .76 | .70 | .47 | .25 | .13 | .08 | .06 |
| Managed liabilities | 44.37 | 43.90 | 41.59 | 35.49 | 32.59 | 31.76 | 32.89 | 35.68 | 35.60 | 36.63 |
| Average net consolidated assets (billions of dollars) | 870 | 940 | 995 | 1,006 | 1,003 | 1,082 | 1,204 | 1,338 | 1,450 | 1,604 |

A.2.—Continued

C. Banks ranked 11th through 100th by assets

| Item | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Effective interest rate (percent)[4] | | | | | | | | | |
| *Rates earned* | | | | | | | | | | |
| Interest-earning assets | 9.89 | 11.10 | 10.46 | 9.30 | 7.97 | 7.35 | 7.29 | 8.31 | 8.17 | 8.31 |
| Taxable equivalent | 10.10 | 11.27 | 10.55 | 9.39 | 8.07 | 7.45 | 7.37 | 8.37 | 8.24 | 8.36 |
| Loans and leases, gross | 10.50 | 11.74 | 11.09 | 9.96 | 8.75 | 8.25 | 8.22 | 9.10 | 8.89 | 9.02 |
| Net of loss provisions | 9.21 | 9.87 | 9.08 | 7.98 | 7.45 | 7.46 | 7.68 | 8.49 | 8.06 | 8.11 |
| Securities | 8.22 | 8.76 | 8.86 | 8.23 | 7.00 | 6.05 | 5.70 | 6.38 | 6.42 | 6.50 |
| Taxable equivalent | 8.93 | 9.36 | 9.18 | 8.57 | 7.30 | 6.32 | 5.92 | 6.56 | 6.66 | 6.69 |
| Investment account | 8.25 | 8.77 | 8.92 | 8.37 | 7.12 | 6.14 | 5.70 | 6.34 | 6.42 | 6.52 |
| U.S. government and other debt | 8.53 | 9.09 | 9.18 | 8.51 | 7.16 | 6.14 | 5.69 | 6.38 | 6.50 | 6.63 |
| State and local | 7.29 | 7.41 | 7.32 | 7.23 | 6.80 | 6.30 | 6.04 | 6.05 | 5.85 | 5.58 |
| Equity[2] | n.a. | 8.73 | 8.09 | 7.36 | 6.71 | 5.20 | 5.00 | 5.68 | 4.84 | 5.06 |
| Trading account | 7.68 | 8.66 | 8.01 | 6.46 | 4.73 | 4.74 | 5.75 | 7.27 | 6.57 | 6.05 |
| Gross federal funds sold and reverse RPs | 7.76 | 9.35 | 8.15 | 5.80 | 3.70 | 3.11 | 4.31 | 5.91 | 5.31 | 5.45 |
| Interest-bearing balances at depositories | 8.88 | 11.35 | 9.72 | 8.15 | 6.76 | 6.50 | 4.69 | 6.78 | 5.84 | 5.76 |
| *Rates paid* | | | | | | | | | | |
| Interest-bearing liabilities | 7.36 | 8.66 | 7.96 | 6.41 | 4.43 | 3.76 | 3.72 | 4.94 | 4.71 | 4.79 |
| Interest-bearing deposits | 7.02 | 8.14 | 7.55 | 6.27 | 4.30 | 3.51 | 3.25 | 4.35 | 4.16 | 4.22 |
| In foreign offices | 8.92 | 11.08 | 10.08 | 8.39 | 7.26 | 7.37 | 4.60 | 6.30 | 5.31 | 5.23 |
| In domestic offices | 6.62 | 7.61 | 7.15 | 6.01 | 3.96 | 2.98 | 3.03 | 4.01 | 3.97 | 4.05 |
| Other checkable deposits | 4.54 | 4.57 | 4.67 | 4.21 | 2.43 | 1.70 | 1.62 | 1.89 | 1.79 | 2.00 |
| Savings (including MMDAs) | 5.64 | 6.42 | 6.07 | 5.04 | 3.07 | 2.33 | 2.46 | 3.11 | 2.91 | 2.84 |
| Large-denomination time deposits[5] | 7.71 | 8.75 | 8.11 | 6.77 | 5.10 | 4.30 | 4.21 | 5.70 | 5.50 | 5.46 |
| Small-denomination time deposits[5] | 7.58 | 8.72 | 8.09 | 6.96 | 5.07 | 4.06 | 4.18 | 5.35 | 5.27 | 5.43 |
| Gross federal funds purchased and RPs | 7.50 | 9.35 | 8.12 | 5.75 | 3.57 | 3.04 | 4.28 | 5.86 | 5.20 | 5.30 |
| Other interest-bearing liabilities | 8.62 | 10.23 | 9.27 | 6.55 | 5.77 | 5.97 | 5.24 | 6.43 | 5.95 | 5.84 |
| | Income and expense as a percentage of average net consolidated assets | | | | | | | | | |
| Gross interest income | 8.74 | 9.77 | 9.31 | 8.24 | 7.12 | 6.58 | 6.46 | 7.40 | 7.25 | 7.26 |
| Taxable equivalent | 8.92 | 9.91 | 9.39 | 8.31 | 7.19 | 6.64 | 6.51 | 7.46 | 7.29 | 7.30 |
| Loans | 6.70 | 7.51 | 7.01 | 6.15 | 5.23 | 4.84 | 4.91 | 5.79 | 5.81 | 5.87 |
| Securities | 1.21 | 1.26 | 1.37 | 1.36 | 1.37 | 1.26 | 1.13 | 1.13 | 1.03 | .98 |
| Gross federal funds sold and reverse RPs | .26 | .36 | .38 | .28 | .18 | .15 | .21 | .27 | .23 | .22 |
| Other | .57 | .65 | .56 | .45 | .34 | .32 | .21 | .21 | .18 | .19 |
| Gross interest expense | 5.47 | 6.50 | 6.08 | 4.80 | 3.26 | 2.74 | 2.67 | 3.62 | 3.40 | 3.41 |
| Deposits | 3.87 | 4.59 | 4.36 | 3.75 | 2.48 | 1.93 | 1.73 | 2.29 | 2.19 | 2.23 |
| Gross federal funds purchased and RPs | 1.03 | 1.24 | 1.12 | .67 | .43 | .38 | .51 | .67 | .55 | .51 |
| Other | .56 | .66 | .60 | .38 | .35 | .43 | .43 | .66 | .67 | .68 |
| Net interest income | 3.27 | 3.27 | 3.23 | 3.43 | 3.86 | 3.84 | 3.79 | 3.78 | 3.85 | 3.85 |
| Taxable equivalent | 3.46 | 3.41 | 3.31 | 3.51 | 3.93 | 3.91 | 3.85 | 3.84 | 3.89 | 3.89 |
| Loss provisioning[6] | .83 | 1.20 | 1.27 | 1.22 | .78 | .47 | .32 | .39 | .54 | .60 |
| Noninterest income | 1.62 | 1.86 | 1.84 | 2.05 | 2.25 | 2.29 | 2.25 | 2.38 | 2.61 | 2.76 |
| Service charges on deposits | .31 | .31 | .34 | .41 | .44 | .46 | .45 | .44 | .44 | .44 |
| Income from fiduciary activities | .35 | .35 | .33 | .36 | .38 | .38 | .39 | .40 | .43 | .44 |
| Trading income | .07 | .08 | .08 | .10 | .09 | .14 | .08 | .09 | .08 | .08 |
| Interest rate exposures | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | .03 | .02 |
| Foreign exchange exposures | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | .04 | .05 |
| Equity, commodity, and other exposures | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | .01 | * |
| Other | .89 | 1.12 | 1.09 | 1.19 | 1.33 | 1.32 | 1.33 | 1.45 | 1.67 | 1.80 |
| Noninterest expense | 3.30 | 3.34 | 3.44 | 3.77 | 3.98 | 3.95 | 3.86 | 3.79 | 3.86 | 3.85 |
| Salaries, wages, and employee benefits | 1.48 | 1.47 | 1.47 | 1.52 | 1.53 | 1.52 | 1.50 | 1.47 | 1.51 | 1.51 |
| Expenses of premises and fixed assets | .50 | .50 | .50 | .51 | .49 | .47 | .47 | .47 | .48 | .46 |
| Other | 1.32 | 1.37 | 1.48 | 1.74 | 1.95 | 1.95 | 1.89 | 1.85 | 1.87 | 1.88 |
| Net noninterest expense | 1.68 | 1.47 | 1.60 | 1.73 | 1.73 | 1.65 | 1.61 | 1.41 | 1.24 | 1.09 |
| Realized gains on investment account securities | * | .04 | .03 | .14 | .15 | .09 | −.01 | .02 | .02 | .02 |
| Income before taxes and extraordinary items | .77 | .65 | .38 | .62 | 1.50 | 1.81 | 1.85 | 2.01 | 2.09 | 2.19 |
| Taxes | .28 | .18 | .15 | .19 | .48 | .56 | .63 | .70 | .75 | .77 |
| Extraordinary items | .02 | * | .01 | .03 | .03 | * | * | * | * | * |
| Net income (return on assets) | .51 | .47 | .24 | .47 | 1.04 | 1.25 | 1.22 | 1.31 | 1.34 | 1.42 |
| Cash dividends declared | .42 | .40 | .38 | .47 | .46 | .76 | .86 | .85 | 1.09 | .94 |
| Retained income | .09 | .06 | −.14 | * | .58 | .49 | .36 | .46 | .25 | .48 |
| MEMO: Return on equity | 9.67 | 8.41 | 4.18 | 7.71 | 15.16 | 16.86 | 16.27 | 16.84 | 16.79 | 17.37 |

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes the allowance for loan and lease losses and the allocated transfer risk reserve.
2. As in the Call Reports, equity securities are combined with "other debt securities" before 1989.
3. Before 1994, the netted value of off-balance-sheet items appeared in "trading account securities" if a gain and "other non-interest bearing liabilities" if a loss.
4. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Reports.
5. Before 1997, data for large time open accounts are included in small-denomination time deposits.
6. Includes provisions for loan and lease losses and for allocated transfer risk.

A.2. Portfolio composition, interest rates, and income and expense, all U.S. banks, 1988–97

D. Banks ranked 101st through 1,000th by assets

| Item | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance sheet items as a percentage of average net consolidated assets | | | | | | | | | |
| Interest-earning assets | 88.88 | 88.98 | 88.84 | 88.91 | 89.02 | 89.55 | 90.09 | 90.13 | 90.13 | 90.31 |
| Loans and leases, net | 63.03 | 63.62 | 63.09 | 61.03 | 58.49 | 57.94 | 59.75 | 62.23 | 62.62 | 62.28 |
| Commercial and industrial | 17.83 | 17.68 | 16.69 | 15.05 | 13.33 | 12.19 | 12.07 | 12.68 | 12.79 | 12.46 |
| U.S. addressees | 17.67 | 17.53 | 16.56 | 14.89 | 13.16 | 12.03 | 11.90 | 12.52 | 12.61 | 12.23 |
| Foreign addressees | .16 | .15 | .13 | .16 | .18 | .16 | .16 | .16 | .18 | .23 |
| Consumer | 15.91 | 15.49 | 15.48 | 15.10 | 14.18 | 14.83 | 15.85 | 16.38 | 15.88 | 13.98 |
| Credit card | 5.21 | 4.83 | 5.22 | 5.71 | 5.37 | 5.63 | 6.06 | 6.45 | 6.66 | 5.45 |
| Installment and other | 10.70 | 10.66 | 10.26 | 9.40 | 8.80 | 9.20 | 9.79 | 9.94 | 9.22 | 8.53 |
| Real estate | 24.28 | 25.97 | 27.01 | 27.53 | 28.11 | 28.61 | 29.42 | 30.77 | 31.37 | 33.25 |
| In domestic offices | 24.27 | 25.95 | 26.99 | 27.48 | 28.07 | 28.59 | 29.39 | 30.75 | 31.34 | 33.23 |
| Construction and land development | 4.73 | 4.82 | 4.37 | 3.67 | 2.86 | 2.26 | 2.08 | 2.21 | 2.38 | 2.69 |
| Farmland | .27 | .27 | .28 | .28 | .32 | .34 | .36 | .40 | .46 | .53 |
| One- to four-family residential | 10.64 | 11.56 | 12.49 | 13.23 | 14.26 | 15.17 | 16.24 | 17.47 | 17.34 | 18.16 |
| Home equity | 1.73 | 2.08 | 2.31 | 2.53 | 2.56 | 2.50 | 2.33 | 2.36 | 2.31 | 2.31 |
| Other | 8.91 | 9.48 | 10.18 | 10.70 | 11.69 | 12.67 | 13.91 | 15.11 | 15.03 | 15.86 |
| Multifamily residential | .67 | .70 | .73 | .80 | .96 | 1.07 | 1.13 | 1.21 | 1.29 | 1.29 |
| Nonfarm nonresidential | 7.97 | 8.61 | 9.11 | 9.50 | 9.69 | 9.75 | 9.57 | 9.46 | 9.87 | 10.56 |
| In foreign offices | .01 | .01 | .03 | .05 | .04 | .02 | .03 | .02 | .02 | .02 |
| Depository institutions | 1.01 | .92 | 1.05 | .93 | .80 | .43 | .40 | .35 | .48 | .60 |
| Foreign governments | .20 | .16 | .09 | .07 | .05 | .03 | .02 | .02 | .02 | .02 |
| Agricultural production | .47 | .45 | .47 | .49 | .54 | .56 | .62 | .69 | .71 | .74 |
| Other loans | 4.23 | 3.77 | 3.16 | 2.81 | 2.47 | 2.16 | 2.01 | 1.80 | 1.70 | 1.51 |
| Lease-financing receivables | .78 | .82 | .83 | .85 | .78 | .77 | .83 | .90 | 1.01 | 1.00 |
| Less: Unearned income on loans | −.60 | −.56 | −.50 | −.40 | −.30 | −.21 | −.15 | −.12 | −.10 | −.10 |
| Less: Loss reserves[1] | −1.07 | −1.07 | −1.20 | −1.42 | −1.49 | −1.44 | −1.30 | −1.23 | −1.22 | −1.18 |
| Securities | 18.52 | 18.75 | 19.34 | 21.28 | 24.13 | 25.92 | 25.71 | 23.06 | 22.68 | 23.45 |
| Investment account | 18.25 | 18.38 | 18.87 | 20.92 | 23.78 | 25.64 | 25.40 | 22.86 | 22.56 | 23.34 |
| Debt | 18.25 | 18.02 | 18.54 | 20.55 | 23.32 | 25.16 | 24.95 | 22.39 | 22.04 | 22.73 |
| U.S. Treasury | 6.52 | 5.91 | 5.44 | 6.16 | 7.75 | 8.64 | 8.26 | 6.47 | 5.61 | 4.95 |
| U.S. government agency and corporation obligations | 4.81 | 6.07 | 7.75 | 9.35 | 11.08 | 12.32 | 12.67 | 12.21 | 12.66 | 13.96 |
| Government-backed mortgage pools | 2.33 | 3.03 | 3.83 | 4.51 | 4.74 | 4.97 | 5.57 | 5.42 | 5.69 | 6.23 |
| Collateralized mortgage obligations | n.a. | n.a. | 1.72 | 2.74 | 3.95 | 4.82 | 4.39 | 3.55 | 3.12 | 3.02 |
| Other | 2.48 | 3.04 | 2.19 | 2.11 | 2.39 | 2.53 | 2.71 | 3.25 | 3.85 | 4.72 |
| State and local government | 4.10 | 3.50 | 3.11 | 2.65 | 2.27 | 2.26 | 2.29 | 2.13 | 2.24 | 2.45 |
| Private mortgage-backed securities | n.a. | n.a. | n.a. | 1.16 | 1.01 | .84 | .75 | .68 | .76 | .59 |
| Other | 2.82 | 2.55 | 2.25 | 1.23 | 1.21 | 1.10 | .99 | .89 | .77 | .78 |
| Equity[2] | n.a. | .35 | .32 | .37 | .46 | .48 | .44 | .47 | .52 | .61 |
| Trading account | .28 | .38 | .48 | .37 | .35 | .28 | .31 | .20 | .12 | .10 |
| Gross federal funds sold and reverse RPs | 4.45 | 4.11 | 4.51 | 4.71 | 4.92 | 4.48 | 3.64 | 3.91 | 3.87 | 3.59 |
| Interest-bearing balances at depositories | 2.87 | 2.49 | 1.90 | 1.90 | 1.47 | 1.20 | .98 | .93 | .96 | .99 |
| Non-interest-earning assets | 11.12 | 11.02 | 11.16 | 11.09 | 10.98 | 10.45 | 9.91 | 9.87 | 9.87 | 9.69 |
| Revaluation gains on off-balance-sheet items[3] | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | .02 | .05 | .02 | * |
| Other | 11.12 | 11.02 | 11.16 | 11.09 | 10.98 | 10.45 | 9.90 | 9.83 | 9.85 | 9.69 |
| Liabilities | 93.34 | 93.28 | 93.07 | 92.89 | 92.47 | 91.85 | 91.62 | 91.36 | 91.06 | 90.79 |
| Interest-bearing liabilities | 75.59 | 76.42 | 77.04 | 77.25 | 75.98 | 74.42 | 74.77 | 75.02 | 75.06 | 75.18 |
| Deposits | 63.00 | 63.74 | 65.05 | 66.33 | 65.66 | 63.05 | 60.38 | 59.59 | 59.99 | 61.50 |
| In foreign offices | 2.04 | 2.09 | 1.65 | 1.76 | 1.56 | 1.43 | 1.69 | 1.71 | 1.33 | 1.24 |
| In domestic offices | 60.97 | 61.65 | 63.40 | 64.58 | 64.10 | 61.62 | 58.69 | 57.87 | 58.66 | 60.26 |
| Other checkable deposits | 7.39 | 7.14 | 7.31 | 7.83 | 9.14 | 9.94 | 9.70 | 8.53 | 6.21 | 4.98 |
| Savings (including MMDAs) | 21.27 | 19.52 | 19.69 | 20.79 | 23.34 | 24.06 | 22.92 | 20.72 | 22.50 | 23.60 |
| Small-denomination time deposits | 19.34 | 22.08 | 24.09 | 25.23 | 23.56 | 20.77 | 19.29 | 21.08 | 21.61 | 22.04 |
| Large-denomination time deposits | 12.96 | 12.91 | 12.31 | 10.73 | 8.06 | 6.85 | 6.78 | 7.55 | 8.34 | 9.65 |
| Gross federal funds purchased and RPs | 8.63 | 9.21 | 8.43 | 7.46 | 7.17 | 7.43 | 8.45 | 8.30 | 8.19 | 7.09 |
| Other | 3.96 | 3.47 | 3.56 | 3.45 | 3.15 | 3.93 | 5.94 | 7.14 | 6.88 | 6.59 |
| Non-interest-bearing liabilities | 17.74 | 16.85 | 16.03 | 15.64 | 16.49 | 17.43 | 16.85 | 16.34 | 16.00 | 15.62 |
| Demand deposits in domestic offices | 15.84 | 14.86 | 14.07 | 13.57 | 14.39 | 15.07 | 14.58 | 14.05 | 13.84 | 13.17 |
| Revaluation losses on off-balance-sheet items[3] | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | .02 | .05 | .02 | .01 |
| Other | 1.90 | 1.99 | 1.96 | 2.07 | 2.10 | 2.36 | 2.25 | 2.24 | 2.14 | 2.44 |
| Capital account | 6.66 | 6.72 | 6.93 | 7.11 | 7.53 | 8.15 | 8.38 | 8.64 | 8.94 | 9.21 |
| MEMO | | | | | | | | | | |
| Commercial real estate loans | n.a. | n.a. | n.a. | 14.64 | 13.91 | 13.37 | 13.05 | 13.17 | 13.83 | 14.79 |
| Other real estate owned | .42 | .43 | .52 | .77 | .80 | .57 | .28 | .17 | .13 | .11 |
| Managed liabilities | 27.63 | 27.73 | 26.00 | 23.46 | 20.00 | 19.69 | 22.89 | 24.72 | 24.78 | 24.62 |
| Average net consolidated assets (billions of dollars) | 839 | 892 | 937 | 961 | 968 | 977 | 1,032 | 1,094 | 1,076 | 968 |

A.2.—Continued

D. Banks ranked 101st through 1,000th by assets

| Item | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Effective interest rate (percent)[4] | | | | | | | | | |
| ***Rates earned*** | | | | | | | | | | |
| **Interest-earning assets** | 9.91 | 10.75 | 10.42 | 9.55 | 8.14 | 7.43 | 7.58 | 8.43 | 8.40 | 8.48 |
| Taxable equivalent | 10.15 | 10.96 | 10.57 | 9.69 | 8.25 | 7.55 | 7.68 | 8.52 | 8.49 | 8.57 |
| Loans and leases, gross | 10.76 | 11.61 | 11.21 | 10.42 | 9.11 | 8.57 | 8.64 | 9.44 | 9.37 | 9.46 |
| Net of loss provisions | 9.61 | 10.45 | 9.48 | 8.71 | 7.83 | 7.76 | 8.11 | 8.76 | 8.59 | 8.59 |
| Securities | 7.83 | 8.34 | 8.52 | 8.10 | 6.88 | 5.78 | 5.69 | 6.22 | 6.30 | 6.42 |
| Taxable equivalent | 8.57 | 8.97 | 9.00 | 8.54 | 7.19 | 6.10 | 5.93 | 6.49 | 6.59 | 6.69 |
| Investment account | 7.84 | 8.35 | 8.49 | 8.12 | 6.90 | 5.79 | 5.69 | 6.23 | 6.30 | 6.42 |
| U.S. government and other debt | 8.04 | 8.64 | 8.76 | 8.30 | 6.95 | 5.76 | 5.68 | 6.28 | 6.40 | 6.55 |
| State and local | 7.16 | 7.28 | 7.33 | 7.25 | 6.83 | 6.30 | 5.92 | 5.81 | 5.50 | 5.36 |
| Equity[2] | n.a. | 7.00 | 6.94 | 6.02 | 5.08 | 4.95 | 5.30 | 6.05 | 6.30 | 6.35 |
| Trading account | 6.96 | 7.61 | 9.92 | 6.86 | 5.61 | 4.74 | 5.29 | 5.55 | 5.94 | 6.36 |
| Gross federal funds sold and reverse RPs | 7.44 | 9.05 | 7.99 | 5.64 | 3.47 | 3.02 | 4.06 | 5.44 | 5.24 | 5.40 |
| Interest-bearing balances at depositories | 7.82 | 9.21 | 8.52 | 6.81 | 4.61 | 3.51 | 4.28 | 6.09 | 5.54 | 5.62 |
| ***Rates paid*** | | | | | | | | | | |
| **Interest-bearing liabilities** | 6.71 | 7.72 | 7.26 | 6.10 | 4.19 | 3.33 | 3.57 | 4.64 | 4.57 | 4.66 |
| Interest-bearing deposits | 6.49 | 7.36 | 7.05 | 6.05 | 4.17 | 3.26 | 3.31 | 4.25 | 4.26 | 4.33 |
| In foreign offices | 7.65 | 8.98 | 8.12 | 6.38 | 4.25 | 3.35 | 4.31 | 5.94 | 5.43 | 5.43 |
| In domestic offices | 6.45 | 7.31 | 7.02 | 6.04 | 4.17 | 3.25 | 3.28 | 4.20 | 4.23 | 4.31 |
| Other checkable deposits | 4.77 | 4.88 | 4.75 | 4.28 | 2.67 | 2.02 | 1.87 | 2.02 | 1.96 | 2.17 |
| Savings (including MMDAs) | 5.53 | 6.13 | 5.98 | 5.13 | 3.33 | 2.58 | 2.64 | 3.23 | 3.11 | 3.07 |
| Large-denomination time deposits[5] | 7.42 | 8.70 | 8.04 | 6.62 | 4.76 | 3.90 | 4.23 | 5.61 | 5.47 | 5.54 |
| Small-denomination time deposits[5] | 7.45 | 8.31 | 8.03 | 7.08 | 5.35 | 4.40 | 4.40 | 5.53 | 5.57 | 5.57 |
| Gross federal funds purchased and RPs | 7.40 | 9.01 | 7.86 | 5.61 | 3.46 | 2.95 | 4.12 | 5.61 | 5.16 | 5.20 |
| Other interest-bearing liabilities | 7.43 | 9.08 | 8.28 | 6.80 | 5.28 | 4.44 | 4.92 | 6.28 | 5.89 | 6.09 |
| | Income and expense as a percentage of average net consolidated assets | | | | | | | | | |
| **Gross interest income** | 8.87 | 9.68 | 9.38 | 8.63 | 7.36 | 6.75 | 6.90 | 7.69 | 7.67 | 7.75 |
| Taxable equivalent | 9.09 | 9.86 | 9.51 | 8.75 | 7.46 | 6.84 | 6.99 | 7.77 | 7.75 | 7.83 |
| Loans | 6.89 | 7.52 | 7.21 | 6.51 | 5.46 | 5.07 | 5.26 | 5.99 | 5.98 | 6.01 |
| Securities | 1.43 | 1.54 | 1.60 | 1.70 | 1.64 | 1.49 | 1.45 | 1.42 | 1.42 | 1.50 |
| Gross federal funds sold and reverse RPs | .32 | .38 | .36 | .27 | .17 | .14 | .14 | .21 | .20 | .19 |
| Other | .24 | .25 | .20 | .15 | .08 | .06 | .06 | .07 | .06 | .06 |
| **Gross interest expense** | 5.02 | 5.84 | 5.54 | 4.67 | 3.16 | 2.46 | 2.65 | 3.46 | 3.40 | 3.47 |
| Deposits | 4.09 | 4.69 | 4.58 | 4.02 | 2.75 | 2.07 | 2.01 | 2.55 | 2.57 | 2.70 |
| Gross federal funds purchased and RPs | .64 | .83 | .67 | .42 | .25 | .22 | .35 | .46 | .43 | .37 |
| Other | .29 | .31 | .29 | .23 | .17 | .17 | .29 | .45 | .40 | .40 |
| **Net interest income** | 3.85 | 3.84 | 3.83 | 3.96 | 4.19 | 4.28 | 4.25 | 4.23 | 4.27 | 4.29 |
| Taxable equivalent | 4.07 | 4.02 | 3.97 | 4.08 | 4.30 | 4.38 | 4.34 | 4.32 | 4.35 | 4.36 |
| **Loss provisioning**[6] | .74 | .75 | 1.12 | 1.07 | .77 | .47 | .33 | .43 | .50 | .55 |
| **Noninterest income** | 1.36 | 1.38 | 1.50 | 1.65 | 1.69 | 1.84 | 1.86 | 1.84 | 1.88 | 2.07 |
| Service charges on deposits | .34 | .36 | .37 | .40 | .44 | .45 | .42 | .42 | .41 | .40 |
| Income from fiduciary activities | .25 | .25 | .26 | .27 | .28 | .29 | .28 | .27 | .28 | .32 |
| Trading income | .03 | .04 | .02 | .04 | .02 | .03 | .02 | .03 | .02 | .01 |
| Interest rate exposures | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | .01 | .01 |
| Foreign exchange exposures | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | .01 | * |
| Equity, commodity, and other exposures | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | * | * |
| Other | .74 | .74 | .84 | .94 | .95 | 1.08 | 1.14 | 1.12 | 1.16 | 1.33 |
| **Noninterest expense** | 3.50 | 3.45 | 3.50 | 3.76 | 3.87 | 3.92 | 3.78 | 3.68 | 3.68 | 3.72 |
| Salaries, wages, and employee benefits | 1.49 | 1.48 | 1.47 | 1.48 | 1.51 | 1.51 | 1.49 | 1.44 | 1.43 | 1.50 |
| Expenses of premises and fixed assets | .50 | .49 | .49 | .49 | .49 | .48 | .46 | .45 | .45 | .46 |
| Other | 1.51 | 1.49 | 1.55 | 1.79 | 1.87 | 1.93 | 1.83 | 1.79 | 1.80 | 1.76 |
| **Net noninterest expense** | 2.14 | 2.07 | 2.01 | 2.11 | 2.18 | 2.08 | 1.92 | 1.84 | 1.81 | 1.66 |
| **Realized gains on investment account securities** | * | .01 | .01 | .09 | .10 | .06 | −.05 | −.01 | .02 | .02 |
| **Income before taxes and extraordinary items** | .98 | 1.02 | .72 | .86 | 1.35 | 1.78 | 1.96 | 1.96 | 1.98 | 2.10 |
| Taxes | .32 | .32 | .21 | .29 | .44 | .61 | .67 | .68 | .69 | .73 |
| Extraordinary items | .01 | * | * | .03 | * | .04 | * | * | * | * |
| **Net income (return on assets)** | .67 | .71 | .51 | .60 | .91 | 1.22 | 1.29 | 1.28 | 1.29 | 1.37 |
| Cash dividends declared | .48 | .48 | .53 | .58 | .48 | .79 | .81 | .87 | 1.04 | 1.10 |
| Retained income | .18 | .23 | −.02 | .02 | .43 | .43 | .48 | .41 | .25 | .28 |
| **Memo: Return on equity** | 10.00 | 10.54 | 7.37 | 8.45 | 12.13 | 14.93 | 15.40 | 14.83 | 14.45 | 14.91 |

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes the allowance for loan and lease losses and the allocated transfer risk reserve.
2. As in the Call Reports, equity securities are combined with "other debt securities" before 1989.
3. Before 1994, the netted value of off-balance-sheet items appeared in "trading account securities" if a gain and "other non-interest bearing liabilities" if a loss.
4. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Reports.
6. Includes provisions for loan and lease losses and for allocated transfer risk.
5. Before 1997, data for large time open accounts are included in small-denomination time deposits.
6. Includes provisions for loan and lease losses and for allocated transfer risk.

A.2 Portfolio composition, interest rates, and income and expense, all U.S. banks, 1988–97

E. Banks not ranked among the 1,000 largest by assets

| Item | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance sheet items as a percentage of average net consolidated assets | | | | | | | | | |
| Interest-earning assets | 90.81 | 90.90 | 91.06 | 91.24 | 91.39 | 91.65 | 91.72 | 91.70 | 91.64 | 91.72 |
| Loans and leases, net | 53.88 | 54.84 | 54.74 | 54.05 | 53.03 | 52.94 | 54.64 | 56.61 | 57.39 | 58.84 |
| Commercial and industrial | 12.34 | 12.10 | 11.53 | 10.59 | 9.74 | 9.24 | 9.31 | 9.65 | 9.97 | 10.17 |
| U.S. addressees | 12.32 | 12.07 | 11.49 | 10.55 | 9.70 | 9.20 | 9.26 | 9.59 | 9.90 | 10.09 |
| Foreign addressees | .02 | .03 | .04 | .04 | .04 | .04 | .05 | .06 | .07 | .08 |
| Consumer | 11.48 | 11.46 | 11.20 | 10.49 | 9.69 | 9.18 | 9.37 | 9.54 | 9.46 | 9.07 |
| Credit card | .86 | .93 | 1.00 | 1.08 | 1.00 | .93 | .96 | 1.01 | 1.08 | .91 |
| Installment and other | 10.62 | 10.53 | 10.20 | 9.41 | 8.68 | 8.25 | 8.41 | 8.53 | 8.38 | 8.15 |
| Real estate | 26.02 | 27.36 | 28.35 | 29.31 | 30.15 | 31.09 | 32.19 | 33.55 | 34.09 | 35.54 |
| In domestic offices | 26.02 | 27.36 | 28.35 | 29.31 | 30.15 | 31.09 | 32.19 | 33.55 | 34.08 | 35.54 |
| Construction and land development | 2.22 | 2.29 | 2.37 | 2.18 | 1.98 | 1.93 | 2.14 | 2.38 | 2.61 | 2.82 |
| Farmland | 1.74 | 1.82 | 1.86 | 1.93 | 2.06 | 2.20 | 2.34 | 2.48 | 2.55 | 2.68 |
| One- to four-family residential | 14.06 | 14.81 | 15.37 | 15.99 | 16.44 | 16.82 | 16.95 | 17.46 | 17.47 | 18.16 |
| Home equity | .73 | .94 | 1.16 | 1.29 | 1.34 | 1.27 | 1.21 | 1.20 | 1.19 | 1.24 |
| Other | 13.32 | 13.86 | 14.21 | 14.69 | 15.10 | 15.54 | 15.73 | 16.25 | 16.27 | 16.92 |
| Multifamily residential | .61 | .62 | .66 | .71 | .77 | .84 | .93 | .95 | .92 | .95 |
| Nonfarm nonresidential | 7.40 | 7.82 | 8.09 | 8.50 | 8.90 | 9.30 | 9.83 | 10.28 | 10.54 | 10.92 |
| In foreign offices | * | * | * | * | * | * | * | * | * | * |
| Depository institutions | .31 | .26 | .23 | .20 | .13 | .12 | .13 | .16 | .17 | .17 |
| Foreign governments | .02 | .01 | .01 | .01 | .01 | .02 | .01 | * | * | * |
| Agricultural production | 3.25 | 3.28 | 3.30 | 3.48 | 3.55 | 3.58 | 3.89 | 3.95 | 3.92 | 4.05 |
| Other loans | 1.75 | 1.67 | 1.41 | 1.24 | .99 | .87 | .81 | .76 | .72 | .70 |
| Lease-financing receivables | .19 | .19 | .18 | .17 | .17 | .18 | .20 | .22 | .23 | .25 |
| Less: Unearned income on loans | –.61 | –.60 | –.58 | –.51 | –.43 | –.36 | –.31 | –.30 | –.27 | –.24 |
| Less: Loss reserves[1] | –.88 | –.88 | –.89 | –.93 | –.96 | –.97 | –.95 | –.93 | –.90 | –.88 |
| Securities | 27.98 | 27.92 | 28.38 | 29.98 | 32.10 | 33.06 | 32.90 | 30.50 | 29.51 | 28.23 |
| Investment account | 27.93 | 27.85 | 28.28 | 29.92 | 32.04 | 33.00 | 32.86 | 30.47 | 29.48 | 28.19 |
| Debt | 27.93 | 27.45 | 27.92 | 29.55 | 31.60 | 32.55 | 32.42 | 30.02 | 28.99 | 27.67 |
| U.S. Treasury | 9.75 | 8.84 | 8.77 | 9.24 | 10.25 | 10.48 | 10.81 | 9.19 | 7.85 | 6.70 |
| U.S. government agency and corporation obligations | 9.80 | 11.37 | 12.43 | 13.81 | 15.04 | 15.80 | 15.35 | 15.12 | 15.66 | 15.57 |
| Government-backed mortgage pools | 3.22 | 3.76 | 4.58 | 5.59 | 5.52 | 5.38 | 4.81 | 4.19 | 4.21 | 4.01 |
| Collateralized mortgage obligations | n.a. | n.a. | .90 | 1.55 | 2.66 | 3.33 | 3.11 | 2.76 | 2.45 | 2.19 |
| Other | 6.58 | 7.61 | 6.93 | 6.67 | 6.85 | 7.09 | 7.43 | 8.18 | 9.00 | 9.38 |
| State and local government | 5.65 | 4.94 | 4.56 | 4.26 | 4.29 | 4.70 | 5.01 | 4.69 | 4.62 | 4.59 |
| Private mortgage-backed securities | n.a. | n.a. | n.a. | .89 | .77 | .47 | .27 | .20 | .18 | .20 |
| Other | 2.72 | 2.29 | 2.15 | 1.35 | 1.26 | 1.10 | .98 | .81 | .68 | .61 |
| Equity[2] | n.a. | .40 | .36 | .38 | .44 | .45 | .44 | .45 | .49 | .52 |
| Trading account | .05 | .07 | .10 | .06 | .05 | .07 | .04 | .03 | .03 | .03 |
| Gross federal funds sold and reverse RPs | 5.76 | 5.74 | 6.13 | 5.64 | 5.10 | 4.68 | 3.42 | 3.92 | 4.04 | 3.96 |
| Interest-bearing balances at depositories | 3.19 | 2.40 | 1.81 | 1.57 | 1.16 | .97 | .77 | .67 | .69 | .70 |
| Non-interest-earning assets | 9.19 | 9.10 | 8.94 | 8.76 | 8.61 | 8.35 | 8.28 | 8.30 | 8.36 | 8.28 |
| Revaluation gains on off-balance-sheet items[3] | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | * | * | * | * |
| Other | 9.19 | 9.10 | 8.94 | 8.76 | 8.61 | 8.35 | 8.28 | 8.30 | 8.36 | 8.28 |
| Liabilities | 91.61 | 91.44 | 91.40 | 91.38 | 91.07 | 90.63 | 90.43 | 90.03 | 89.81 | 89.70 |
| Interest-bearing liabilities | 76.94 | 77.13 | 77.83 | 78.40 | 77.83 | 76.88 | 76.19 | 75.74 | 75.59 | 75.53 |
| Deposits | 74.84 | 75.00 | 75.79 | 76.41 | 75.74 | 74.53 | 73.14 | 72.70 | 72.44 | 72.06 |
| In foreign offices | .04 | .06 | .07 | .08 | .07 | .08 | .09 | .11 | .10 | .09 |
| In domestic offices | 74.81 | 74.93 | 75.72 | 76.34 | 75.67 | 74.45 | 73.05 | 72.59 | 72.33 | 71.97 |
| Other checkable deposits | 10.64 | 10.38 | 10.45 | 10.98 | 12.33 | 13.15 | 13.31 | 12.37 | 11.75 | 11.38 |
| Savings (including MMDAs) | 21.92 | 19.51 | 18.73 | 19.35 | 22.10 | 23.55 | 23.23 | 20.41 | 19.55 | 19.01 |
| Small-denomination time deposits | 30.98 | 33.66 | 35.37 | 35.86 | 32.85 | 30.10 | 28.83 | 30.92 | 31.27 | 31.08 |
| Large-denomination time deposits | 11.27 | 11.38 | 11.17 | 10.15 | 8.40 | 7.65 | 7.68 | 8.89 | 9.76 | 10.49 |
| Gross federal funds purchased and RPs | 1.35 | 1.35 | 1.36 | 1.31 | 1.36 | 1.44 | 1.89 | 1.78 | 1.70 | 1.69 |
| Other | .75 | .78 | .67 | .68 | .73 | .91 | 1.16 | 1.25 | 1.45 | 1.78 |
| Non-interest-bearing liabilities | 14.67 | 14.31 | 13.57 | 12.98 | 13.24 | 13.75 | 14.25 | 14.30 | 14.22 | 14.16 |
| Demand deposits in domestic offices | 13.58 | 13.09 | 12.37 | 11.83 | 12.23 | 12.82 | 13.34 | 13.23 | 13.12 | 13.11 |
| Revaluation losses on off-balance-sheet items[3] | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | * | * | * | * |
| Other | 1.09 | 1.22 | 1.21 | 1.14 | 1.01 | .93 | .90 | 1.07 | 1.10 | 1.06 |
| Capital account | 8.39 | 8.56 | 8.60 | 8.62 | 8.93 | 9.37 | 9.57 | 9.97 | 10.19 | 10.30 |
| MEMO | | | | | | | | | | |
| Commercial real estate loans | n.a. | n.a. | n.a. | 11.74 | 11.84 | 12.22 | 13.02 | 13.72 | 14.17 | 14.80 |
| Other real estate owned | .65 | .63 | .61 | .66 | .65 | .52 | .35 | .25 | .20 | .16 |
| Managed liabilities | 13.41 | 13.59 | 13.29 | 12.22 | 10.57 | 10.09 | 10.83 | 12.05 | 13.03 | 14.07 |
| Average net consolidated assets (billions of dollars) | 654 | 662 | 681 | 695 | 697 | 688 | 679 | 666 | 661 | 647 |

A.2.—Continued

E. Banks not ranked among the 1,000 largest by assets

| Item | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Effective interest rate (percent)[4] | | | | | | | | | |
| *Rates earned* | | | | | | | | | | |
| Interest-earning assets | 9.76 | 10.50 | 10.31 | 9.64 | 8.43 | 7.62 | 7.57 | 8.37 | 8.40 | 8.50 |
| Taxable equivalent | 10.01 | 10.72 | 10.52 | 9.82 | 8.59 | 7.78 | 7.72 | 8.52 | 8.55 | 8.64 |
| Loans and leases, gross | 11.03 | 11.76 | 11.60 | 11.02 | 9.83 | 9.13 | 9.00 | 9.80 | 9.82 | 9.81 |
| Net of loss provisions | 10.00 | 10.87 | 10.65 | 10.09 | 9.05 | 8.62 | 8.65 | 9.38 | 9.37 | 9.37 |
| Securities | 7.93 | 8.37 | 8.42 | 8.04 | 6.99 | 5.92 | 5.61 | 6.08 | 6.10 | 6.25 |
| Taxable equivalent | 8.64 | 9.01 | 8.99 | 8.53 | 7.40 | 6.33 | 5.99 | 6.48 | 6.52 | 6.65 |
| Investment account | 7.92 | 8.36 | 8.41 | 8.04 | 6.99 | 5.92 | 5.61 | 6.08 | 6.10 | 6.25 |
| U.S. government and other debt | 8.01 | 8.53 | 8.59 | 8.19 | 7.06 | 5.91 | 5.59 | 6.16 | 6.23 | 6.43 |
| State and local | 7.57 | 7.57 | 7.46 | 7.17 | 6.70 | 6.09 | 5.69 | 5.63 | 5.44 | 5.33 |
| Equity[2] | n.a. | 8.12 | 8.30 | 7.13 | 5.64 | 5.16 | 5.52 | 6.26 | 6.06 | 6.45 |
| Trading account | 14.88 | 14.84 | 12.13 | 8.41 | 7.14 | 4.83 | 6.03 | 6.12 | 6.48 | 7.70 |
| Gross federal funds sold and reverse RPs | 7.68 | 9.25 | 8.12 | 5.66 | 3.51 | 2.95 | 4.08 | 5.95 | 5.34 | 5.53 |
| Interest-bearing balances at depositories | 8.07 | 9.11 | 8.55 | 7.35 | 5.59 | 4.53 | 4.64 | 5.89 | 6.10 | 5.72 |
| *Rates paid* | | | | | | | | | | |
| Interest-bearing liabilities | 6.42 | 7.16 | 7.02 | 6.18 | 4.44 | 3.54 | 3.49 | 4.46 | 4.51 | 4.61 |
| Interest-bearing deposits | 6.36 | 7.10 | 6.96 | 6.15 | 4.44 | 3.53 | 3.44 | 4.38 | 4.44 | 4.54 |
| In foreign offices | 7.62 | 9.35 | 7.57 | 5.95 | 3.97 | 2.91 | 3.92 | 5.73 | 11.43 | 4.77 |
| In domestic offices | 6.36 | 7.10 | 6.96 | 6.15 | 4.44 | 3.53 | 3.44 | 4.38 | 4.43 | 4.54 |
| Other checkable deposits | 5.00 | 5.09 | 5.02 | 4.61 | 3.14 | 2.42 | 2.29 | 2.50 | 2.41 | 2.46 |
| Savings (including MMDAs) | 5.48 | 5.82 | 5.73 | 5.18 | 3.62 | 2.91 | 2.83 | 3.32 | 3.24 | 3.36 |
| Large-denomination time deposits[5] | 7.13 | 8.35 | 7.92 | 6.74 | 4.90 | 3.96 | 4.12 | 5.55 | 5.49 | 5.53 |
| Small-denomination time deposits[5] | 7.18 | 8.03 | 7.88 | 6.98 | 5.36 | 4.39 | 4.28 | 5.51 | 5.60 | 5.67 |
| Gross federal funds purchased and RPs | 6.81 | 8.52 | 8.03 | 5.72 | 3.74 | 3.17 | 4.12 | 5.61 | 5.07 | 5.22 |
| Other interest-bearing liabilities | 7.63 | 8.31 | 7.84 | 6.94 | 5.00 | 4.64 | 4.98 | 6.45 | 6.74 | 6.18 |
| | Income and expense as a percentage of average net consolidated assets | | | | | | | | | |
| Gross interest income | 8.96 | 9.65 | 9.51 | 8.92 | 7.79 | 7.05 | 7.01 | 7.77 | 7.79 | 7.90 |
| Taxable equivalent | 9.18 | 9.85 | 9.68 | 9.07 | 7.94 | 7.19 | 7.15 | 7.90 | 7.92 | 8.02 |
| Loans | 6.02 | 6.53 | 6.44 | 6.05 | 5.30 | 4.91 | 4.98 | 5.63 | 5.72 | 5.86 |
| Securities | 2.21 | 2.33 | 2.38 | 2.40 | 2.24 | 1.95 | 1.84 | 1.85 | 1.80 | 1.76 |
| Gross federal funds sold and reverse RPs | .47 | .57 | .53 | .34 | .18 | .14 | .15 | .25 | .24 | .24 |
| Other | .26 | .23 | .17 | .12 | .07 | .05 | .04 | .04 | .04 | .04 |
| Gross interest expense | 4.92 | 5.50 | 5.44 | 4.83 | 3.45 | 2.72 | 2.65 | 3.37 | 3.40 | 3.47 |
| Deposits | 4.76 | 5.32 | 5.28 | 4.71 | 3.36 | 2.63 | 2.52 | 3.19 | 3.22 | 3.28 |
| Gross federal funds purchased and RPs | .10 | .12 | .11 | .07 | .05 | .04 | .07 | .10 | .08 | .08 |
| Other | .06 | .06 | .05 | .05 | .04 | .04 | .06 | .08 | .10 | .11 |
| Net interest income | 4.04 | 4.15 | 4.07 | 4.09 | 4.34 | 4.33 | 4.36 | 4.40 | 4.40 | 4.42 |
| Taxable equivalent | 4.26 | 4.35 | 4.24 | 4.24 | 4.49 | 4.48 | 4.50 | 4.53 | 4.52 | 4.54 |
| Loss provisioning[6] | .56 | .50 | .53 | .51 | .42 | .27 | .19 | .24 | .26 | .26 |
| Noninterest income | .92 | 1.00 | 1.01 | 1.08 | 1.16 | 1.25 | 1.30 | 1.38 | 1.42 | 1.45 |
| Service charges on deposits | .41 | .41 | .42 | .44 | .45 | .45 | .44 | .44 | .44 | .44 |
| Income from fiduciary activities | .12 | .14 | .14 | .14 | .16 | .16 | .17 | .22 | .19 | .20 |
| Trading income | * | .01 | .01 | .01 | .01 | .01 | * | .01 | * | * |
| Interest rate exposures | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | * | * |
| Foreign exchange exposures | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | * | * |
| Equity, commodity, and other exposures | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | * | * |
| Other | .39 | .44 | .44 | .49 | .55 | .64 | .69 | .71 | .78 | .80 |
| Noninterest expense | 3.44 | 3.49 | 3.49 | 3.60 | 3.67 | 3.74 | 3.78 | 3.80 | 3.70 | 3.72 |
| Salaries, wages, and employee benefits | 1.62 | 1.65 | 1.64 | 1.65 | 1.69 | 1.72 | 1.75 | 1.79 | 1.77 | 1.80 |
| Expenses of premises and fixed assets | .51 | .51 | .49 | .49 | .49 | .48 | .49 | .50 | .49 | .49 |
| Other | 1.32 | 1.33 | 1.36 | 1.47 | 1.49 | 1.53 | 1.55 | 1.51 | 1.45 | 1.42 |
| Net noninterest expense | 2.53 | 2.49 | 2.48 | 2.53 | 2.51 | 2.48 | 2.48 | 2.42 | 2.29 | 2.27 |
| Realized gains on investment account securities | .01 | .01 | * | .06 | .09 | .07 | −.03 | * | .01 | .01 |
| Income before taxes and extraordinary items | .96 | 1.17 | 1.06 | 1.10 | 1.50 | 1.64 | 1.66 | 1.75 | 1.85 | 1.90 |
| Taxes | .29 | .37 | .34 | .35 | .47 | .51 | .51 | .55 | .59 | .59 |
| Extraordinary items | .02 | .02 | .02 | .01 | .02 | .05 | * | * | * | * |
| Net income (return on assets) | .68 | .83 | .74 | .77 | 1.04 | 1.19 | 1.15 | 1.20 | 1.26 | 1.31 |
| Cash dividends declared | .46 | .52 | .49 | .47 | .51 | .56 | .57 | .62 | .64 | .73 |
| Retained income | .22 | .30 | .25 | .30 | .53 | .63 | .58 | .58 | .62 | .58 |
| MEMO: Return on equity | 8.11 | 9.66 | 8.61 | 8.95 | 11.64 | 12.65 | 12.05 | 12.04 | 12.36 | 12.70 |

* In absolute value, less than 0.005 percent.

n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes the allowance for loan and lease losses and the allocated transfer risk reserve.
2. As in the Call Reports, equity securities are combined with "other debt securities" before 1989.
3. Before 1994, the netted value of off-balance-sheet items appeared in "trading account securities" if a gain and "other non-interest bearing liabilities" if a loss.
4. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Reports.
5. Before 1997, data for large time open accounts are included in small-denomination time deposits.
6. Includes provisions for loan and lease losses and for allocated transfer risk.

# Treasury and Federal Reserve Foreign Exchange Operations

*This quarterly report describes U.S. Treasury and System foreign exchange operations for the period from January through March 1998. It was presented by Peter R. Fisher, Executive Vice President, Federal Reserve Bank of New York, and Manager, System Open Market Account. Daniel Osborne was primarily responsible for preparation of the report.*

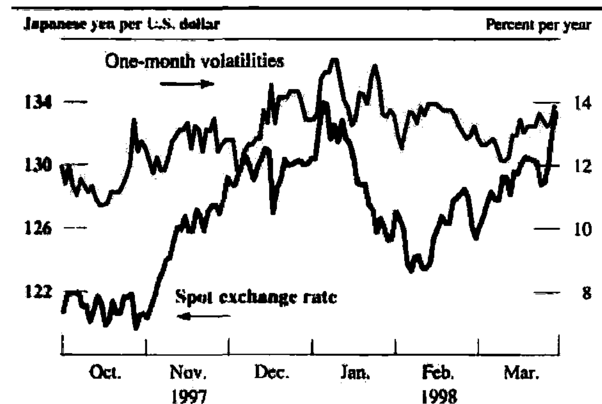
During the first quarter of 1998, the dollar appreciated 2.8 percent against the German mark and 2.2 percent against the Japanese yen. On a trade-weighted basis against Group of Ten (G-10) currencies, the dollar appreciated 1.9 percent.[1] Against the mark, the dollar traded in a relatively narrow range through most of the period. This range reflected market expectations of stable monetary policy in both the United States and Germany as well as reduced volatility in European currencies, as expectations for a smooth progression toward the European Economic and Monetary Union (EMU) solidified. Against the yen, the dollar retreated from five-year highs reached early in the period, as it was pressured lower by the possibility of official intervention to support the yen and by comments from Japanese politicians calling for measures to stimulate Japan's economy. The dollar later rebounded as expectations for additional Japanese stimulus waned and as market participants refocused on the diverging economic outlooks for the United States and Japan. Although the dollar was little changed on net over the period, other asset prices experienced significant appreciation. Global bond and equity markets reached record highs, and many Asian markets rebounded from earlier weakness. The U.S. monetary authorities did not intervene in the foreign exchange markets during the quarter.

1. The dollar's movements on a trade-weighted basis against ten major currencies are measured using an index developed by staff members of the Board of Governors of the Federal Reserve System.

### *Strong Performance of U.S. and European Stocks and Bonds*

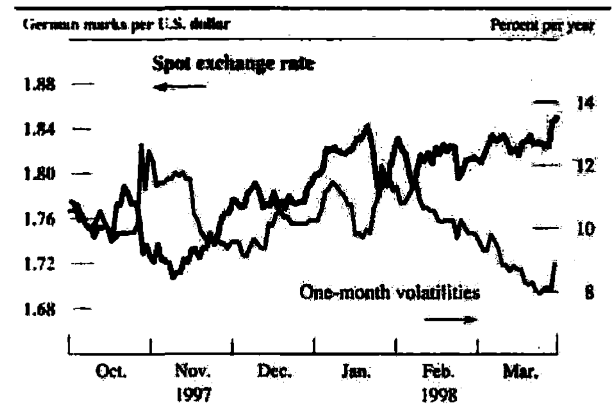
Expectations of steady U.S. monetary policy solidified over the period as market participants focused on the countervailing effects of a drag from the slowdown of Asian economies and the continued signs of strong domestic demand in the United States. Comments by Chairman Greenspan and Governor Meyer in early January were interpreted as suggesting concern over the potential deflationary effect of an Asian economic slowdown on the U.S. economy. As a result, there was some speculation that the next

1. Spot exchange rate of the dollar against the Japanese yen and volatility implied by option prices, 1997:Q4–1998:Q1




NOTE. Data are daily.
SOURCE. Federal Reserve Bank of New York; Reuters.

2. Spot exchange rate of the dollar against the German mark and volatility implied by option prices, 1997:Q4–1998:Q1



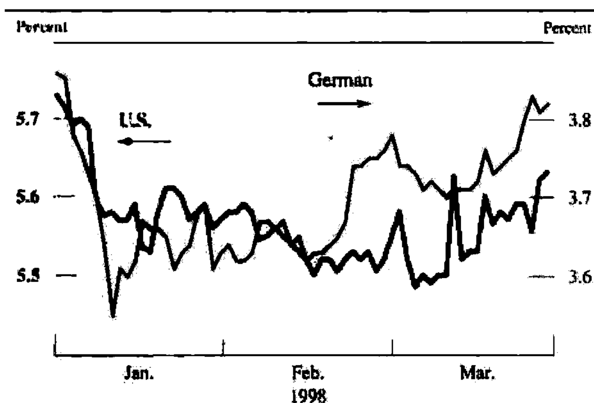

NOTE. Data are daily.
SOURCE. Federal Reserve Bank of New York; Reuters.

move by the Federal Open Market Committee (FOMC) could be an ease. The yield implied by the April 1998 contract on federal funds futures declined to levels below the 5.50 percent funds target—reaching a low of 5.31 percent on January 9—and the benchmark thirty-year Treasury bond yield fell to an all-time low of 5.69 percent on January 12.

Expectations for FOMC policy shifted to a more balanced view after Chairman Greenspan's Humphrey–Hawkins testimony on February 24. Market participants interpreted the testimony as emphasizing a domestic environment of tight labor markets and strong domestic demand, while depicting less concern over the potential effect of the Asian slowdown. After the testimony, the implied yield on the contract on April federal funds futures rebounded to levels higher than 5.50 percent, while the benchmark bond yield reached a high for the quarter of 6.07 percent on March 3. Expectations for steady policy solidified despite subsequent evidence of tight labor markets and strong domestic demand, and the thirty-year benchmark yield fell 13 basis points from its peak, to end the period at 5.94 percent. Low inflation and anticipation of diminished issuance of Treasury securities supported this decline.

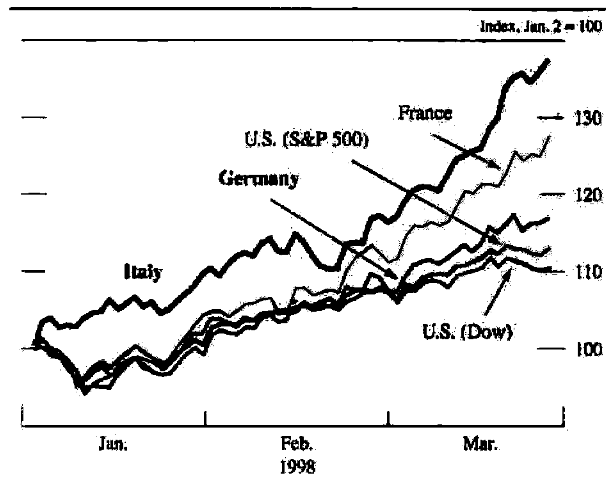
In Germany, expectations for steady monetary policy also solidified amid a benign inflationary outlook, concern over high unemployment levels, and the ongoing belief that official European interest rates would converge to German levels ahead of the EMU. Also contributing to the steady policy outlook was continued concern over the potential deflationary effect of an Asian economic slowdown on German growth. The yield implied by three-month German mark forward rate agreements three months hence

3. U.S. and German 3x6 forward rate agreements, 1998:Q1




NOTE. A 3x6 forward rate agreement (FRA) refers to the yield on a three-month deposit with a value date three months hence and a maturity date six months hence.
SOURCE. Reuters.

4. U.S. and European equity markets, 1998:Q1




NOTE. Data are daily.
SOURCE. Bloomberg L.P.

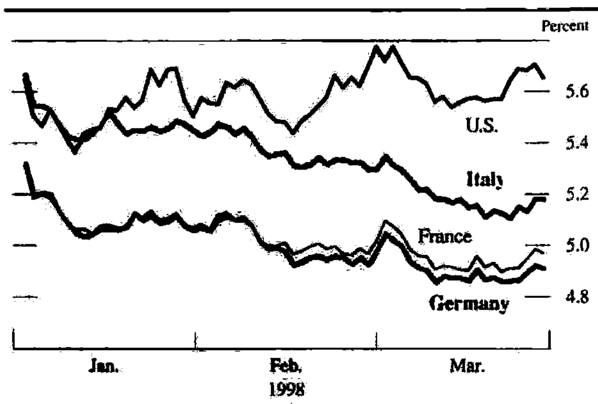
fell 10 basis points, to 3.73 percent, while the yield on ten-year government bonds declined 51 basis points to close at an all-time low of 4.86 percent on March 24. Also underpinning the rally were expectations that continued fiscal consolidation in Europe would further diminish bond issuance.

Against this background of stable monetary policy, reduced volatility, low inflation, and falling yields, investor risk appetites appeared to be on the rise. Equity markets in the United States and Europe reached record highs, with the Dow Jones Industrial Average rising 11.3 percent during the quarter and both German and French benchmark indexes rising 20.7 and 29.2 percent respectively. Southern European stock markets performed even better, as prospects for lower interest rates ahead of the EMU and cross-border corporate consolidation fueled gains of more than 40 percent in Portugal, Italy, and Spain.

### *Relatively Narrow Trading Range of the Dollar Against the Mark*

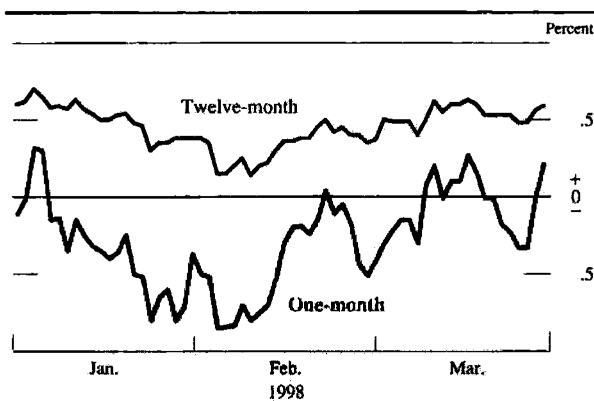
The dollar traded in a DM 1.78–1.85 range against the mark through most of the period. Implied volatility on one-month dollar–mark options declined 4 percentage points to reach an eight-month low of 7.95 percent on March 25, while longer-dated risk reversals remained largely neutral, apparently reflecting expectations that the dollar would continue to trade within a narrow range. In addition, the expectations of relatively steady policy in both countries, the concurrent rallies in both U.S. and European equity markets, and perceptions of a smooth progression toward the EMU all contributed to the limited

5. U.S. and European ten-year bond yields, 1998:Q1




NOTE. Data are daily.
SOURCE. Bloomberg L.P.

6. Dollar–yen one-month and twelve-month risk reversals, 1998:Q1




NOTE. Data are daily.
SOURCE. J.P. Morgan

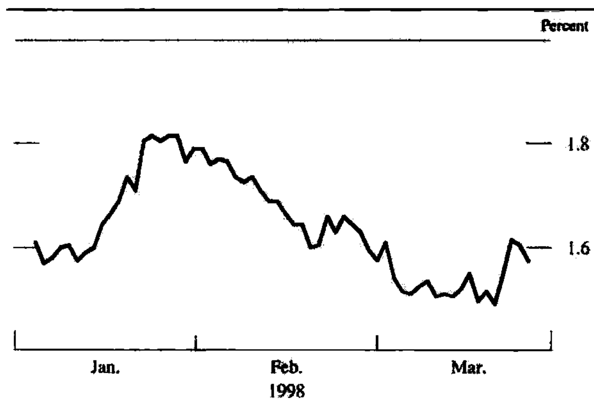
volatility of the dollar–mark exchange rate. Late in the period, the dollar traded to highs near DM 1.85, as sales of the mark against the British pound and the steady widening of U.S.–German interest rate differentials weighed on the German currency. The spread of U.S. ten-year bonds over comparable German instruments increased 57 basis points to close the period at 82 basis points.

### *Rebound of the Dollar from Period Lows against the Yen amid Increasing Uncertainty Regarding the Japanese Economic Outlook*

After having reached five-year highs against the yen early in the period, the dollar declined more than 8 percent by mid-February then rebounded to end the period slightly stronger than at the end of 1997. The dollar traded to a five-year high of ¥134.30 on January 6, as market participants continued to focus on the diverging economic outlooks in the United States and Japan, but reversed its upward trend in subsequent weeks. Early in the quarter, signs of stabilization in other Asian markets diminished the dollar's perceived "safe-haven" status. Moreover, market uncertainty regarding potential intervention by the Japanese monetary authorities in support of the yen also contributed to the dollar's weakness, with Japanese Vice Finance Minister Sakakibara warning on numerous occasions that excessive yen weakness was not desirable. Various comments from Japanese politicians suggesting that significant economic stimulus measures would be forthcoming also contributed to uncertainty regarding the direction of the dollar–yen exchange rate. In an address to the Japanese parliament on January 12, Prime Minister Hashimoto spoke of the need for a ¥30 trillion plan to support the banking sector, focusing attention on potential banking reform measures. The yen was further supported by gains in the Nikkei index, triggered by a government proposal to change land valuation accounting methods and alter capital requirements of Japanese banks. These factors contributed to an unwinding of long dollar positions by market participants, and the dollar reached a low of ¥123.17 on February 10.

In subsequent weeks, the dollar began to reverse its downward trend as market participants increasingly adopted the view that the proposed stimulus measures would not provide a significant boost to the Japanese economy. Market participants' expectations for the Japanese economy deteriorated amid continued signs of domestic weakness, as evidenced by record unemployment, weak private consumption data, and high inventory levels. The release of the

7. Japanese benchmark bond yield, Jan. 5, 1998–Mar. 27, 1998




NOTE. Data are daily.
SOURCE. Bloomberg L.P.

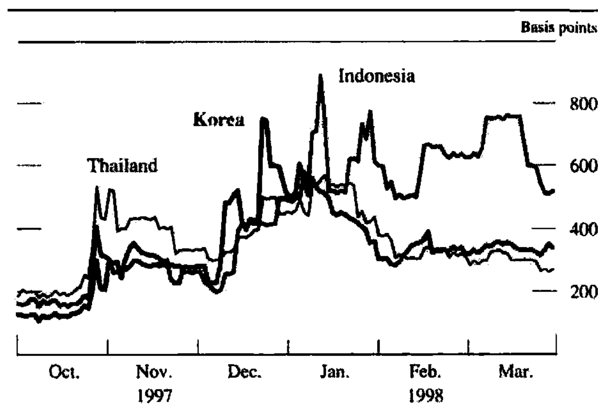
February 20 package did little to alter market sentiment toward Japan's economic prospects, and the dollar continued to strengthen, rising nearly two yen on the day of the release to close at ¥127.82. Treasury Secretary Rubin's reiteration that a strong dollar was in the United States' best interest also contributed to yen weakness. Reports of widening scandals involving Japanese monetary officials helped lift the dollar above ¥130 by mid-March. However, further gains were restrained by expectations that both the yen and Japanese assets might be supported through fiscal year-end. Despite the uncertain outlook for the dollar against the yen in the near term, the options market suggested more positive dollar sentiment in the longer term. Twelve-month risk reversals remained skewed toward dollar calls, reflecting a higher cost of protection against a sharp appreciation of the dollar against the yen. Further reflecting market uncertainty over the Japanese economic outlook, the benchmark Japanese bond yield declined from a high of 1.82 percent on January 29, to a new low of 1.49 percent on March 25.

### *A Relatively Muted Performance for the Dollar amid a Rebound in Asian Markets and a Decline in Volatility*

Against the backdrop of steady Group of Three monetary policies, strengthening bond and equity markets in the United States and Europe, and declining volatility in key asset prices, several emerging markets recovered some of the losses posted in previous months. Efforts by international organizations to stabilize the region also lent support to these markets. The steps taken by the governments of Korea and Thailand to adhere to measures agreed upon with the International Monetary Fund (IMF) and the arrangements by international creditors to restructure Korean short-term external debt payments also encouraged a reallocation of investor funds back into these markets. As local demand for dollars to repay dollar-denominated debt subsided, and as international investor inflows resumed, the currencies of many Asian countries rebounded, led by a 17.6 percent appreciation of the Thai baht against the U.S. dollar. Asian equities responded positively to the return of capital inflows, with the Korean KOSPI index rising nearly 53 percent by early March, before retracing to post a gain on the quarter of 27.8 percent. The improved sentiment in Asia helped Latin American and Eastern European equity markets rebound as well, with Brazilian stocks posting a 17.2 percent gain during the period. As global equity markets rebounded, emerging market bond yields fell, with yield spreads of dollar-denominated Korean and Thai debt issues over U.S. Treasury securities declining nearly 200 basis points. Similarly, a decline in risk premiums in Asia contributed to declines in yield spreads of Latin American and Eastern European Brady bonds over U.S. Treasury securities.

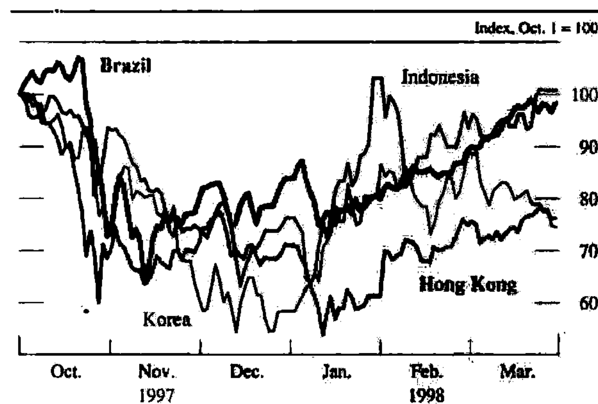
While sentiment toward most emerging markets improved, sentiment toward Indonesia remained cautious, given its government's perceived unwillingness to move ahead with reforms that had previously been agreed upon with the IMF. Yield spreads of dollar-denominated Indonesian debt issues over U.S. Treasury securities widened 25 basis points over the period. However, uncertainty in Indonesia had a limited effect on regional markets as investors appeared increasingly willing to differentiate between countries.

8. Benchmark Asian bond yield spreads over U.S. Treasury securities, 1997:Q4–1998:Q1




NOTE. Data are daily.
SOURCE. Bloomberg, L.P.; HSBC Markets, Inc.

9. Asian and Latin American equity markets, 1997:Q4–1998:Q1




NOTE. Data are daily.
SOURCE. Bloomberg L.P.

### *Treasury and Federal Reserve Foreign Exchange Reserves*

The U.S. monetary authorities did not undertake any intervention operations during this quarter. At the end of the quarter, the current values of the German mark and Japanese yen reserve holdings totaled $16.6 billion for the Federal Reserve System and $13.6 billion for the Exchange Stabilization Fund. The U.S. monetary authorities invest all of their foreign currency balances in a variety of instruments that yield market-related rates of return and have a high degree of liquidity and credit quality. A significant portion of these balances is invested in German and Japanese government securities held directly or under repurchase agreement. As of March 31, outright holdings of government securities by U.S. monetary authorities totaled $7.0 billion.

Japanese and German government securities held under repurchase agreement are arranged either through transactions executed directly in the market or through agreements with official institutions. Government securities held under repurchase agreement by the U.S. monetary authorities totaled $10.7 billion at the end of the quarter. Foreign currency reserves are also invested in deposits at the Bank for International Settlements and in facilities at other official institutions. □

1. Foreign exchange holdings of U.S. monetary authorities based on current exchange rates, 1998:Q1
Millions of dollars

| Item | Balance, Dec. 31, 1997 | Quarterly changes in balances by source | | | | | Balance, Mar. 31, 1998 |
|---|---|---|---|---|---|---|---|
| | | Net purchases and sales[1] | Impact of sales[2] | Investment income | Currency valuation adjustments[3] | Interest accrual (net) and other | |
| **Federal Reserve** | | | | | | | |
| Deutsche marks | 11,486.7 | .0 | .0 | 96.9 | −317.7 | .0 | 11,265.9 |
| Japanese yen | 5,473.4 | .0 | .0 | 1.8 | −113.8 | .0 | 5,361.4 |
| Interest receivables[4] | 82.9 | ... | ... | ... | ... | −9.9 | 73.0 |
| Other cash flow from investments[5] | 3.2 | ... | ... | ... | ... | 7.5 | 10.7 |
| Total | 17,046.2 | ... | ... | 98.7 | −431.5 | −2.4 | 16,711.0 |
| **U.S. Treasury Exchange Stabilization Fund** | | | | | | | |
| Deutsche marks | 5,815.6 | .0 | .0 | 48.3 | −160.8 | .0 | 5,703.1 |
| Japanese yen | 8,024.6 | .0 | .0 | 1.5 | −165.7 | .0 | 7,860.4 |
| Interest receivables[4] | 38.5 | ... | ... | ... | ... | −1.8 | 36.7 |
| Other cash flow from investments[5] | 5.9 | ... | ... | ... | ... | 12.3 | 18.2 |
| Total | 13,884.6 | ... | ... | 49.8 | −326.5 | 10.5 | 13,618.4 |

1. Purchases and sales include foreign currency sales and purchases related to official activity, swap drawings and repayments, and warehousing.

2. Calculated using marked-to-market exchange rates; represents the difference between the sale exchange rate and the most recent revaluation exchange rate. Realized profits and losses on sales of foreign currencies computed as the difference between the historic cost-of-acquisition exchange rate and the sale exchange rate are shown in table 2.

3. Foreign currency balances are marked to market monthly at month-end exchange rates.

4. Interest receivables for the ESF are revalued at month-end exchange rates. Interest receivables for the Federal Reserve System are carried at average cost of acquisition and are not marked to market until interest is paid.

5. Cash flow differences from payment and collection of funds between quarters.

2. Net profits or losses (–) on U.S. Treasury and Federal Reserve foreign exchange operations based on historical cost-of-acquisition exchange rates, 1998:Q1

Millions of dollars

| Period and item | Federal Reserve | U.S. Treasury Exchange Stabilization Fund |
|---|---|---|
| *Valuation profits and losses on outstanding assets and liabilities, Dec. 31, 1997* | | |
| Deutsche marks | 66.3 | –375.3 |
| Japanese yen | 291.5 | 434.6 |
| Total | 357.8 | 59.3 |
| *Realized profits and losses from foreign currency sales, Dec. 31, 1997–Mar. 31, 1998* | | |
| Deutsche marks | .0 | .0 |
| Japanese yen | .0 | .0 |
| Total | .0 | .0 |
| *Valuation profits and losses on outstanding assets and liabilities, Mar. 31, 1998* | | |
| Deutsche marks | –251.4 | –536.1 |
| Japanese yen | 174.5 | 263.1 |
| Total | –76.9 | –273.0 |

3. Currency arrangements, March 31, 1998

Millions of dollars

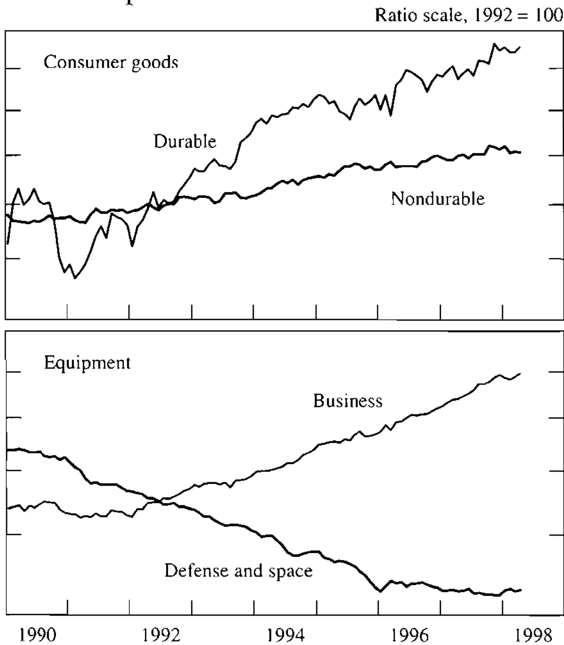
| Institution | Amount of facility | Outstanding, Mar. 31, 1998 |
|---|---|---|
| | Federal Reserve Reciprocal Currency Arrangements | |
| Austrian National Bank | 250 | 0 |
| National Bank of Belgium | 1,000 | ↑ |
| Bank of Canada | 2,000 | |
| National Bank of Denmark | 250 | |
| Bank of England | 3,000 | |
| Bank of France | 2,000 | |
| Deutsche Bundesbank | 6,000 | |
| Bank of Italy | 3,000 | |
| Bank of Japan | 5,000 | |
| Bank of Mexico | 3,000 | |
| Netherlands Bank | 500 | |
| Bank of Norway | 250 | |
| Bank of Sweden | 300 | |
| Swiss National Bank | 4,000 | |
| *Bank for International Settlements* | | |
| Dollars against Swiss francs | 600 | |
| Dollars against other authorized European currencies | 1,250 | ↓ |
| Total | 32,400 | 0 |
| | U.S. Treasury Exchange Stabilization Fund Currency Arrangements | |
| Deutsche Bundesbank | 1,000 | 0 |
| Bank of Mexico | 3,000 | 0 |

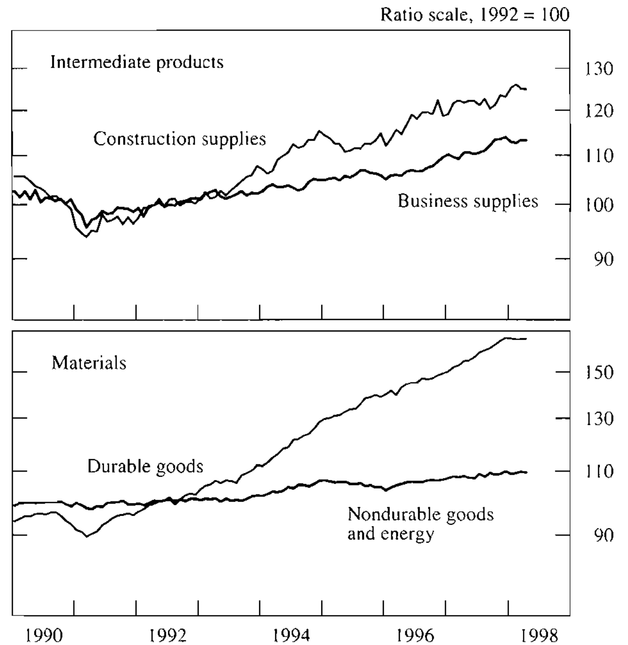
# Industrial Production and Capacity Utilization for April 1998

*Released for publication May 15*

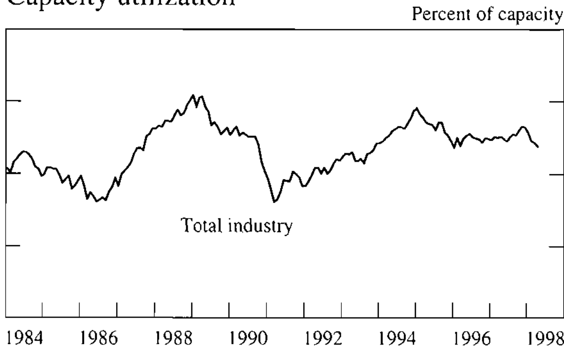
Industrial production rose 0.1 percent in April after a revised 0.3 percent increase in March and declines in February and January. In manufacturing, production rose 0.3 percent after two months of declines; manufacturing output was still below its December level. The output of mines decreased 0.2 percent, and the output of utilities decreased 1.9 percent. At 127.8 percent of its 1992 average, total industrial production in April was 3.8 percent higher than it was in April 1997. The rate of industrial capacity utilization decreased 0.3 percentage point in April, to 81.9 percent.

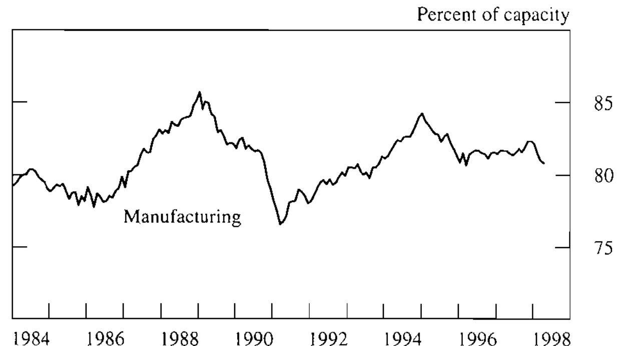
Industrial production indexes




Capacity utilization




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

Industrial production and capacity utilization, April 1998

| Category | Industrial production, index, 1992 = 100 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1998 | | | | Percentage change | | | | |
| | | | | | 1998[1] | | | | Apr. 1997 to Apr. 1998 |
| | Jan.[r] | Feb.[r] | Mar.[r] | Apr.[p] | Jan.[r] | Feb.[r] | Mar.[r] | Apr.[p] | |
| **Total** | **127.8** | **127.4** | **127.7** | **127.8** | **–.1** | **–.3** | **.3** | **.1** | **3.8** |
| Previous estimate | 127.7 | 127.5 | 127.7 | . . . | –.2 | –.2 | .2 | . . . | . . . |
| *Major market groups* | | | | | | | | | |
| Products, total[2] | 121.3 | 120.6 | 121.0 | 121.2 | .3 | –.6 | .3 | .2 | 3.4 |
| Consumer goods | 116.6 | 115.2 | 115.5 | 115.5 | .6 | –1.2 | .2 | .0 | 1.8 |
| Business equipment | 147.3 | 146.7 | 147.8 | 149.2 | –.9 | –.4 | .8 | 1.0 | 8.2 |
| Construction supplies | 125.2 | 125.9 | 125.1 | 124.9 | 1.6 | .6 | –.7 | –.1 | 2.5 |
| Materials | 138.2 | 138.2 | 138.5 | 138.5 | –.5 | .0 | .2 | .0 | 4.5 |
| *Major industry groups* | | | | | | | | | |
| Manufacturing | 131.1 | 130.7 | 130.5 | 130.8 | .2 | –.4 | –.2 | .3 | 4.3 |
| Durable | 148.3 | 147.8 | 148.1 | 148.7 | –.2 | –.3 | .2 | .4 | 6.6 |
| Nondurable | 113.6 | 113.1 | 112.4 | 112.6 | .6 | –.4 | –.6 | .2 | 1.6 |
| Mining | 108.4 | 107.8 | 107.4 | 107.2 | 2.6 | –.5 | –.4 | –.2 | 1.6 |
| Utilities | 108.7 | 108.5 | 115.1 | 112.8 | –4.9 | –.2 | 6.0 | –1.9 | .3 |

| Category | Capacity utilization, percent | | | | | | | | MEMO Capacity, percentage change, Apr. 1997 to Apr. 1998 |
|---|---|---|---|---|---|---|---|---|---|
| | Average, 1967–97 | Low, 1982 | High, 1988–89 | 1997 | 1998 | | | | |
| | | | | Apr. | Jan.[r] | Feb.[r] | Mar.[r] | Apr.[p] | |
| **Total** | **82.1** | **71.1** | **85.4** | **82.6** | **82.9** | **82.3** | **82.2** | **81.9** | **4.7** |
| Previous estimate | . . | . . | . . . | . . . | 82.8 | 82.3 | 82.2 | . . . | . . . |
| Manufacturing | 81.1 | 69.0 | 85.7 | 81.6 | 82.1 | 81.5 | 81.0 | 80.8 | 5.4 |
| Advanced processing | 80.5 | 70.4 | 84.2 | 79.6 | 80.3 | 79.6 | 79.1 | 79.1 | 6.3 |
| Primary processing | 82.4 | 66.2 | 88.9 | 86.2 | 86.1 | 85.6 | 85.1 | 84.8 | 3.4 |
| Mining | 87.5 | 80.3 | 88.0 | 89.5 | 91.6 | 91.1 | 90.7 | 90.5 | .6 |
| Utilities | 87.3 | 75.9 | 92.6 | 89.2 | 85.4 | 85.2 | 90.2 | 88.4 | 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.

## *MARKET GROUPS*

The production of consumer goods remained flat in April: The output of durable goods rose 0.9 percent, and the output of non-energy nondurable goods edged up, but these increases were offset by a 1.7 percent decline in the production of energy goods, most notably in residential sales of electricity and gas. The production increase within the durable consumer goods category was widespread. The output of automotive products advanced 0.8 percent but remained well below the high at the end of last year. Home computing equipment, appliances, and carpeting also posted significant gains. Within the non-energy nondurable consumer goods category, the strength in food products was nearly offset by declines in the production of cigarettes, clothing, consumer chemicals, and paper products.

The output of business equipment increased 1.0 percent; a second month of strong gains after having slowed earlier in the year. Although the output of computers accelerated in the first quarter, the output of most other types of equipment slowed. The April increase resulted from gains in most groups other than industrial equipment, in which output declined 0.7 percent.

The production of construction supplies declined for a second consecutive month. However, its April level remained well above its level at the end of last year. The output of materials stayed unchanged continuing its sluggish behavior of recent months. While the production of durable materials edged up in April, the output of nondurable and energy materials decreased. Among durable goods materials, the output of parts for consumer goods, which had spiked up in the fourth quarter, decreased 0.3 percent after a substantial decline in the first quarter. The output of equipment parts grew once more at a moderate rate; semiconductors and parts for computers and electronic communication equipment posted the most significant gains.

*INDUSTRY GROUPS*

Durable goods production increased 0.4 percent after having posted a small gain in March and declines earlier in the year. Increases in lumber, furniture and fixtures, computer and office equipment, semiconductors, motor vehicles and parts, and instruments were just partially offset by weakness elsewhere. In particular, the output of primary and fabricated metals and of aircraft and parts declined once more. Nondurable goods production increased 0.2 percent and is just 1.6 percent above its level in April 1997. Continuing weaknesses in the production of tobacco, textiles, apparel, paper, and chemicals were more than offset by strength in other industries; the largest gain came in rubber and plastics products.

The operating rate in manufacturing declined, to 80.8 percent. The utilization rate in advanced-processing industries remained flat at a low level, while the rate for primary-processing industries fell for the fourth consecutive month. The operating rate in advanced-processing industries was 1.4 percentage points below its long-run average, whereas the utilization rate in primary-processing industries was still significantly above its long-run average. □

# Statements to the Congress

*Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the National Bipartisan Commission on the Future of Medicare, April 20, 1998*

I am pleased to be here today and encouraged that the President and the Congress are undertaking a fundamental reassessment of the Medicare program. Since Medicare was established more than thirty years ago, it has provided the elderly with access to medical care. But the growth of Medicare outlays has continued to outstrip the growth of the rest of the federal budget, and we have been able to avert a full-blown financing crisis only through a series of marginal adjustments to the program. As you well know, the pressures will become increasingly intense as the baby boomers start to retire around the end of the next decade.

The challenge of adapting Medicare to meet our long-run needs is formidable and will require difficult choices. Delay could be costly. Action now would give all parties greater opportunity to adjust to a revamped program and would limit the severity of the possible dislocations that could result.

You will be hearing from health experts who will offer detailed information on Medicare options. You will also be considering how the burden of financing the elderly's medical care should be split between the government—and thus funded by taxpayers—and the elderly themselves. But, at a more fundamental level, you must address the basic question of how much our nation is willing to expend for the ever-increasing capabilities of medicine and, in the process, how we allocate the economy's scarce resources between Medicare and our many other competing needs. These latter issues will be the subject of my remarks today.

In some ways, health care is like any other good or service; and, in the absence of regulation, the share of consumer income going to medical care would reflect the tradeoff of choices against other consumer desires. That share will vary from individual to individual depending on their incomes and their need for medical care. There is no predetermined share of income that should, in any abstract sense, be devoted to health care—either for an individual or for an economy as a whole—and an increasing share, or for that matter, a decreasing share, in itself need not indicate a problem.

For most goods or services, prices reflect both the cost of the resources used to produce that good or service and the value of that good or service to consumers. Thus, prices are vital in the allocation of resources to their highest value uses. That is the process that maximizes standards of living. Households purchase most products directly from their income and assets. But some outlays, such as those to repair or replace a home damaged by fire, are potentially too large and uncertain to easily budget. Under such circumstances, individuals can gain from pooling their risks through private insurance.

Medical care has increasingly fallen into that category as costs have swelled. Clearly, individuals benefit from having insurance because it relieves them of concern about the possibility of devastating medical expenses. But, as is its purpose, insurance reduces individuals' sensitivity to the total underlying economic cost of care. Because individuals do not pay the full incremental cost of services covered by insurance, they have less incentive to restrain the use of medical care and the adoption of technologies that divert resources from other highly valued nonmedical goods and services. Indeed, there is a tendency for the insured to seek *any* medical service expected to offer at least *some* benefit, regardless of its cost in real resources. It also is probable that this system supports the development of more new technology and greater diffusion of existing technology than would be the case if all medical care were purchased directly from family resources. Such behavior is a manifestation of so-called "moral hazard," which is a characteristic of virtually all insurance markets. Of course, the private insurance system, reflecting the supply and demand for medical services, will adjust prices, that is, premiums, to cover costs.

But as medical costs have risen, they have exerted pressure on profit margins of businesses and indirectly on real wages of workers. Presumably in response, we have witnessed considerable innovation in recent years in private markets for medical insurance in an endeavor to contain inefficiencies and excess costs. The rapid expansion of managed care, in its many forms, is the clearest evidence of these efforts.

In the public sector, Medicare was initially designed to supply the elderly with insurance coverage similar in structure and scope to that enjoyed by the non-elderly population. Clearly, it remains an exceptionally popular program, but it has not kept pace with changes in the private health care system. Unlike the market-driven private insurance system, cost pressures in Medicare are reflected mainly in the federal budget. There are no automatic signals such as those that balance supply and demand for medical care in the private sector. Hence, in managing Medicare, we must be particularly sensitive to the fact that, like any product, medical care is produced ultimately by the work of individuals, and the more human effort that is expended to provide medical care, the less effort that is available for making other highly valued products.

Thus, a key question confronting this commission is whether the current stance of public policy, lacking a market test, is altering medical demand in a way that distorts economic choices and lowers overall productivity and standards of living. If Medicare is to be sustained as a viable program, it is important that this question ultimately be answered in the negative.

If the answer is ambiguous, or in the affirmative, the commission may wish to recommend that the Medicare program be reshaped in a way that would encourage beneficiaries and medical providers to make more cost-effective decisions than many do now. If successful, this approach would reduce the resources used per unit of health care produced, presumably lower overall health care expenditure growth from an unsustainable trajectory, and help ensure continued access to affordable care for Medicare beneficiaries.

As I noted, the private medical marketplace has been moving rapidly in this direction in recent years. The adjustments have not always gone smoothly, but institutions, acting on behalf of individuals, are increasingly confronting the tradeoffs between the consumption of health care and the consumption of other goods and services. That process may have received a push in 1989 when the Financial Accounting Standards Board circulated a draft rule to require companies to record future contingent medical costs for retirees on their balance sheets and make appropriate charges against current income. That rule was subsequently adopted and, perhaps by happenstance, roughly coincided with the onset of a major effort by American businesses to contain medical costs for all workers.

In any event, much of the working-age population now belongs to health plans that actively manage care in order to hold down costs. In part, this is accomplished by offering incentives to providers to practice cost-effective medicine. For example, we are seeing a closer scrutinizing of services delivered by highly paid medical specialists, some of whom have experienced a decline in compensation in recent years.

It is regrettable, but probably inevitable, that moving from an unconstrained fee-for-service system to a more cost-effective one is perceived by some patients as a major reduction in the quality of care. While the extent is arguable, any shift away from nearly unlimited use of even only marginally beneficial procedures will be seen as a reduction in quality, irrespective of the size of the savings of real resources devoted to that marginal increment of care. There is always one more test that will reduce the risk, however infinitesimal, of a misdiagnosis.

Businesses' efforts to rein in payments for health insurance are also forcing employees to think more about the tradeoffs between additional company-financed medical insurance and higher wages.

These developments have helped stem the uptrend in the share of gross domestic product going to health care, which caused so much concern just a few years ago. Nonetheless, Americans still devote a far higher share of GDP to medical care than do inhabitants of any other major industrial country. In the past few years, medical costs have amounted to about 13½ percent of our GDP, compared, for example, with about 10 percent for Germany and France and about 7 percent for Japan, Sweden, and the United Kingdom.

From an accounting perspective, the difference between the percentage of GDP that we devote to health care and the percentage in Germany or France appears to reflect mainly our higher pay for doctors and other medical practitioners relative to the average wage in the economy and our measured higher administrative costs. It is difficult to obtain comparable net administrative cost estimates because our system includes a closer monitoring of costs by private insurers, which presumably reduces other costs. Among the industrial countries that devote the lower shares of GDP to health spending, the health share in the United Kingdom, for example, is further depressed relative to ours by fewer doctors per capita and less high tech equipment. Almost certainly, our system produces the most sophisticated, and perhaps the highest quality, medical care in the world. But we have little evidence that, as a result, our population is any healthier, on average, than those populations that devote fewer resources to health care, recognizing, of course, that health outcomes depend on a host of

other influences in addition to the level of medical expenditures.

Whether the share of our GDP going to medical care will remain flat over the next few years—or whether it will start rising again—is uncertain. But it almost surely will increase as the baby boomers move into the age brackets in which medical costs tend to accelerate. Indeed, on average, medical outlays for persons aged sixty-five and older are nearly four times the size of those for persons aged nineteen to sixty-four and roughly seven times those for persons younger than age nineteen. Currently, 12½ percent of the U.S. population is age sixty-five or older. This share is not much greater than it was twenty years ago, indicating that aging alone has played a relatively minor role in explaining the growth in aggregate health spending over the past two decades. But by 2030, shortly after the last of the baby boomers has turned sixty-five, the elderly are expected to account for about a fifth of the population. A simple calculation suggests that, all else being equal, the projected change in the age distribution of the population over the next thirty years will add nearly 20 percent to the level of health care spending.

Demographics aside, the trajectory of health spending in coming years will depend importantly on the course of technology, which has been a key driver of per person health costs. To be sure, technological innovation improves the quality of medical care, but its effects on overall costs are not always clear cut. Technological innovation can decrease the cost of a given course of treatment and thus has the potential to reduce overall costs. But it also can expand the range of treatment options, with the potential of adding to overall costs. Advances in arthroscopic surgery, for example, have greatly reduced the cost and difficulty of repairing many kinds of knee damage, but the new techniques doubtless have contributed to the enormous increase in the number of knee surgeries that are performed each year.

The future path of medical, indeed all, technology is exceptionally difficult to forecast. Many effective new technologies result from synergies of two or more previously developed technologies. Remarkably, when the laser was invented about forty years ago, lawyers at Bell Labs reportedly did not rush to seek patents because they thought it had little bearing on Bell System interests. In fact, its full potential could not be realized until the development of fiber optics, and the synergy of the two is one of the most powerful and versatile advances in telecommunications technology in the twentieth century. Examples in medicine abound as well. For instance, organ transplantation was a huge technological advance whose effectiveness was greatly enhanced by improvements in immunosuppressant drugs.

Despite the consensus among economists that technology is a driving force behind rising medical costs, the empirical evidence in this area has been limited. Fortunately, that situation is beginning to change. Some recent studies that focus on specific medical conditions provide useful insights into both the cost-decreasing and cost-increasing aspects of technology. For example, analysts have documented a sizable saving in the cost of treating cataracts, which thirty years ago required a long operation and extended hospital stay but is now routinely done on an outpatient basis.[1] In contrast, a separate study exhibited the potential for technology to raise costs.[2] This study examined the appreciable increase in Medicare outlays to treat heart attacks between 1984 and 1991, which the authors attributed entirely to the dramatic expansion of intensive cardiac surgeries.

The new technologies also carried other significant benefits, contributing both to enormous improvements in the postoperative vision of cataract patients and to longer life expectancies and higher quality of life among heart attack survivors. Parenthetically, this is the same measurement issue that chronically bedevils economists who try to allocate changes in dollar outlays on medical procedures between changes in price and changes in real output. The problem arises for any good or service for which changing technology is greatly affecting the characteristics and quality of the output.

Measurement issues aside, the fundamental point here is that a structure that provides appropriate incentives for the development and application of technology is key to a well-functioning health care system. In this case, an appropriate incentive is one that encourages technologies whose benefits are at least equal to their economic costs, while discouraging those that do not meet that standard. It is still too soon to know how the evolving incentive structure in private insurance markets will affect the pace of medical technology.[3] However, a recent analysis provides some preliminary evidence that managed care may be fostering a more efficient use of technology. If the results continue to be borne out in the market-

1. Matthew D. Shapiro and David W. Wilcox, "Mismeasurement in the Consumer Price Index: An Evaluation," *Macroeconomics Annual* (National Bureau of Economic Research, 1996).

2. David M. Cutler and Mark McClellan, "The Determinants of Technological Change in Heart Attack Treatment," Working Paper 5751 (National Bureau of Economic Research, September 1996).

3. David M. Cutler and Louise Sheiner, "Managed Care and the Growth of Medical Expenditures," Working Paper 6140 (National Bureau of Economic Research, August 1997).

place, we may be seeing the beginning of a significant restraining effect on the growth of health costs over the long run.

Clearly, the jury is still out on many of the changes in private health insurance markets, and some may turn out to be unsuitable for Medicare. But some of these ideas, especially those that improve efficiency or foster greater cost-consciousness among users and providers of health care, are worthy of study. In that regard, some Medicare beneficiaries, attracted by the rich benefits packages offered by some health maintenance organizations and frustrated by high Medigap premiums, have enrolled in these plans, and the Balanced Budget Act of 1997 expanded the range of options available to participants. Nonetheless, Medicare remains largely a fee-for-service program. Unless its disparities with the private sector are addressed, political support for Medicare may well begin to wane, especially if escalating Medicare costs force tax increases or reductions in other government programs that serve important functions.

Regardless of what changes are eventually put into place, the nation should be prepared to revisit the issue of Medicare reform—perhaps many times—as unanticipated technological changes alter medical practice and private insurance markets evolve. Other broad economic and social trends—for example, unforeseen changes in labor market activity among the elderly—may also make adjustments in the structure of Medicare desirable.

Perhaps the hardest issue with which you will have to grapple is the very real possibility that the projected demands by Medicare recipients exceed a realistic estimate of our budgetary capabilities. Medical rationing is anathema to the American psyche, though it often appears in subtle forms. We know, for example, that we can never offer *all* new technologies or medical procedures immediately to *all* patients who would benefit. In practice, new technologies are allocated by physicians who use their own criteria to choose the recipients. In this case, the system likely works largely because an innovation that was not previously available does not seem to be missed except by the most knowledgeable. That might not be perceived as fair, but the thought of our political system attempting to improve the process gives me great concern.

Medical decisions have always raised difficult ethical considerations. We expend vast resources to prolong life a few weeks or a few months whereas some other democracies rely more on hospice care and restrict the use of scarce equipment, especially among older persons. We practice super high tech medicine although, as I suggested earlier, it is not clear how much it raises average life expectancy or reduces morbidity.

It is difficult to discern a consistent American standard in these matters. When it comes to medical care, we seem to hold life as an unequivocal value with pressures to fend off death by any means, regardless of the costs in real resources. Yet we tolerate more than 40,000 motor-vehicle-related fatalities a year when modest restrictions on car use could lower the casualty rate. The value of travel freedom and convenience clearly outweighs life as an inviolate value. People demonstrate through their behavior a willingness to risk life for other values. Indeed, risk is inherent in life and can be contained but never eliminated. Given the disparity between the way we deal with risks in health and the way we deal with risks in other aspects of our lives, one might expect a more calibrated real cost–benefit analysis to emerge eventually as health care policy matures.

Before concluding, I would like to offer a few points about the experience of the Social Security Commission of 1982 that may be relevant to your deliberations. First, I believe that the commission, which I chaired, succeeded, if that is the word, because, from the start, it was integrated with the political system. I kept President Reagan's Chief of Staff James Baker informed of our deliberations on an ongoing basis. Robert Ball, the former Social Security Commissioner and social insurance professional, kept the Speaker informed. Many members of the Congress also were members of the commission: Senators Dole, Heinz, and Moynihan and Congressmen Archer, Conable, and Pepper. The interplay between the deliberations of the commission and parallel policy discussions in the White House and the Congress was continuous, ensuring political support for the final product. Had we not done that, the report would have ended up on the dust-filled shelves along with the many fruitless commission reports of the past.

In the end, the large majority of the commissioners, the President, and much of the congressional leadership signed onto the principal recommendations in the commission's final report. Tactically, we chose to do something unusual to help ensure that our recommendations would be implemented. As with all tightly crafted compromises, pulling one provision might have caused the whole structure to unravel. Therefore, Robert Ball and I, the designated presenters of the commission's findings to the Congress, agreed to defend the report in total. The internal debates within the commission were behind us, and we exhibited a unified front to the Congress. In the

end, the legislation that passed differed little from the commission's recommendations.

In conclusion, programs to support a rapidly expanding aged population threaten budget balance in the early decades of the next century. Preemptive action could avoid wrenching disruptions to our federal medical programs and our economy. The longer we wait, the more difficult the adjustments. Moreover, I have no doubt that the budget discipline of recent years has been instrumental in lowering long-term interest rates—a key factor in our current economic vitality. Unless this discipline can be sustained, our overall economic performance will be seriously jeopardized. If this commission can assist in expediting the seemingly necessary adjustments to Medicare, the nation will owe you an enormous debt of gratitude.

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*Statement by Edward W. Kelley, Jr., Member, Board of Governors of the Federal Reserve System, before the Committee on Commerce, Science and Transportation, U.S. Senate, April 28, 1998*

I am pleased to appear before the committee today to discuss the Year 2000 computer systems issue and the Federal Reserve's efforts to address it. The stakes are enormous, nothing less than the preservation of a safe and sound financial system that can continue to operate in an orderly manner when the clock rolls over at midnight on New Year's Eve and the millennium arrives. So much has been written about the difficulties ascribed to the Year 2000 challenge that by now almost everyone is familiar with the basic issue—specifically, that information generated by computers may be inaccurate or that programs may be terminated because they cannot process Year 2000 dates. The Federal Reserve System has developed and is executing a comprehensive plan to ensure its own Year 2000 readiness, and the bank supervision function is well along in a cooperative, interagency effort to promote timely remediation and testing by the banking industry. This morning I shall first focus on the potential macroeconomic consequences of the Year 2000 issue. Then I shall discuss actions being taken by the Federal Reserve System to address its internal systems, including Reserve Bank testing with depository institutions, and its bank supervision efforts.

### *THE MACROECONOMIC EFFECTS OF THE MILLENNIUM BUG*

The Year 2000 (Y2K) problem will touch much more than just our financial system and could temporarily have adverse effects on the performance of the overall U.S. economy as well as the economies of many, or all, other nations if it is not corrected. The spectrum of possible outcomes is broad, for the truth of the matter is that this episode is unique. We have no previous experiences to give us adequate guideposts. A few economists already are suggesting that Y2K-related disruptions will induce a deep recession in the year 2000. That is probably a stretch, but I do not think that we shall escape unaffected. Some of the more frightening scenarios are not without a certain plausibility if this challenge were being ignored. But it is not being ignored. While it is probable that preparations may in some instances prove to be inadequate or ineffective, an enormous amount of work is being done in anticipation of the rollover of the millennium. It is impossible today to forecast the impact of this event, and the range of possibilities runs from minimal to extremely serious. In that spirit, let me review with you some of the ways in which the millennium bug already is influencing the U.S. economy and discuss some of the possible outcomes for economic activity early in the next century.

Corporate business is spending vast amounts of money to tackle the Y2K problem. To try to get a handle on the magnitude of these Y2K expenditures, we have reviewed the most recent 10-K reports filed with the Securities and Exchange Commission by approximately 95 percent of the firms in the Fortune 500. These are the largest businesses in our economy, with revenues of about $5½ trillion annually, and are likely to be on the cutting edge of efforts to deal with the millennium bug. Before the end of the decade, these firms report that they expect to spend about $11 billion in dealing with the Y2K problem. (Of this total, financial corporations are planning expenditures of $3½ billion, while companies in the nonfinancial sector have budgeted funds of around $7½ billion.)

These estimates undoubtably understate the magnitude of the Y2K reprogramming efforts. In culling through the 10-K reports, we found that many companies reported incurring no additional costs associated with Y2K remediation efforts. I doubt that such firms are unaware of the problem. Rather, I suspect that some firms did not view their Y2K spending as having a "material" effect on their bottom line, and some companies probably have funded Y2K programs with monies already budgeted to their informa-

tion technology functions. Making an allowance for all costs—whether explicitly stated or not—and recognizing that these Fortune 500 firms are only part of the picture, an educated guess of the sunk cost of Y2K remedial efforts in the U.S. private sector might be roughly $50 billion. To put this number into perspective, the Gartner Group has estimated that Y2K remediation efforts will total $300 billion to $600 billion on a worldwide basis. The U.S. economy accounts for about one-fifth of world output, and thus our estimate seems broadly consistent with the lower end of their range. Given the experience of our own Y2K efforts to date, I would expect to see costs rise further once all these Y2K programs are fully under way—ultimately pushing costs up within the Gartner Group range.

Corporate efforts to deal with the Y2K problem are affecting economic activity in a variety of ways. On the positive side, an important element in some Y2K programs is the replacement of aging computer systems with modern, state-of-the-art hardware and software. Such capital expenditures—which I should note are not included in the $50 billion cost estimate—will raise the level of productivity in those enterprises, and, in general, the need to address the Y2K problem has increased the awareness on the part of senior executives of the complexity and importance of managing corporate information technology resources. The increased replacement demand also has contributed to the spectacular growth recently in this country's computer hardware and software industries—a process that I would expect to continue for a while longer. But, ultimately, we are largely shifting the timing of these investment expenditures: Today's added growth is likely "borrowed" from spending at some time in the future. And as if analyzing the dynamics of this situation were not already complicated enough, some firms may "freeze" their systems in the middle of 1999—effectively forgoing the installation of new hardware and software systems just before the millennium. This, too, could influence spending on computer equipment—shifting some of it from 1999 into 2000.

While Year 2000 remediation efforts may give a temporary boost to economic activity in some sectors, the net effect probably is negative. I suspect that the majority of Y2K expenditures should be viewed as increased outlays for maintenance of existing systems, which are additional costs on businesses. Other than the very valuable ability to maintain its operations into the year 2000, few quantifiable benefits accrue to the firm, and overall productivity gains are reduced by the extra hours devoted to reprogramming and testing. Conservative estimates suggest that the net effect of Y2K remediation efforts might shave a tenth or two a year off the growth of our nation's overall labor productivity, and a more substantial effect is possible if some of the larger estimates of Y2K costs are used in these calculations. The effects on real gross domestic product are likely to be somewhat smaller than this but could still total a tenth of a percentage point or so a year over the next two years.

The United States is not alone in working to deal with the millennium bug. Efforts by our major trading partners also are under way, although in many cases they probably are not yet at so advanced a stage as in this country. In Europe, the need to reprogram computer systems to handle the conversion to the euro seems to have taken precedence over Y2K efforts, although there may be efficiencies in dealing with the two problems at once. The financial difficulties of Japan and other Asian economies certainly have diverted attention and resources in those countries from the Y2K problem, increasing the risk of a Y2K shock from one or more of these countries. But, on the positive side, large multinational corporations are acutely aware of the Y2K problem, and their remediation efforts are independent of national boundaries. There are also anecdotal reports that many of these companies are extending their influence by demanding that their extensive networks of smaller suppliers prepare themselves as a condition of maintaining their business relationship.

Obviously, a great deal of work either is planned or is under way to deal with the Year 2000 problem. But what if something slips through the cracks and we experience the failure of some "mission critical" systems? How will a computer failure in one industry affect the ability of other industries to continue to operate smoothly? The number of possible scenarios of this type is endless, and today no one can say with any confidence how severe any Y2K disruptions could be or how a failure in one sector would influence activity in others.

We have many examples of how economic activity was affected by disruptions to the physical infrastructure of this country. Although the Y2K problem clearly is unique, some of these disruptions to our physical infrastructure may be useful in organizing our thinking about the consequences of short-lived interruptions in our information infrastructure. In early 1996, a major winter storm paralyzed large portions of the country. Commerce ground to a halt for up to a week in some areas, but activity bounced back rapidly once the roads were cleared again. Although individual firms and households were adversely affected by these disruptions, in the aggregate the economy quickly recovered most of the

output lost due to the storm. In this instance, the shock to our physical infrastructure was transitory in nature, and, critically, the recovery process was under way before any adverse "feedback" effects were produced. Last summer's strike by workers at the United Parcel Service is a second example. UPS is a major player in the package delivery industry in this country, and the strike disrupted the shipping patterns of many businesses. Some sales were lost, but in many instances alternative shipping services were found for high-priority packages. Some businesses were hurt by the strike, but its effect on economic activity was small in the aggregate. We hope that any Y2K shock to our information infrastructure would also be transitory and would share the characteristics of these shocks to our physical infrastructure.

What can monetary policy do to offset any macroeconomic effects? The truthful answer is "not much." Just as we were not able to plow the streets in 1996 or deliver packages in 1997, the central bank will be unable to reprogram the nation's computers for the year 2000. The Y2K problem is primarily an issue affecting the aggregate "supply" side of the economy, whereas the Federal Reserve's monetary policy works mainly on aggregate "demand." We all understand how creating more money and lowering the level of short-term interest rates give a boost to interest-sensitive sectors (such as homebuilding), but these tools are unlikely to be very effective in generating more Y2K remediation efforts or accelerating the recovery process if a company experiences some type of Year 2000 disruption. We will, of course, be ready if people want to hold more cash on New Year's Eve 1999, and we will be prepared to lend to financial institutions through the discount window under appropriate circumstances or to provide needed reserves to the banking system. But there is nothing monetary policy can do to offset the direct effects of a severe Y2K disruption. As a result, our Year 2000 focus has been in areas in which we can make a difference: conforming our own systems, overseeing the preparations of the banking industry, preparing the payments system, and contingency planning. Additionally, we are doing all we can to increase awareness of this problem and to energize preparations both here at home and in other parts of the world.

## *Background on Federal Reserve Year 2000 Preparations*

The Federal Reserve operates several payments applications that process and settle payments and securities transactions between depository institutions in the United States. These systems are critical national utility services, moving funds much as the national power grid moves electricity. Fedwire is a large-value payments mechanism for U.S. dollar interbank funds transfers and U.S. government securities transfers primarily used by depository institutions and government agencies. These applications, as well as the supporting accounting systems and other payment applications such as the automated clearinghouse (ACH), run on mainframe computer systems operated by Federal Reserve Automation Services, the internal organizational unit that processes applications on behalf of the Federal Reserve Banks and operates the Federal Reserve's national communications network.

The Reserve Banks also operate check processing systems that provide check services to depository institutions and the U.S. government. In addition to centralized applications on the mainframe, the Reserve Banks operate a range of applications in a distributed computing environment, supporting business functions such as currency distribution, banking supervision and regulation, research, public information, and human resources. The scope of the Federal Reserve's Year 2000 activities includes remediation of all of these processing environments and the supporting telecommunications network, called FEDNET. Our Year 2000 preparations also address our computerized environmental and facilities management systems, such as power, heating and cooling, voice communications, elevators, and vaults.

## *Year 2000 Readiness of Internal Systems*

The Federal Reserve is giving the Year 2000 its highest priority, consistent with our goal of maintaining the stability of the nation's financial markets and payments systems, preserving public confidence, and supporting reliable government operations. The Federal Reserve completed assessment of its applications in 1997; our most significant applications have been renovated; and internal testing is under way using dedicated Y2K computer systems and date-simulation tools. Changes to mission critical computer programs, as well as system and user-acceptance testing, are on schedule to be completed by year-end 1998. Further, systems supporting the delivery of critical financial services that interface with the depository institutions will be Year 2000 ready by this July and a depository institution test program will be in place at that time. This schedule will permit approximately eighteen months for cus-

tomer testing, to which we are dedicating considerable support resources.

Our Y2K project is being closely coordinated among the Reserve Banks, the Board of Governors, numerous vendors and service providers, approximately 13,000 customers, and government agencies. We are stressing effective, consistent, and timely communication, both internal and external, to promote awareness and commitment at all levels of our own organization and the financial services industry, more generally.

A significant challenge in meeting our Y2K readiness objectives is our reliance on commercial hardware and software products and services. Much of our information processing and communications infrastructure, as well as our administrative functions and other operations, is composed of hardware and software products from third-party vendors. As a result, we must coordinate with numerous vendors and manufacturers to ensure that all of our hardware, software, and services are Year 2000 ready. In many cases, compliance requires upgrading, or, in some cases, replacing, equipment and software. We have a complete inventory of vendor components used in our mainframe, telecommunications, and distributed computing environments, and vendor coordination and system change are progressing well. We are particularly sensitive to telecommunications, an essential infrastructure element in our ability to maintain a satisfactorily high level of financial and business services. We have been working with our financial institutions and our telecommunications servicers to find ways to facilitate preparations and testing programs that will ensure Y2K readiness. Nonetheless, this is an area that many financial institutions regard as needing attention. We strongly support the Federal Communications Commission's (FCC's) program to draw increased attention to the Y2K issue and the progress of the telecommunications companies in the United States.

### *Oversight of Banking Industry Preparations*

Ultimately, the boards of directors and senior management of banks and other financial institutions must shoulder the responsibility for ensuring that the institutions they manage are able to provide high quality and continuous services beginning on the first business day in January of the Year 2000 and beyond. This critical obligation must be among the very highest of priorities for bank management and boards of directors. Nevertheless, bank supervisors can provide guidance, encouragement, and strong incentives to the banking industry to address this challenge. Accordingly, the Federal Reserve and the other banking supervisors that make up the Federal Financial Institutions Examination Council have been working closely to orchestrate a uniform supervisory approach to supervising the banking industry's efforts to ensure its readiness. Detailed information about our supervisory program is attached as an addendum to this testimony and is readily available on a web site maintained by the Federal Reserve on behalf of these agencies.[1]

### *Preparing the Payments Systems*

In order to ensure the readiness of the payments system, the Federal Reserve has prepared a special central environment for the testing of high-risk dates, such as the rollover to the Year 2000 and leap year. Testing will be conducted through a combination of future-dating our computer systems to verify the readiness of our infrastructure and testing critical future dates within interfaces to other institutions. Internal testing is expected to be completed by July, and external testing with customers and other counterparties will then commence and continue throughout 1999. Network communications components are also being tested and certified in a special test lab environment. We have published a detailed schedule of testing opportunities for Fedwire, ACH transactions, and other services provided by the Federal Reserve. Our test environments have been configured to provide flexible and nearly continuous access by customers. The Reserve Banks are implementing processes to identify which depositories have tested with us, so that we may follow up on any laggards.

We are also researching, in conjunction with our counterparties, the benefits of Y2K testing that would span the entire business process. As part of this effort, the Federal Reserve is coordinating with the Clearing House for Interbank Payment Systems and the Society for Worldwide Interbank Financial Telecommunication to provide a common test day for customers of all three systems on September 26, 1998. The New York Clearing House is coordinating an effort to establish common global test dates among major funds transfer systems during April and May 1999.

We are also coordinating with the international community of financial regulators to help mobilize global preparations more generally. These efforts are

1. The attachment to this statement is available from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551, and also on the Board's site on the World Wide Web (http://www.bog.frb.fed.US).

discussed more fully in the addendum. In particular, through the auspices of the Bank for International Settlements, international regulators for banking, securities, and insurance along with global payments specialists recently jointly hosted a Year 2000 roundtable, which was attended by more than fifty countries. A joint council was formed that will promote readiness and serve as a global clearing house on Year 2000 issues. In the final analysis, however, the regulatory community recognizes that it cannot solve the problem for the financial industry. Every financial institution must complete its own program and thoroughly test its applications with counterparties and customers if problems are to be avoided.

### *Contingency Planning*

Despite our intensive efforts to prepare our computer systems, we must also make plans for dealing with problems that might occur at the Year 2000 rollover. As you know, the Federal Reserve has been involved in contingency planning and has dealt with various types of emergencies for many years. In response to past disasters, we worked closely with the affected financial institutions to ensure that adequate supplies of cash were available to the community and that backup systems supported our operations without interruption during the crisis period. These efforts primarily focused on the orderly resumption of business operations resulting from hardware failures or processing-site problems. In addition to disruptions to hardware or processing sites, Y2K contingency planning must be directed at potential software failures and interdependency problems with financial and nonfinancial counterparties. Within this context, business resumption is made more difficult because we cannot fall back to an earlier version of a software package because this version itself may not have been readied for the Year 2000. Y2K disruptions to utility services or depository institutions can also directly affect the Federal Reserve's ability to conduct business. So, in order to plan for the continuity of services, it may be necessary to consider available alternate ways to provide services if a Year 2000 problem is identified.

The Federal Reserve has formed a task force to address the contingency readiness of our payments applications. Although we have no grounds for anticipating that specific failures could occur and we cannot act as an operational backstop for the nation's financial industry, we view it as our responsibility to take action to ensure that we are as well positioned as possible to address major failures should they occur. We are currently focusing on contingency planning for external Y2K-related disruptions, such as those affecting utility companies, telecommunications providers, large banks, and difficulties abroad that affect U.S. markets or institutions. The Federal Reserve has established higher standards for testing institutions that serve as the backbone for the transactions that support domestic and international financial markets and whose failure could pose a systemic risk to the payments system.

We recognize that, despite their best efforts, some depository institutions may experience operating difficulties, either as a result of their own computer problems or those of their customers, counterparties, or others. These problems could be manifested in a number of ways and could involve temporary funding difficulties. The Federal Reserve plans to be prepared to provide information to depository institutions on the balances in their accounts with us throughout the day so that they can identify shortfalls and seek funding in the market. The System will also be prepared to lend in appropriate circumstances and with adequate collateral to depository institutions when market sources of funding are not reasonably available.

Our preparations for possible liquidity difficulties extend as well to the foreign bank branches and agencies in the United States that may be adversely affected directly by their own computer systems or through difficulties caused by the linkage and dependence on their parent bank. Such circumstances would necessitate coordination with the home country supervisor. Moreover, consistent with current policy, foreign central banks will be expected to provide liquidity support to any of their banking organizations that experience a funding shortfall.

### *Closing Remarks*

To sum up, the macroeconomic effects of Year 2000 preparations are quite complex. As I have discussed, some industries may benefit in the near term from increased sales associated with the accelerated pace of replacement of obsolete computer systems, and their customers presumably will have more productive systems in place sooner than might otherwise have been the case. But, in the aggregate, preparing for the Y2K problem is likely exerting a slight drag on the U.S. economy. The Y2K problem, in effect, raises the rate of depreciation of the nation's stock of plant and equipment. It forces businesses to devote additional programming resources simply to maintain the existing flow of services from its computers.

As a provider of financial services to the economy, we are on schedule with our own internal remediation efforts and will shortly begin testing our interfaces with financial institutions. While we have made significant progress in our Year 2000 preparations, our challenge now is to ensure that our efforts remain on schedule and that problems are addressed in a timely fashion. In particular, we shall be paying special attention to the testing needs of depository institutions and the financial industry and are prepared to adjust our support for them as required by experience.

As a bank supervisor, the Federal Reserve will continue to address the financial services industry's preparedness, monitor progress, and target for special supervisory attention those institutions that are most in need of assistance. In addition, we shall track the Y2K progress of external vendors and critical infrastructure suppliers, such as telecommunications and electrical power utilities.

The problems presented to the world by the potential for computer failures as the millennium arrives are real and serious. Because these problems are unique to our experience in many ways, and because the impact of computer-driven systems has become so ubiquitous, the event is unlikely to be trouble free. While we cannot predict with any certainty, there clearly is the potential for problems to develop, but these need not be traumatic if we all do our part in preparation. As the world's largest economy, the heaviest burden of preparation falls on the United States. But it is truly a worldwide issue, and, to the extent that some are not adequately prepared and experience breakdowns of unforeseeable dimension, we shall all be affected accordingly. There is much work to be done. We intend to do our utmost and hope and trust that others will do likewise.

In this spirit, I want to commend the committee for inviting this panel to testify together on Y2K issues. This is the first time that the Board has testified next to representatives of the Departments of Commerce and Transportation, and the FCC. This is wholly appropriate because our success in preparing for the millennium will ultimately depend very much on one another's efforts.

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*Statement by Laurence H. Meyer, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking and Financial Services, U.S. House of Representatives, April 29, 1998*

I am pleased to appear before this committee on behalf of the Federal Reserve Board to discuss issues related to mergers among U.S. banking organizations and other financial services firms. The past two decades have seen a steady and sometimes breathtaking consolidation of our banking system, a process that will likely continue for quite some time. This ongoing consolidation is in many ways a natural response to our rapidly changing banking environment. However, the very large mergers and acquisitions of recent years, and those approved or announced in the past few weeks, have raised a number of public policy questions and concerns in the minds of many observers.

As the committee knows well, this is not the first time the Board has testified on the subject of bank mergers. The Board continues to believe that the primary objectives of public policy in this area should be to ensure a safe and sound banking system, preserve the benefits of competition for consumers of financial services, meet the convenience and needs of local communities, and allow U.S. financial services firms to evolve with the needs of the marketplace. My statement today will discuss how, within the context of existing law, the Federal Reserve is pursuing these goals and will review the potential economic effects of bank mergers. I will also argue that the consolidation of the U.S. financial services industry reinforces the need for legislation to modernize our banking and financial systems.

One of the reasons we are here today is the recent announcements of several large and interesting mergers. My statement purposely does not include any substantive discussion of specific mergers and acquisitions that have been proposed recently. Several of the recently announced proposals will require that a company obtain the Board's approval under the Bank Holding Company Act. Each proposal subject to the Bank Holding Company Act will be thoroughly reviewed by the Board on a case-by-case basis in conformance with current law and under the Board's well-established policies and procedures. It is important to note, however, that the Bank Holding Company Act does not give the Board unfettered discretion in acting on such proposals. Instead, the Bank Holding Company Act specifies the factors that the Board must review in these cases, and the Board's power to approve or deny a proposal is significantly limited by these factors.

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These factors include the competitive effects of the proposal, the financial and managerial resources and future prospects of the companies and banks involved in the proposal, and the effects of the proposal on the convenience and needs of the community to be served, including the performance record of the depository institutions involved under the Community Reinvestment Act. In addition, the Board may enforce compliance with the requirements of the Bank Holding Company Act and must be assured of access to information needed to enforce compliance. The Bank Holding Company Act also establishes nationwide and individual state deposit limits for interstate bank acquisitions and consolidated home country supervision standards for foreign banks. In proposals involving the acquisition of a nonbanking company, the Board must consider whether performance of the activity by a bank holding company affiliate 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.

The Board is not granted authority under the Bank Holding Company Act to disapprove a proposal that meets all of these statutory factors. Thus the Board could not deny a proposal because, for example, the Board does not like this particular combination of firms or because it believes that a different combination of companies would be more profitable, efficient, or desirable. The Board must consider the proposal that is presented to the Board and whether the particular companies involved in the application before the Board meet the statutory factors. Similarly, the Board cannot deny a proposal simply because the companies involved are large unless the effect of the proposal may be to substantially lessen competition in violation of the standards in the federal antitrust laws or to contravene one of the other factors in the Bank Holding Company Act. Later in my statement, I will discuss the methodology the Board uses in assessing each of these aspects of a proposed merger. As an initial matter, I can assure you on behalf of the Board that none of the applicants or potential applicants has been given any prior indication of the Board's views on their proposals or whether their proposals will be approved or disapproved by the Board.

## *Trends in Mergers and Banking Structure*

It is useful to begin a discussion of the public policy and other implications of bank mergers with a brief description of recent trends in merger activity and overall U.S. banking structure. The statistical tables at the end of my statement provide some detail that may be of interest to the committee.

### *Bank Mergers*

There have been more than 7,000 bank mergers since 1980. The pace accelerated from 190 mergers with $10.2 billion in acquired assets in 1980, to 649 with $123.3 billion in acquired assets in 1987. In the 1990s, the pace of both the number and dollar volume of bank mergers has remained high. Through March of this year, the rapid pace of merger activity has continued. For example, if only the five largest mergers or acquisitions approved or announced since December are completed, a total of more than $500 billion in banking assets would have been acquired.

The incidence of "mega-mergers," or mergers among very large banking organizations, is a truly remarkable aspect of current bank merger activity. But it is useful to recall that very large mergers began to occur with growing frequency after 1980. In 1980, there were no mergers or acquisitions of commercial banking organizations in which both parties had more than $1.0 billion in total assets. The years 1987 through 1996 brought growing numbers of such acquisitions and, reflecting changes in state and federal laws, an increasing number of these involved interstate acquisitions by bank holding companies. The largest mergers in U.S. banking history took place or were approved during the 1990s—including Chase–Chemical, Wells Fargo–First Interstate, NationsBank–Barnett, and First Union–CoreStates. And while these mergers set size precedents, the recently proposed mergers of Citicorp and Travelers, and NationsBank and BankAmerica, if consummated, would set a new standard for sheer size in U.S. banking organizations.

### *National Banking Structure*

The high level of merger activity since 1980, along with a large number of bank failures, is reflected in a steady decline in the number of U.S. banking organizations from 1980 through 1997. In 1980, there were more than 12,000 banking organizations, defined as bank holding companies plus independent banks; banks numbered nearly 14,500. By 1997, the number of organizations had fallen to about 7,100 and the number of banks to just more than 9,000. The number

of organizations had declined more than 40 percent and the number of banks by more than one-third.

The trends I have just described must be placed in perspective because taken by themselves they hide some of the key dynamics of the banking industry. There are some other important characteristics of U.S. banking. While there were about 1,450 commercial bank failures and more than 7,000 bank acquisitions between 1980 and 1997, some 3,600 new banks were formed. Similarly, while more than 18,000 bank branches were closed, the same period saw the opening of nearly 35,000 new branches. Perhaps even more important, the total number of banking offices increased sharply from about 53,000 in 1980 to more than 71,000 in 1997, a 35 percent rise, and the population per banking office declined. This includes former thrift offices that were acquired by banking organizations. Fewer banking organizations clearly has not meant fewer banking offices serving the public.

These trends have been accompanied by a substantial increase in the share of total banking assets controlled by the largest banking organizations. For example, the proportion of domestic banking assets accounted for by the 100 largest banking organizations went from just more than one-half in 1980, to nearly three-quarters in 1997. The increase in nationwide concentration reflects, to a large degree, a response by the larger banking organizations to the removal of state and federal restrictions on geographic expansion both within and across states. The industry is moving from many separate state banking structures toward a nationwide banking structure that would have existed already had legal restrictions not stood in the way. The increased opportunities for interstate banking are allowing many banking organizations to reach for the twin goals of geographic risk diversification and new sources of "core" deposits.

As I will discuss shortly, it may well be that the retail banking industry is moving toward a structure more like that of some other local market industries such as clothing and department store retailing. As in banking, clothing and department store customers tend to rely on stores located near their home or workplace. These stores may be entirely local or may be part of regional or national organizations. Thus, it should perhaps not be surprising that banks, now freed of barriers to geographic expansion, are taking advantage of the opportunity to operate throughout the country as have firms in other retail industries.

But, it would be a mistake to think that adjustment to a new statutory environment—and the increased opportunities for geographic diversification—were the only reasons for the current volume of bank merger activity. Each merger is somewhat unique and likely reflects more than one motivation. For example, a recent study of scale economies in banking suggests that efficiencies associated with larger size are likely to be exhausted after about $10 billion to $25 billion in assets. In addition, some lines of business, such as securities underwriting and market making, require quite large levels of activity to be viable.

Increased competitive pressures caused by rapid technological change and the resulting blurring of distinctions between banks and other types of financial firms, lower barriers to entry due to deregulation, and increased globalization also contribute to merger activity. Global competition appears to be especially important for banks that specialize in corporate customers and wholesale services, especially among the very largest institutions. Today, for example, almost 40 percent of the U.S. domestic commercial and industrial bank loan market is accounted for by foreign-owned banks.

More generally, greater competition has forced inefficient banks to become more efficient, accept lower profits, close up shop, or—in order to exit a market in which they cannot survive—merge with another bank. Other possible motives for mergers include the simple desire to achieve market power or the desire by management to build empires and enhance compensation. Some mergers probably occur as an effort to prevent the acquiring bank from itself being acquired, or, alternatively, to enhance a bank's attractiveness to other buyers.

Many of these factors are also motivating mergers between bank and nonbank financial firms. However, in these cases, a key causal factor is the ongoing blurring of distinctions between what were, not very long ago, quite different financial services. Today, as the Board has testified on many occasions, it is increasingly difficult to differentiate between many products and services offered by commercial banks, investment banks, and insurance companies. Thus, we should not find it surprising that firms in each of these industries should seek partners in the others.

### *Local Market Banking Structure*

Given the Board's statutory responsibility to apply the antitrust laws so as to ensure competitive banking markets, it is critical to understand that nationwide concentration statistics are generally not the appropriate metric for assessing the competitive effects of mergers. Moreover, the extent to which mergers can increase national concentration is limited by the provisions in the Riegle–Neal Act of 1994 that amended

the Bank Holding Company Act and established national (10 percent) and state-by-state (30 percent) deposit concentration limits for interstate bank acquisitions. States may establish a higher or lower limit, and initial entry into a state by acquisition is not subject to the Riegle–Neal statewide 30 percent limit.

Beyond this, the Board has a statutory responsibility to apply the antitrust laws so as to ensure competitive local banking markets. Evidence indicates that in the vast majority of cases the relevant concern for competition analysis is competition in local banking markets. While one can identify specific local markets that have experienced increases in concentration, from 1980 through 1997, in both urban and rural markets, the average percentage of bank deposits accounted for by the three largest firms has remained steady or actually declined slightly, even as nationwide concentration has increased substantially. Essentially similar trends are apparent when local market bank concentration is measured by the Herfindahl–Hirschman Index (HHI) the sum of the squares of the market shares. Because of the importance of local banking markets, I would like to provide somewhat more detail on the implications of bank mergers for local market concentration.

Metropolitan Statistical Areas (MSAs) and non-MSA counties are often used as proxies for urban and rural banking markets. The average three-firm deposit concentration ratio for urban markets decreased 3 percentage points between 1980 and 1997. Average concentration in rural counties declined 1.7 percentage points. Similarly, the average bank-deposit-based HHI for both urban and rural markets fell between 1980 and 1997. When thrift deposits are given a 50 percent weight in these calculations, average HHIs are sharply lower than the bank-only HHIs in a given year, but the HHIs trend slightly upward since 1984. On balance, the three-firm concentration ratios and the HHI data strongly suggest that, despite the fact that there were more than 7,000 bank mergers between 1980 and 1996, local banking market concentration has remained about the same.

Why haven't all of these mergers increased average local market concentration? There are a number of reasons. First, many mergers are between firms operating primarily in different local banking markets. While these mergers may increase national or state concentration, they do not tend to increase concentration in local banking markets and thus do not reduce competition.

Second, as I have already pointed out, there is new entry into banking markets. In most markets, new banks can be formed fairly easily, and some key regulatory barriers, such as restrictions on interstate banking, have been all but eliminated.

Third, the evidence overwhelmingly shows that banks from outside a market usually do not increase their market share after entering a new market by acquisition. Studies indicate that, when a local bank is acquired by a large out-of-market bank, there is normally some loss of market share. The new owners are not able to retain all of the customers of the acquired bank. Anecdotal evidence suggests that some other banks in the market mount aggressive campaigns to lure away customers of the bank being acquired.

Fourth, it is important to emphasize that small banks have been, and continue to be, able to retain their market share and profitability in competition with larger banks. Our staff has done repeated studies of small banks; all these studies indicate that small banks continue to perform as well as, or better than, their large counterparts, even in the banking markets dominated by the major banks. This may be due, in part, to more personalized service. But whatever the reason, based on this experience, we expect that there will continue to be a large number of banks remaining in the future.

Despite a continued high level of merger activity, studies based on historical experience suggest that in about a decade there may be about 3,000 to 4,000 banking organizations, down from about 7,000 today. Although the top ten or so banking organizations will almost certainly account for a larger share of banking assets than they do today, the basic size distribution of the industry will probably remain about the same. That is, there will be a few very large organizations and an increasing number of smaller organizations as we move down the size scale. It seems reasonable to expect that a large number of small, locally oriented banking organizations will remain. Moreover, size does not appear to be an important determining factor even for international competition. Only very recently have U.S. banks begun to appear, once again, among the world's twenty largest in terms of assets. Yet those U.S. banks that compete in world markets are consistently among the most profitable and best capitalized in the world, as well as being ranked as the most innovative.

Finally, administration of the antitrust laws has almost surely played a role in restricting local market concentration. At a minimum, banking organizations have been deterred from proposing seriously anticompetitive mergers. And in some cases, to obtain merger approval, applicants have divested banking assets and deposits in certain local markets where the

merger would have otherwise resulted in excessive concentration.

Overall, then, the picture that emerges is that of a dynamic U.S. banking structure adjusting to the removal of long-standing legal restrictions on geographic expansion, technological change, and greatly increased domestic and international competition. Even as the number of banking organizations has declined, the number of banking offices has continued to increase in response to the demands of consumers, and measures of local banking concentration have remained quite stable. In such an environment, it is potentially very misleading to make broad generalizations without looking more deeply into what lies below the surface. In part for the same reasons that make generalizations difficult, the Federal Reserve devotes considerable care and substantial resources to analyzing individual merger applications.

## *Federal Reserve Methodology for Analyzing Proposed Bank Mergers*

This section of my statement discusses in some detail the Board's policies and procedures for evaluating proposed bank mergers and acquisitions.

### *Competitive Criteria Reviewed in Mergers*

While competition in the banking industry is, and likely will remain, robust despite bank merger activity, some individual bank mergers affect individual local markets. When considering the competitive effects of a proposed bank acquisition, the Board is required to apply the competitive standards contained in the Sherman and Clayton Antitrust Acts.

The Board's analysis of competition begins with defining the geographic areas that are likely to be affected by a merger. Evidence suggests that small businesses and households tend to obtain their financial services in their local area. With this basic local market orientation of households and small businesses in mind, the staff calculates bank market shares and a local market index of concentration, the HHI, which is widely accepted as a sensitive measure of market concentration. The resulting market share and both the level and change in the HHI are also key elements of the Department of Justice merger guidelines. The Board relies on these guidelines as a preliminary screen of proposed mergers. If the resulting market share and the level and change in the HHI are within Justice Department guidelines, there is a presumption that the merger is acceptable on competitive grounds, but if they are not, a more thorough economic analysis is required. These guidelines are not applied mechanistically, because there are other factors that may influence competition. These factors may vary from case to case and market to market. Some of these factors are described below.

- Potential competition, or the possibility that other firms may enter the market, may be regarded as a significant procompetitive factor.
- Thrift institution deposits are now typically accorded 50 percent weight in calculating market shares and HHIs. A higher percentage may be applied if thrift institutions in the relevant market look very much like banks, as indicated by the substantial exercise of their transactions account, commercial lending, and consumer lending powers.
- Competition from other depository and nonbank financial institutions may also be given weight beyond that already given within the framework of the merger guidelines. Added weight is appropriate if such entities are particularly important in providing substitutes for the basic banking services used by most households and small businesses.
- If the bank being acquired is not a reasonably active competitor in a market, its market share might be given a smaller weight in the analysis of competition than otherwise.
- If the firm to be acquired is located in a declining market, this may be viewed as mitigating adverse structural effects.
- Competitive issues may be reduced in importance if the bank to be acquired has failed or is about to fail. In such a case, it may be desirable to allow some adverse competitive effects if this means that banking services will continue to be available to local customers rather than be severely restricted or perhaps eliminated.
- A very high level of the HHI could raise questions about the competitive effects of a merger even if the *change* in the HHI is less than the Justice Department criterion.
- Economies of scale are considered to be a positive factor in appropriate cases unless the economies could be achieved in a less anticompetitive manner.
- Finally, other factors unique to a market or firm would be considered if they are relevant to the analysis of competition.

When a merger cannot be justified using any of the criteria I have just outlined, some applications are approved only after the applicant proposes divestiture of offices to remedy competition problems.

### *Safety and Soundness Criteria*

In acting upon merger applications, the Board is required to consider financial and managerial resources and the future prospects of the firm. In doing so, the Board's goal is to promote and protect the safety and soundness of the banking system, and to encourage prudent acquisition behavior. Indeed, except in very special circumstances, usually involving failing banks, the Board will not approve a merger or acquisition unless the resulting organization is expected to be strong and viable.

The Board expects that holding company parents will be a source of strength to their bank subsidiaries. In doing so, the Board generally requires that the holding company applicant and its subsidiaries be in at least satisfactory overall condition, and that any weaknesses be addressed before Board action on a proposal. The holding company applicant must be able to demonstrate the ability to make the proposed acquisition without unduly diverting financial and managerial resources from the needs of its existing subsidiary banks.

These general principles apply regardless of the size or type of acquisition—banking or nonbanking. The financial and managerial analysis of an application includes an evaluation of the existing organization, including bank and nonbank subsidiaries, the parent company, and the consolidated organization, as well as an evaluation of the entity to be acquired. Also included in this analysis are the financial and accounting effects of the transaction, that is, the purchase price, the funding and sources thereof, and any purchase accounting adjustments. Numerous factors are analyzed for strengths and weaknesses, including earnings, asset quality, cash flow, capital, risk management, internal controls, and compliance with law and regulation.

### *Community Reinvestment Act Criteria*

The Community Reinvestment Act (CRA) requires that supervisory agencies assess each insured depository institution's record of safely and soundly meeting the credit needs of its entire community, including low- and moderate-income neighborhoods. The CRA performance of banking organizations that seek the Board's approval to acquire a bank or thrift is an important part of the "convenience and needs" criteria that must be considered by the Board.

In making its judgment, the Board pays particular attention to CRA examination findings. In recent years, these examinations have focused more on hard measures of performance, rather than just efforts, and they provide a key source of information about the institution's record. The law now requires that these examinations reflect a state-by-state and MSA-by-MSA evaluation, and this will be particularly helpful in judging the performance of large organizations. In addition, the public may comment during the processing of the application, and this is often an important additional source of insight. Besides analyzing these comments, our staff prepares extensive documentation concerning the institutions involved, including analysis of projected branch closings, the record of service as reflected in Home Mortgage Disclosure Act data, and other material.

The Board expects that banking organizations that apply for mergers and acquisitions will have policies and procedures that are working well to address their CRA responsibilities. This is commonly understood by prospective applicants, and large organizations have typically committed substantial resources toward building an acceptable record. Nevertheless, we scrutinize all the data available to us very carefully, as reflected in the Board's orders, which often focus in large part on CRA and related matters. In short, ensuring that CRA records are consistent with approval is a very significant part of the Board's consideration of these cases.

## *The Supervision of Large, Complex Banking Organizations*

It is clear that mergers of very large financial institutions and future, unknown combinations of large U.S. banking and financial institutions raise questions about how such giant organizations can or will be supervised. To be sure, supervising large or diversified institutions presents challenges to the Federal Reserve in its oversight of bank holding companies. More coordination, for instance, has been and will be needed throughout the Federal Reserve System to ensure that such diverse, nationwide institutions receive effective and efficient oversight. In some cases, we must also do more to coordinate with other supervisory authorities, both banking and nonbanking, domestically and abroad. These challenges are not unexpected and, indeed, were recognized with the advent of full interstate banking and the continued trend of consolidation within the U.S. and international banking systems. We have, for example, had in place for some time formal efforts to coordinate state and federal supervisory activities to provide more effective oversight of state-chartered banks with interstate activities and to do so with minimum burden to the supervised institutions.

The emergence of very large, nationwide and multiproduct financial firms also requires that we review and revise our staffing requirements to ensure that personnel are properly located and sufficiently trained. Developing and maintaining sufficient numbers of examiners and supervisory personnel with expertise in understanding and evaluating derivatives, trading, and other capital market activities, for example, has been and remains a challenge. These activities can be complex and are becoming ever more important elements of large U.S. banking organizations. Individuals familiar with them are in wide demand.

To the extent possible, the Federal Reserve will continue to rely on the supervisory and regulatory activities of other agencies, as we do now with the evolving, yet more traditionally structured, bank holding companies of today. But the rapidly changing nature of the U.S. banking and financial system requires that administrative and managerial considerations receive prompt and perhaps heightened attention. The Board believes that both the existing supervisory structure and the provisions of H.R. 10 would accommodate an adequate supervisory and regulatory process in the environment that is taking shape.

As this committee knows, the supervisory practices of the Federal Reserve, and of the other U.S. banking agencies as well, have evolved in recent years toward a "risk focused" approach: one that emphasizes the importance of an institution's risk-management policies and procedures, its risk-measurement and information systems, and its internal controls. While reviewing asset quality clearly remains important, less emphasis than before is placed on the current condition of an institution's balance sheet, particularly in the case of large, internationally active organizations. It places increased reliance and supervisory focus on the role of senior management and boards of directors—that is, on the adequacy of corporate governance and the management and control process. Indeed, that is properly where the primary responsibility and focus must reside. Moreover, for many of the new instruments, such as derivatives, we have increasingly relied on market discipline and disclosure and have been impressed with their effectiveness. This approach has become necessary, we believe, in response to technological and financial innovations and to the growing complexity, transaction volume, and increased pace in world financial markets today.

As the Federal Reserve has found in revamping its own supervisory policies and practices, many of the fundamental principles of sound risk management that apply to traditional activities of banks also apply to those of securities firms and to the activities of many other financial and nonfinancial firms. Joint statements on sound practices issued in recent years by the Basle Committee on Bank Supervision and the International Organization of Securities Commissions help to underscore that point. Similarly, many of the oversight and capital adequacy concerns of the Federal Reserve and other bank regulators are shared by regulators of other financial institutions. Through efforts of the Joint Forum on Financial Conglomerates, which includes regulators for banking, securities, and insurance industries worldwide, we are working to develop frameworks for adequate supervision and regulation of complex internationally active financial institutions. By emphasizing critical aspects of risk management through our supervisory process and working with other agencies as well, the Federal Reserve is, and can remain, sufficiently positioned, we believe, to provide continued "umbrella" oversight to the consolidated activities of banking organizations.

Importantly, H.R. 10 recognizes the need for consolidated supervision in effectively supervising financial conglomerates. H.R. 10 also recognizes the effectiveness of the holding company framework in helping to insulate depository institutions and the federal safety net from the risks of new activities, and that the holding company framework better accommodates effective functional regulation of activities that are already heavily regulated.

H.R. 10 preserves the Board's authority, as the consolidated supervisor, to obtain information from and to examine financial holding companies and their subsidiaries, and to establish capital standards on financial holding companies as appropriate. The bill also retains the Board's authority to take administrative actions to preserve the safety and soundness of depository institutions in a financial conglomerate and to enforce compliance with the Bank Holding Company Act.

H.R. 10 does place some limitations on the Board's current authority under the Bank Holding Company Act. These changes, often grouped under the term "Fed light," are primarily in two areas. The first changes recognize that insurance companies and securities brokers and dealers are already extensively regulated. Accordingly, H.R. 10 includes sensible provisions that enhance functional regulation, require the Board to use examination reports of other functional regulators, improve coordination and information sharing among supervisors, and resolve potential conflicts between regulatory schemes. The bill would retain the Board's authority to take administrative actions, including examining a functionally regulated

affiliate, where the Board has reasonable cause to believe that an affiliate is engaged in activities that pose a material risk to an affiliated depository institution. These provisions in H.R. 10, we believe, strengthen the overall supervisory framework of the new financial services companies permitted under H.R. 10.

H.R. 10 also reduces somewhat the Board's authority in supervising companies that own only uninsured wholesale financial institutions. These provisions are based on the premise that reduced supervision of the holding company is appropriate when none of the depository institution subsidiaries of the holding company are federally insured. Importantly, the Board's supervisory authority is only adjusted and is not eliminated over this type of holding company, and the Board has full authority to examine and supervise the wholesale financial institution itself in the same manner as any other bank with access to the Board's discount window and payment system.

There are other important provisions of H.R. 10 that affect supervision. For example, H.R. 10 expressly grants the Board authority to establish prudential controls on transactions and relationships between a depository institution and any affiliate (other than a subsidiary of a depository institution) in which the prudential control may be in the public interest to avoid significant risk to the depository institution, to enhance financial stability, to enhance customer privacy, to avoid conflicts of interest, or to promote national treatment among foreign and domestic institutions. The Board believes that this is a key provision that would enhance the separation afforded by the holding company structure and better limit the expansion of the federal safety net to new nonbank affiliates.

It is the strong belief that the benefits of the federal safety net and the obligation of the taxpayer should not be extended to new activities that motivates the Board to oppose expanding the new affiliation authority to subsidiaries of depository institutions. Problems experienced at an affiliate of a depository institution are more readily addressed by prudential controls than problems that arise at a subsidiary of the depository institution.

A holding company subsidiary is not part of a depository institution. A subsidiary of a depository institution, on the other hand, has always been considered to be a department of the bank and, more important, under generally accepted accounting principles (GAAP) is consolidated into the financial statements of the parent depository institution. This may seem like a technical point, but it is a very significant difference. No matter what accounting regime may be included in H.R. 10, generally accepted accounting principles will govern all public reports of depository institutions that seek funding in the market. Under GAAP, the financial statements and the capital of a parent depository institution must fully reflect the financial condition, capital and losses of its subsidiaries.

Prudential controls, even if supplemented by capital deductions for purposes of regulatory reporting requirements, are not sufficient to limit the impact of losses at a subsidiary because the capital of the depository institution parent is directly exposed to, and must reflect, the losses experienced by its subsidiaries. Thus, losses experienced by a subsidiary directly jeopardize the financial condition of the parent depository institution.

Moreover, subsidiaries of depository institutions directly benefit from and place at risk the federal deposit insurance funds and the guarantee of the taxpayer. The Board believes that it would be a mistake to consider that a subsidiary of a depository institution can be effectively insulated from its parent depository institution in the same way that an affiliate can be separated from the depository institution. For these reasons, the Board strongly opposes provisions that would broaden the authority of subsidiaries of depository institutions.

Aside from the issue that bank operating subsidiaries raise with respect to expansion of the nation's sovereign credit, and on which the Board feels strongly, an issue is emerging with respect to our ability to supervise the complex institutions that would arise if the current trend in bank mergers and acquisitions continues and if the operating subsidiary authority is expanded. In particular, if in the future the central bank did not have the understanding and adequate supervisory authority to engage giant financial institutions during a systemic crisis, the Federal Reserve would be seriously impaired in its ability to meet its statutory responsibility to maintain the stability of the financial system. Put differently, while the economic desirability and efficiency of large financial institutions is primarily up to their shareholders and customers, the effect of such institutions on systemic stability is very much a public policy concern. And when it comes to controlling systemic risk, the central bank must be able to play a substantive role.

More generally, a critical question raised by the creation of very large and diverse banking organizations relates to the potential effect of future banking problems on systemic risk and the federal safety net. Research supports the view that more geographically diversified firms exhibit, other things equal, less risk. Geographically diversified firms are less dependent

upon the economic fortunes of any one locality, region, industry, or group of industries. In addition, such firms are not dependent upon a limited area for their core deposits, thereby helping to ensure a more stable source of funds. But the issue of systemic risk clearly highlights the importance of developing and maintaining adequate laws, regulations, and supervisory structures that are sufficiently compatible with the banking and financial system we have. It seems important to emphasize, at this point, that "bailouts" and concepts of "too big to fail" can be easily misunderstood and misconstrued.

The point, it seems, relates to one's view of bank failures and bailouts. Whom should the safety net protect? Certainly not shareholders or responsible directors or senior managements. These individuals should clearly lose their investments or jobs when banks fail. And, over time, pieces of any organization, no matter how large, can be sold and the total firm reduced in size. The public policy objectives are to protect the financial system and insured depositors, and to resolve banking problems in an orderly way. Moreover, with passage of the Federal Deposit Insurance Corporation Improvement Act of 1991, the Federal Reserve and the FDIC are strictly limited in their abilities to provide liquidity or financial assistance to weak banks and potential acquirers, no matter what their size. By enacting this legislation, the Congress made clear its intent to ensure that discount window lending extends only to solvent institutions or to weak banks only for relatively short periods of time. For its part, the FDIC must resolve bank failures using the "least cost" approach. And the circumstances under which the least cost approach can be relaxed are rather severe. In sum, we believe the structure currently in place in the United States to address weak or failing banking institutions provides an adequate balance of discipline and flexibility to resolve future problems.

## *POTENTIAL IMPLICATIONS OF BANK MERGERS*

The rapid rate of bank mergers has raised a number of questions regarding the potential effects of banking consolidation on those consumers whose demands for banking services are primarily local in nature and on the performance of the merged banks.

### *Effects of Mergers on Locally Limited Customers*

Historically, banking in the United States has had a distinctly local flavor with many communities served by locally owned institutions. The prospect of loss of these local ties is troubling to many. Moreover, this is occurring at the same time as banks are unbundling and explicitly pricing individual services that were not previously priced separately. The combination of new fees and the specter of more impersonal service has, quite understandably, raised widespread concerns.

We do not wish to minimize these concerns. However, there are two reasons to hope the impact will be modest: (1) many mergers have not been between banks operating primarily in the same local banking markets and (2) the effects of intramarket mergers can be, and thus far have been, limited by both market forces and antitrust constraints on such mergers. As a consequence, customers should still enjoy the benefits of competition.

#### Competition

Even in those places in which in-market mergers have occurred, evidence to date suggests that the effect on competition has on average not been substantial. This, of course, does not mean that users of bank services will never be harmed by mergers. No policy can guarantee that result. But the trends in local market concentration I discussed earlier indicate that market forces and the Board's application of antitrust standards to within-market merger applications generally have preserved competition. In addition, the Board's policies have almost certainly discouraged some potential bank mergers before an application was ever filed. Moreover, many urban markets could see a relatively large number of in-market mergers before antitrust guidelines would be violated.

#### Branch Closings

In-market bank mergers often lead to some branch closings, raising concerns that consumer convenience may be harmed. Indeed, the possibility of branch closings is often one of the more controversial aspects of a proposed merger. Branch closings and their impact on the convenience and needs of the local community are, of course, one of the key factors reviewed in a bank's CRA examination, and thus are carefully considered by the Board in our evaluation of a proposed merger. In particular, we review very carefully the impact on low- and moderate-income communities. In addition, Board staff have recently been examining the effect of bank mergers on office

closings more generally, and I would like to summarize some of the key preliminary findings.

Board staff investigated relationships between bank mergers and changes in the number of banking offices, looking separately at rural and urban markets. This research indicates that mergers between institutions operating in the same local market have tended to be associated with reductions in the number of banking offices in neighborhoods served by the bank being acquired. The strongest relationships are observed in neighborhoods in which the merging institutions both had offices. However, these effects were partially offset by office openings by competitors, either *de novo* or through the acquisition of divested offices of the merged firms. Moreover, looking at the nationwide data, the observed relationships between mergers and office closings do not appear to be systematically different between low- and moderate-income areas and other localities.

These results suggest that the issue of office closings is more complex than is frequently portrayed. Offices in markets served by both of the merging firms tend to be reduced, perhaps in an effort by the merged firms to achieve operational efficiencies. Low- and moderate-income neighborhoods do not appear to be disproportionately affected by such closings. Importantly, new entrants tend to partially offset the merger-induced reduction in banking offices, suggesting that, as new profit opportunities arise, other firms will come in. Moreover, the exploitation of such opportunities is much easier today than even two years ago before the full implementation of interstate banking. Put differently, if consumers demand locational convenience, banks of all sizes will need to, and are now able to, respond if they expect to remain viable competitors for retail customers.

### Small Business Lending

An often-expressed concern with bank mergers, and especially with mergers involving very large banks, is that small business lending will be impaired. This concern springs in part from some research that indicates that, on average, large banks devote relatively modest portions of their portfolios to small business loans and that consolidations involving large banking organizations tend to result in reduced small business lending.

Such results, however, likely provide a misleading picture of the effects of mergers on small business lending. A deeper evaluation suggests that it is far from clear that small business lending is, on net and after a transition period, harmed in any significant way. For example, a study that examined the reactions of other banks in markets in which mergers occurred found that increases in the supply of small business lending by these other banks tend to offset much, if not all, of any initial negative effects of mergers on small business lending. Indeed, when mergers of large banks are announced, it is quite common to read press reports of other in-market banks' expectations of taking business away from the newly formed entity.

New profit opportunities in small business lending may also encourage the creation of other new banks. In fact, it is not uncommon for some of the loan officers of an acquired bank to leave and form their own bank. Further studies suggest that new banks, regardless of why they were formed, tend to lend larger portions of their assets to small businesses than do even other small banks of comparable size.

Over the long term, at least two factors are likely to improve the prospects for small business finance. First, rapid technological changes applied to the process of loan evaluation will, in all probability, continue to lower the cost of assessing the creditworthiness of small businesses. Indeed, we see this process at work today in the increasing use of credit scoring techniques in evaluating the extension of relatively small loans to small businesses. Significantly, credit scoring technology has the potential to allow banks located outside local markets to compete against within-market institutions for small business lending. A second important factor is the role of nonbank lenders in small business finance. Such lenders have traditionally played an important role in small business finance, and in the future, such firms are likely to be an increasingly important source of funds for small businesses.

### Community Lending

As yet, there are no studies of the effects of mergers on community lending comparable to the studies done for small business lending. However, I suspect that mergers—large or small—do not have negative effects on community lending. Given prior commitments often made by acquirers, mergers may even have a positive effect, and the merger application process provides an opportunity for discussion of community needs. In addition, if there are profitable opportunities—as I believe there are in community lending—it seems reasonable to expect that those same market forces that provide for small business loans (and new bank offices) would also operate in the market for community lending after mergers.

Moreover, large institutions have the experience, expertise, and resources that enable them to be quite active and innovative in the community development process. Larger institutions are often at the forefront of efforts to develop affordable home mortgage programs and small business and microenterprise financing programs, and they provide considerable resources to support both local and national nonprofit intermediaries that focus on lower income areas. In addition, the core of a bank's CRA evaluation is the adequacy of its community-based lending programs, the record of which is reviewed frequently and especially whenever a bank is involved in a merger.

### Bank Fees

The level and variety of bank fees is another concern frequently voiced over bank mergers. We are not aware of any studies that have looked specifically at the effects of mergers on the level of fees that banks charge their customers. A few findings, however, have some relevance to the question of how mergers might affect fees. There is evidence that larger banks charge higher fees than smaller banks, but a study that investigated this issue in more detail found that this differential appeared to be due to the disproportionate presence of larger banks in large urban areas, in which costs tend to be higher. There is substantial evidence that banks that are part of multistate organizations tend to charge higher fees in general than do banks that are not, and this difference cannot be explained by locational factors.

## *Effects of Mergers on Bank Performance*

Federal Reserve System staff and others have conducted numerous studies over many years on the effects of bank mergers and acquisitions on bank performance. Some of these studies have focused on the effect of mergers on bank profits and prices, while others have looked at the potential for cost savings and efficiencies derived from mergers.

Of those studies concerned with profits and prices, some have examined the effects of mergers directly, although most studies have approached this issue more indirectly by considering how bank profits and prices differ across banking markets. Each type of study is relevant to an assessment of the impact of bank mergers on performance.

Studies of differences in bank profitability across markets with varying degrees of concentration represent the oldest type of study relevant to the issue. Typically, such studies have found that banks operating in more concentrated markets exhibit somewhat higher profits than do banks in less concentrated markets. These higher profits may reflect the lesser degree of competition in more concentrated markets.

Other studies have looked across banking markets for differences in the prices that banks charge or pay their loan and deposit customers. For the most part, such studies have found that banks located in relatively concentrated markets tend to charge higher rates for certain types of loans, particularly small business loans, and tend to offer lower interest rates on certain types of deposits, particularly transactions accounts, than do banks in less concentrated markets. In general, these studies support the need to maintain antitrust constraints if locally limited bank customers are to continue to receive competitively priced banking services.

A related issue is whether mergers lead to greater bank efficiency and thus a healthier, more competitive banking firm. Studies that are relevant to the effect of mergers on bank efficiency may be divided into those that do and those that do not look directly at the effects of mergers.

A large number of studies have sought to determine whether larger banking organizations exhibit lower average costs than do small organizations. Although most earlier studies found weak evidence of scale economies, recent research using data from the 1990s finds that cost advantages of large firms exist for banks up to about $10 billion to $25 billion in assets. In one study, significant scale economies existed within each of several size classes of banks, from less than $50 million in assets to more than $10 billion. Thus, simply by achieving larger size, many bank mergers may have the potential to yield greater efficiency.

In addition to scale economies, there is some evidence that, after mergers, banks may reallocate their internal resources to more profitable activities than smaller banks. As I indicated earlier, there is also some evidence that geographic diversification by banks is associated with a reduced level of risk, and thus there is the potential for improved safety and soundness.

Another strand of research has attempted to discover whether there are important differences in the efficiency with which banks use inputs to produce a given level of services. These studies, which essentially focus on the efficiency effects of management skills, suggest that some banks, both large and small, are just a lot better than others at using their inputs, such as labor and capital, in a productive way. In addition, they suggest the potential for substantial

efficiency gains from mergers if management would move toward best industry practices, although this could presumably be achieved without a merger.

In the past several years, numerous researchers have sought to determine whether past mergers have resulted in cost savings. If so, this could be good for bank customers as well. Many such studies examine expenses before and after the merger and, in some cases, compare them to the same changes observed concurrently in banks that did not participate in mergers. Other research has examined how the stock market reacted to merger announcements. Most of these studies have not found evidence of efficiency gains from mergers. Evidence on the relative efficiency of acquiring and acquired firms is mixed. Let me emphasize that most of these studies are based on many mergers and thus provide the basis for statistically valid generalizations.

A fairly recent set of case studies by Board staff examined nine bank mergers that were selected for study because they were of the type that seemed most likely to yield efficiency gains. These involved large banks generally with substantial market overlap, and most occurred during the early 1990s, a time when efficiency was receiving a lot of attention in banking. The studies found clear evidence of efficiency gains in only four of the nine mergers but significant cost cutting in all nine. Finally, on the issue of efficiency, in the evolving world of high technology and global markets for corporate banking, there is greater emphasis on efficiency in order to survive. This factor has probably played a role in the efficiency gains realized in some of the individual recent large mergers.

### *The Affiliation of Banks and Nonbanks and the Need for Legislative Reform*

The Bank Holding Company Act also applies to the acquisition of nonbanking companies by bank holding companies. These provisions have been the focus of much speculation in recent weeks, so I think it is important to take a moment to discuss what these provisions say. As an initial matter, the Bank Holding Company Act contemplates that companies that are not now bank holding companies and that have made investments that are not permissible for bank holding companies will decide to acquire a bank and thereby become a bank holding company. To address this situation, the Bank Holding Company Act specifically provides that a company may retain, for a period of two years, any investment that the company has on the day before it becomes a bank holding company. The Bank Holding Company Act states that the Board may extend this two-year period for up to three one-year periods if, at the time of each extension, the Board finds that an extension "would not be detrimental to the public interest."

This provision was more commonly relied on in the past, when larger numbers of companies were registering as bank holding companies subsequent to passage of the 1970 amendments to the Bank Holding Company Act. Nonetheless, it is still the law today.

Nonbanking provisions of the Bank Holding Company Act highlight one of the key reasons why H.R. 10 is important legislation. As recently announced proposals are demonstrating, the marketplace believes that consumers and shareholders would benefit from the combination of firms that provide financial services beyond those permitted under the current Bank Holding Company Act. Indeed, the Board has long supported legislative change that would allow all types of financial service providers to exist under one roof *within* the holding company framework.

To be sure, current law permits a wide range of mergers among financial service providers. The combining of securities and brokerage firms with banks is a prime example. In this regard, it is noteworthy that since early last year bank holding companies have either purchased or announced their intention to purchase at least twenty-four securities firms.

The fact remains, however, that current law does not permit the combination of all types of financial services providers, and even those deals that have already been announced cannot reach their full potential without legislation that broadens the ability of depository institutions to affiliate with insurance companies, securities firms, and other financial services suppliers. Thus, the Board remains a strong supporter of financial modernization legislation and urges the Congress to pass H.R. 10.

H.R. 10 effectively addresses the need for financial modernization by allowing the affiliation of depository institutions, insurance companies, securities firms, and other financial services providers. Critically, H.R. 10 allows broader affiliations within a framework that provides the best insulation of insured depository institutions from the risks of broader affiliations, restrains the expansion of the federal safety net to these new affiliates, and assures a level playing field for companies affiliated with depository institutions and companies that are independent of depository institutions.

As I discussed at some length earlier in my statement, H.R. 10 also includes key measures that pro-

vide for meaningful but controlled umbrella supervision of financial holding companies and that preserve and enhance the functional regulation of insurance companies, securities firms, depository institutions, and other regulated companies within the financial holding company. In addition, H.R. 10 includes provisions designed to enhance consumer protection and to improve disclosure of the distinction between insured deposits and uninsured investment products.

H.R. 10 provides effective limits on the mixing of banking and commerce, all of which should be retained. Indeed, we would prefer smaller limits for now. The mixing of commerce and banking has the potential of spreading the federal safety net subsidy over a wide range of activities, and of undermining the safety and soundness of insured banks. With the prospect of financial services holding companies with greater than $1 trillion in assets on the horizon, the Board continues to urge caution in addressing the removal of the current legal barriers between commerce and banking. Restricting large financial conglomerates to generating only 5 percent of their revenues from nonfinancial businesses would still allow such conglomerates the possibility to purchase any one of all but the top 250 nonfinancial companies from the current universe of nonfinancial firms. A large financial conglomerate could own literally hundreds of nonfinancial entities without hitting the percentage restrictions incorporated in H.R. 10 because such restrictions are simply not very meaningful in a world of giant financial institutions. Thus, it is critical that H.R. 10 retain its ongoing $500 million cap on the dollar amount of revenues that can be generated by nonfinancial businesses. The Board strongly believes that now is not the time to modify such a fundamental structural rule as the separation of banking and commerce. There will be ample opportunity to revisit this issue in the future once the market has adjusted to financial modernization legislation and there has been some assessment of its value.

### *CONCLUSION*

The recent wave of large bank mergers and merger announcements reflects to a large degree a natural response to new opportunities for geographic expansion and diversification as legal restrictions are removed. The industry is moving away from a legally fragmented banking structure toward a nationwide banking structure. The search for cost economies, pressures brought by increased domestic and international competition, and efforts to respond to the ongoing blurring of distinctions between different types of financial services are other important motivating factors for the current merger movement.

The increased pace of bank mergers since the early 1980s has greatly reduced the number of U.S. banking organizations and resulted in a substantially higher nationwide concentration of banking assets. However, concentration in local banking markets, which is normally considered most important for the analysis of possible competitive effects, has remained virtually unchanged. In addition, there continues to be substantial new bank entry. In short, the U.S. banking structure is highly dynamic, and sweeping generalizations are extremely difficult to make.

The dynamic nature of U.S. banking means that analysis of the potential competitive, safety and soundness, convenience and needs, and CRA effects of individual bank merger proposals must be done on a case-by-case, market-by-market basis. The Federal Reserve devotes considerable resources to this end and has well-developed policies and procedures within the context of existing law. However, the rapid pace of change in the American banking and financial systems, and particularly the large size of some institutions, create a number of major challenges. These challenges are particularly complex in the supervisory area. In recent years, the Federal Reserve has moved to put increased focus on an institution's risk management and corporate governance practices, as well as discipline imposed by counterparts themselves, and has sought to move supervisory practice forward in the international arena. While we believe that the current mechanisms for addressing weak or failing banking organizations of any size are adequate, this is clearly an area that will receive continued intense attention.

To date, the available evidence suggests that recent mergers have not resulted in substantial adverse effects on the vast majority of consumers of banking services. It is certainly possible that some customers have been disadvantaged by some mergers. And mergers can no doubt be very disruptive to bank employees as functions are consolidated and reorganized. But research on the effects of mergers on branch closings and small business loans suggests that, while mergers may initially result in some branch closings and possibly some reduction in small business loans, market responses tend to offset much, and sometimes all, of these effects.

It seems clear that substantial harm to consumers would occur if mergers were allowed to decrease competitive pressures significantly. However, market developments and the removal of geographic restrictions on bank entry into new markets have signifi-

cantly lessened the chances for anticompetitive effects. In addition, the antitrust standards enforced by the bank regulatory agencies and the Department of Justice have helped to ensure the maintenance of competition.

The evidence on whether bank mergers result in performance and efficiency gains is mixed. Greater geographic diversification appears to result in improved performance, including the potential for greater safety and soundness. And recent evidence on economies of scale indicates that such economies may be achieved by banks of up to moderate but certainly not giant size. Some mergers lead to improved efficiency, but others do not. Research does suggest that the potential for substantial efficiency gains is there if well-managed firms take over and change the management practices of inefficient banks. Given the continuing pressures for cost minimization in banking, it seems plausible to argue that some of this potential will be realized in the future.

The ongoing and rapid pace of change in the banking and financial services industry reinforces the need for financial modernization legislation. The Board believes that H.R. 10 provides a sound framework for achieving such modernization and urges the Congress to move expeditiously on this matter.

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*Statement by Edward M. Gramlich, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Human Resources of the Committee on Government Reform and Oversight, U.S. House of Representatives, April 29, 1998*

I am pleased to appear before you to discuss improving the consumer price index (CPI). I begin by thanking this subcommittee for holding today's hearing and for its past work in examining the issue of bias in the CPI. Although these issues are difficult and complex, your demonstrated interest has helped keep the focus on ways to improve the index further.

The consumer price index plays a central role in many aspects of private and public decisionmaking: The CPI is the key price measure for indexation of federal spending and tax programs, and many contracts in the private sector are linked to the CPI. In addition, the CPI is used for inflation-adjusting the Treasury's indexed bonds, which help to provide a reading on expectations of future inflation and on real interest rates. The CPI is also among the inflation measures examined in the conduct of monetary policy. Thus, it is essential that the nation strive for as accurate a measure as possible.

In that regard, the Bureau of Labor Statistics (BLS) has made laudable progress in the past several years. Sample rotation problems that were uncovered by BLS researchers have largely been eliminated. The measurement in the categories of rent, computers, pharmaceuticals, and health care services has been improved. Looking ahead, the recently announced decision to apply the geometric-mean aggregation procedure should largely rectify so-called lower-level substitution bias. The shift in emphasis from geography to product categories for sample rotation provides an opportunity for the BLS to ameliorate some of the bias associated with new goods, provided that it actively rotates the sample for products undergoing rapid innovation. But while these steps are impressive, the hard work must continue if the CPI is to keep up with an ever-changing economy.

The hearings that this subcommittee held last year on the CPI provided a very clear summary of the arguments surrounding some of the difficult measurement problems confronting the BLS and the range of professional opinions concerning the quantitative significance of those problems. A useful categorization divides these issues into two parts. The first relates to the formula used by the BLS for building up the overall CPI from the individual prices collected by field representatives. Although these issues are quite technical, they are fairly well understood by the BLS and by economists outside the statistical agencies. The second set of issues concerns the individual prices themselves and, in particular, how these prices are adjusted to account for quality change and the introduction of new goods. These issues are extremely difficult—both conceptually and practically—and there is much less consensus about the quantitative significance of the bias associated with new goods and quality change. Research into all of these questions has continued over the past year, but, to my knowledge, there have been few major developments that would alter significantly the opinions voiced by the witnesses at last April's hearing.

### *IMPROVING THE CPI*

Rather than rehash arguments surrounding the difficult and controversial aspects of price measurement related to new goods and quality change, a more useful approach might be to seek common ground among the participants in this discussion. This means pushing forward where there is greater agreement on the set of issues related to the aggregation formulas used to build up the CPI. As some have put it, we

should first go after the "low-hanging fruit" on our statistical trees. In that regard, a striking aspect of the hearings that the subcommittee held last year was the virtual unanimity that a price index that tracks the cost of purchasing a *fixed* market basket of goods and services, such as the CPI now does, represents an upper bound on changes in the true cost of living. I doubt there exists a professor teaching microeconomics who does not routinely demonstrate this characteristic of fixed-weight price indexes to his or her classes. The reason is that consumers respond to changes in relative prices by altering the composition of their purchases, and this response lowers the cost to them of the price changes.

Consider a couple of examples. If chicken goes on sale, some consumers would buy more chicken and less beef or pork. Also, as computer prices have fallen dramatically in recent years, consumers have increased their purchases of computers. At present, however, the market basket used in constructing the CPI changes only once every ten years. Although the BLS has just updated this market basket, the current methodology for the CPI will lock this market basket in place for the next decade, implying that consumers are assumed not to do any substitution at all over this period. Under these procedures, the CPI will fail to capture the ways in which consumers adjust their spending patterns to take advantage of changes in relative prices.

We should distinguish between two levels of substitution bias. In the discussion here, I am focusing on what has been termed "upper-level" substitution bias. Based on surveys of what consumers buy, the BLS has a list of 211 items in the typical consumer's market basket. Upper-level substitution bias arises from substitution among these items that is not captured by the CPI, such as between chicken and beef or between breakfast cereal and other breakfast items. In addition, consumers also make substitutions among different varieties of the same item in their market baskets, such as when consumers switch between different brands of breakfast cereal. By early 1999, the BLS will have largely accounted for this "lower-level" substitution when it implements a geometric-means formula to combine individual prices at the lowest level in the index.

Although the CPI as currently constructed does not account for the upper-level substitution possibilities available to consumers, indexes that do take account of such substitutions can be calculated; economists refer to them as superlative indexes because of their desirable properties. Indeed, on an experimental basis, the BLS already produces superlative indexes, but these indexes are available only with a considerable lag. In any case, using data from recent decades, several studies have constructed indexes that take full account of consumer substitution and have used these indexes as benchmarks to compare with the actual CPI. Through such comparisons, it is possible to assess the amount of bias in the CPI arising from upper-level consumer substitution. Although estimates depend on the time period considered and other particulars of these studies, this research broadly suggests that correcting upper-level substitution bias could be expected to reduce the rate of change in the CPI about 0.2 percentage point per year; for example, if the current CPI showed an increase of 2.0 percent over a year, then after having corrected for this type of substitution bias, the CPI could be expected to show an increase of about 1.8 percent. Although this might not sound large, a bias of this size compounded over many years would have marked implications for any program or contract that is linked to the CPI.

### *Reducing Upper-Level Substitution Bias*

To correct fully for upper-level substitution bias it would be necessary to know how market baskets change on a regular basis in order to capture the substitution among different items. The expenditure data required for such calculations are obtained from the Consumer Expenditure Survey. And because of collection and processing time, these data are available only with a lag, so that the figures for 1997 are not expected to be available until later this year. Thus, the data from the Consumer Expenditure Survey cannot be used to construct a "real time" price index that fully captures consumers' substitution among items. This lag is the reason BLS's experimental superlative index is produced only with a delay. But the important question should not be whether it is possible to construct a perfect index, but rather whether techniques are available for creating a monthly cost-of-living index that would represent an improvement over the CPI as currently constructed.

The answer is "yes." The Boskin Commission, which included my distinguished colleague Robert Gordon, suggested as a possible solution the use of a "trailing Tornqvist" price index. This index would use the Tornqvist index formula—which can capture substitution among items—and would update weights each year. To be operational in real time, this index would need to use lagged, or trailing, weights. For example, average weights from 1994–95 could be used for calculating 1997 changes in the cost of living. Another approach has been sug-

gested by Matthew Shapiro and David Wilcox. They have devised a so-called constant elasticity of substitution—or CES—index that appears to largely eliminate upper-level substitution bias. In contrast to the current setup that assumes no substitution among items, the class of CES indexes imposes a positive degree of substitution among all items, and alternative CES indexes would impose different degrees of substitutability. These authors searched to find the degree of substitutability that provided the closest approximation to a benchmark "superlative" index but that can be implemented on a monthly basis in real time. There may well be other approaches worthy of serious consideration to rectify the problem of upper-level substitution bias.

## *MOVING FORWARD*

To spur progress on this issue, about which there appears to be considerable agreement, one approach that this subcommittee could consider would be to commission a study of substitution bias to be undertaken by the staff of the BLS. The BLS could be asked to compare their current procedures with those that have been proposed by other researchers. Specifically, I would suggest that they determine which of these alternative approaches provides the most timely and accurate approximation to the "superlative" indexes published by the BLS, recalling that while these superlative indexes may be the "best," they are available only with a considerable lag. In evaluating the alternatives, the objective should not be to establish a "perfect" measure—such a goal is unattainable. Rather, the objective should be to produce the best measure of the cost of living that can be constructed in real time from existing knowledge and data.

At the same time, the subcommittee could recommend the establishment of a formal panel of outside experts to review the BLS's evaluation of the alternatives and to provide an independent assessment of the BLS study to the committee. The panel could also consult with the research staff of the BLS on the design of the study and the interpretation of the results. If differences remained after completion of the study, the panel of experts would provide a mechanism for independent assessment of alternative approaches that could be helpful to this subcommittee's oversight responsibilities.

## *A TWO-TRACK APPROACH*

Let me raise one further issue that would inevitably arise from such a study. Even the best real-time approximation to a superlative index would not match the superlative index that ultimately could be constructed once expenditure share data ultimately became available. To deal with this problem, the Boskin Commission suggested pursuing a two-track approach. For the first track, the BLS could continue to publish a monthly index in real time that would never be revised. This index would be much like the current CPI except that—going forward—it could be based on an aggregation formula that minimizes upper-level substitution bias. For the second track, the BLS could publish, with a lag, a superlative index that incorporated full information on changing expenditure shares and could be revised subsequently to incorporate other improvements to the CPI as well.

This two-track approach has advantages and disadvantages. On the positive side, the two-track approach would provide indexes for users with diverse needs: a never-revised index for those for whom revisions would impose operational difficulties and a second revisable index that would be the best possible measure of changes in the cost of living. On the negative side, I am concerned that the publication of two different price indexes as part of the CPI program might generate some confusion. If this confusion were judged to be a serious problem, the BLS could alternatively produce a single measure that was revised and, ultimately, incorporated all information on spending patterns in the best possible way. For example, the CPI for April could be initially constructed using one of the approximations to a superlative index that I described above, but when full data on consumer expenditure shares became available some months later, the level of the CPI for April could be revised to be an exact superlative index rather than a close approximation. Were this to be done, government and private contracts that are linked to the CPI would have to alter their indexation procedures.

Returning to my primary message, a study of substitution bias and an outside review panel hold the promise of forming the basis of a reasonable professional consensus on limited technical changes that would correct substitution bias and make the CPI a more accurate measure of the cost of living. Such a consensus is critical for maintaining public support and confidence in our statistical programs. That confidence can only be enhanced when the government is striving to develop the most accurate measures possible. □

# Announcements

## *SUSAN M. PHILLLIPS: RESIGNATION AS A MEMBER OF THE BOARD OF GOVERNORS*

Susan M. Phillips on May 4, 1998, announced her resignation as a member of the Board of Governors of the Federal Reserve System, effective June 30, 1998. Governor Phillips will join George Washington University as Dean of the School of Business and Public Management. A copy of her letter of resignation follows:

May 1, 1998

The Honorable William Jefferson Clinton
The President of the United States
The White House
Washington, DC 20500

Dear Mr. President:

I hereby submit my resignation as a Member of the Board of Governors of the Federal Reserve System, effective June 30, 1998.

It has been my honor to serve as a Member of the Board and the Federal Open Market Committee during a period of impressive growth for broad segments of the United States economy. Indeed the current expansion is remarkable for both its sustained length and the accompanying decline in the rate of inflation.

I have been privileged to work with distinguished colleagues on the Board and the FOMC under the outstanding leadership of Chairman Alan Greenspan. We have all worked diligently to accommodate significant changes to the nation's financial institutions in a manner which will not only reduce unnecessary regulatory burden but also facilitate sustainable economic growth in an increasingly complex, global and technological environment. In order for U.S. financial institutions to continue to finance economic growth, they must be able to compete both domestically and internationally. Given the significant changes and integration of the world's financial markets and of market participants, I believe that significant revisions in this country's banking laws are now required. As that process moves forward, continued involvement by the Federal Reserve as the nation's central bank in the supervision of financial institutions and the payments system will ensure that the Board is best able to contribute not only to the nation's sustained economic growth but also to financial stability.

Sincerely,

Susan M. Phillips

## *REGULATION B: AMENDMENTS*

The Federal Reserve Board on April 1, 1998, amended some model forms in its Regulation B (Equal Credit Opportunity) to reflect changes to disclosures required by recent amendments to the Fair Credit Reporting Act.

Statutory changes require that additional disclosures be given to a consumer who is denied credit based on information from an affiliate or from a consumer reporting agency. The new model forms went into effect on April 30.

## *BASLE ACCORD: AMENDMENT AND PROPOSAL FOR PRINCIPLES GOVERNING ON-BALANCE-SHEET NETTING*

The Basle Committee on Banking Supervision on April 8, 1998, issued two announcements relating to the Basle Accord, which is an international agreement setting minimum capital requirements for banks.

One announcement is an amendment to the Accord reducing the risk weight for claims on (and claims guaranteed by) certain securities firms incorporated in countries of the Organization for Economic Cooperation and Development from 100 percent to 20 percent. To qualify for the preferential risk weight, securities firms must be subject to supervisory and regulatory arrangements and, in particular, capital requirements that are comparable to those applied to banks under the Basle Accord.

In the United States this amendment, in general, would provide a reduced capital charge for claims on or guaranteed by broker–dealers registered with the Securities and Exchange Commission (SEC) and their direct subsidiaries that are subject to supervision and capital requirements. The capital requirements generally would be the SEC's net capital rule or, for securities firms operating in Europe, the European Union's Capital Adequacy Directive. Claims on the holding companies and affiliates of such broker–dealers or securities firms not subject to capital requirements generally would retain their 100 percent risk weighting. The Federal Reserve intends to

initiate a rulemaking to propose this revision to its risk-based capital rules for state member banks and bank holding companies.

The second announcement sets forth principles governing on-balance-sheet netting for capital purposes. The statement solicits industry comment by June 30, 1998.

The announcements are accessible on the Internet at the Bank for International Settlements Web site (http://www.bis.org). Comments on the netting proposal may be submitted to the Basle Supervisors Committee by fax at 011 41 61 280 9100.

## *Availability of Revised Lists of Over-the-Counter Stocks and of Foreign Stocks Subject to Margin Regulations*

The Federal Reserve Board published on April 24, 1998, a revised list of over-the-counter (OTC) stocks that meet the margin criteria in Regulation T (Credit by Brokers and Dealers). Also published was a revised list of foreign equity securities that meet the margin criteria in Regulation T. The lists were effective May 11, 1998, and supersede the previous lists that were effective February 9, 1998.

The changes that have been made to the revised OTC List, which now contains 4,852 OTC stocks, are as follows:

- One hundred sixty stocks have been included for the first time, 120 under National Market System (NMS) designation
- Fifty-three stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing
- One hundred five stocks have been removed for reasons such as listing on a national securities exchange or involvement in an acquisition.

Lenders subject to Regulation T and borrowers subject to Regulation X (Borrowers of Securities Credit) who are required under Section 224.3(a) to conform credit they obtain to Regulation T must continue to use the OTC list until publication of the next OTC list, anticipated for August 1998. An amendment to Regulation T that will make all stocks trading in the NASDAQ Stock Market marginable at brokers and dealers will be effective January 1, 1999. The Board will cease publication of the OTC list at that time.

The foreign list is composed of foreign equity securities that are eligible for margin treatment at broker–dealers. Effective July 1, 1996, foreign stocks that have a "ready market" for purposes of the net capital rule of the Securities and Exchange Commission (SEC) may be included on the foreign list. The SEC effectively treats all stocks included on the Financial Times/Standard & Poor's Actuaries World Indices (FT/S&P-AW Indices) as having a "ready market" for capital purposes. The Board is adding seventy-three foreign stocks and deleting sixty-one, based on changes to the FT/S&P-AW Indices. The revised foreign list now contains 1,942 securities displayed in order of country.

It is unlawful for any person to cause any representation to be made that inclusion of a stock on the OTC list or the foreign list indicates that the Board or the SEC has in any way passed upon the merits of any such stock or transaction therein. Any references to the Board in connection with these lists or any stocks thereon in any advertisement or similar communication is unlawful.

## *Annual Report:* Publication

The *84th Annual Report, 1997*, of the Board of Governors of the Federal Reserve System, covering operations for the calendar year 1997 is available for distribution. Copies may be obtained on request to Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551. Also available from Publications Services is a separately printed companion document, *Annual Report: Budget Review, 1998–99*, which describes the budgeted expenses of the Federal Reserve System for 1998, the Board's two-year budget for 1998–99, and income and expenses for 1996 and 1997. Both reports are also available at http://www.bog.frb.fed.us/—the Board's World Wide Web site.

## *Changes in Board Staff*

The Federal Reserve Board on May 4, 1998, announced the appointment of Lynn S. Fox as Assistant to the Board for public affairs, effective June 1. She will succeed Joseph R. Coyne, Assistant to the Board, who is retiring at the end of May. At the same time, the Board announced the appointments of Jennifer J. Johnson as Secretary of the Board to succeed William W. Wiles, who is retiring at the end of May, and Robert de V. Frierson as Associate Secretary, also effective June 1.

Before joining the Board staff in 1986, Ms. Fox, currently Deputy Congressional Liaison, worked on

banking issues for Congressman John LaFalce of New York and for the House Banking Subcommittee on Economic Stabilization. She joined the Board's staff in 1986 as Congressional Liaison Assistant, a position in which she served until 1988.

In 1990 she became Director of Corporate Relations for Harvey Mudd College in Claremont, California but returned to the Board in 1992 as Special Assistant for Congressional Liaison. She was named to her current position in 1994. She holds a B.A. in American Studies from Smith College and an M.B.A from George Washington University.

Ms. Johnson joined the Board's staff in 1975 as an attorney in the Legal Division and progressed to Senior Counsel in 1982. She left the Board in 1986 to become Vice President at Shawmut Bank, where she was later promoted to General Counsel and Secretary. She rejoined the Board in 1989 as Associate Secretary and was promoted to Deputy Secretary in 1994. She holds an A.B. in economics and sociology from Mount Holyoke College and a J.D. from the University of Pennsylvania.

Mr. Frierson joined the Legal Division as an attorney in 1987, was promoted to Senior Attorney in 1988, Managing Senior Counsel in 1991, and Assistant General Counsel in 1994. He holds a B.A. in English and a J.D. from the University of Virginia.

The Federal Reserve Board on April 7, 1998, announced major changes in the management structure of its Division of Consumer and Community Affairs, including the appointment of a new Division Director. Effective June 1 is the appointment of Dolores S. Smith as Division Director to succeed Griffith L. Garwood, who is retiring on May 31. Ms. Smith had been serving as an Associate Director of the Division.

At the same time, the Board promoted Glenn E. Loney to Deputy Director from Associate Director and named Adrienne D. Hurt and Sandra F. Braunstein to the official staff as Assistant Directors. They join Maureen P. English and Irene Shawn McNulty as Assistant Directors.

Ms. Smith joined the Board in 1975 and has been responsible for all of the regulatory work within the division since 1992 and for the Consumer Advisory Council since 1980. As Director, she will oversee the division's work in administering federal consumer protection, fair lending, and community reinvestment statutes and regulations; overseeing the examination of state member banks for compliance; participating in the bank holding company application process; directing the System's Community Affairs program; and overseeing the consumer complaint process. Ms. Smith is a graduate of the University of Texas, the Georgetown University Law Center, and the Stonier Graduate School of Banking.

Mr. Loney began his Board career in 1975 and had been Associate Director with responsibility for compliance examinations, applications processing, community affairs, and fair lending enforcement. As Deputy Director, Mr. Loney will provide operational oversight of designated functional areas (Compliance, Fair Lending Enforcement, Community Affairs, and Consumer Advisory Council) and will assist the director in overseeing all other division functions (Regulations, Consumer Complaints, Consumer Policies, Information Resources, and Administration). Mr. Loney is a graduate of Michigan State University, the University of Michigan Law School, and the Stonier Graduate School of Banking.

Ms. Hurt joined the Board in 1983 and had been serving as Managing Counsel, directing one of two units of regulatory attorneys. She has responsibility for several regulations, including Truth in Lending, Electronic Fund Transfers, and Consumer Leasing. As Assistant Director, Ms. Hurt will supervise the division's regulatory work. She holds undergraduate and law degrees from the American University.

Ms. Braunstein joined the Board in 1987. She had been serving as the Manager of the Community Affairs program. In her new position as Assistant Director, Ms. Braunstein will continue to oversee the Consumer Affairs program as Community Affairs Officer and will serve as the liaison between the Board and the Consumer Advisory Council. She is a graduate of the American University.

Ms. English will continue to have oversight responsibility for the Consumer Complaints, Consumer Policies, Information Resources, and Administration functions. Ms. McNulty will supervise the Reserve Bank Oversight, Applications, and Fair Lending Enforcement functions.

Other recent retirees from the official staff are the following:

In the Division of International Finance, Larry Promisel, Senior Associate Director, and Charles J. Siegman, Senior Adviser

In the Division of Research and Statistics, Martha Bethea, Associate Director

In the Office of Staff Director for Management, George E. Livingston, Senior Adviser, David L. Shannon, Senior Adviser, and Fred Horowitz, Adviser

In the Office of Inspector General, Brent L. Bowen, Inspector General. □

# Minutes of the Federal Open Market Committee Meeting Held on February 3–4, 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, February 3, 1998, at 2:30 p.m. and continued on Wednesday, February 4, 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
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

Messrs. Brayton[1] and Rosine,[1] Senior Economists, Division of Research and Statistics, Board of Governors

Ms. Garrett and Mr. Nelson,[1] Economists, Division of Monetary Affairs, Board of Governors

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

Mr. Rives, First Vice President, Federal Reserve Bank of St. Louis

Messrs. Beebe, Eisenbeis, Hunter, Ms. Krieger, Messrs. Lang, Rolnick, and Rosenblum, Senior Vice Presidents, Federal Reserve Banks of San Francisco, Atlanta, Chicago, New York, Philadelphia, Minneapolis, and Dallas respectively

Mr. Hetzel, Vice President, Federal Reserve Bank of Richmond

In the agenda for this meeting, it was reported that advices of the election of the following members and alternate members of the Federal Open Market Committee for the period commencing January 1, 1998, and ending December 31, 1998, had been received and that these individuals had executed their oaths of office.

The elected members and alternate members were as follows:

William J. McDonough, President of the Federal Reserve Bank of New York, with Ernest T. Patrikis, First Vice President of the Federal Reserve Bank of New York, as alternate;

1. Attended portions of meeting relating to the Committee's review of the economic outlook and establishment of its monetary and debt ranges for 1998.

Cathy E. Minehan, President of the Federal Reserve Bank of Boston, with Edward G. Boehne, President of the Federal Reserve Bank of Philadelphia, as alternate;

Jerry L. Jordan, President of the Federal Reserve Bank of Cleveland, with Michael H. Moskow, President of the Federal Reserve Bank of Chicago, as alternate;

Robert D. McTeer, Jr., President of the Federal Reserve Bank of Dallas, as voting alternate pending the election of a President of the Federal Reserve Bank of St. Louis;

Thomas M. Hoenig, President of the Federal Reserve Bank of Kansas City, with Gary H. Stern, President of the Federal Reserve Bank of Minneapolis, as alternate.

By unanimous vote, the following officers of the Federal Open Market Committee were elected to serve until the election of their successors at the first meeting of the Committee after December 31, 1998, with the understanding that in the event of the discontinuance of their official connection with the Board of Governors or with a Federal Reserve Bank, they would cease to have any official connection with the Federal Open Market Committee:

| | |
|---|---|
| Alan Greenspan | Chairman |
| William J. McDonough | Vice Chairman |
| Donald L. Kohn | Secretary and Economist |
| Normand R.V. Bernard | Deputy Secretary |
| Joseph R. Coyne | Assistant Secretary |
| Gary P. Gillum | Assistant Secretary |
| J. Virgil Mattingly, Jr. | General Counsel |
| Thomas C. Baxter, Jr. | Deputy General Counsel |
| Michael J. Prell | Economist |
| Edwin M. Truman | Economist |

Lynn E. Browne, Stephen G. Cecchetti, William G. Dewald, Craig S. Hakkio, David E. Lindsey, Larry J. Promisel, Thomas D. Simpson, Mark S. Sniderman, and David J. Stockton, Associate Economists

By unanimous vote, the Federal Reserve Bank of New York was selected to execute transactions for the System Open Market Account until the adjournment of the first meeting of the Committee after December 31, 1998.

By unanimous vote, Peter R. Fisher was selected to serve at the pleasure of the Committee as Manager, System Open Market Account, on the understanding that his selection was subject to being satisfactory to the Federal Reserve Bank of New York.

*Secretary's note:* Advice subsequently was received that the selection of Mr. Fisher as Manager was satisfactory to the board of directors of the Federal Reserve Bank of New York.

On the recommendation of the Manager, the Committee at this meeting unanimously approved two changes in the Authorization for Domestic Open Market Operations.

First, the Committee amended paragraph 1(a) of the Authorization to raise from $8 billion to $12 billion the limit on intermeeting changes in System account holdings of U.S. government and federal agency securities. The increase was the first permanent change in the limit since February 1990, when it was raised from $6 billion to $8 billion. The Manager indicated that the Committee had approved temporary increases several times during the past year and that the existence of a permanent $12 billion limit would have obviated the need for most of the increases. A permanent increase to $12 billion would reduce the number of occasions requiring special Committee action, while still calling the need for particularly large changes to the Committee's attention. The Committee concurred in the Manager's view that a $4 billion increase was appropriate.

Second, the Committee terminated the Manager's authority to conduct transactions in bankers acceptances. This involved the deletion of paragraph 1(b), which authorized purchases or sales of prime bankers acceptances in the open market, and also the deletion of the reference in paragraph 1(c), which authorized repurchase agreements in such market instruments. The Manager indicate that operations in bankers acceptances were not a practical means of affecting reserves under current circumstances, given the ample availability of U.S. Treasury obligations in the market. Indeed, the Committee previously had decided in 1977 to suspend transactions on an outright basis in bankers acceptances and had completed the System's disengagement from this market in 1984 by instructing the Manager to discontinue the use of repurchase agreements involving bankers acceptances. While those decisions had left open the possibility of resuming transactions in bankers acceptances and no changes had been made in the Authorization, the Committee agreed that the existing authority no longer served a practical purpose. Accordingly, the amended Authorization for Domestic Open Market Operations was unanimously approved in the form shown below.

### *AUTHORIZATION FOR DOMESTIC OPEN MARKET OPERATIONS*

*Amended February 3, 1998*

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 $12.0 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) To buy U.S. Government securities and securities that are direct obligations of, or fully guaranteed as to principal and interest by, any agency of the United States, from dealers for the account of the Federal Reserve Bank of New York under agreements for repurchase of such securities or obligations 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.

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 l(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 l(b), 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.

With Mr. Jordan dissenting, the Authorization for Foreign Currency Operations shown below was reaffirmed.

## *AUTHORIZATION FOR FOREIGN CURRENCY OPERATIONS*

### *Reaffirmed February 3, 1998*

1. The Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York, for System Open Market Account, to the extent necessary to carry out the Committee's foreign currency directive and express authorizations by the Committee pursuant thereto, and in conformity with such procedural instructions as the Committee may issue from time to time:

A. To purchase and sell the following foreign currencies in the form of cable transfers through spot or forward transactions on the open market at home and abroad, including transactions with the U.S. Treasury, with the U.S. Exchange Stabilization Fund established by Section 10 of the Gold Reserve Act of 1934, with foreign monetary authorities, with the Bank for International Settlements, and with other international financial institutions:

| | |
|---|---|
| Austrian schillings | Italian lire |
| Belgian francs | Japanese yen |
| Canadian dollars | Mexican pesos |
| Danish kroner | Netherlands guilders |
| Pounds sterling | Norwegian kroner |
| French francs | Swedish kronor |
| German marks | Swiss francs |

B. To hold balances of, and to have outstanding forward contracts to receive or to deliver, the foreign currencies listed in paragraph A above.

C. To draw foreign currencies and to permit foreign banks to draw dollars under the reciprocal currency arrangements listed in paragraph 2 below, provided that drawings by either party to any such arrangement shall be fully liquidated within 12 months after any amount outstanding at that time was first drawn, unless the Committee, because of exceptional circumstances, specifically authorizes a delay.

D. To maintain an overall open position in all foreign currencies not exceeding $25.0 billion. For this purpose, the overall open position in all foreign currencies is defined as the sum (disregarding signs) of net positions in individual currencies. The net position in a single foreign currency is defined as holdings of balances in that currency, plus outstanding contracts for future receipt, minus outstanding contracts for future delivery of that currency, i.e., as the sum of these elements with due regard to sign.

2. The Federal Open Market Committee directs the Federal Reserve Bank of New York to maintain reciprocal currency arrangements ("swap" arrangements) for the System Open Market Account for periods up to a maximum of

12 months with the following foreign banks, which are among those designated by the Board of Governors of the Federal Reserve System under Section 214.5 of Regulation N, Relations with Foreign Banks and Bankers, and with the approval of the Committee to renew such arrangements on maturity:

| Foreign bank | Amount of arrangement (millions of dollars equivalent) |
|---|---|
| Austrian National Bank | 250 |
| National Bank of Belgium | 1,000 |
| Bank of Canada | 2,000 |
| National Bank of Denmark | 250 |
| Bank of England | 3,000 |
| Bank of France | 2,000 |
| German Federal Bank | 6,000 |
| Bank of Italy | 3,000 |
| Bank of Japan | 5,000 |
| Bank of Mexico | 3,000 |
| Netherlands Bank | 500 |
| Bank of Norway | 250 |
| Bank of Sweden | 300 |
| Swiss National Bank | 4,000 |
| *Bank for International Settlements:* | |
| Dollars against Swiss francs | 600 |
| Dollars against authorized European currencies other than Swiss francs | 1,250 |

Any changes in the terms of existing swap arrangements, and the proposed terms of any new arrangements that may be authorized, shall be referred for review and approval to the Committee.

3. All transactions in foreign currencies undertaken under paragraph 1.A. above shall, unless otherwise expressly authorized by the Committee, be at prevailing market rates. For the purpose of providing an investment return on System holdings of foreign currencies, or for the purpose of adjusting interest rates paid or received in connection with swap drawings, transactions with foreign central banks may be undertaken at non-market exchange rates.

4. It shall be the normal practice to arrange with foreign central banks for the coordination of foreign currency transactions. In making operating arrangements with foreign central banks on System holdings of foreign currencies, the Federal Reserve Bank of New York shall not commit itself to maintain any specific balance, unless authorized by the Federal Open Market Committee. Any agreements or understandings concerning the administration of the accounts maintained by the Federal Reserve Bank of New York with the foreign banks designated by the Board of Governors under Section 214.5 of Regulation N shall be referred for review and approval to the Committee.

5. Foreign currency holdings shall be invested to ensure that adequate liquidity is maintained to meet anticipated needs and so that each currency portfolio shall generally have an average duration of no more than 18 months (calculated as Macaulay duration). When appropriate in connection with arrangements to provide investment facilities for foreign currency holdings, U.S. Government securities may be purchased from foreign central banks under agreements for repurchase of such securities within 30 calendar days.

6. All operations undertaken pursuant to the preceding paragraphs shall be reported promptly to the Foreign Currency Subcommittee and the Committee. The Foreign Currency Subcommittee consists of the Chairman and Vice Chairman of the Committee, the Vice Chairman of the Board of Governors, and such other member of the Board as the Chairman may designate (or in the absence of members of the Board serving on the Subcommittee, other Board members designated by the Chairman as alternates, and in the absence of the Vice Chairman of the Committee, his alternate). Meetings of the Subcommittee shall be called at the request of any member, or at the request of the Manager, System Open Market Account ("Manager"), for the purposes of reviewing recent or contemplated operations and of consulting with the Manager on other matters relating to his responsibilities. At the request of any member of the Subcommittee, questions arising from such reviews and consultations shall be referred for determination to the Federal Open Market Committee.

7. The Chairman is authorized:

A. With the approval of the Committee, to enter into any needed agreement or understanding with the Secretary of the Treasury about the division of responsibility for foreign currency operations between the System and the Treasury;

B. To keep the Secretary of the Treasury fully advised concerning System foreign currency operations, and to consult with the Secretary on policy matters relating to foreign currency operations;

C. From time to time, to transmit appropriate reports and information to the National Advisory Council on International Monetary and Financial Policies.

8. Staff officers of the Committee are authorized to transmit pertinent information on System foreign currency operations to appropriate officials of the Treasury Department.

9. All Federal Reserve Banks shall participate in the foreign currency operations for System Account in accordance with paragraph 3 G(1) of the Board of Governors' Statement of Procedure with Respect to Foreign Relationships of Federal Reserve Banks dated January 1, 1944.

With Mr. Jordan dissenting, the Foreign Currency Directive shown below was reaffirmed.

### *FOREIGN CURRENCY DIRECTIVE*

### *Reaffirmed February 3, 1998*

1. System operations in foreign currencies shall generally be directed at countering disorderly market conditions, provided that market exchange rates for the U.S. dollar reflect actions and behavior consistent with the IMF Article IV, Section 1.

2. To achieve this end the System shall:

A. Undertake spot and forward purchases and sales of foreign exchange.

B. Maintain reciprocal currency ("swap") arrangements with selected foreign central banks and with the Bank for International Settlements.

C. Cooperate in other respects with central banks of other countries and with international monetary institutions.

3. Transactions may also be undertaken:

A. To adjust System balances in light of probable future needs for currencies.

B. To provide means for meeting System and Treasury commitments in particular currencies, and to facilitate operations of the Exchange Stabilization Fund.

C. For such other purposes as may be expressly authorized by the Committee.

4. System foreign currency operations shall be conducted:

A. In close and continuous consultation and cooperation with the United States Treasury;

B. In cooperation, as appropriate, with foreign monetary authorities; and

C. In a manner consistent with the obligations of the United States in the International Monetary Fund regarding exchange arrangements under the IMF Article IV.

Mr. Jordan dissented in the votes on the Foreign Currency Authorization and the Foreign Currency Directive because these policy instruments provide the basis for foreign exchange market transactions. He believes that the primary mission of the Federal Reserve is to achieve and maintain a stable purchasing power of the U.S. dollar. That objective is best achieved when open market transactions are restricted to purchases and sales of U.S. government securities. When compatible with the System's primary objective, foreign exchange transactions are redundant to open market operations. Often, however, foreign exchange transactions conflict with the System's primary objective, requiring opposite adjustments in System holdings of U.S. Treasury obligations. Moreover, holdings of foreign securities expose the Reserve Banks to foreign exchange translation losses resulting from the depreciation of foreign currencies relative to a strong and stable U.S. dollar.

By unanimous vote, the Procedural Instructions with Respect to Foreign Currency Operations shown below were reaffirmed.

### *Procedural Instructions with Respect to Foreign Currency Operations*

#### *Reaffirmed February 3, 1998*

In conducting operations pursuant to the authorization and direction of the Federal Open Market Committee as set forth in the Authorization for Foreign Currency Operations and the Foreign Currency Directive, the Federal Reserve Bank of New York, through the Manager, System Open Market Account ("Manager"), shall be guided by the following procedural understandings with respect to consultations and clearances with the Committee, the Foreign Currency Subcommittee, and the Chairman of the Committee. All operations undertaken pursuant to such clearances shall be reported promptly to the Committee.

1. The Manager shall clear with the Subcommittee (or with the Chairman, if the Chairman believes that consultation with the Subcommittee is not feasible in the time available):

A. Any operation that would result in a change in the System's overall open position in foreign currencies exceeding $300 million on any day or $600 million since the most recent regular meeting of the Committee.

B. Any operation that would result in a change on any day in the System's net position in a single foreign currency exceeding $150 million, or $300 million when the operation is associated with repayment of swap drawings.

C. Any operation that might generate a substantial volume of trading in a particular currency by the System, even though the change in the System's net position in that currency might be less than the limits specified in 1.B.

D. Any swap drawing proposed by a foreign bank not exceeding the larger of (i) $200 million or (ii) 15 percent of the size of the swap arrangement.

2. The Manager shall clear with the Committee (or with the Subcommittee, if the Subcommittee believes that consultation with the full Committee is not feasible in the time available, or with the Chairman, if the Chairman believes that consultation with the Subcommittee is not feasible in the time available):

A. Any operation that would result in a change in the System's overall open position in foreign currencies exceeding $1.5 billion since the most recent regular meeting of the Committee.

B. Any swap drawing proposed by a foreign bank exceeding the larger of (i) $200 million or (ii) 15 percent of the size of the swap arrangement.

3. The Manager shall also consult with the Subcommittee or the Chairman about proposed swap drawings by the System and about any operations that are not of a routine character.

On January 16, 1998, the continuing rules, regulations, authorizations, and other instructions of the Committee were distributed with the advice that, in accordance with procedures approved by the Committee, they were being called to the Committee's attention before the February 3–4 organization meeting to give members an opportunity to raise any questions they might have concerning them. Members were asked to indicate if they wished to have any of the instruments in question placed on the agenda for consideration at this meeting, and no requests for consideration were received.

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on December 16, 1997, were approved.

The Manager of the System Open Market Account reported on developments in foreign exchange and international financial markets in the period since the previous meeting on December 16, 1997. There were no System open market transactions in foreign currencies during this period, and thus no vote was required of the Committee.

The Manager of the System Open Market Account 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 December 17, 1997, through February 3, 1998. By unanimous vote, the Committee ratified these transactions.

The Committee then turned to a discussion of the economic and financial outlook, the ranges for the growth of money and debt in 1998, and the implementation of monetary policy over the intermeeting period ahead. A summary of the economic and financial information available at the time of the meeting and of the Committee's discussion is provided below, followed by the domestic policy directive that was approved by the Committee and issued to the Federal Reserve Bank of New York.

The information reviewed at this meeting suggested that the economy continued to expand at a robust pace during the closing months of 1997. Both employment and industrial output recorded substantial increases in the fourth quarter. While spending for final goods and services by U.S. residents decelerated noticeably, inventory investment strengthened and the deficit in international trade in goods and services appeared to have narrowed. Tighter labor markets brought some acceleration in wages, but falling import and energy prices helped to hold down price inflation over the closing months of the year.

Labor demand expanded rapidly in the fourth quarter; a sharp increase in nonfarm payroll employment in December followed large advances in October and November, and the average workweek edged up on balance over the three-month period. Job gains were widely spread across industries. In the fourth quarter, new hires in manufacturing accounted for more than half of that sector's total for the year, and construction employment also registered an unusually large rise compared with earlier in 1997. Job growth surged in retail trade and persisted at a rapid pace in service-producing industries. The civilian unemployment rate, at 4.7 percent in December, was near its low for the current economic expansion.

Industrial production continued to advance at a brisk pace in the fourth quarter. Growth in the manufacturing of durable goods remained strong despite sharply slower, though still substantial, expansion in the output of computing and office equipment. The production of nondurable goods picked up after having been sluggish earlier in the year. Capacity utilization in manufacturing was at a relatively high rate in the fourth quarter, but available information suggested few bottlenecks.

Consumer spending, in real terms, rose at a slower though still appreciable rate in the fourth quarter. Purchases of durable goods increased moderately after having surged in the third quarter, and spending on nondurables edged down. By contrast, expenditures for consumer services grew at a somewhat faster rate. Recent surveys indicated that consumer confidence remained at a very high level.

Housing demand continued to exhibit considerable strength at year-end in the context of sharp declines in fixed mortgage rates in recent months, further sizable gains in employment and household income, and very positive consumer assessments of homebuying conditions. Applications for mortgages to purchase homes increased to a new monthly high in December; the pace of sales of existing homes rose further in the fourth quarter; and sales of new homes in November (latest available monthly data) were at their highest monthly pace in more than ten years. Housing starts edged lower in December but remained close to the highs of the current expansion.

After unusually strong increases earlier in the year, real business fixed investment declined slightly in the fourth quarter. However, the outlook for further growth remained positive, with corporate cash flow still healthy and the user cost of capital still low. Data on shipments of nondefense capital goods in December indicated a rebound in business spending on capital goods, notably for office, computing, and communications equipment, after sizable declines in the October–November period. Business spending on nonresidential structures declined slightly in the fourth quarter despite rising real estate prices and falling vacancy rates.

The pace of business inventory investment evidently picked up somewhat in the fourth quarter. In manufacturing, inventories climbed further in November (latest monthly data available), and the stock–shipments ratio was at the top of its narrow range for the past twelve months. The accumulation of wholesale stocks continued its strong upward trend, and by November the inventory–sales ratio for the wholesale sector had reversed its 1996 decline. In the retail sector, inventories declined slightly in November after having changed little in October; the inventory–sales ratio for this sector was near the bottom of its range for the last twelve months.

The nominal deficit on U.S. trade in goods and services narrowed substantially on average in October and November from its level in the third quarter. The value of exports rose appreciably in the October–November period, with the largest increases occurring in automotive and agricultural products. The average value of imports for October and November changed little from the third-quarter rate. Imports of consumer goods and machinery rose, but they were about offset by declines in automotive products, com-

puters, and, to a lesser extent, a wide variety of other products. The available information indicated that economic expansion remained healthy in most of the foreign G-7 countries, although slowing somewhat from the third quarter. In Asia, weakness in economic activity in Japan continued into the fourth quarter, and persisting financial turmoil was having strong adverse effects on the economies of a number of developing countries.

Consumer price inflation remained low in December, damped by a sizable further drop in energy prices and a small decline in food prices. Excluding food and energy items, an acceleration in the costs of services, notably medical care and shelter, provided a slight boost to core consumer price inflation in December. For the year as a whole, prices of core consumer items rose considerably less than in 1996, in part reflecting the effect of declining import prices. At the producer level, prices of all finished goods and of the core finished goods component declined further in December. For the year 1997, the core producer price index was little changed after a relatively small rise the previous year; the total index, weighed down by falling prices of finished food and energy items, partially reversed its 1996 increase. Prices also remained subdued at earlier stages of processing in 1997, with prices of crude materials falling substantially. Labor costs, as measured by the hourly compensation of private industry workers, increased at appreciably faster rates in the fourth quarter and for the year.

At its meeting on December 16, 1997, the Committee adopted a directive that called for maintaining conditions in reserve markets that were consistent with an unchanged federal funds rate averaging around 5½ percent. In light of the increased uncertainties in the outlook and the possibility that the next change in policy might be in either direction, the Committee adopted a directive that did not include a presumption about the likely direction of any adjustment to policy during the intermeeting period. Reserve market conditions associated with this directive were expected to be consistent with some moderation in the growth of M2 and M3 over coming months.

Open market operations were directed throughout the intermeeting period toward maintaining reserve conditions consistent with the intended federal funds rate average of around 5½ percent, and the effective rate averaged close to that level despite some largely anticipated upward pressures in reserve markets around year-end. Most other domestic market interest rates moved down on balance during the intermeeting period, apparently as a result of increased concerns over the turbulence in Asia and its potential implications for the U.S. economy. Share prices in U.S. equity markets moved up slightly on net, perhaps partly in response to the bond market rally, while equity markets in some other countries, notably in Asia, remained unsettled.

In foreign exchange markets, the dollar appreciated on balance over the intermeeting period. The dollar rose considerably further against the currencies of many of the emerging market economies in Asia amid continuing market concerns about the adequacy of reforms that would be undertaken in the affected countries and the magnitude and availability of international financial assistance that would be needed to support those efforts. The dollar also gained slightly on average in relation to the currencies of the other G-10 currencies. A sizable advance by the dollar relative to the German mark was largely reversed late in the intermeeting period; incoming information suggesting greater strength in the German economy lifted the value of the mark and tended to offset growing concern about the likely effect of the Asian crisis on Germany. The dollar declined somewhat on balance against the yen as heightened prospects for domestic fiscal stimulus in Japan fostered hopes of a less weak performance of the Japanese economy.

M2 and M3 continued to grow at relatively rapid rates in December and apparently also in January. Recent gains in nominal income evidently underpinned much of the greater-than-expected strength in M2 in January; also contributing were a pickup in mortgage refinancing activity and, perhaps, depositor transfers of funds from market instruments whose yields had declined relative to those on M2 assets. Large increases in repurchase agreements contributed to rapid growth of M3 in January; the rise in M3 helped to finance further solid expansion of bank credit. From the fourth quarter of 1996 to the fourth quarter of 1997, M2 increased at a rate somewhat above the upper bound of its range for the year and M3 at a rate substantially above the upper bound of its range. Total domestic nonfinancial debt expanded in 1997 at a pace somewhat below the middle of its range, reflecting the slow rise in the federal debt.

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 slower growth abroad and the considerable rise that already had occurred in the foreign exchange value of the dollar would exert substantial restraint on the demand for U.S. exports and subject domestic producers to even stiffer competition from imports. An anticipated reduction in the desired rate

of inventory accumulation would add to the restraint on the expansion. As output growth slowed, pressures on resources would be expected to diminish somewhat. Nonetheless, it was expected that, consistently measured, inflation would increase to some degree over the ensuing period through 1999, owing in part to an abatement of restraining forces from foreign exchange and oil markets.

In the Committee's discussion of current and prospective economic conditions, members commented that the performance of the economy continued to be quite favorable. They noted that the economy had entered the new year with considerable momentum and very few indications that growth was moderating from what appeared to be an unsustainable rate. Nonetheless, their assessments of the various factors bearing on the outlook led them to conclude that appreciably slower economic growth was in the offing for the year ahead, possibly to a pace in the vicinity of current estimates of the economy's long-run growth potential. Many emphasized that the prospects for declining net exports as a consequence of the dollar's appreciation and the crises in a number of Asian economies were a key factor in the outlook for some slowing in the expansion. In addition, a moderating rate of inventory accumulation appeared likely after the rapid buildup during 1997. At the same time, high levels of confidence and generally accommodative financial conditions supported expectations of persisting, though likely diminishing, strength in consumer spending and business fixed investment. The members acknowledged that their forecasts were subject to a great deal of uncertainty because there was little precedent to guide them in their evaluation of the extent and likely effect of Asian market turmoil. In the circumstances, the risks of a considerable deviation on the upside or the downside of their current forecasts were unusually high. Partly as a consequence, the outlook for inflation was quite tentative as well. Moreover, questions persisted about the level and growth of sustainable output. Members observed that price inflation had remained subdued, and by some measures had declined, in recent months despite very tight labor markets and indications of somewhat faster increases in labor compensation.

In keeping with the practice at meetings just before the Federal Reserve's semiannual monetary policy report to the Congress and the Chairman's associated testimony, the members of the Committee and the Federal Reserve Bank presidents not currently serving as members had provided individual projections of the growth in real and nominal GDP, the rate of unemployment, and the rate of inflation for the year ahead. Based on developments over the second half of 1997, the central tendency of the projections for 1998 now pointed to slightly more strength in real GDP and appreciably less inflation than the forecasts prepared at the time of the July 1997 meeting. The forecasts of the rate of expansion in real GDP in 1998 had a central tendency of 2 to 2¾ percent and a full range of 1¾ to 3 percent. Such growth was expected to be associated with a civilian unemployment rate in a range of 4½ to 5 percent in the fourth quarter of this year, implying little or no change from the current level. With regard to nominal GDP growth in 1998, the forecasts were mainly in a range of 3¾ to 4½ percent, with an overall range of 3½ to 5 percent. Projections of the rate of inflation, as measured by the consumer price index, had a central tendency of 1¾ to 2¼ percent, on the high side of the outcome for 1997 when the rise in the index was held down by damped increases in food prices and declines in energy prices. These forecasts took account of likely further technical improvements in the CPI by the Bureau of Labor Statistics that would trim the reported rate. The projections were based on individual views concerning what would be an appropriate policy over the projection horizon to foster the Committee's longer-term goals.

The members stressed that the potential extent of the negative effects of developments in Asia on the nation's trade balance represented a key uncertainty in the economic outlook. On the whole, those effects had been quite limited thus far. Anecdotal reports indicated that a number of domestic producers, notably of agricultural, lumber, and wood products, had experienced some cancellations or postponements of orders from Asian customers and there was some evidence of increased imports from those nations. Exports to affected Asian nations were likely to be held back by declining incomes and rising prices of U.S. products in local currencies, and reportedly also by difficulties that importing firms in Asia were encountering in securing financing. The eventual effects of the Asian financial turmoil on the U.S. trade balance and the overall economy were unknown—in part because in some key countries needed reforms had yet to be implemented and markets to stabilize—but they clearly seemed likely to become more pronounced in coming months. Net exports also would be held down by the appreciation of the dollar against the currencies of the industrial countries that had occurred earlier in 1997 before the Asian crisis intensified.

Another factor viewed as likely to exert a moderating effect on the growth of economic activity was the expectation of some slowing in inventory investment. In the past year, businesses had added to inventories

at a rate that exceeded the rise in final sales, and somewhat reduced accumulation to a pace more in line with that of final sales was seen as a reasonable expectation. Some members expressed reservations, however, about the extent of any weakening in inventory accumulation in light of the relatively favorable economic conditions that they believed were likely to persist over the year ahead.

Members viewed further growth in consumer spending as likely to remain the major factor in sustaining the expansion in overall economic activity. Consumer sentiment was at or close to historically high levels according to recent surveys, evidently reflecting the strong uptrend in employment and income and to some extent the very large cumulative increase in stock market wealth over the course of recent years. Some also noted that consumer debt burdens, while large, were manageable and that such burdens would be lessened for many consumers by their refinancing of home mortgages at the lower mortgage rates now prevailing. Evidence of strength in the consumer sector was supported by upbeat anecdotal reports of retail sales during the holiday season and more recently. While the growth in personal expenditures was likely to moderate somewhat from its recent pace, members did not rule out a more ebullient consumer sector in the context of substantial further growth in disposable incomes, favorable financing conditions for purchases of homes, automobiles, and other consumer durables, and the high level of stock market prices.

Business fixed investment also was expected to provide substantial support to continued economic expansion, though some moderation in purchases of business equipment seemed likely after the exceptionally rapid rates of growth in such investments in recent years. Business sentiment remained generally optimistic, and both debt and equity financing continued to be readily available on attractive terms to most business borrowers. However, early signs of faltering profit trends in some industries, in part related to developments in Asia, appeared to have introduced a cautionary note among some business planners. Members also referred to emerging signs of speculative overbuilding in some areas, especially of commercial structures. Even so, in the absence of unanticipated weakness in consumer expenditures, a variety of favorable factors seemed likely to sustain relatively robust spending on business structures and equipment over the year ahead. The latter included increased opportunities to cut costs and enhance efficiency by investing in relatively inexpensive high tech equipment in a period characterized by strong competition in many markets and rising labor compensation associated with tight labor markets.

Residential construction activity had remained relatively robust in recent months and was expected to be well maintained over coming quarters. Positive indications for the housing outlook included relatively low mortgage interest rates, very favorable measures of cash flow affordability, and quite positive homebuying attitudes as expressed in recent surveys. While these factors were expected to help sustain the housing sector over coming months, members noted that housing construction had been high for some time and some cited anecdotal evidence of softening activity in some parts of the country. On balance, only modest, if any, slippage from current levels of home construction activity seemed likely over the year ahead.

With regard to the outlook for inflation, members referred to widespread indications of increasingly tight labor markets and to statistical and anecdotal reports of faster increases in labor compensation. Labor cost increases in recent quarters had been especially rapid in a large segment of the service sector, where foreign competition was not a factor. Some members commented, however, that there were reasons to discount the sharp fourth-quarter increase in the employment cost index because to a large extent it was the result of nonrecurring developments in a limited number of industries. Despite the upward trend in labor compensation, gains in productivity clearly had kept increases in unit labor costs at a very modest level; and with unit nonlabor costs continuing to decline, overall unit cost increases had remained not far above zero. In these circumstances—and in the context of highly competitive conditions in many markets, declines in input prices and in the prices of many commodities, including oil—rising labor costs seemed to pose little risk of an upward impetus to inflation in coming months.

The longer-run outlook for inflation was more clouded and under some scenarios less promising. Inflation expectations had been moving down according to recent surveys, and in the context of relatively modest increases in consumer prices expected over coming months such expectations could continue to move lower, thereby constraining increases in compensation and prices. Nonetheless, some of the factors that had helped to moderate price increases—including declining oil prices, the appreciation of the dollar, and restrained increases in health insurance costs—were not likely to continue to exert benign effects on inflation as time went on. More fundamentally, the productivity improvement that had held down producer costs could not necessarily be counted

on to continue to offset such costs, especially if the economic expansion remained sufficiently rapid to put additional pressures on available labor resources.

In keeping with the requirements of the Full Employment and Balanced Growth Act of 1978 (the Humphrey–Hawkins Act), the Committee reviewed the ranges for growth of the monetary and debt aggregates in 1998 that it had established on a tentative basis at its meeting in July 1997. Those ranges included expansion of 1 to 5 percent for M2 and 2 to 6 percent for M3, measured from the fourth quarter of 1997 to the fourth quarter of 1998. The associated range for growth of total domestic nonfinancial debt was provisionally set at 3 to 7 percent for 1998. The tentative ranges for 1998 were unchanged from the ranges that had been adopted initially for 1995 (in July of that year for M3).

In reviewing the tentative ranges, the members took note of a staff projection indicating that, given the members' expectations for the performance of the economy and prices and assuming no major changes in interest rates, M2 likely would grow in 1998 in the upper half of its tentative range, and M3 somewhat above the top of its range. The staff analysis anticipated that the velocity of M2 would continue its recent pattern of relatively stable behavior that was more in line with historical experience than had been the case in the early 1990s. The velocity of M3 was projected to continue to decline at a somewhat faster rate than historical experience would indicate, reflecting the greater use by business firms of institution-only money market funds as a cash management tool and the needs of depository institutions for appreciable non-M2 funding to finance brisk loan growth. The staff projected that the debt of the domestic nonfinancial sectors would grow around or perhaps slightly above the middle of its tentative range, reflecting the credit needs of businesses facing a weaker earnings outlook and larger merger-related retirements of equity.

In their discussion of the ranges for M2 and M3, the members noted that the apparently greater predictability of velocity in recent years could not be counted on to persist, given changes in financial markets that had made investment alternatives more readily available. As a consequence, substantial uncertainty still surrounded projections of money growth consistent with the Committee's basic objectives for monetary policy. In this environment, the members did not see any firm basis for deviating from their recent practice of setting ranges that, assuming velocity behavior in line with historical patterns, would serve as benchmarks for monetary expansion consistent with longer-run price stability and a sustainable rate of real economic growth. The tentative ranges for 1998 had been derived in this way, and Committee members saw no reason to change those ranges at this time. Indeed, adjusting the ranges to center them more closely on growth rates deemed likely to be more consistent with the Committee's expectations for economic activity and prices could foster the misinterpretation that the Committee had become much more confident of the stability and predictability of velocity and was placing greater emphasis on M2 and M3 as gauges of the thrust of monetary policy. Several members commented, however, that the adoption of ranges centered on the Committee's expectations for growth of the monetary aggregates should be reconsidered in the future if the members were to become more confident about the relationship between the growth of the money and measures of aggregate economic performance. The Committee also agreed that the range for nonfinancial debt for 1998 should be left unchanged. The tentative range readily encompassed the pace seen as likely to be associated with the members' forecasts for economic activity and prices.

Accordingly, the following statement of longer-run policy for 1998 was approved for inclusion in the domestic policy directive:

> 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 this meeting 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.

Votes for this action: Messrs. Greenspan, McDonough, Ferguson, Gramlich, Hoenig, Jordan, Kelley, McTeer, Meyer, and Mses. Minehan, Phillips, and Rivlin. Votes against this action: None.

In the Committee's discussion of policy for the intermeeting period ahead, all the members endorsed a proposal to maintain an unchanged policy stance. The economy currently was performing very well and the outlook over the near term was for subdued inflation and continued solid economic growth. Over a longer horizon, the range of possible outcomes was unusually wide, and the direction that policy would need to move to promote sustained expansion and damped inflation was unclear. At this point, the extent to which the still largely anticipated external drag from events in Asia would offset the strong upward

momentum in domestic demand was a source of major uncertainty. In addition, it was impossible to predict whether or when the tightness in labor markets would exert a more pronounced effect on labor costs and ultimately on price inflation. Even the thrust of the current stance of monetary policy as it was transmitted through financial markets was open to some question. On the one hand, a real federal funds rate that was on the high side of historical experience and a substantially stronger dollar suggested some restraint. From a different perspective, however, financial conditions seemed to be quite stimulative as evidenced by lower nominal and perhaps real intermediate and long-term interest rates, rising equity prices, ready credit availability, and rapid growth of the broad measures of money and credit. While the members differed to some extent in their forecasts of major trends in the economy and in the risks of alternative outcomes, they agreed that, under foreseeable circumstances, needed adjustments to policy probably could be made on a timely basis once the balance of underlying forces became more evident. Accordingly, a steady policy would not incur an unacceptable risk of a seriously deteriorating economic performance. In the interim, the greater risk would be to make a preemptive policy move on the basis of inadequate evidence regarding underlying economic trends.

In the Committee's discussion of possible intermeeting adjustments to policy, all the members agreed that prevailing uncertainties indicated the desirability of retaining a symmetric instruction in the directive. While a number of members expressed the view that the next policy move was likely to be a tightening action and one member saw a greater probability of an easing action, the uncertainties were sufficiently great to warrant remaining sensitive to the need for a policy change in either direction. Accordingly, a symmetric directive would signal the Committee's readiness to respond promptly to developments that might threaten the economy's satisfactory performance.

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

The Federal Reserve Bank of New York was authorized and directed, until instructed otherwise by the Committee, to execute transactions in the System Account in accordance with the following domestic policy directive:

The information reviewed at this meeting suggests that economic activity continued to grow rapidly during the closing months of 1997. Nonfarm payroll employment increased sharply further in December after posting very large gains in other recent months; the civilian unemployment rate, at 4.7 percent, remained near its low for the current economic expansion. Industrial production continued to advance at a brisk pace in the fourth quarter. Consumer spending rose appreciably in the quarter, and housing starts remained close to the highs of the current expansion. Business fixed investment weakened following exceptionally strong increases in the second and third quarters; nonfarm inventory accumulation appears to have picked up somewhat. The nominal deficit on U.S. trade in goods and services narrowed significantly on average in October and November from its level in the third quarter. Price inflation has remained subdued despite appreciably faster increases in worker compensation in recent months.

Most interest rates have declined on balance since the day before the Committee meeting on December 16, 1997. Share prices in U.S. equity markets have moved up somewhat over the period; equity markets in some other countries, notably in Asia, have remained volatile. In foreign exchange markets, the value of the dollar has risen over the intermeeting period relative to the currencies of several Asian developing countries, but it has registered only a small increase on average in relation to the currencies of major industrial nations.

M2 and M3 continued to grow at relatively rapid rates in December and apparently also in January. From the fourth quarter of 1996 to the fourth quarter of 1997, M2 expanded at a rate somewhat above the upper bound of its range for the year and M3 at a rate substantially above the upper bound of its range. Total domestic nonfinancial debt expanded in 1997 at a pace somewhat below the middle of its range.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at this meeting 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 consis-

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

Votes for this action: Messrs. Greenspan, McDonough, Ferguson, Gramlich, Hoenig, Jordan, Kelley, Meyer, McTeer, Mses. Minehan, Phillips, and Rivlin. Votes against this action: None

It was agreed that the next meeting of the Committee would be held on Tuesday, March 31, 1998.

The meeting adjourned at 10:50 a.m.

Donald L. Kohn
Secretary

# Legal Developments

*FINAL RULE—AMENDMENTS TO REGULATIONS T AND X*

The Board of Governors is amending 12 C.F.R. Parts 220 and 224, its Regulations T and X (Securities Credit Transactions; List of Marginable OTC Stocks; List of Foreign Margin Stocks). The List of Marginable OTC Stocks (OTC List) is composed of stocks traded over-the-counter (OTC) in the United States that qualify as *margin securities* under Regulation T, Credit by Brokers and Dealers. The List of Foreign Margin Stocks (Foreign List) is composed of foreign equity securities that qualify as *margin securities* under Regulation T. The OTC List and the Foreign List are published four times a year by the Board. This document sets forth additions to and deletions from the previous OTC List and the previous Foreign List.

Effective May 11, 1998, 12 C.F.R. Parts 220 and 224 are amended as set forth below. Accordingly, pursuant to the authority of sections 7 and 23 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78g and 78w), and in accordance with 12 C.F.R. 220.2 and 220.11, there is set forth below a listing of deletions from and additions to the OTC List and the Foreign List.

### *Deletions From The List Of Marginable OTC Stocks*

### Stocks Removed For Failing Continued Listing Requirements

4Health, Inc.: Warrants (expire 01–15–1998)
Accumed International, Inc.: No par common
Aegis Consumer Funding Group, The: $.01 par common
American United Global, Inc.: $.01 par common; Warrants (expire 07–31–1998)
Amtrust Capital Corporation: $.01 par common
Aps Holding Corporation: Class A, $.01 par common
Arnold Palmer Golf Company: $.50 par common

Banc One Corporation (Ohio): Series C, no par convertible preferred
BankUnited Financial Corporation (Florida): Series 1993, $.01 par non-cumulative convertible preferred; $.01 par non-cumulative perpetual preferred
Bird Corporation: $1.00 par common
Boyds Wheels, Inc.: No par common

Cam Designs, Inc.: Warrants (expire 07–24–2000)
Campo Electronics, Appliances and Computers, Inc.: $.10 par common
Chantal Pharmaceutical Corporation: $.01 par common
Cityscape Financial Corporation: $.01 par common
Computer Language Research, Inc.: $.01 par common
Consolidated Stainless, Inc.: $.01 par common
Consumers Financial Corporation: 8.5% Series A, convertible preferred
Country Star Restaurants, Inc.: $.001 par common

Datamarine International, Inc.: $.01 par common
Deflecta-Shield Corporation: $.01 par common
Deswell Industries, Inc.: Warrants (expire 07–17–2000)

Equitex, Inc.: $.001 par common

First Enterprise Financial Group, Inc.: $.01 par common
First Robinson Financial Corporation: $.01 par common

General Acceptance Corporation: No par common

Helisys, Inc.: $.001 par common
Hemasure, Inc.: $.01 par common

Intel Corporation: Warrants (expire 03–14–1998)

Kaman Corporation: Depositary Shares
KWG Resources, Inc.: No par common

Manhattan Bagel Company, Inc.: No par common
Molten Metal Technology, Inc.: $.01 par common

North Coast Energy, Inc.: Series B, $.01 par cumulative convertible preferred
Northwest Teleproductions, Inc.: $.01 par common

Omnis Technology Corporation: $.01 par common

Photran Corporation: No par common
Precision Standard, Inc.: $.0001 par common
Procept, Inc.: $.01 par common

Quality Dino Entertainment, Ltd.: No par common

Reliance Acceptance Group, Inc.: $.01 par common
Rheometric Scientific, Inc.: No par common
Rose's Holdings, Inc.: No par common; Warrants (expire 04–28–2002)

SI Diamond Technology, Inc.: $.001 par common

Telegen Corporation: No par common
TLII Liquidating Corporation: $.01 par common

Universal Hospital Services, Inc.: $.01 par common
Universal Seismic Associates, Inc.: $.0001 par common

VDC Corporation, Ltd.: $.10 par common
Videolan Technologies, Inc.: $.01 par common

## Stocks Removed For Listing On A National Securities Exchange Or Being Involved In An Acquisition

Aaron Rents, Inc.: $.50 par common; $1.00 par common
Advantage Bancorp, Inc. (Wisconsin): $.01 par common
Allied Holdings, Inc.: No par common
Amti Communications Corporation: $.20 par common
America First Participating/Preferred Equity Mortgage LP: Exchangeable units of limited partnership
American Greetings Corporation: Class A, $1.00 par common
American Vanguard Corporation: $.10 par common
Amerus Life Holdings, Inc.: Class A, no par common
Arbor Drugs, Inc.: $.01 par common
ATC Group Services, Inc.: $.01 par common; Class C, Warrants (expire 04-30-1998)
Autobond Acceptance Corporation: No par common

Bally Total Fitness Holding Corporation: $.01 par common
Bally's Grand, Inc.: $.01 par common; Warrants (expire 08-19-2000)
BGS Systems, Inc.: $.10 par common
Blimpie International, Inc.: $.01 par common
Brooks Fiber Properties, Inc.: $.01 par common

Cannon Express, Inc.: $.01 par common
Chartwell Leisure, Inc.: $.01 par common
Chips and Technologies, Inc.: $.01 par common
Chittenden Corporation: $1.00 par common
Commnet Cellular, Inc.: $.001 par common
Communications Central, Inc.: $.01 par common
Compuserve Corporation: $.01 par common
Continental Circuits Corporation: $.01 par common
Cotelligent Group, Inc.: $.01 par common
Covenant Bancorp, Inc.: $5.00 par common
Cypros Pharmaceutical Corporation: No par common

DBA Systems, Inc.: $.10 par common

El Chico Restaurants, Inc.: $.10 par common
Emerald Isle Bancorp, Inc. (Massachusetts): $1.00 par common

FFVA Financial Corporation: $.10 par common
First Alert, Inc.: $.01 par common
First State Corporation: $1.00 par common
First United Bancorporation (South Carolina): $1.67 par common
Fort Wayne National Corporation: No par common
Fulcrum Technologies, Inc.: No par common

George Mason Bankshares, Inc. (Virginia): $1.66 par common
Grante Financial, Inc.: $.001 par common
Great Financial Corporation: $.01 par common
Gulf South Medical Supply, Inc.: $.01 par common

Heartstream, Inc.: $.001 par common
Hector Communications Corporation: $.01 par common
Holmes Protection Group, Inc.: $.01 par common
Homecorp, Inc.: $.01 par common
Hugoton Energy Corporation: No par common

ILC Technology, Inc.: No par common
Impact Systems, Inc.: No par common
Individual, Inc.: $.01 par common
International Petroleum Corporation: No par common

Kapson Senior Quarters Corporation: $.01 par common
Key Florida Bancorp, Inc.: $.01 par common

Laser Industries Limited: Ordinary shares; (par NIS 0.0001)
Lexford, Inc.: No par common
Life Bancorp, Inc. (Virginia): $.01 par common
Lin Television Corporation: $.01 par common

MacDermid, Incorporated: No par common
MAS Technology Limited: American Depositary Receipts
Mid Continent Bancshares, Inc. (Kansas): $.10 par common
Midwest Federal Financial Corporation: $.01 par common
ML Bancorp, Inc. (Pennsylvania): $.01 par common
Mobile Gas Service Corporation: $2.50 par common
Moovies, Inc.: $.001 par common

Netcom On-Line Communication Services, Inc.: $.01 par common
New Jersey Steel Corporation: $.01 par common
Norwich Financial Corp.: $1.00 par common

Omni Insurance Group, Inc.: $.01 par common
Onbancorp, Inc. (New York): $1.00 par common
Oregon Metallurgical Corporation: $1.00 par common
Orion Network Systems, Inc.: $.01 par common

Pembridge, Inc.: No par common
Perpetual Bank, A Federal Savings Bank (South Carolina): $1.00 par common
Perseptive Biosystems, Inc.: $.01 par common
Plasti-Line, Inc.: $.001 par common
Proxima Corporation: $.001 par common
Puretec Corporation: $.01 par common

Raptor Systems, Inc.: $1.00 par common
Redwood Trust, Inc.: $.01 par common; 9.74% Class B, $.01 par cumulative convertible preferred
Reeds Jewelers, Inc.: $.10 par common
Rottlund Company, Inc., The: $.01 par common

Sagebrush, Inc.: No par common
Sanco Corporation: $.01 par common
Shared Technologies Fairchild, Inc.: $.001 par common
Shorewood Packaging Corporation: $.01 par common
Signature Brands USA, Inc.: $.01 par common
Software Artistry, Inc.: No par common
Spine-Tech, Inc.: $.01 par common
Spinnaker Industries, Inc.: No par common; Class A, no par common

Stage Stores, Inc.: $.01 par common
State of the Art, Inc.: No par common
Steck-Vaughn Publishing Corporation: $.01 par common
Stokely USA, Inc.: $.05 par common
Suburban Ostomy Supply Co., Inc.: No par common
Symetrics Industries, Inc.: $.25 par common

Technology Modeling Associates, Inc.: No par common
Tysons Financial Corporation: $5.00 par common

Universal Outdoor Holdings, Inc.: $.01 par common

Video Services Corporation: $.01 par common
Visigenic Software, Inc.: $.001 par common

Wausau Paper Mills Corporation: $.50 par common

Xpedite Systems, Inc.: $.01 par common

## Additions to The List of Marginable OTC Stocks

ACSYS, Inc.: No par common
Advance Financial Bancorp.: $.10 par common
Allergan Specialty Therapeutics, Inc.: Class A, $.01 par common
Altair International, Inc.: No par common
Ambassador Bank of the Commonwealth: $4.00 par common
American Champion Entertainment, Inc.: $.0001 par common
American Dental Partners, Inc.: $.01 par common
American Safety Insurance Group, Ltd.: $.01 par common
Annapolis National Bancorp, Inc.: $.01 par common
Annuity and Life re Holdings, Ltd.: $1.00 par common
Artisan Components, Inc.: $.001 par common
Asha Corporation: $.0001 par common
Associated Materials Incorporated: $.0025 par common
Astropower, Inc.: $.01 par common
Atlantic Gulf Communities Corporation: Warrants Series A, (expire 06–23–2004); Warrants Series B, (expire 06–23–2004); Warrants Series C, (expire 06–23–2004)
Atlantic Pharmaceuticals, Inc.: $.001 par common
Atlantic Realty Trust: Shares of beneficial interest
Aviation Group, Inc.: $.01 par common

Bank Rhode Island: $1.00 par common
Big Buck Brewery & Steakhouse, Inc.: $.01 par common
Birner Dental Management Services, Inc.: No par common
BMJ Medical Management, Inc.: $.001 par common
BNC Mortgage, Inc.: $.001 par common
Bolle, Inc.: $.01 par common
Brokline Bancorp, Inc.: $.01 par common

C & F Financial Corporation: $1.00 par common
Capital Automotive Reit: Shares of beneficial interest
Career Education Corporation: $.01 par common
Cavalry Bancorp, Inc.: No par common
CCA Companies, Inc.: $.001 par common
Century Bancshares, Inc.: $1.00 par common
Coast Federal Litigation Contingent Payment Rights Trust: Contingent Payment Rights
Colony Bankcorp, Inc.: $10.00 par common
Columbia Financial of Kentucky, Inc.: No par common
Columbia Sportswear Company: No par common
Commnet Cellular, Inc.: $.001 par common
Compass International Services Corporation: $.01 par common
Complete Business Solutions, Inc.: No par common
Condor Technology Solutions, Inc.: $.01 par common
Cowlitz Bancorporation: No par common
Culturalaccess Worldwide, Inc.: $.01 par common
Curagen Corporation: $.01 par common
Cytoclonal Pharmaceutics, Inc.: $.01 par common

Decoma International, Inc.: Class A, common shares
Dispatch Management Services Corporation: $.01 par common
Docucorp International, Inc.: $.01 par common
Doubleclick, Inc.: $.001 par common
Drypers Corporation: $.001 par common
Dura Automotive Systems, Inc.: Convertible Trust Preferred

E-Net, Inc.: $.01 par common
Earthshell Corporation: $.01 par common
EDAC Technologies Corporation: $.0025 par common
Elcotel, Inc.: Redeemable warrants
Elder-Beerman Stores Corporation, The: No par common
EnergySouth, Inc.: $2.50 par common
Esquire Communications, Ltd.: $.01 par common
Exodus Communications: $.001 par common
Extended Systems Incorporated: $.001 par common

Fidelity Bankshares, Inc.: Trust preferred securities
First Consulting Group, Inc.: $.001 par common
First South Africa Corporation: $.01 par common
Flagstar Bancorp, Inc.: Class A, preferred
Florafax International, Inc.: $.01 par common
Forsoft, Ltd.: Ordinary shares (ISL .001)
Frontier Financial Corporation: No par common

Gaston Federal Bancorp, Inc.: $1.00 par common
GB Foods Corporation: $.08 par common
Genesis Microchip, Inc.: No par common
Getty Images, Inc.: $.01 par common
Global Telesystems Group, Inc.: $.10 par common
Grand Court Lifestyles, Inc.: $.01 par common
GST Telecommunications, Inc.: No par common
Gulf West Banks, Inc.: No par common

Hawker Pacific Aerospace: No par common
Headlands Mortgage Company: No par common
Henley Healthcare, Inc.: $.01 par common
Herbalife International, Inc.: DECS Trust III
Heritage Bancorp, Inc. (South Carolina): $.01 par common
Hollis-Eden Pharmaceuticals: $.01 par common
Home Loan Financial Corporation: No par common
Hopfed Bancorp, Inc. (Kentucky): $.01 par common
Horizon Medical Products, Inc.: $.001 par common
Horizon Offshore, Inc.: $1.00 par common

Icon CMT Corporation: $.001 par common
Independence Community Bank Corporation: $.01 par common
Indigo Aviation Akiebolag: American Depositary Shares
Industrial Holdings, Inc.: Series D, warrants (expire 01–14–2000)
Information Analysis Incorporated: $.01 par common
International Bancshares Corporation: $1.00 par common
International Fibercom, Inc.: No par common
Investors Real Estate Trust: No par shares of beneficial interest
Isomet Corporation: $1.00 par common
ISS Group, Inc.: $.001 par common

Jameson Inns, Inc.: Series A, preferred
JPS Textile Group: $.01 par common

Ladish Co., Inc.: $.01 par common
Level 3 Communications, Inc.: $.01 par common
LJL Biosystems, Inc.: $.001 par common
Lundin Oil AB: Global Depositary Receipts (.50 SEK)

Market Financial Corporation: No par common
Mercury Computer Systems: $.01 par common
Micromuse, Inc.: $.01 par common
Midwest Banc Holdings, Inc.: $.01 par common
Millenium Sports Management, Inc.: Warrants (expire 06–30–1998)
Miller Exploration Company: $.01 par common
MTI Technology Corporation: $.001 par common
Multimedia Games, Inc.: Class A warrants (expire 11–12–2001)

Nanogen, Inc.: $.001 par common
Nara Bank National Association: $3.00 par common
National City Bancshares, Inc. (Indiana): Cumulative Trust Preferred
NET.BNK, Inc.: $.01 par common
North American Scientific, Inc.: $.01 par common
North Valley Bancorp: No par common
Northern Bank of Commerce: $1.00 par common
Norwood Financial Corporation: $.10 par common
Nutmeg Federal Savings & Loan Association: $.005 par common
Nutraceutical International Corporation: $.01 par common

Omega Worldwide, Inc.: $.10 par common
On Stage Entertainment, Inc.: $.01 par common
Online System Services, Inc.: No par common
Optelecom, Inc.: $.03 par common

Paulson Capital Corporation: No par common
PC Connection, Inc.: $.01 par common
Penn Octane Corporation: $.01 par common
Pennsylvania Manufacturers Corporation: $5.00 par common
Pittsburgh Home Financial Corporation: 8.56% cumulative trust preferred
Pizza Inn, Inc.: $.01 par common
Province Healthcare Company: $.01 par common

Queen Sand Resources, Inc.: $.0015 par common

Republic Banking Corporation of Florida: $.01 par common
Richmond County Financial Corporation: $.01 par common
Royal Olympic Cruise Lines, Inc.: $.01 par common

Second National Financial Corporation: $2.50 par common
Shire Pharmaceuticals Group, PLC: American Depositary Shares
Shoe Pavilion, Inc.: $.001 par common
SI Technologies, Inc.: $.01 par common
Smed International, Inc.: No par common
Smith Corona Corporation: $.001 par common
Sonosight, Inc.: $.01 par common
South Umpqua State Bank: $.833 par common
Southbank Shares, Inc.: $.01 par common
Sportsman's Guide, Inc., The: $.01 par common
Sterling Financial Corporation (Pennsylvania): $5.00 par common
Steven Myers & Associates, Inc.: No par common
Sunpharm Corporation: $.0001 par common
Surmodics, Inc.: $.05 par common
Symphonix Devices, Inc.: $.001 par common

Transgene S.A.: American Depositary Receipts

United Investors Realty Trust: No par common
Universal Display Corporation: $.10 par common
USN Communications, Inc.: $.01 par common

Verisign, Inc.: $.001 par common
Viagrafix Corporation: $.01 par common
Visual Networks, Inc.: $.01 par common
Vysis, Inc.: $.001 par common

Webster Financial Corporation: Series B, 8.625% cumulative redeemable preferred
Williams Industries, Inc.: $.01 par common
Wilshire Real Estate Investment Trust, Inc.: $.001 par common

## Deletions From the Foreign Margin List

*Australia*

AAPC Limited: Ordinary shares, par A$0.50
ICI Australia Limited: Ordinary shares, par A$1.00

*Brazil*

Brasmotor S.A.: No par preferred
Companhia Siderurgica Belgo Mineir: No par common
Companhia Siderurgica Belgo Mineir: No par non-voting, preferred
Companhia Siderurgica Tubarao: No par non-voting, Preferred B
Companhia Vidraria Santa Marina on: No par common
Light Servicios de Electricidade S.A.: No par common

*Canada*

Dominion Textile Inc.: No par common
Norcen Energy Resources Limited: No par Subordinate-voting

*France*

Bertrand Faure SA: Ordinaryshares, par 5 French
Cetelem SA: Ordinary shares, par 45 French
Compagnie Bancaire SA: Ordinary shares, par 100 French

*Germany*

Adidas AG: Bearer shares par DM 50
Victori Holding AG: Registered shares, par DM 50

*Japan*

Amada Metrecs Co., Ltd.: ¥50 par common
Aoki International Co., Ltd.: ¥50 par common
Asahi Diamond Industrial Co., Ltd.: ¥50 par common
Cosmo Securities Co., Ltd.: ¥50 par common
Daiichi Corp.:: ¥50 par common
Daiken Corp.: ¥50 par common
Green Cross Corporation: ¥50 par common
Heiwado Co., Ltd.: ¥50 par common
Hokkaido Bank, Ltd.: ¥50 par common
Hokkoku Bank, Ltd.: ¥50 par common
Izumi Co., Ltd.: ¥50 par common
Kankaku Securities Co., Ltd: ¥50 par common
Kayaba Industry Co., Ltd.: ¥50 par common
Kenwood Corp.: ¥50 par common
Koa Oil Co., Ltd.: ¥50 par common
Kyodo Printing Co., Ltd.: ¥50 par common
Maruetsu Inc.: ¥50 par common
Mitsubishi Cable Industries, Ltd.: ¥50 par common
Mitsui Real Estate Sales Co., Ltd.: ¥50 par common
Noritz Corp.: ¥50 par common
Okamoto Industries, Inc.: ¥50 par common
Okasan Securities Co., Ltd.: ¥50 par common
Rengo Co., Ltd.: ¥50 par common
SXL Corp.: ¥50 par common
Sankyo Aluminium Industry Co., Ltd.: ¥50 par common
Shinmaywa Industries, Ltd.: ¥50 par common
SS Pharmaceutical Co., Ltd.: ¥50 par common
Tadano, Ltd.: ¥50 par common
Toagosei Co., Ltd.: ¥50 par common
Tokyotokeiba Co., Ltd.: ¥50 par common
Toyo Communication Equipment Co.: ¥50 par common
Toyo Engineering Corp.: ¥50 par common
Toyo Exterior Co., Ltd.: ¥50 par common
Toyota Auto Body Co., Ltd.: ¥50 par common
Uniden Corp. ¥50 par common
Wako Securities Co., Ltd.: ¥50 par common

*Norway*

Storli ASA: B Ordinary Common, par 10 Norwegian
Storli ASA: A Ordinary Common, par 10 Norwegian

*South Africa*

Kloof Gold Mining Company Limited: Ordinary shares, par 0.25 South

*Spain*

Sociedad Espannola de Carburos: Bearer shares, par 1000 pesetas

*United Kingdom*

Allied Colloids Group PLC: Ordinary shares, par 10 p
Burton Group PLC, The: Ordinary shares, par 10 p
Kwik Save Group PLC: Ordinary shares, par 10 p
Reuters Holdings PLC: B Ordinary, par 2.5 p
T&N PLC: Ordinary shares, par L1
Vendome Luxury Group PLC: Ordinary shares, par 10 p

## Additions to the Foreign Margin List

*Australia*

Orica Limited: Ordinary shares, par A$1.00

*Brazil*

Companhia Siderurgica Tubarao On: B preferred shares
Companhia Siderurgica Tubarao PN: Preferred B Shares
Light Servicios de Electricidade: No par common

*Denmark*

Ratin A/S: Series B, par 1 Danish krone
Ratin A/S: Series A, par 1 Danish krone

*Germany*

Adidas-Salomon AG: Bearer shares, par DM 50
Ergo Versicherumgs Gruppe: Ordinary shares, par DM 5

*Greece*

Alpha Credit Bank, S.A.: Common registered, par Greek
Aluminium Co. of Greece, S.A.: Common registered, par US$27.50
Aluminium Co. of Greece, S.A.: Preference, par Greek drachmas 700
Aspis Pronia General Insurances: Common registered, par Greek
Athens Medical Center, S.A.: Common registered, par Greek
Attica Enterprises, S.A.: Common, par Greek drachmas 200
Bank of Piraeus, S.A.: Common registered, par Greek
Chipita International, S.A.: Common bearer, par Greek drachmas
Commercial Bank of Greece: Common registered, par Greek
Delta Dairy, S.A.: Common, par Greek drachmas 200
Delta Dairy, S.A.: Preference, par Greek drachmas 200

Elais Oleaginous Production, S.A.: Common, par Greek drachmas 575
Elval Aluminum Process Co., S.A.: Commonbearer, par Greek drachmas
Ergo Bank, S.A.: Common registered, par Greek
Ethniki General Insurance co., S.A.: Common registered, par Greek
Goodys, S.A.: Common bearer, par Greek drachmas
Halkor, S.A.: Common bearer, par Greek drachmas
Hellas Can-Packaging Manufacturers: Common, par Greek drachmas 300
Hellenic Bottling Co., S.A.: Common bearer, par Greek drachmas
Hellenic Sugar Industry, S.A.: Common bearer, par Greek drachmas
Hellenic Telecom Organization, S.A.: Common registered, par Greek
Heracles General Cement Co.: Common registered, par Greek
Intracom, S.A.: Preference registered, par Greek
Intracom, S.A.: Common registered, par Greek
Intrasoft, S.A.: Common registered, par Greek
Ionian & Popular Bank of Greece: Common registered, par Greek
Michaniki, S.A.: Common registered, par Greek
Michaniki, S.A.: Preference registered, par Greek
Mytilineos Holdings, S.A.: Common bearer, par Greek drachmas
N.I.B.I.D. (National Investment Bank): Common registered, par Greek
N.I.B.I.D. (National Investment Bank): Preference registered, par Greek
National Bank of Greece: Common registered, par Greek
National Mortgage Bank, S.A.: Common registered, par Greek
Papastratos Cigarette Co., S.A.: Common, par Greek drachmas 200
Silver & Baryte Ores Mining Co.: Common bearer, par Greek drachmas
Titan Cement Co.: Preference registered, par Greek
Titan Cement Co.: Common registered, par Greek

*Italy*

Banca di Roma, SPA: Ordinary shares, par 500 lira

*Mexico*

Grupo Modelo S.A.: Class C, No par common
Television Azteca S.A. (CPO): No par common
Tubos de Acero Mexico S.A.: No par common

*Norway*

Odfjell ASA: B Ordinary shares, par 10 Norwegian
Odfjell ASA: A Ordinary shares, par 10 Norwegian

*Portugal*

Banco Espinto Santo e Comercial de: Registered, par ESC 1,000
Banco Mello, S.A.: Registered, par ESC 1,000
Banco Totta & Acores, S.A.: Registered, par ESC 1,000
BCP (Banco Comercial Portugues): Registered, par ESC 1,000
BPI-SGPS (Banco Portugeues de): Registered, par ESC 1,000
Brisa (Auto-Estradas de Portugal): Registered, par ESC 1,000
Cimpor (Cimentos de Portugal): Registered, par ESC 1,000
Companhia de Seguros Tranquilidade: Registered, par ESC 1,000
Credito Predial Portuguese, S.A.: Registered, par ESC 1,000
EDP (Electricidade de Portugal), Registered, par ESC 1,000
Inparsa (Industrial Participacoes): Ordinary, par ESC 1,000
Jeronimo Martins (Estabelecimentos): Ordinary, par ESC 1,000
Portucei Industrial, S.A.: Registered, par ESC 1,000
Portugal Telecom, S.A., Registered, par ESC 1,000
Semapa, S.A.: Ordinary, par ESC 1,000
Sonae Industria, S.A.: Ordinary, par ESC 1,000
Sonae Investimentos (Societe): Ordinary, par ESC 1,000
Telecel Communicacoes Pessoais: Ordinary, par ESC 1,000

*Singapore*

Inchcape Motors, Ltd.: Ordinary shares, par S$.50

*South Africa*

Gold Fields, Limited: Ordinary shares, par .01 South

*United Kingdom*

Debenhams PLC: Ordinary shares, par 10 p
Reuters Group PLC: Ordinary shares, par 25 p

## *Orders Issued Under Bank Holding Company Act*

### *Orders Issued Under Section 3 of the Bank Holding Company Act*

### PAB Bankshares, Inc.
### Valdosta, Georgia

*Order Approving Merger of Bank Holding Companies*

PAB Bankshares, Inc. ("PAB"), 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 to merge with Investors Financial Corporation ("Investors"), and thereby acquire Bainbridge National Bank, both in Bainbridge, Georgia.

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 3 of the BHC Act.

PAB owns three depository institutions in Georgia and is the 28th largest depository institution in the state, controlling approximately $247.3 million in deposits, representing

less than 1 percent of total deposits in depository institutions in Georgia.[1] Investors is the 130th largest depository institution in Georgia, controlling approximately $64.3 million in deposits, representing less than 1 percent of total deposits in depository institutions in the state. On consummation of the proposal, PAB would become the 20th largest depository institution, controlling deposits of $311.6 million, representing less than 1 percent of total deposits in depository institutions in Georgia.

*Competitive Considerations*

The BHC Act prohibits the Board from approving a proposal if it would result in a monopoly or if the effect of the proposal may be substantially to lessen competition in any relevant market, unless the Board finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.[2]

PAB and Investors compete in the Bainbridge banking market, which is defined by the Federal Reserve Bank of Atlanta ("Reserve Bank") as an area approximated by Decatur and Seminole Counties in Georgia.[3] PAB contends that the area delineated by the Reserve Bank should be expanded to include adjacent areas that encompass Tallahassee, Florida ("Tallahassee"); Dothan, Alabama ("Dothan"); and Albany and Cairo, Georgia.

The Board concludes, however, that the appropriate market for analyzing the competitive effects of the proposal is the Bainbridge banking market as previously defined.[4] The Board bases its conclusion on an analysis of employment opportunities, commuting data, shopping patterns, check clearing and deposit data, interviews with local bankers, and other facts of record indicating that there is substantial commuting, travel, and commercial interaction between Decatur and Seminole Counties.

Decatur County has a significantly larger population than Seminole County,[5] and some of the area's largest employers are in Bainbridge, which is in Decatur County.[6] Commuting data from the Census Bureau for 1990 show that more than 20 percent of Seminole County residents commute to Decatur County for employment. Decatur County also offers area residents the opportunity to purchase products and services at six shopping centers, several major department stores, and a number of restaurants. Data from the Georgia Highway Department for 1996 show that approximately 22 percent of Seminole County's residents travel daily to Decatur County. Residents of Decatur and Seminole Counties also have access to the same newspapers and radio stations.[7]

Check clearing data for a two-day period from the subsidiary banks of PAB and Investors in Decatur County also show that approximately 10 percent of the checks processed were drawn on banks in Seminole County. In addition, deposit data from PAB's subsidiary bank in Decatur County show that the bank has a deposit relationship with approximately 8 percent of the households in Seminole County. Interviews with senior managers of banks in Decatur County and in Seminole County, moreover, indicated that the banks in each county substantially compete for customers in the other county and that the banks have significant customer bases in the other county.

The facts of record, however, do not support expanding the banking market as suggested by PAB. Bainbridge is approximately 42 miles northwest of Tallahassee; 52 miles southeast of Dothan; and 57 miles southwest of Albany. Commuting data indicate that approximately 4 percent of the employees in the Bainbridge area commute to jobs in the Tallahassee Metropolitan Statistical Area ("MSA"), and data from the Georgia Highway Department indicate that less than 3.5 percent of residents in the Bainbridge area travel daily to Tallahassee. Neither the Tallahassee MSA nor the Tallahassee Ranally Metropolitan Area ("RMA") include either Decatur or Seminole Counties, confirming that there is insufficient economic integration to warrant considering these counties to be within the same banking market as Tallahassee.[8] Commuting data also indicate that a *de minimis* percentage of Bainbridge area residents commute to the Dothan MSA, the Albany MSA, or Cairo, Georgia, and there are no other indications of economic integration to support including these areas within the Bainbridge banking market.[9]

In light of these, and all facts of record, the Board concludes that the Bainbridge banking market reflects com-

1. State deposit data are as of June 30, 1997. In this context, depository institutions include commercial banks, savings banks, and savings associations.

2. 12 U.S.C. § 1842(c)(1)(B).

3. Decatur and Seminole Counties are adjacent rural counties in the southwestern corner of Georgia. Both counties border Florida, and Seminole County also borders Alabama.

4. The Board and the courts have found that the relevant banking market for analyzing the competitive effects of a proposal must reflect commercial and banking realities and should consist of the local area where local customers can practicably turn for alternatives. *See St. Joseph Valley Bank*, 68 *Federal Reserve Bulletin* 673, 674 (1982). *See also United States v. Philadelphia Nat'l Bank*, 374 U.S. 321, 374 (1963); *United States v. Phillipsburg Nat'l Bank*, 399 U.S. 350 (1969).

5. Data from the United States Census Bureau for 1990 show that Decatur County has a population of approximately 26,500 and Seminole County has a population of approximately 9,250.

6. Bainbridge has a population of 11,231 and is the largest town in the two counties. Employers in Bainbridge include one manufacturer that employs more than 1000 workers and four organizations that each employ 400 workers.

7. A free weekly newspaper published in Bainbridge circulates to a significant percentage of households in Seminole County. In addition, two radio stations in Decatur County broadcast to surrounding areas, including Seminole County. Decatur and Seminole Counties also are in the same local telephone calling area.

8. An MSA designation is made by the Office of Management and Budget on the basis of an area's population and includes surrounding counties with strong economic and social ties to a central county. An RMA is a privately defined compact geographic area with relatively high population density that is linked by commuting, retail, and wholesale trade patterns.

9. The MSA designations for Albany and Dothan do not include Decatur or Seminole Counties. The RMA designations that include these cities also do not include Decatur or Seminole Counties.

mercial and banking realities and represents an area where local customers can practicably turn for alternatives. Accordingly, the relevant banking market for considering the competitive effects of the proposal is the Bainbridge banking market as defined above.

Consummation of the proposal would exceed the Department of Justice Merger Guidelines ("DOJ Guidelines") in the Bainbridge banking market.[10] In the Bainbridge banking market, PAB is the third largest depository institution, controlling $52.9 million in deposits, representing 15.1 percent of total deposits in depository institutions in the market ("market deposits").[11] Investors is the largest depository institution in the market, controlling $64.3 million in deposits, representing 18.4 percent of market deposits. On consummation of the proposal, PAB would become the largest depository institution in the market, controlling $117.2 million in deposits, representing 33.6 percent of market deposits. The HHI would increase by 557 points to 2036.

The Bainbridge banking market presents unique considerations in analyzing the competitive effects of the proposal. Although it is a small rural banking market with total market deposits of approximately $350 million, seven competitors would remain in the market after consummation of the proposal. Five competitors each would control significant shares of market deposits after consummation of the proposal that range from approximately 10 percent to approximately 18 percent of market deposits. Given the size of the market, the number of competitors and the relative size of the remaining competitors are significant and unique factors that substantially mitigate the potential competitive effects of the transaction.

The Bainbridge banking market also has some characteristics that make it attractive for entry. Data for 1997 show that deposits per office in the Bainbridge banking market are greater than the averages for other non-MSA counties in Georgia. In the Bainbridge banking market, total banking deposits have increased by 39.6 percent between 1993 and 1997, compared to 20.9 percent in other non-MSA counties in Georgia. Since 1995, three bank holding companies, including PAB, have entered the banking market by acquiring banks that only operated in the Bainbridge banking market.

The Board concludes that the potential adverse competitive effects of the proposal would be substantially mitigated by these considerations. The Justice Department reviewed the proposal and advised the Board that consummation of the proposal would not likely have any significantly adverse competitive effects in the Bainbridge banking market or any other relevant banking market. Based on all the facts of record, and for the reasons discussed above, the Board concludes that consummation of the proposal is not likely to result in any significantly adverse effects on competition or on the concentration of banking resources in the Bainbridge banking market or any other relevant banking market.

*Other Considerations*

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

*Conclusion*

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

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

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

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

By order of the Board of Governors, effective April 27, 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*

## *Orders Issued Under Section 4 of the Bank Holding Company Act*

### North Fork Bancorporation, Inc.
### Melville, New York

*Order Approving Notice to Acquire Shares of a Savings Association*

North Fork Bancorporation, Inc. ("North Fork"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire up to 9.9 percent of the voting shares of Long Island Bancorp, Inc. ("Bancorp"), and thereby acquire an interest in Bancorp's wholly owned subsidiary, The Long Island Savings Bank, FSB ("Savings Bank"), both in Melville, 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 notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

North Fork, with total consolidated assets of approximately $6.8 billion, owns North Fork Bank, Melville, New York ("NFB"). North Fork is the 14th largest banking organization in New York, controlling deposits of approximately $6 billion, representing approximately 1.5 percent of total deposits in depository institutions in the state.[2] Bancorp, with total consolidated assets of approximately $6 billion, is the 18th largest depository institution in New York, controlling deposits of approximately $3.7 billion, representing less than 1 percent of total deposits in depository institutions in the state.

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.[3] The Board requires that savings associations acquired by bank holding companies conform their direct and indirect activities to those that are permissible for bank holding companies under section 4 of the BHC Act. North Fork has committed to cease or otherwise address the activities of Bancorp that are not permissible for a bank holding company under section 4(c)(8) of the BHC Act and Regulation Y.[4]

In order to approve the proposal, the Board also is required by section 4(c)(8) of the BHC Act to determine that the acquisition by North Fork of the proposed interest in Bancorp "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."[5] As part of its consideration of these factors, the Board has carefully considered comments submitted by Bancorp and Inner City Press/Community on the Move ("ICP") opposing the proposal.

Bancorp contends that North Fork's minority investment would adversely affect its ability to compete and to pursue long-term business opportunities, retain employees and customers, and focus on its strategic business plans. ICP contends that North Fork's proposed investment would not support or stabilize Bancorp and would disrupt the local banking market.

North Fork has not applied to control Bancorp and has made 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 for purposes of the BHC Act.[6] The commitments include a commitment not to exercise or seek to exercise a controlling influence over the management or policies of Bancorp or its subsidiaries; not to seek or accept any representation on the board of directors of Bancorp or any of its subsidiaries; not to attempt to influence the dividend policies, loan decisions, or operations of Bancorp or any of its subsidiar-

1. After North Fork filed notice with the Board to make the proposed investment in Bancorp, Bancorp entered into an agreement with Astoria Financial Corporation, Lake Success, New York ("Astoria"), under which Astoria would purchase, subject to regulatory approval, all the voting shares of Bancorp, including those held or acquired by North Fork.

2. Asset data are as of December 31, 1997, state deposit data are as of June 30, 1997, and incorporate North Fork's acquisitions through February 1998. In this context, depository institutions include commercial banks, savings banks, and savings associations.

3. 12 C.F.R. 225.28(b)(4). Bancorp contends that, because North Fork has in the past made similar minority investments in other depository institution holding companies, North Fork's notice should be construed as a request to engage in the activity of making minority investments in depository institutions. The BHC Act and the Board's Regulation Y include a specific requirement that a bank holding company receive Board approval prior to acquiring more than 5 percent of the voting shares of a bank or a savings association. North Fork has filed the required notice under section 4(c)(8) of the BHC Act to acquire more than 5 percent of the shares of Bancorp and Savings Bank, which are engaged in activities that the Board has determined to be closely related to banking.

4. Savings Bank engages in certain real estate development and insurance sales activities that are impermissible for bank holding companies. North Fork has committed that within two years of increasing its interest in the voting shares of Bancorp to 5 percent or more it will either acquire control of Bancorp and cause Bancorp to cease all impermissible activities or reduce its interest in the voting shares of Bancorp to below 5 percent.

5. 12 U.S.C. § 1843(c)(8).

6. These commitments are set forth in the Appendix.

ies.[7] Under the BHC Act, North Fork is prohibited from acquiring more than 9.9 percent of Bancorp's voting stock, or otherwise exercising a controlling influence over Bancorp, without further Board approval. North Fork, therefore, may not participate in the deliberations or decision making of the board of directors of Bancorp or any of its subsidiaries without prior Board approval.[8] The Board has adequate supervisory authority to monitor and enforce North Fork's compliance with its commitments, including the authority to initiate a control proceeding against North Fork if facts come to the Board's attention that North Fork or any of its subsidiaries or affiliates in fact controls Bancorp for purposes of the BHC Act. The Board believes that the commitments provided by Bancorp substantially mitigate the potential that consummation of the proposal would result in the adverse effects alleged by Bancorp and ICP.

Although the proposal involves a minority investment, section 4(c)(8) of the BHC Act requires that the Board consider the competitive effects of the proposal. The Board has noted that one company need not acquire control of another company in order substantially to lessen competition between them and that the specific facts of each case will determine whether a minority investment would have significantly anticompetitive effects.[9] North Fork and Bancorp compete in the Metropolitan New York/New Jersey banking market.[10] If North Fork and Bancorp are considered as a combined entity, the Herfindahl–Hirschman Index ("HHI") would not increase in the relevant banking market and numerous competitors would remain in the market.[11] Thus, any potential elimination of competition between the two entities is not expected to substantially lessen competition in the Metropolitan New York/New Jersey banking market or in any relevant banking market.

As part of the Board's evaluation of the public interest factors in this case, the Board has carefully reviewed the financial and managerial resources of North Fork, Bancorp, and their respective subsidiaries, and the effect the transaction would have on such resources in light of all the facts of record.[12] These facts include confidential financial information from North Fork and reports of examination and other supervisory information received from the appropriate federal and state supervisors of the affected organizations assessing the financial and managerial resources of the organizations.[13] Based on all the facts of record, the

7. Bancorp and ICP allege that North Fork violated the passivity commitments provided in connection with previous minority investments made by North Fork in Suffolk Bancorp, Inc., Riverhead, New York ("Suffolk"), and Sunrise Bancorp, Inc., Farmingdale, New York ("Sunrise"), and took actions inconsistent with the passivity commitments initially offered to the Board in connection with North Fork's proposed acquisition of more than 5 percent of the voting shares of Haven Bancorp, Woodside, New York ("Haven"). The Board considered similar allegations regarding the commitments that North Fork made in connection with its passive investment in Suffolk and determined that no violations occurred. *See North Fork Bancorporation, Inc.*, 82 *Federal Reserve Bulletin* 338, 339 (1996). The Board also has considered commenters' allegations regarding the commitments made by North Fork in connection with its application to acquire up to 9.9 percent of Sunrise. On the basis of all the facts of record, including confidential supervisory information, the Board concludes that commenters' allegations do not reflect adversely on the managerial resources of North Fork or warrant enforcement action by the Board. The Board notes that North Fork did not acquire more than 5 percent of the voting shares of Haven and did not make any binding passivity commitments to the Board with respect to Haven.

8. Bancorp maintains that North Fork intends to control Bancorp because North Fork has discussed potential business combinations with Bancorp's management. The Board previously has noted that general expressions of interest in negotiating a business combination with an institution do not violate the passivity commitments or the BHC Act's prohibition against exercising a controlling influence over the management or policies of a banking organization. *See GB Bancorporation*, 83 *Federal Reserve Bulletin* 115 (1997).

9. *See Emigrant Bancorp Inc.*, 82 *Federal Reserve Bulletin* 555 (1996), *Mansura Bancshares, Inc.*, 79 *Federal Reserve Bulletin* 37 (1993) ("*Mansura*"); and *SunTrust Banks, Inc.*, 76 *Federal Reserve Bulletin* 542 (1990). It is possible, for example, that the acquisition of a substantial ownership interest in a competitor or a potential competitor of the acquiring firm might alter the market behavior of both firms in such a way as to weaken or eliminate independent action at each organization and increase the likelihood of cooperative operations. *See Mansura* at 38.

10. The Metropolitan New York/New Jersey 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.

11. If North Fork was deemed to control Bancorp, the HHI for the Metropolitan New York/New Jersey banking market would decrease from 796 to 786 on consummation of the proposal. Market share data are as of June 30, 1996, and are based on calculations in which the deposits of thrift institutions, other than Savings Bank, are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Because the Board has analyzed the competitive factors in this case as if North Fork and Savings Bank were a combined entity, the deposits of Savings Bank are included at 100 percent in the calculation of *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.* 76 *Federal Reserve Bulletin* 669 (1990).

12. Bancorp contends that the proposal would adversely affect its financial condition because Bancorp would be forced to redeem the shares held by North Fork at a premium. The Board has considered Bancorp's comments in light of confidential examination and supervisory reports assessing the financial condition of Bancorp. Bancorp also maintains that Suffolk's financial condition was adversely affected by its redemption of the shares acquired by North Fork. The Board notes that Suffolk remained well capitalized after the transaction.

13. ICP argues that allegations regarding the activities of a senior executive of NFB and North Fork contained in two lawsuits raise adverse managerial considerations. Documents filed in connection with these lawsuits asserted that certain business transactions between NFB and acquaintances of the senior executive were not handled in accordance with the bank's normal procedures. The Board notes that these lawsuits were resolved in favor of NFB and that no findings of improper activities were made against NFB or its management. The Board also has considered ICP's contentions in light of confidential reports of examination and other supervisory information from NFB's appropriate federal supervisor, the Federal Deposit Insurance Corporation ("FDIC"), and the New York State Banking Department ("NYSBD"), regarding the managerial resources of NFB. The Board notes that ICP submitted similar comments to the FDIC in connection with NFB's application to merge with North Side Savings Bank, New

Board concludes that the financial and managerial resources of the organizations involved in the proposal are consistent with approval.

In acting on applications to acquire a savings association, the Board also reviews the records of performance of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA").[14] 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 records of performance of the relevant institutions. An institution's most recent CRA performance evaluation is a particularly important consideration in the application process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal regulator.[15]

NFB received an overall rating of "satisfactory" from the FDIC at its most recent evaluation for CRA performance, as of March 1997 ("1997 Examination"). In addition, the NYSBD rated NFB's CRA performance "satisfactory" as of the same date.[16] Savings Bank also received an overall rating of "outstanding" from its appropriate federal regulator, the Office of Thrift Supervision, as of February 1996.

ICP contends, based primarily on data filed under the Home Mortgage Disclosure Act (12 U.S.C. § 2901 *et seq.*) ("HMDA"), that North Fork's lending activities, including loans secured by 1–4 family dwellings ("owner-occupied housing"), in low- to moderate-income ("LMI") communities and communities with predominantly minority populations are inadequate.[17] The Board recently reviewed North Fork's record of CRA performance in light of similar comments submitted by ICP in connection with approving North Fork's application to acquire New York Bancorp, Inc., Douglaston, New York.[18]

In the *N.Y. Bancorp Order*, the Board carefully reviewed a number of aspects of North Fork's CRA performance, including NFB's lending programs designed to assist in meeting the housing-related credit needs of LMI individuals and communities, small business lending activities, NFB's record of ascertaining the credit needs of its entire service community, NFB's branch locations and branch closing policies, and NFB's compliance with fair lending laws. The Board also carefully reviewed North Fork's record of lending in light of 1995 and 1996 HMDA data filed by North Fork. For the reasons set forth in detail in that order, and incorporated herein by reference, the Board concluded that the CRA performance record of North Fork was consistent with approval under the BHC Act.

The Board also has carefully reviewed North Fork's final HMDA data for 1997 that became available after the *N.Y. Bancorp Order*. These data show that the number of loans made by North Fork in census tracts with predominantly minority populations decreased slightly in 1997 compared to 1996. The data also show that North Fork increased the number of loans it made to LMI individuals and in LMI census tracts in 1997 compared to 1996. The data also reflect some disparities in the rate of loan originations, denials, and applications by racial group and income level in certain areas.

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

Because of the limitations of HMDA data, the Board has carefully reviewed other information, particularly examination reports that provide an on-site evaluation of compliance by NFB with the fair lending laws. In the 1997 Examination, FDIC examiners found no evidence of prohibited discriminatory practices or of any practices intended to discourage applications for the types of credit set forth in the bank's CRA statement.[20] NYSBD examiners also found no evidence of any prohibited discriminatory or illegal credit practices in their 1997 evaluation of NFB. FDIC examiners also concluded that NFB's management had demonstrated a commitment to making loans in LMI census tracts and to LMI individuals and favorably noted that the bank had a formal review process for all denied loan applications. Based on a review of the entire record in this case, including the Board's previous review in the *N.Y. Bancorp Order*, the Board concludes that the CRA perfor-

York, New York, in 1996, and that the FDIC found that the managerial resources of NFB were consistent with approved of that transaction under the Bank Merger Act (12 U.S.C. § 1828(c)).

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

15. 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 reports of these examinations will be given great weight in the applications process. *See* 54 *Federal Register* 13,742 and 13,745 (1989).

16. *See* N.Y. Banking Law § 28-b.

17. ICP also maintains that North Fork charges higher fees for banking services and pays lower interest rates on deposits than other depository institutions in New York. There are no facts in the record indicating that North Fork's pricing for bank services is based on any factor that would be prohibited under law. The Board previously has concluded, moreover, that the CRA does not impose any limitation on the ability of a depository institution to price its products and services.

18. *See North Fork Bancorporation, Inc.*, 84 *Federal Reserve Bulletin* 290 (1998) ("*N.Y. Bancorp Order*").

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

20. As noted in the *N.Y. Bancorp Order*, FDIC examiners noted certain technical violations of the fair lending laws during the 1997 Examination, but stated that these matters were addressed by the bank's management during the examination.

mance records of NFB and Savings Bank are consistent with approval of the proposal.[21]

The Board also has considered the commenters' contentions that the proposal would not result in any public benefits. The requirement under section 4 of the BHC Act that the Board must determine that public benefits from a proposal can reasonably be expected to outweigh potential adverse effects necessarily involves a balancing process that takes into account the extent of the potential for adverse effects.

The Board believes that there is a public benefit to be derived from permitting capital markets to operate and from permitting bank holding companies to make potentially profitable passive investments in financial institutions, when these investments are consistent, as in this case, with the relevant considerations under the BHC Act.[22] Based on all the facts of record, and for the reasons previously discussed in this order, the Board concludes that the proposal is not likely to result in the adverse effects alleged by Bancorp and ICP or other adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Accordingly, based on all the facts of record, the Board has determined that consummation of the 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.

Based on the foregoing and all the facts of record, the Board has determined that the notice should be, and hereby is, approved.[23] The Board's approval of the proposal is specifically conditioned on compliance by North Fork with the commitments made in connection with this notice and conditions referred to in this order. The Board's determination is also 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 April 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*

## Appendix

*As part of this proposal, North Fork has committed that it will not, without the Board's prior approval:*

(1) Exercise or attempt to exercise a controlling influence over the management or policies of Long Island Bancorp ("Bancorp") or any of its subsidiaries;

(2) Have or seek to have any employees or representatives serve as an officer, agent, or employee of Bancorp or any of its subsidiaries;

(3) Take any action causing Bancorp or any of its subsidiaries to become a subsidiary of North Fork or any of its subsidiaries;

(4) Acquire or retain shares that would cause the combined interests of North Fork or any of its subsidiaries and its officers, directors, and affiliates to exceed 9.9 percent of the outstanding voting shares of Bancorp or any of its subsidiaries;

(5) Propose a director or slate of directors in opposition to a nominee or slate of nominees proposed by the management or board of directors of Bancorp or any of its subsidiaries;

(6) Attempt to influence the dividend policies or practices of Bancorp or any of its subsidiaries;

(7) Solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of Bancorp or any of its subsidiaries;

(8) Attempt to influence the loan and credit decisions or policies of Bancorp or its bank subsidiary, the pricing of

21. The Board continues to expect NFB to address the areas for improvement in its lending performance discussed in the *N.Y. Bancorp Order*, and will consider North Fork's progress in this regard in connection with future applications by North Fork to acquire deposit-taking facilities.

22. *See, e.g., Mercantile Bancorporation Inc.*, 83 *Federal Reserve Bulletin* 683, 688 (1997); *South Central Texas Bancshares, Inc.*, 83 *Federal Reserve Bulletin* 47, 51 n. 20 (1997).

23. ICP requests that the Board hold a public hearing or meeting to investigate and resolve disputed issues of fact involving the allegations contained in the lawsuits against NFB and its senior management. The Board's rules provide for a hearing on notices under section 4 of the BHC Act to acquire a savings association only 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). After a careful review of all the facts of record, the Board has concluded that ICP's contentions amount to a dispute concerning the weight that should be accorded to, and the conclusions that the Board should draw from, the facts of record, but do not identify disputed issues of fact that are material to the Board's decision. The Board also notes that interested parties have had an ample opportunity to present their views, and ICP has submitted substantial written comments that have been considered by the Board. ICP's request fails to demonstrate why a written presentation would not suffice 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 meeting or hearing is not necessary to clarify the factual record on the notice and is not warranted in this case. Accordingly, ICP's request for a public hearing or meeting on this notice is hereby denied.

services, any personnel decision, the location of any offices, branching, the hours of operation, or similar activities of Bancorp or any of its subsidiaries;
(9) Dispose or threaten to dispose of shares of Bancorp or any of its subsidiaries in any manner as a condition of specific action or nonaction by Bancorp or any of its subsidiaries;
(10) Enter into any banking or nonbanking transactions with Bancorp or any of its subsidiaries, except that North Fork and each of North Fork's directors, senior executive officers, related parties, and affiliates may establish and maintain deposit accounts with any bank subsidiaries of Bancorp, provided that the aggregate balance of all such accounts do not exceed $500,000 and that the accounts are maintained on substantially the same terms as those prevailing for comparable accounts of persons unaffiliated with Bancorp or any of its subsidiaries; or
(11) Seek or accept representations on the board of directors of Bancorp or any of its subsidiaries. North Fork also has committed that it will:
(12) No later than two years following the date of increasing its interest in the voting shares of Bancorp to more than 5 percent, either:
(i) Acquire control of Bancorp and cause Bancorp and its subsidiaries to cease all activities impermissible for a bank holding company, or
(ii) Reduce its interest in the voting shares of Bancorp to 5 percent or less.

## Popular, Inc.
## Hato Rey, Puerto Rico

*Order Approving Notice to Engage in Nonbanking Activities*

Popular, Inc. ("Notificant"), 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(a) of the Board's Regulation Y (12 C.F.R. 225.24(a)) to acquire through its wholly owned subsidiary, Popular Cash Express, Orlando, Florida ("Cash Express"), certain assets of Florida Exchange, Ltd. and Mirando-J., Inc., both in Oak Park, Illinois (together "Companies").[1] Cash Express would engage in the nonbanking activities discussed below.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 61,127 (1997)). 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.

Notificant, with total assets of approximately $19.9 billion, is the largest banking organization in Puerto Rico, and the 42nd largest banking organization in the United States.[2] Notificant controls approximately $10.1 billion in deposits in the United States, and operates branches in New Jersey, Florida, Illinois, Texas, and California. Notificant also engages in a number of nonbanking activities in the United States.

The Board has determined by regulation[3] that the following proposed activities are closely related to banking and permissible for bank holding companies under section 4(c)(8) of the BHC Act:
(i) Credit and credit related activities;
(ii) Leasing activities;
(iii) Financial and investment advisory services;
(iv) Transactional services;
(v) Investment and trading services;
(vi) Insurance activities related to extensions of credit; and
(vii) Issuing and selling consumer payment instruments.[4]

The Board also has determined by order that (i) check cashing and wire transmission services,[5] and (ii) bill payment services[6] are closely related to banking. Notificant has committed to conduct each of these activities in accordance with Regulation Y and the relevant Board interpretations and orders.

1. Cash Express is a third-tier subsidiary of Notificant and a direct subsidiary of Popular North America, Inc., a bank holding company registered under the BHC Act. Popular North America, a second-tier subsidiary of Notificant is a direct subsidiary of Popular International Bank, Inc., also a registered bank holding company under the BHC Act. Popular International Bank, Inc. is a wholly owned direct subsidiary of Notificant.

2. Asset data are as September 30, 1997. Ranking data are as of December 31, 1996.

3. *See* 12 C.F.R. 225.28(b)(1), (b)(3), (b)(6), (b)(7), (b)(8)(ii), (b)(11), (b)(13), and (b)(14).

4. These activities include selling prepaid telephone cards and prepaid cellular phone time, and receiving payments for additional time from cellular phone customers. Notificant would not, however, sell or rent cellular phones.

5. *See Midland Bank, PLC*, 76 *Federal Reserve Bulletin* 860 (1990); *Norwest Corporation*, 81 *Federal Reserve Bulletin* 974 (1995), and 81 *Federal Reserve Bulletin* 1130 (1995). Notificant has committed that its check cashing and wire transfer services would be conducted in the same manner regardless of whether the transaction involved an affiliated or non-affiliated depository institution. Notificant also states that a customer would not be permitted to wire transfer funds to an account maintained by the customer in an affiliated depository institution or open an account at an affiliated depository institution through Cash Express. Cash Express and Notificant also would not generally cross-market products and services. Cash Express would make loans from affiliates available in a manner similar to a loan production office and in compliance with applicable branching laws.

6. Notificant's bill payment services would include the transfer of funds to the payee by the following means:
(i) By wire transfer or money order from Cash Express,
(ii) By transfer of funds using a third party provider, or
(iii) By transfer of funds using hardware and software provided by a payee under an agreement with Cash Express. *See Banc One Corporation*, 80 *Federal Reserve Bulletin* 139 (1994), and *see, e.g., Norwest Corporation*, 81 *Federal Reserve Bulletin* 974 (1995), and 81 *Federal Reserve Bulletin* 1130 (1995).

Notificant also proposes to provide the following government services at Cash Express offices:

(i) Postage stamps and postage-paid envelopes;
(ii) Vehicle registration services, including the sale, distribution and renewal of license plates and license tags for motor vehicles;
(iii) Public transportation tickets and tokens; and
(iv) Notary public services.[7]

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with the Board's approval, engage in any activity that the Board determines to be closely related to banking.[8] An activity may be deemed to be closely related to banking if it is demonstrated that:

(i) Banks generally provide the proposed services;
(ii) Banks generally provide services that are operationally or functionally so similar to the proposed services as to equip them particularly well to provide the proposed services; or
(iii) Banks generally provide services that are so integrally related to the proposed services as to require their provision in a specialized form.[9]

Banks generally are permitted to provide customers access to the type of government services involved in the proposal. Banks are permitted to:

(i) Sell postage stamps;
(ii) Provide vehicle registration and licensing services as agent for state departments of motor vehicles;
(iii) Provide notary public services; and
(iv) Dispense public transportation tickets from automated teller machines ("ATMs").[10]

The proposed services, moreover, further the public policy objective of providing easier access to government services. Based on all the facts of record, the Board concludes that the proposed activities involving government services are closely related to banking.

In order to approve the proposal, the Board also must find that the performance of the proposed activities by Notificant "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." 12 U.S.C. § 1843(c)(8). As part of its evaluation of these factors, the Board considers the financial resources of the Notificant and its subsidiaries and the effect of the transaction on those resources.[11] Based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of the proposal.

The Board also has carefully considered the competitive effects of the proposed acquisition of the assets of Companies. The record reflects that there are few overlaps in the services provided by Companies and Notificant. To the extent that Notificant and Companies offer different types of products, the proposed acquisition would result in no loss of competition. In those markets in which the product offerings of Notificant and Companies overlap, there are numerous existing and potential competitors. Consummation of the proposal, therefore, would have a *de minimis* effect on competition, and the Board has determined that the proposal would not result in any significantly adverse competitive effects in any relevant market.

The Board expects that the proposed transaction would give Notificant an increased ability to serve the needs of its customers and would allow Notificant to provide existing and new customers with a broader range of products and services. Public benefits also would be derived from providing government services at locations that are convenient for customers. 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 believe is most efficient.

Based on the foregoing and all the other facts of record, including the commitments made by Notificant, the Board has determined that the performance of the proposed activities by Notificant can reasonably be expected to produce benefits to the public that would outweigh any possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

*Conclusion*

Based on all the facts of record, including all the commitments and representations made by Notificant, and subject

7. Cash Express also would provide services that are incidental to the proposed activities, such as providing mailboxes and related services, photocopying, and sending facsimiles. Revenue from the incidental activities would not exceed 10 percent of the total annual revenues earned by Cash Express.

8. 12 U.S.C. § 1843(c)(8).

9. *See National Courier Association v. Board of Governors of the Federal Reserve System*, 516 F.2d 1229, 1237 (D.C. Cir. 1975). In addition, the Board may consider any other basis that may demonstrate that the proposed activity has a reasonable or close connection or relationship to banking or managing or controlling banks. *See* Board Statement Regarding Regulation Y, 49 *Federal Register* 806 (1984); *Securities Industry Association v. Board of Governors of the Federal Reserve System*, 468 U.S. 207, 210–211 n.5 (1984).

10. *See, e.g.*, 12 C.F.R. 7.1010 and OCC Interpretive Letter No. 718 (March 14, 1996) (postage stamps, act as agent for the state in selling and renewing license plates and license tags, and public transportation tickets from ATMs); and OCC Conditional Approval Letter No. 267 (January 12, 1998) (notary services). *See, e.g., Corbet v. Devon Bank* 299 N.E.2d 521, 529 (Ill. App. Ct. 1988); and Legal Interpretation § 1.3 of Title 3 of the New York Compilation of Rules and Regulation (January 31, 1969) (New York trust companies can, under the New York Banking Law, provide vehicle registration and licensing services as agent of the New York State Department of Motor Vehicles).

11. *See* 12 C.F.R. 225.26; *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerishe Vereinbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

to all the terms and conditions set forth in this order, the Board has determined that the notice should be, and hereby is, approved.[12] This determination is subject to all the conditions set forth in the Board's Regulation Y, including those in sections 225.7 and 225.25(g) (12 C.F.R. 225.7 and 225.25(g)), and to the Board's authority to require modification or termination of the activities of a bank 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 Board's decision is specifically conditioned on compliance with all the commitments and representations made in the notice, including the commitments and conditions discussed in this order. The commitments, representations, and conditions relied on 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 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 the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective April 2, 1998.

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

WILLIAM W. WILES
*Secretary of the Board*

## U.S. Bancorp
## Minneapolis, Minnesota

*Order Approving Notice to Engage in Nonbanking Activities*

U.S. Bancorp, Minneapolis, Minnesota ("USB"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire all the voting securities of Piper Jaffray Companies, Inc. ("Piper Jaffray"), and thereby acquire control of its subsidiaries, including Piper Jaffray, Inc. ("Company"), all in Minneapolis, Minnesota. USB would thereby engage in the following nonbanking activities:

(1) Extending credit and servicing loans, pursuant to section 225.28(b)(1) of Regulation Y (12 C.F.R. 225.28(b)(1));
(2) Engaging in activities related to extending credit, pursuant to section 225.28(b)(2)(ii), (vi) and (vii) of Regulation Y (12 C.F.R. 225.28(b)(2)(2)(ii), (vi) and (vii));
(3) Providing leasing services, pursuant to section 225.28(b)(3) of Regulation Y (12 C.F.R. 225.28(b)(3));
(4) Performing functions or activities that may be performed by a trust company, pursuant to section 225.28(b)(5) of Regulation Y (12 C.F.R. 225.28(b)(5));
(5) Providing financial and investment advisory services, pursuant to section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6));
(6) Providing securities brokerage, riskless principal, private placement, futures commission merchant, and other agency transactional services, pursuant to section 225.28(b)(7) of Regulation Y (12 C.F.R. 225.28(b)(7));
(7) Underwriting and dealing in government obligations and money market instruments in which state member banks may underwrite and deal under 12 U.S.C. §§ 335 and 24(7) ("bank-eligible securities"), and engaging in investing and trading activities, and buying and selling bullion and related activities, pursuant to section 225.28(b)(8) of Regulation Y (12 C.F.R. 225.28(b)(8));
(8) Providing management consulting and employee benefit consulting services, pursuant to section 225.28(b)(9) of Regulation Y (12 C.F.R. 225.28(b)(9));
(9) Engaging in general insurance agency activities, pursuant to section 225.28(b)(11)(vii) of Regulation Y (12 C.F.R. 225.28(b)(11)(vii));[1]
(10) Underwriting and dealing in, to a limited extent, all types of debt and equity securities other than interests in open-end investment companies ("bank-ineligible securities");
(11) Providing administrative and other services to open-end investment companies ("mutual funds");[2] and
(12) Acting as the general partner of private investment limited partnerships that invest in assets in which a bank holding company is permitted to invest.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (63 *Federal Register* 11,682 (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.

12. Notificant indicates that it may provide the proposed services in the future by using technologies that are not described in the notice or discussed in the order. Notificant must consult with the Federal Reserve System before commencing any new activity that is not described in this order to ensure that the activity will satisfy the criteria in the BHC Act and Regulation Y, and to allow the Federal Reserve System an opportunity to consider whether a separate notice should be reviewed in any particular case.

1. USB is authorized to engage in insurance agency activities pursuant to section 4(c)(8)(G) of the BHC Act, which authorizes those bank holding companies that engaged in insurance agency activities prior to 1971 with Board approval to engage in insurance agency activities.

2. A list of the administrative services that USB would provide is included in the Appendix.

USB, with total consolidated assets of approximately $71.3 billion, is the 15th largest banking organization in the United States.[3] USB operates subsidiary banks in 17 states, and engages through other subsidiaries in a broad range of permissible nonbanking activities. Company is, and following consummation of the proposal will continue to be, registered as a broker-dealer with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*), a member of the National Association of Securities Dealers, Inc. ("NASD"), and registered as a futures commission merchant with the Commodity Futures Trading Commission ("CFTC") under the Commodity Exchange Act (7 U.S.C. § 2 *et seq.*). Accordingly, Company is, and will continue to be, subject to the record-keeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934, the Commodity Exchange Act, the SEC, CFTC, and NASD.

USB recently received Board approval to establish U.S. Bancorp Investments, Minneapolis, Minnesota ("USB-Investments"), and thereby engage in underwriting and dealing, to a limited extent, in certain types of bank-ineligible securities and other permissible nonbanking activities.[4] USB intends to merge USB-Investments into Company by March 31, 1999, with Company surviving the merger.

*Underwriting and Dealing in Bank-Ineligible Securities*

The Board has determined that—subject to the framework of prudential limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, or other adverse effects—underwriting and dealing in bank-ineligible securities is so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[5] The Board also has determined that underwriting and dealing in bank-ineligible securities is consistent with section 20 of the Glass–Steagall Act (12 U.S.C. § 377), provided that the company engaged in the activity derives no more than 25 percent of its gross revenues from underwriting and dealing in bank-ineligible securities.[6]

USB has committed that Company will conduct its underwriting and dealing activities using the methods and procedures and subject to the prudential limitations established by the Board in the Section 20 Orders. USB also has committed that Company will conduct its bank-ineligible securities underwriting and dealing activities subject to the Board's revenue restriction.[7] As a condition of this order, USB is required to conduct its bank-ineligible securities activities subject to the revenue restrictions and Operating Standards established for section 20 subsidiaries ("Operating Standards").[8]

*Other Activities Approved by Regulation or Order*

The Board previously has determined that the proposed credit and credit-related activities; leasing activities; trust company activities; financial and investment advisory activities; securities brokerage, riskless principal, private placement, futures commission merchant, and other agency transactional activities; bank-eligible securities underwriting and dealing, investment and trading, and buying and selling bullion and related activities; management and employee benefits consulting services; and insurance agency activities to be conducted by USB after consummation of the proposal are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[9] In addition, the Board previously has determined by order that the

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

4. *See U.S. Bancorp*, 84 *Federal Reserve Bulletin* 62 (1998).

5. *See J.P. Morgan & Co. Inc., et. al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990); *Citicorp*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir.), *cert. denied*, 486 U.S. 1059 (1988), as modified by *Review of Restrictions on Director, Officer and Employee Interlocks, Cross-Marketing Activities, and the Purchase and Sale of Financial Assets Between a Section 20 Subsidiary and an Affiliated Bank or Thrift*, 61 *Federal Register* 57,679 (1996), *Amendments to Restrictions in the Board's Section 20 Orders*, 62 *Federal Register* 45,295 (1997); and *Clarification to the Board's Section 20 Orders*, 63 *Federal Register* 14,803 (1998) (collectively, "Section 20 Orders").

6. Compliance with the revenue limitation shall be calculated in accordance with the method stated in the Section 20 Orders, as modified by the *Order Approving Modifications to the Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989); *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"). In light of the fact that USB proposes to acquire a going concern, the Board believes that allowing Company to calculate compliance with the revenue limitation on an annualized basis during the first year after consummation of the acquisition and thereafter on a rolling quarterly average basis would be consistent with the Section 20 Orders. *See Dauphin Deposit Corporation*, 77 *Federal Reserve Bulletin* 672 (1991). The Board also believes that, in light of the fact that USB-Investments recently began operations, permitting USB-Investments to calculate compliance with the revenue limitation on an annualized basis during the first year of its operations and thereafter on a rolling quarterly average basis is consistent with the Section 20 Orders.

7. As noted above, USB intends to merge USB-Investments into Company by March 31, 1999. Until such merger occurs, USB will operate Company as a separate corporate entity and both USB-Investments and Company will be independently subject to the 25-percent revenue limitation on underwriting and dealing in bank-ineligible securities. *See Citicorp*, 73 *Federal Reserve Bulletin* 473, 486 n. 45 (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. denied*, 486 U.S. 1059 (1988).

8. 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 limitation.

9. *See* 12 C.F.R. 225.28(b)(1), (2), (3), (5), (6), (7), (8), (9), and (11)(vii).

proposed mutual fund administration services and private investment limited partnership activities are permissible for bank holding companies.[10] USB has committed that it will conduct these activities in accordance with the limitations set forth in Regulation Y and the Board's orders and interpretations relating to each of the activities.[11]

*Other Considerations*

In order to approve this notice, the Board also must determine that the proposed activities "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."[12] As part of its review of these factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[13]

In considering the financial resources of the notificant, the Board has reviewed the capitalization of USB 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. This determination is based on all the facts of record, including USB'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 each of the entities involved in this proposal in light of examination reports and other supervisory information. In connection with the proposal, the Federal Reserve Bank of Minneapolis ("Reserve Bank") has reviewed the policies and procedures of Company to ensure compliance with this order and the Section 20 Orders, including Company's operational and managerial infrastructure, computer, audit, and accounting systems and internal risk management procedures and controls. On the basis of the Reserve Bank's review and all other facts of record, including the commitments provided in this case and the proposed managerial and risk management systems of Company, the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

The Board has carefully considered the competitive effects of the proposal. USB represents that USB-Investments and Company offer largely complementary services with few significant overlaps. USB has indicated that USB-Investments has focused on bank-eligible securities underwriting, private placement, and fixed-income debt trading activities, and has not developed the type of merger and acquisition advisory and equity underwriting, dealing, research, and distribution services offered by Company. To the extent that USB-Investments and Company offer different types of products and services, the proposed acquisition would result in no loss of competition. In those markets where the product offerings of USB's nonbanking subsidiaries and Piper Jaffray overlap, such as securities brokerage, investment advisory, trust and insurance agency activities, there are numerous existing and potential competitors. Consummation of the proposal, therefore, would have a *de minimis* effect on competition in the market for these services, and the Board has concluded that the proposal would not have any significantly adverse competitive effects in any relevant market.

In order to approve the proposal, the Board also must find that the performance of the proposed activities by Applicant can reasonably be expected to produce benefits that would outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act. Under the framework established in this and prior decisions, consummation of the proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.

The Board expects that consummation of the proposal would provide added convenience to the customers of USB and Piper Jaffray. USB has indicated that consummation of the proposal would expand the range of products and services available to its customers and those of Piper Jaffray. USB also has stated that the acquisition would permit it to further diversify its nonbanking operations, thereby making it less vulnerable to economic fluctuations in individual business lines.

Based on all the facts of record, the Board has determined that performance of the proposed activities by USB can reasonably be expected to produce public benefits that outweigh any adverse effects of the proposal. Accordingly, the Board has determined that the performance of the proposed activities by USB is a proper incident to banking for purposes of section 4(c)(8) of the BHC Act.

*Conclusion*

On the basis of all the facts of record, the Board has determined that the notice should be, and hereby is, ap-

10. *See Mellon Bank Corporation*, 79 *Federal Reserve Bulletin* 626 (1993); *Commerzbank AG*, 83 *Federal Reserve Bulletin* 678 (1997) ("*Commerzbank*"); *Bankers Trust New York Corporation*, 83 *Federal Reserve Bulletin* 780 (1997) ("*Bankers Trust*"); *Meridian Bancorp, Inc.*, 80 *Federal Reserve Bulletin* 736 (1994). Company also would provide transfer agency services to the funds that are provided advisory or administrative services by Company or an affiliate. *See* 12 C.F.R. 225.125(i).

11. USB has committed that it will engage in the proposed mutual fund advisory and administrative activities in a manner consistent with previous orders, and has committed that Company will cease its mutual fund distribution activities prior to consummation. *See Commerzbank; Bankers Trust*. USB does not propose to have any officer or director interlocks with the mutual funds to which Company or its affiliates provide advisory or administrative services. USB also has provided the commitments previously relied on by the Board to address the potential adverse effects that could arise from USB's proposal to serve as general partner of private investment limited partnerships that invest in assets in which a bank holding company may invest, and to assure that such activities are conducted in accordance with applicable law. *See Dresdner Bank AG*, 84 *Federal Reserve Bulletin* 361 (1998).

12. 12 U.S.C. § 1843(c)(8).

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

proved, subject to all the terms and conditions described in this order. The Board's approval of the 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 is not within the scope of the Board's approval and is not authorized for Company.

The Board's determination 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 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, or to prevent evasion of, the provisions and purposes 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, including the commitments discussed in this order and the conditions set forth in this order and the Board regulations and orders noted above. The 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.

This 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 the Reserve Bank, acting pursuant to delegated authority.

By order of the Board of Governors, effective April 20, 1998.

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

JENNIFER J. JOHNSON
*Deputy Secretary of the Board*

## Appendix

*List of Administrative Services*

(1) Maintaining and preserving certain records of the Funds, including financial and corporate records;
(2) Computing dividends, performance data and financial information regarding the Funds;
(3) Furnishing statistical and research data;
(4) Preparing and filing with the SEC and state securities regulators registration statements, notices, reports and other materials required to be filed under applicable laws;
(5) Preparing reports and other informational materials regarding the Funds including proxies and other shareholder communications;
(6) Providing legal and other regulatory advice to the Funds in connection with their other administrative functions;
(7) Providing office facilities and clerical support for the Funds;
(8) Developing and implementing procedures for monitoring compliance with regulatory requirements and compliance with the Funds' investment objectives, policies, and restrictions as established by the Funds' boards;
(9) Providing routine fund accounting services and liaison with outside auditors;
(10) Preparing and filing tax returns, and monitoring tax compliance;
(11) Reviewing and arranging for payment of Fund expenses;
(12) Providing communication and coordination services with regard to the Funds' investment adviser, transfer agent, custodian, distributor and other service organizations that render recordkeeping or shareholder communication services;
(13) Reviewing and providing advice to the distributor, the Funds and the investment adviser regarding sales literature and marketing plans for the Funds;
(14) Providing information to the distributor's personnel concerning fund performance and administration;
(15) Providing marketing support with respect to sales of the Funds through financial intermediaries, including participating in seminars, meetings and conferences designed to present information concerning the operations of the Funds;
(16) Providing reports to the Funds' board with regard to the activities of the Funds; and
(17) Providing telephone shareholder services through a toll-free number.

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

### First Midwest Bancorp, Inc.
### Itasca, Illinois

*Order Approving the Acquisition of a Bank Holding Company*

First Midwest Bancorp, Inc. ("First Midwest"), 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 Heritage Financial Services, Inc., Tinley Park, Illinois ("Heritage"), and Heritage Bank, Blue Island, Illinois.[1] First Midwest also has requested the Board's approval under section 4(c)(8) of the BHC Act

1. First Midwest would merge Heritage with and into a wholly owned subsidiary, First Midwest Acquisition Corporation ("Acquisition Corp."), that would be formed solely for the purpose of effecting the acquisition. In connection with the proposal, Acquisition Corp. has applied to become a bank holding company. First Midwest also has requested approval of an option to purchase up to 19.9 percent of the

(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 Heritage's nonbanking subsidiaries, Heritage Trust Company, Tinley Park, Illinois ("Heritage Trust"), and First National Bank of Lockport, Lockport, Illinois ("Lockport"), and thereby engage in trust company activities.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (63 *Federal Register* 9233 and 16,815 (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.

First Midwest is the 12th largest depository institution in Illinois, controlling $2.2 billion in deposits, representing approximately 1 percent of total deposits in insured depository institutions in the state ("state deposits").[2] Heritage is the 26th largest depository institution in Illinois, controlling $1.1 billion in deposits, representing less than 1 percent of state deposits. On consummation of the proposal, First Midwest would become the ninth largest depository institution in Illinois, controlling $3.3 billion in deposits, representing approximately 1.6 percent of state deposits.

*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.

First Midwest and Heritage compete directly in the Illinois banking markets of Joliet and Chicago.[3] After consummation of the proposal, First Midwest would become the largest depository institution in the Joliet banking market, controlling deposits of approximately $758.6 million, representing approximately 20.8 percent of total deposits in depository institutions in the market ("market deposits").[4] The Herfindahl–Hirschman Index ("HHI") for the banking market would increase by 126 points to 1273.[5] In the Chicago banking market, First Midwest would become the 11th largest depository institution, controlling deposits of approximately $1.7 billion, representing approximately 1.3 percent of market deposits. The HHI for the banking market would increase by 1 point to 834. Based on all the facts of record, including the small increases in concentration as measured by the HHI numbers and the number of competitors that would remain in each banking market, 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 Joliet or Chicago banking markets or any other relevant banking market.

*Financial, Managerial, and Other Supervisory Factors*

The Board also has carefully considered the financial and managerial resources and future prospects of First Midwest, Heritage, 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 First Midwest. Based on all the facts of record, including relevant reports of examinations of the companies and banks involved in the proposal, the Board concludes that the financial and managerial resources and future prospects of First Midwest, Heritage, 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.

*Convenience and Needs Considerations*

The Board also has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record, including comments received on the effect the proposal would have on the communities to be served by the combined organizations. Commenters contended that First Midwest's subsidiary bank, First Midwest Bank, N.A., Moline, Illinois ("First Midwest Bank"), does not provide adequate lending and banking services to low-and moderate-income ("LMI") and minority communities, particularly the African-American community in Lake County, Illinois,

voting stock of Heritage if certain events occur. The option would expire on consummation of the proposal.

2. State deposit and ranking data are as of June 30, 1997.

3. The Joliet banking market is defined as Will County, except the townships of Florence, Wilmington, Reed, Custer, and Wesley; the township of Aux Sable in Grundy County; and the townships of Neausay and Seward in Kendall County, all in Illinois. The Chicago banking market is defined as all of Cook, DuPage, and Lake Counties in Illinois.

4. Market share data are as of June 30, 1996. 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).

5. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (1984), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated, and a market in which the post-merger HHI is below 1000 is considered unconcentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger or acquisition increases the HHI by at least 200 points. The Justice Department has stated that the higher than normal threshold for an increase in the HHI when screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effect of limited-purpose lenders and other nondepository financial entities.

one of three counties that comprise the Chicago banking market.[6]

*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 Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("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 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.[7]

First Midwest Bank received a "satisfactory" CRA performance rating from the Office of the Comptroller of the Currency ("OCC") at its most recent examination, as of August 29, 1996. Heritage Bank received a "satisfactory" rating from its appropriate federal supervisor, the Federal Deposit Insurance Corporation, at its most recent examination for CRA performance, as of February 10, 1997.

Examiners found no evidence of prohibited discrimination or other illegal credit practices at First Midwest Bank or Heritage Bank and found no violations of fair lending laws. Examiners also found that First Midwest Bank's delineation of its local community was reasonable and did not arbitrarily exclude LMI areas, and that the bank's services reasonably penetrated all markets in its assessment area. In addition, examiners determined that First Midwest Bank effectively made loans throughout its service areas, including in LMI areas and to LMI individuals.

In reviewing the convenience and needs factor, the Board notes that First Midwest Bank offers a range of financial products to assist in meeting the credit and banking needs of its communities. The bank offers several programs to assist in meeting the credit needs of LMI borrowers, including affordable home mortgage products designed specifically for LMI borrowers and residences in LMI census tracts. The programs feature flexible underwriting guidelines and low down payments. First Midwest also offers the "Believer Loan" program, which is designed to help individuals establish or rebuild credit. In addition, First Midwest Bank has designed several basic banking accounts for its LMI customers. Its "Thrifty Checking Account" has a small minimum balance requirement and a reduced monthly maintenance fee. Its "Small Business Checking Account" and "Not-for-Profit Checking Account" are low-fee accounts available to small businesses and not-for-profit organizations.[8]

First Midwest Bank makes available a variety of credit products to small businesses operating in LMI census tracts.[9] The bank also participates in federal and state government-sponsored small business and small farm loan programs, including programs offered by the Small Business Administration, the Farmers Home Administration, and the Illinois Farm Development Authority.

First Midwest Bank participates in numerous community development organizations that serve LMI communities throughout its assessment area. The bank's community development efforts in Lake County have included participating in several micro-loan pools, providing operating support to several affordable housing organizations, investing in the Chicago Equity Fund, which funds the development of low-income housing in the six-county Chicago Metropolitan area, and providing loan commitments for construction of several low-income housing projects.

*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 First Midwest and Heritage, including relevant reports of examination. Based on a review of the entire record, and for the reasons discussed in this order, the Board has concluded that convenience and needs considerations, including the CRA performance records of the subsidiary banks of First Midwest and Heritage, are consistent with approval.

*Nonbanking Activities*

First Midwest also has filed notice under section 4(c)(8) of the BHC Act to acquire Heritage Trust and Lockport and thereby engage in trust company activities. The Board previously has determined by regulation that trust company

6. Some commenters alleged that First Midwest Bank illegally discriminated against them in specific banking transactions. These comments and First Midwest Bank's response, based on a review of the available loan or account files, were forwarded to the bank's appropriate federal supervisor, the Office of the Comptroller of the Currency, for consideration.

7. 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).

8. A commenter contended that there are no full service banks in the LMI areas of Lake County, Illinois. First Midwest indicates that it operates 12 full service banking offices in Lake County, three of which are in LMI census tracts. The commenter also alleged that First Midwest Bank does not have a commercial loan officer or ATM at its North Chicago branch. First Midwest has stated that it intends to install an ATM at this branch in the near future and that loan officers from any First Midwest branch are available to meet with individuals and companies in the North Chicago area.

9. Several commenters alleged that First Midwest's small business lending practices were inflexible and discriminated against African Americans. As noted, examiners found no evidence of illegal discrimination. First Midwest Bank's CRA performance examination, moreover, commented favorably on the bank's small business lending activities. In 1996, the bank originated approximately 14 percent of the total dollar amount of its small business loans to businesses in LMI census tracts. First Midwest Bank also originated 27 percent of the total dollar amount of its small business loans in Lake County to businesses in LMI census tracts.

activities are closely related to banking for purposes of section 4(c)(8) of the BHC Act, and First Midwest has committed to conduct these activities in accordance with Regulation Y and relevant Board interpretations and orders.[10]

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 possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[11] As part of the Board's evaluation of these factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries, including any company to be acquired, and the effect the transaction would have on such resources.[12] Based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of the notice under section 4 of the BHC Act for the reasons discussed above.

The Board also has carefully considered the competitive effects of the proposed acquisition of Heritage Trust and Lockport. First Midwest operates a trust company subsidiary that competes with Heritage Trust and Lockport; however, the relevant markets for trust company services are unconcentrated, and there are numerous providers of such services. As a result, the Board has concluded that consummation of the proposal would not have a significantly adverse effect on competition for trust company services.

The Board expects, moreover, that the acquisition of Heritage by First Midwest would provide added convenience to customers of Heritage and First Midwest. Consummation of the proposal also 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, 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 the proposal can reasonably be expected to produce public benefits that would outweigh any likely adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

*Conclusion*

Based on the foregoing and all the other facts of record, the Board has determined that this transaction should be, and hereby is, approved subject to all the terms and conditions in this order. The Board's approval is specifically conditioned on compliance by First Midwest with all the commitments made in connection with the proposal.

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

The acquisition of Heritage Bank 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 Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective April 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*

## First Union Corporation
## Charlotte, North Carolina

*Order Approving the Merger of Bank Holding Companies*

First Union Corporation ("First Union"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with CoreStates Financial Corp ("CoreStates") and thereby acquire CoreStates Bank, N.A., Philadelphia, Pennsylvania ("CoreStates Bank"), and CoreStates Bank of Delaware, N.A., Wilmington, Delaware ("CoreStates Delaware").[1] First Union also has requested the Board's approval under section 4(c)(8) of the BHC Act

10. *See* 12 C.F.R. 225.28(b)(5).
11. 12 U.S.C. § 1843(c)(8).
12. *See* 12 C.F.R. 225.26.

1. First Union also has requested approval to acquire interests currently held by CoreStates in less than 25 percent of the voting shares of each of First Commercial Bank of Philadelphia and United Bank, both of Philadelphia, Pennsylvania. First Union has committed to observe certain commitments previously made by CoreStates that are designed to assure that First Union will not exercise a controlling influence over the management and policies of these institutions. *See CoreStates Financial Corp*, 82 *Federal Reserve Bulletin* 430, 431 n.1 (1996).

(12 U.S.C. § 1843(c)(8)) to acquire the nonbanking subsidiaries of CoreStates and, under section 25 of the Federal Reserve Act (12 U.S.C. § 601), to acquire CoreStates Bank's foreign branches. *See* Appendix A.[2]

First Union has total consolidated assets of approximately $157.3 billion, and is the sixth largest commercial banking organization in the United States, controlling approximately 3.2 percent of the total banking assets of insured commercial banks in the United States.[3] First Union National Bank, Charlotte, North Carolina ("FUNB"), which is a wholly owned subsidiary of First Union, operates in North Carolina, Florida, Georgia, South Carolina, Tennessee, Virginia, Maryland, Pennsylvania, New Jersey, New York, Connecticut, and the District of Columbia. First Union also owns First Union Bank of Delaware, Wilmington, Delaware ("Delaware Bank"), which operates in Delaware. First Union also engages in a number of permissible nonbanking activities nationwide.

CoreStates has total consolidated assets of approximately $48.5 billion, and is the 23rd largest commercial banking organization in the United States, controlling approximately 1 percent of total nationwide banking assets. CoreStates operates in Pennsylvania, New Jersey, and Delaware, and engages through subsidiaries in a variety of permissible nonbanking activities. On consummation of the proposal, and accounting for the proposed divestitures, First Union would remain the sixth largest commercial banking organization in the United States, with total consolidated assets of approximately $205.8 billion, representing approximately 4.2 percent of total nationwide banking assets.

First Union is the fifth largest commercial banking organization in Pennsylvania, controlling deposits of approximately $5.6 billion, representing approximately 3.3 percent of all deposits held by depository institutions in the state.[4] CoreStates is the second largest commercial banking organization in Pennsylvania, controlling deposits of approximately $25.1 billion, representing approximately 14.6 percent of deposits held by depository institutions in Pennsylvania. On consummation of the proposal, and accounting for the proposed divestitures, First Union would become the largest depository institution in Pennsylvania, controlling deposits of approximately $29.7 billion, representing approximately 17.3 percent of deposits in the state.

First Union also would control approximately 15.2 percent and 2.1 percent of state deposits in New Jersey and Delaware, respectively. State deposit and ranking data for First Union and CoreStates in these states are described in Appendix B.

2. In addition, First Union has requested the Board's approval to hold and exercise an option to purchase up to 19.9 percent of the voting shares of CoreStates if certain events occur. The option would expire on consummation of the proposal.

3. Asset and ranking data are as of December 31, 1997, and reflect First Union's acquisition of Signet Banking Corporation, Richmond, Virginia.

4. For this purpose, depository institutions include commercial banks, savings banks, and savings associations.

*Factors Governing Board Review of Transaction*

The Board is charged with considering a number of specific factors when reviewing the acquisition of a bank or bank holding company under the BHC Act. These factors are the competitive effects of the proposal in the relevant geographic markets; the financial and managerial resources and future prospects of the companies and banks involved in the transaction; the convenience and needs of the community to be served, including the records of performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA") of the insured depository institutions involved in the transaction; and the availability of information needed to determine and enforce compliance with the BHC Act.[5]

In order to permit interested members of the public an opportunity to submit comments to the Board on these factors, the Board published notice of the proposal and provided a period for public comment. The Board extended the public comment period to allow the public to comment on a CRA plan proposed by First Union for the Philadelphia/New Jersey/Delaware region. In total, the public comment period provided interested persons approximately 57 days to submit written comments on the proposal.[6]

Because of the significant public interest in this proposal, particularly in the Philadelphia area, the Board also held a public meeting to allow interested persons to present direct testimony regarding the various factors that the Board is charged with reviewing under the BHC Act. More than 80 commenters appeared and testified at the public meeting, and many of the commenters who testified also submitted written comments. Testimony was presented at the meeting by representatives of community and nonprofit organizations, members of the United States Congress, small business owners, customers of First Union and CoreStates, CoreStates employees, local and state government officials, and other interested individuals. Through the public comment period and the public meeting, the Board received more than 235 comments on the proposal.

Commenters submitted information and expressed views supporting and opposing the proposed acquisition. Commenters in support of the proposal commended First Union for its lending and other financial support of specific community development projects, including its funding of affordable mortgage and home improvement loan programs directly and through intermediaries, and its leadership in developing and funding loan pools in several states. Commenters also commended First Union's small business lending activities, including its participation in micro-

5. In cases involving a foreign bank, the Board also is charged with considering whether the foreign bank is subject to comprehensive supervision or regulation on a consolidated basis by appropriate authorities in the foreign bank's home country.

6. Notice of the proposal was published in the *Federal Register* (63 *Federal Register* 4266 (1998)) and in local newspapers in accordance with the Board's Rules of Procedure. *See also* Press Release dated February 25, 1998.

lending programs. Many commenters praised First Union's five-year, $13 billion community reinvestment plan for Pennsylvania, New Jersey, and Delaware ("CRA Plan"). Other commenters noted favorably First Union's commitment to maintain the current level of charitable contributions of CoreStates and First Union in the three-state area, and to establish a $100 million charitable foundation to support community needs within the region. Commenters in support included customers and community organizations from throughout the areas currently served by First Union as well as from the Philadelphia/New Jersey/Delaware area.

Commenters opposed to the merger expressed concerns regarding the loss of a large financial institution with headquarters in Philadelphia and the effect the merger would have on competition, branch closings, and local civic leadership, particularly in low- and moderate-income ("LMI") and inner city neighborhoods in the City of Philadelphia. A number of commenters believed that a large out-of-state banking organization like First Union would not serve their communities as well as a local organization like CoreStates. Other commenters cited weaknesses they perceived in the performance record of First Union under the CRA, particularly in the communities served by CoreStates. Commenters also discussed potential adverse effects of the proposal on individuals and on communities, including the effects of layoffs, the potential reduction in the availability and quality of banking services, and other concerns.

In evaluating the statutory factors under the BHC Act, the Board carefully considered the information and views presented by all commenters. The Board also considered all of the information presented in the application and in supplemental filings by First Union and reports filed by the relevant companies and publicly available information and other reports. In addition, the Board reviewed confidential supervisory information, including examination reports regarding the companies and depository institutions involved, and information provided by the other federal banking agencies and the Department of Justice. For the reasons discussed below, and after a careful review of all the facts of record, the Board concludes that the statutory factors it is required to consider under the BHC Act are consistent with approval of the proposal.

*Competitive Factor*

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 effect of the proposal may be substantially to lessen competition in any relevant 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]

The Board received a number of comments from individuals and organizations regarding the competitive aspects of the proposal. A substantial majority of the commenters discussing this factor believed that the acquisition would have significantly adverse anticompetitive effects such as increased fees, reduced customer convenience, and reduced availability and quality of banking and nonbanking products in the banking markets where First Union and CoreStates compete. Many commenters focused on the City of Philadelphia and argued that the level of concentration resulting from the proposal would significantly exceed the Department of Justice Merger Guidelines ("DOJ Guidelines") in Philadelphia. These commenters estimated that the post-merger concentration in Philadelphia, as measured by the Herfindahl–Hirschman Index ("HHI") under the DOJ Guidelines, would increase by 628 points to 3429, and that First Union would control more than 50 percent of the total deposits in depository institutions in Philadelphia.[8] Several commenters contended that the level of increases in market share and concentration in Philadelphia violated the Supreme Court's decision regarding another Philadelphia-based bank merger in *United States v. Philadelphia National Bank*, 374 U.S. 321, 357 (1963) ("*Philadelphia National*").

*Product Market.* In order to determine the effect of a particular transaction on competition, it is necessary to designate the area of effective competition between the parties. The courts have held that the area of effective competition is decided by reference to the "line of commerce," or product market, and a geographic market. The Board and the courts traditionally have recognized that the appropriate product market for evaluating bank mergers and acquisitions is the cluster of products (various kinds of credit) and services (such as checking accounts and trust administration) offered by banking institutions.[9]

*Geographic Market.* Once the relevant product market has been defined, it is necessary to identify the appropriate geographic market in which competition for the supply of, and demand for, this line of commerce occurs. In defining the relevant geographic market in the case of bank acquisitions, the Board and the courts consistently have held that the geographic market for the cluster of banking services is

7. 12 U.S.C. § 1842(c)(1)(B).

8. *See* 49 *Federal Register* 26,823 (June 29, 1984). Under the DOJ Guidelines, 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.

9. *See Chemical Banking Corporation*, 82 *Federal Reserve Bulletin* 239 (1996) ("Chemical Order") and studies cited therein. The Supreme Court has emphasized that it is the cluster of products and services that, as a matter of trade reality, makes banking a distinct line of commerce. *See Philadelphia National*, 374 U.S. at 357. *Accord United States v. Connecticut National Bank*, 418 U.S. 656 (1974); *United States v. Phillipsburg National Bank*, 399 U.S. 350 (1969).

local in nature.[10] The geographic scope of the local market is defined by the area in which competition between depository institutions can reasonably be expected to have a direct effect on the price and supply of the cluster of banking products and services.[11]

In determining the relevant geographic market, the Board reviews a number of factors that identify the geographic area over which competitive forces act to affect the pricing and availability of banking products and services. These include data regarding worker commuting patterns, as indicated by census data; population density; degree of economic integration; the availability and geographic reach of various modes of advertising; the presence of shopping, employment, health care, and other necessities; the availability of transportation systems and routes; branch banking patterns; deposit and loan activity; and other similar factors that indicate the geographic scope of competition.[12]

First Union and CoreStates operate and compete in several areas in Pennsylvania, New Jersey, and Delaware. As noted above, several commenters questioned the appropriate definition of the banking market for the Philadelphia area. The definition of the appropriate market was not contested in the other markets in which First Union and CoreStates compete. The Board has, therefore, paid special attention to defining the relevant geographic banking market in the Philadelphia area.

## A. Relevant Geographic Banking Market for the Philadelphia Area

Philadelphia is the fifth largest city in the United States, with a population of approximately 1.5 million people.[13] Philadelphia serves as a hub for financial, commercial, health, recreational, and other services throughout the metropolitan area that surrounds the city. There is substantial and continuous economic development and integration between the City of Philadelphia and the surrounding nine counties, in particular Bucks, Chester, Delaware, and Montgomery Counties in Pennsylvania; and Burlington, Camden, Gloucester, and Salem Counties and the southwestern portion of Mercer County, in New Jersey. Commuting data for 1990 from the U.S. Bureau of the Census indicate that the City of Philadelphia is one of the largest net importers of labor in eastern Pennsylvania and southern and central New Jersey.[14] Approximately 33 percent of Philadelphia's work force resides outside the city. More than 10 percent of the residents in the Pennsylvania counties of Bucks, Delaware, and Montgomery commute to jobs in the City of Philadelphia.[15] In addition, approximately 16 percent of the residents in Camden County, New Jersey, commute to Philadelphia, and 14 percent and 20 percent of the residents in the New Jersey counties of Burlington and Gloucester, respectively, commute to Camden County.[16]

The four counties closest to Philadelphia—Camden County in New Jersey and Bucks, Delaware, and Montgomery Counties in Pennsylvania—have direct and substantial links to the city. The Southeastern Pennsylvania Transportation Authority ("SEPTA") operates nine regional rail lines to central Philadelphia and three light rail lines to its terminal at 69th Street, where they connect with the subway-elevated line to the rest of the city. These lines operate in Bucks, Delaware, Chester, and Montgomery Counties in Pennsylvania, and Mercer County in New Jersey.[17] Eight major highways, including three interstate highways, and ten secondary roads provide access from Burlington, Camden, and Gloucester Counties in New Jersey to the Pennsylvania counties in the Philadelphia banking market. Ten bridges cross the Delaware River, which separates Philadelphia from New Jersey, and more than 350,000 vehicles use these bridges daily.

Newspapers and other media serve an area that includes these Pennsylvania and New Jersey counties. Philadelphia's principal newspaper, *The Philadelphia Inquirer*, is

10. *See* Chemical Order at 241; *see also Sunwest Financial Services, Inc.*, 73 *Federal Reserve Bulletin* 463 (1987); *Pikeville National Corporation*, 71 *Federal Reserve Bulletin* 240 (1985); *Wyoming Bancorporation*, 68 *Federal Reserve Bulletin* 313 (1982), *aff'd*. 729 F.2d 687 (10th Cir. 1984). *See also Connecticut National*, 418 U.S. at 667–68.

11. *Philadelphia National*, 374 U.S. at 359, quoting *Tampa Electric Co. v. Nashville Coal Co.*, 365 U.S. 320, 327 (1961).

12. *See Crestar Bank*, 81 *Federal Reserve Bulletin* 200, 201 n.5 (1995); *Pennbancorp*, 69 *Federal Reserve Bulletin* 548 (1983); *St. Joseph Valley Bank*, 68 *Federal Reserve Bulletin* 673 (1982); *U.S. Bancorp*, 67 *Federal Reserve Bulletin* 60, 61 n.2 (1981).

13. Population data are from the 1990 decennial census by the U.S. Bureau of the Census.

14. A county is a net importer of labor when its payroll employment (the number of workers employed in the county regardless of where they live) exceeds its resident employment (the number of workers who live in the county regardless of where they work) by at least 10 percent.

15. Approximately 11 percent of Bucks County's residents, approximately 23 percent of Delaware County's residents, and approximately 16 percent of Montgomery County's residents commute to Philadelphia. In addition, approximately 13 percent of Chester County's residents commute to Montgomery County, which is contiguous to Philadelphia.

16. Commuting data for Salem County, New Jersey, show that it is also part of a multi-county market. Overall, 40 percent of Salem County's residents work outside the county and commute to other counties in the following percentages: Gloucester County, New Jersey (10.4 percent); Philadelphia Primary Metropolitan Statistical Area (an area smaller than the Philadelphia MSA) (7.3 percent); New Castle County, Delaware (10.6 percent); Cumberland County, New Jersey (8.8 percent); and other areas (approximately 3 percent). Since 17.7 percent of Salem County's residents commute to jobs within the Philadelphia banking market, Salem County has been included within its delineation.

17. The New Jersey Transit agency operates trains between Philadelphia and Atlantic City, New Jersey, that have a number of stations in Camden and Burlington Counties, New Jersey, and operates at least 20 bus lines between central Philadelphia and locations in Burlington, Camden, and Gloucester Counties. These bus lines also connect directly with nine stations in Camden County that serve the Delaware River Port Authority's high-speed rail system between central Philadelphia and Lindenwold in Camden County, New Jersey ("PATCO"). PATCO runs every 5–8 minutes during rush hour and every 10–15 minutes at other times and averages approximately 39,000 riders daily.

the largest newspaper in the area and has a significant circulation in the New Jersey counties of Burlington, Camden, and Gloucester.[18] Philadelphia television and radio stations also are predominant in the Pennsylvania counties and these New Jersey counties. In addition, Philadelphia provides area residents with a number of financial, transportation, cultural, educational, medical, retail, and recreational services that are not available in the outlying counties.

A number of commercial banks and thrift institutions in Philadelphia also have substantial presences in New Jersey. For example, a number of depository institutions in the Philadelphia banking market, including the six largest depository institutions in the market, maintain branches in New Jersey and Pennsylvania. First Union and CoreStates, moreover, each use a single system for pricing products and services in Pennsylvania and New Jersey, and office hours for each organization's subsidiary banks are almost identical throughout this region.

Lending data filed under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") and small business lending data submitted under the CRA regulations of the federal supervisory agencies indicate that depository institutions compete throughout Philadelphia and the surrounding nine counties. In particular, these data show that banks originate loans throughout the area.

The area that includes the City of Philadelphia and the surrounding nine counties closely approximates the area designated as a Ranally Metropolitan Area ("RMA"). An RMA is a privately defined compact geographic area with relatively high population density that is linked by commuting, retail, and wholesale trade patterns.[19] The banking market also closely approximates the area designated as the Philadelphia Metropolitan Statistical Area ("MSA") by the Office of Management and Budget.[20] MSA designations are made on the basis of an area's population and include surrounding counties with strong economic and social ties to a central county.

Several commenters argued that the Philadelphia metropolitan area consists of smaller banking markets that are relevant in considering the competitive effects of the transaction, such as the City of Philadelphia or certain neighborhoods within the city. Commenters supported these market definitions by arguing that these smaller areas are where the vast majority of local residents can practicably and conveniently turn for banking alternatives.

18. Circulation data for *The Philadelphia Inquirer* indicate that the penetration level in these New Jersey counties is approximately 75 percent of the penetration level for the newspaper in Philadelphia County.

19. The RMA differs from the Philadelphia banking market adopted by the Board in that the RMA excludes some outlying areas in Gloucester, Burlington, and Salem Counties, New Jersey, and some outlying areas in Bucks, Montgomery, and Chester Counties, Pennsylvania, and includes part of Monmouth County and more of Mercer County, New Jersey, and part of New Castle County, Delaware.

20. The Philadelphia MSA differs from the Philadelphia banking market adopted by the Board in that the Philadelphia MSA excludes all of Mercer County, New Jersey.

The Board believes that the suggested market definitions are too narrow and do not adequately reflect the degree to which competition among banking institutions is transmitted throughout the broader Philadelphia area.[21] As explained above, there are significant commuting, advertising, overlap of banking activities and offices, economic integration, and other factors that transmit competition within the multi-county Philadelphia area. These data indicate that, although an individual customer may not have easy access to all bank competitors in the market, the flow of a significant number of customers, of economic activity, and of information regarding the price and availability of banking products and services in the banking market is an effective check on the price and supply of the cluster of banking products and services throughout the broader Philadelphia banking market. Accordingly, based on all the facts of record, and for the reasons discussed above, the Board believes that the relevant banking market for considering the competitive effects of the proposal in the Philadelphia area is comprised of Philadelphia, Bucks, Chester, Delaware, and Montgomery Counties in Pennsylvania; and Burlington, Camden, Gloucester, and Salem Counties and the southwestern portion of Mercer County, in New Jersey.

## B. Competitive Analysis in the Philadelphia Banking Market

First Union is the fourth largest of 118 depository institutions in the Philadelphia banking market, and controls deposits of approximately $5.5 billion, representing approximately 7.9 percent of market deposits. CoreStates is the largest depository institution in the market, and controls deposits of approximately $22 billion, representing approximately 31.5 percent of market deposits. On a combined basis, First Union and CoreStates would control approximately 39.4 percent of market deposits,[22] and the

21. Other commenters argued that the Board is bound in this case by the definition of the Philadelphia banking market set out by the Supreme Court in 1963 in its opinion analyzing the merger of Philadelphia National Bank and Girard Trust Corn Exchange Bank. *See Philadelphia National*, 374 U.S. at 357–62. In *Philadelphia National*, the Supreme Court determined that the appropriate market for analyzing the competitive effects of that merger was the area defined by the City of Philadelphia (which comprises Philadelphia County) and Bucks, Montgomery, and Delaware Counties in Pennsylvania.

The Court has consistently recognized that competitive analysis must reflect the competitive and economic realities of the marketplace. *See United States v. Marine Bancorporation*, 418 U.S. 602, 630–31 (1974); *Brown Shoe Co. v. United States*, 370 U.S. 294, 322 n.38 (1962). The Board believes that current data, which reflect significant developments in population density, commuting patterns, transportation systems, advertising and media coverage, and other commercial and economic activity, in addition to significant broadening of the branching and other powers of banks and thrifts in the 35 years since the Court considered *Philadelphia National*, support a broader geographic market today, and are consistent with the legal framework established by the Court for defining the relevant geographic market.

22. Market share deposit data are as of June 30, 1997. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent, except as discussed in the order. The Board previously has indicated that thrift

HHI would increase approximately 496 points to 1958, an amount that would exceed the DOJ Guidelines in a highly concentrated market.

In order to address the potential anticompetitive effects of the proposal in the Philadelphia banking market, First Union has committed to divest 23 branches. Fourteen of the divested branches would be located in the City of Philadelphia, and the nine remaining branches would be located in the adjoining Pennsylvania counties of Delaware and Montgomery.[23] The branches proposed to be divested account for approximately $866.9 million in deposits, and would either bring a new competitor into the market or enhance the competitive presence of a current competitor.[24] In addition, three savings associations that operate in the market are significant commercial lenders and provide a range of consumer, mortgage, and other banking products and services. Competition from these savings associations more closely approximates competition from commercial banks, and the Board concludes that deposits controlled by these organizations should be weighted at 100 percent.[25] In this light, and accounting for the proposed divestitures, the HHI would increase by not more than 410 points to 1872, and First Union would have a post-merger market share of approximately 38.1 percent.[26]

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.[27]

In this case, the Board believes that a number of factors help mitigate the competitive effects of the proposal in the Philadelphia banking market.[28] For example, the Board has taken account of the significant number of competitors that would remain in the market following this transaction and the structure and size of other competitors. The Philadelphia banking market would have more than 50 commercial banks and 65 thrifts remaining as competitors of First Union. Five competing bank holding companies each have more than $25 billion of total assets, and at least an additional seven bank holding companies and at least four thrifts or thrift holding companies each have more than $1 billion of total assets. Numerous branches of depository institutions would remain in the banking market after consummation.[29]

institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

23. With respect to each market in which First Union has committed to divest offices to mitigate the anticompetitive effects of the proposal, First Union has committed to execute sales agreements for the proposed divestitures with a purchaser determined by the Board to be competitively suitable prior to consummation of the proposal, and to complete the divestitures within 180 days of consummation. First Union 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. *BankAmerica Corporation*, 78 *Federal Reserve Bulletin* 338 (1992); *United New Mexico Financial Corporation*, 77 *Federal Reserve Bulletin* 484 (1991).

24. Deposit amounts for all divestitures by First Union are based on summary of deposit data reported to the Federal Deposit Insurance Corporation by all market competitors, as of June 30, 1997. Based on data reported by First Union as of April 7, 1998, the offices proposed to be divested would control approximately $936 million of deposits.

25. The Board previously has indicated that, when analyzing the competitive effects of a proposal, it may consider the competitiveness of savings associations at a level greater than 50 percent of the savings association's deposits if appropriate. *See Banknorth Group, Inc.*, 75 *Federal Reserve Bulletin* 703 (1989). In the Philadelphia banking market, Firstrust Savings Bank, Peoples Bancorp MHC, and Progress Financial Corp. each maintain a significantly greater percentage of their assets in commercial loans than the national average for thrifts of 1.7 percent. The record also indicates that these thrifts have separate commercial lending departments with commercial lending officers, and that the thrifts plan to continue to increase their commercial lending in the Philadelphia banking market.

26. Another savings association in the market, Sovereign Bancorp Inc., has recently increased its commercial loan portfolio and commercial lending activities in the Philadelphia banking market. Although the level of commercial lending activity of this institution does not yet approximate the level of commercial lending activities of banks or the savings associations noted above, it does exceed the national average for savings associations. If deposits controlled by Sovereign were weighted at 75 percent, the HHI would increase 404 points to 1847 and First Union would control 37.8 percent of market deposits.

27. *See NationsBank Corporation*, 84 *Federal Reserve Bulletin* 129 (1998); *First of Waverly Corporation*, 84 *Federal Reserve Bulletin* 111 (1998).

28. Several commenters argued that the *Philadelphia National* case precludes the approval of a merger where the resulting bank has a post-merger market share greater than 30 percent. The Board notes that the Court in *Philadelphia National* and other cases found that "[no] particular percentage share was deemed critical." 374 U.S. at 365. Instead, the proposed merger in *Philadelphia National* was enjoined because "[t]here is nothing in the record of this case to rebut the inherently anticompetitive tendency manifested by these percentages." 374 U.S. at 366. Accordingly, *Philadelphia National* and modern antitrust analysis confirm that market share must be considered in light of all the facts of record, including factors that tend to mitigate the potential anticompetitive effects of market concentration. *See United States v. Marine Bancorporation*, 418 U.S. 602, 631 (1974); *United States v. Citizens & Southern Nat'l Bank*, 422 U.S. 86, 120 (1975); *United States v. Baker Hughes, Inc.*, 908 F.2d 981 (D.C. Cir. 1990); *Hospital Corp. of America v. Federal Trade Commission*, 807 F.2d 1381 (7th Cir. 1986), *cert. denied*, 481 U.S. 1038 (1987). This methodology has been adopted in the DOJ Guidelines and repeatedly confirmed by the courts. *See, e.g., United States v. International Harvester Co.*, 564 F.2d 769 (7th Cir. 1977) (court considered the number and power of competitors in the market, the background of growth and resources of the companies involved, the relationship of their lines of commerce, and the physical, economic, and legal barriers to entry); *FTC v. National Tea Co.*, 603 F.2d 694 (8th Cir. 1979) (court considered the weakness of the acquiring firm as a competitor, the status of the market as "relatively competitive," and the likelihood that the acquiring firm would fail without the merger); and *Kennecott Copper Corp. v. Curtiss-Wright Corp.*, 584 F.2d 1195 (2d Cir. 1978) (court considered ease of entry and concentration trends).

29. If market indexes were measured in terms of the number of branch offices of depository institutions, the Philadelphia banking

Two large Pennsylvania-based commercial banking organizations also would remain as competitors. PNC Bank Corporation, the second largest competitor in the Philadelphia banking market, is the 13th largest commercial banking organization in the nation by total assets,[30] and would continue to control approximately 15 percent of market deposits and operate 171 branches in the market. Mellon Bank Corporation, the third largest competitor in the market, is the 25th largest commercial banking organization in the nation by total assets,[31] and would continue to control approximately 12 percent of market deposits and operate 132 branches in the banking market.

The Philadelphia banking market is attractive for entry to out-of-market competitors and has experienced significant entry recently.[32] Philadelphia is the fourth largest metropolitan area in the country.[33] The Philadelphia banking market exceeds the national average for total deposits per banking office and median household income.[34] Data show that median household income, deposits per banking office, population per banking office, and increases in total deposits in the Philadelphia banking market are greater than the averages for other Pennsylvania MSAs. Entry into the Philadelphia banking market, moreover, is not subject to substantial legal restrictions.[35]

The attractiveness of this market for entry has been demonstrated by recent entry by new competitors. Since June 1995, five depository institutions have entered the Philadelphia banking market *de novo*, and five other depository institutions have entered the banking market by acquisition.

Based on all the facts of record, the Board concludes that the considerations discussed above, including the proposed divestitures, the number and strength of competitors in the market, the attractiveness of the market for entry by out-of-market competitors, the number of recent entries into the market, and other factors mitigate the potentially adverse competitive effects of the proposal in the Philadelphia banking market.[36]

## C. Competitive Analysis of Other Relevant Banking Markets

First Union and CoreStates also compete in six other banking markets: Metropolitan New York-New Jersey; Atlantic City, New Jersey; Vineland, New Jersey; Lehigh Valley, Pennsylvania; Scranton/Wilkes Barre, Pennsylvania; and Wilmington, Delaware.[37] First Union proposes to divest nine branches in the Lehigh Valley, Pennsylvania, banking market that control approximately $223 million in deposits. Consummation of the proposal would be consistent with the DOJ Guidelines.[38] In this light, the Board concludes that the proposed divestiture, the number of competitors that would remain in each market, the characteristics of each market, the projected increase in concentration in market deposits as measured by the HHI under the DOJ Guidelines, and the resulting market shares would mitigate the competitive effects of the proposal in these six banking markets.

## D. Views of Other Agencies and Conclusion

The Department of Justice reviewed the proposal and advised the Board that, in light of the proposed divestitures in the Philadelphia and Lehigh Valley banking markets, consummation of the proposal would not likely have a significantly adverse effect on competition in any relevant banking market. The Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC") 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 con-

market would be moderately concentrated after consummation of the proposal, and the HHI would increase 310 points to 1068. First Union would control approximately 26.7 percent of the total number of branches in the banking market.

30. PNC Bank Corporation has total assets of approximately $75.1 billion, as of December 31, 1997.

31. Mellon Bank Corporation has total assets of approximately $44.9 billion, as of December 31, 1997.

32. A commenter asserted that job losses and branch closings resulting from the proposal could adversely affect the attractiveness of the market to out-of-market competitors. These matters are discussed later in the order.

33. Research suggests that substantially more entry takes place in large banking markets than in small banking markets. *See* Amel, Dean and Liang, J. Nellie, "Determinants of Entry and Profits in Local Banking Markets," *Review of Industrial Organization*, February 12, 1997, at 59–78.

34. The national average for total deposits per banking office in an MSA is $46.4 million, and the national median family income is $35,056. In the Philadelphia banking market, total deposits per banking office average $48.9 million, and the median family income is $35,684.

35. New Jersey and Pennsylvania expressly permit banks from the other state to acquire all, or any portion of the branch network of, an in-state bank. *See* N.J. Stat. Ann. § 9A-133.1 (1997); Pa. Stat. Ann. tit. 7, § 1602 (1997). New Jersey and Pennsylvania also permit unrestricted in-state branching. Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire a bank located in a state other than the home state of such bank holding company. 12 U.S.C. § 1842(d).

36. A commenter proposed that the Board establish absolute limits on bank mergers and acquisitions. This methodology was reviewed by the Board in *NationsBank Corporation*, 84 *Federal Reserve Bulletin* 129, 131 n.13 (1998). For the reasons discussed more fully in the NationsBank order, the Board concluded that its current approach, which takes into account the principles suggested by the commenter while at the same time permitting consideration of a variety of other factors that may affect competition in a particular banking market, provides a more complete economic analysis of the competitive effects in a local banking market.

37. These banking markets are delineated in Appendix B. Market data for the markets after consummation of the proposal, except for the Lehigh Valley banking market, are set forth in Appendix C.

38. Accounting for the proposed divestitures, First Union would control 31.6 percent of market deposits and would become the largest of 37 depository institutions in the Lehigh Valley banking market. The HHI would increase 389 points to 1383. *See also* the banking markets discussed in Appendix C.

centration of banking resources in the Philadelphia banking market, the six remaining banking markets, or in any other relevant banking market.[39] Accordingly, subject to completion of the proposed divestitures, the Board has determined that competitive factors are consistent with approval of the proposal.

*Convenience and Needs Factor*

The BHC Act requires the Board to consider the convenience and needs of the communities, in connection with its review of the acquisition of a bank. The CRA requires that the Board take into account, as part of its review of a proposal to acquire a depository institution, the record of performance of each relevant depository institution in helping to meet the credit needs of the institution's entire community, including LMI neighborhoods, consistent with the safe and sound operation of the institution.[40]

## A. Public Comments Regarding Convenience and Needs Factor

In order to aid the Board in collecting information regarding the effect of the proposal on the convenience and needs of affected communities and regarding the performance records of the relevant depository institutions under the CRA, the Board provided an extended period for public comment on the proposal and convened a public meeting regarding the proposal in Philadelphia. As noted above, more than 235 interested members of the public either submitted written remarks or provided testimony at the public meeting.

*Summary of Comments.* More than 130 commenters supported the proposal or commented favorably about First Union's CRA-related activities.[41] Many of these commenters commended First Union for providing small business credit and support, sponsoring community development activities directly and through intermediaries, participating in programs that provided affordable housing and mortgage financing for LMI individuals, and providing support for non-profit organizations. Other commenters related their favorable experiences with specific programs or services offered by First Union. A number of commenters commended First Union's CRA plan for Pennsylvania, New Jersey, and Delaware.

More than 100 commenters either opposed the proposal, requested that the Board approve the merger subject to conditions suggested by the commenter, or expressed concerns about the CRA performance record of First Union.[42] A number of these commenters contended that First Union has an inadequate record of lending to LMI and minority borrowers and in census tracts with predominately LMI and minority residents, particularly in the Philadelphia MSA, the Bronx, and Delaware. Other commenters maintained that CoreStates's record in Pennsylvania of making housing-related loans to LMI and minority borrowers and small business loans in LMI and minority census tracts was significantly better than First Union's record. A number of commenters expressed concern about the effects of proposals by First Union to close branches in Pennsylvania, New Jersey, and Delaware. Particular concern was expressed that branch closings would reduce the availability of banking services generally, and would have a disproportionate adverse effect on LMI customers, LMI neighborhoods, and elderly individuals, particularly in the greater Philadelphia area. Other commenters noted that First Union's representations regarding branch closures in LMI census tracts expired after two years.[43]

Commenters also maintained that First Union's banking products and services did not meet the needs of low-income, elderly, or other customers with special needs in

39. A number of commenters urged the Board to consider the competitive effect of First Union's proposed acquisition of The Money Store in the Philadelphia banking market. The Board notes that the effect on competition of First Union's acquisition of The Money Store will be subject to review either by the Board under the BHC Act or the OCC under its regulations, and that First Union has not sought approval of this transaction from the Board at this time. In the event approval of the acquisition of The Money Store is sought from the Board, the Board will analyze that transaction in light of the combination of First Union and CoreStates in the relevant markets.

40. 12 U.S.C. § 2903.

41. These commenters included:
(1) the mayors of Philadelphia, Pennsylvania, Charleston, South Carolina, and Atlanta, Georgia;
(2) Eastern Philadelphia Organizing Project, Philadelphia, Pennsylvania;
(3) Philadelphia Association of Community Development Corporations, Philadelphia, Pennsylvania;
(4) Pennsylvania Low Income Housing Coalition, Glenside, Pennsylvania;
(5) Community Action Committee of the Lehigh Valley, Inc., Bethlehem, Pennsylvania;
(6) Delaware County Legal Assistance Association, Inc., Chester, Pennsylvania;
(7) Mayor's Commission on Puerto Rican/Latin Affairs, Philadelphia, Pennsylvania;
(8) Save Our Waterfront, Camden, New Jersey;
(9) members of the U.S. House of Representatives and the U.S. Senate; and
(10) representatives of community and non-profit organizations in North Carolina, Florida, Georgia, Virginia, Maryland, and Tennessee.

42. These commenters included:
(1) members of the U.S. House of Representatives and the U.S. Senate;
(2) Community Legal Services, Inc.;
(3) Philadelphia branch of the NAACP;
(4) Philadelphia Welfare Rights Organization;
(5) Philadelphia Legal Assistance;
(6) Inner City Press/Community on the Move, Bronx, New York;
(7) Philadelphia Unemployment Project;
(8) Action Alliance of Senior Citizens of Greater Philadelphia;
(9) Consumer Education & Protection Association;
(10) Delaware Community Reinvestment Action Council, Inc., Wilmington, Delaware; and
(11) state and local government officials, including two Philadelphia councilmen, three Pennsylvania representatives, and the Treasurer of Pennsylvania. All organizations are located in Philadelphia, Pennsylvania, unless otherwise indicated.

43. One commenter criticized First Union as unresponsive to concerns expressed by community groups when it closed a branch in Baltimore, Maryland.

Philadelphia. Other commenters considered the basic banking accounts offered by First Union to be inadequate, particularly for customers who receive benefit payments from Pennsylvania by electronic benefits transfer ("EBT") because these customers cannot qualify for First Union's direct-deposit, no-fee banking account.[44] Some commenters claimed that First Union does not have enough safe and accessible automated teller machines ("ATMs") in LMI and minority census tracts. Commenters also asserted that First Union should increase its hours of operation, improve its customer service, cash checks for non-customers without requiring a thumbprint, and offer more banking products in LMI and minority census tracts.

Several commenters criticized First Union's level of participation in particular affordable housing programs and its level of charitable contributions. Many of these commenters compared First Union's performance in community redevelopment and charitable activities in Pennsylvania unfavorably to CoreStates's efforts, which were characterized as exemplary. Other commenters expressed concern that First Union would reduce or terminate financial support for specific programs currently provided by CoreStates.

Commenters also expressed concern about the economic effects that job reductions by First Union would have on individuals and on the Philadelphia area. Several commenters argued that First Union's job assistance programs for most employees who would be displaced as a result of the acquisition would not address adequately the effects of job losses and criticized the bonus packages awarded to senior employees leaving CoreStates.

## B. CRA Performance Evaluations

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of examinations of the CRA performance records of the relevant institutions conducted by the primary federal supervisor. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[45]

First Union has consolidated its subsidiary banks, except Delaware Bank, into its lead bank, FUNB. Before the consolidation, banks representing more than 88 percent of the total banking assets of First Union received "outstanding" ratings from their primary federal supervisors at their most recent CRA performance examinations.[46] First Union National Bank of North Carolina, Charlotte, North Carolina ("FUNB-NC"), which primarily served communities in North Carolina before the consolidation, received an "outstanding" CRA performance rating from the OCC, as of May 1997. First Union National Bank, Summit, New Jersey ("FUNB-Summit"), which served communities in Pennsylvania, New Jersey, and New York before the consolidation, also received an "outstanding" CRA performance rating from the OCC, as of May 1997.[47] In addition, Delaware Bank received a "satisfactory" rating for CRA performance from its primary federal supervisor, the FDIC, at its most recent CRA performance examination, as of October 1995.

CoreStates Bank received an "outstanding" CRA performance rating from the OCC, as of September 1997. CoreStates Delaware received a "satisfactory" CRA performance rating from the OCC, as of August 1997.

Examiners found no evidence of prohibited discrimination or other illegal credit practices at the subsidiary banks of First Union or CoreStates. The examinations also concluded that the banks' delineations of the local communities they served were reasonable and did not arbitrarily exclude LMI communities. In addition, the banks solicited and accepted credit applications from all segments of their delineated communities. Examiners also determined that loans made by the banks were reasonably distributed throughout the local communities they served, including LMI communities, and served all members of the communities, including LMI individuals.

First Union's presence in the Pennsylvania/New Jersey/Delaware region is smaller than CoreStates's presence, and, after consummation of the proposal, First Union would have a significantly expanded service community in Pennsylvania. To meet its increased responsibilities under the CRA, First Union indicates that it will implement the CRA-related policies and programs developed in its home state operations and in other states it serves, and may retain some aspects of the CRA policies and programs of CoreStates, including community development policies that have been successful for CoreStates. Consequently, the Board has taken into account First Union's CRA performance record in its home state and in other states it serves as well as its performance in the region currently served by CoreStates.

## C. First Union's Lending Record Generally and in the Region

First Union offers a variety of programs through its subsidiaries that assist LMI borrowers to obtain affordable housing. The First Union Affordable Home Mortgage Program features reduced down payment requirements, flexible

44. Pennsylvania makes all EBTs through direct deposit in one depository institution that is under contract with the state.

45. 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).

46. First Union's other banks were all rated "satisfactory" for CRA performance by their primary federal supervisors. Appendix D contains the most recent CRA performance ratings for First Union's banks.

47. Some commenters questioned the thoroughness of the examinations and ratings conferred on certain national bank subsidiaries of First Union. The Board has provided these comments to the OCC for consideration.

funding of closing costs, increased debt-to-income ratios, a waiver of mortgage insurance, and flexible underwriting criteria. The Neighborhood Development Mortgage Program, offered to LMI borrowers purchasing homes in LMI census tracts, features reduced down payment requirements, increased debt-to-income ratios, and below-market interest rates. The Community Partnership Mortgage Program, which involves home ownership counseling provided by a participating non-profit community organization, features funding for up to 100 percent of the purchase price, reduced closing costs, increased debt-to-income ratios, and a waiver of mortgage insurance. The Agency Mortgage Program is available for home buyers with limited funds for a down payment, and features financing for up to 97 percent of the value of the property, flexible funding for closing costs, a higher permissible debt-to-income ratio, and financial counseling. Home mortgage loans also are offered through programs sponsored by the Federal Housing Administration ("FHA") and other government-sponsored mortgage programs.

First Union originates approximately $400 million of affordable home purchase mortgage loans annually. Its portfolio of these loans increased from 13,839 loans in 1995, totalling $685 million, to 23,926 loans in 1996, totalling $1.5 billion. First Union also offers special home improvement loans to LMI borrowers, which feature repayment periods of up to 15 years and an annual 2 percent interest rebate for timely payments. As of November 1997, more than 4,600 loans, totalling $33.2 million, were outstanding under this program.

First Union has sponsored grant applications under the Federal Home Loan Bank of Atlanta's Affordable Housing Program for 49 projects that have resulted in $17.6 million of subsidies for affordable housing for LMI individuals and households, making First Union the second largest program participant in the nation. Through its Capital Markets Affordable Housing Unit, First Union has invested more than $500 million in housing projects providing low income housing tax credits, and has been senior manager for more than $100 million of bonds issued to finance multifamily housing developments. During 1996 and 1997, First Union provided more than $800 million in financing to approximately 700 for-profit and non-profit affordable housing developments.

First Union has established a Small Business Banking Division ("SBBD") to respond to loan requests by small business owners within 24 hours of the request. First Union's SBBD originated $643 million in small business loans in 1995 and $1.1 billion in small business loans in 1996. Overall, First Union originated a total of approximately $4.7 billion in small business loans during 1996. First Union has committed more than $4.5 million to fund more than 21 micro-loan pools for business loans up to $25,000 that are administered by local community development corporations. First Union invested approximately $5.8 million during 1995 and 1996 in minority-owned banks, credit unions, community development financial institutions, and community development corporations.

As discussed below, First Union has developed and implemented a number of specific programs at individual First Union banks. Although First Union has recently merged these banks into a single bank, it has retained the programs discussed below in addition to others tailored to the needs of specific communities.

*CRA Performance in Home State.* As noted, First Union's lead subsidiary bank in North Carolina, FUNB-NC, received an "outstanding" rating for its CRA performance record. Examiners commended the bank for effectively determining credit needs in North Carolina and for responding to those needs in a constructive manner. The 1997 examination found that the CRA was an integral part of the planning and philosophy of the bank's board of directors and that the board and senior management, at the bank and the holding company level, were actively involved in the bank's CRA program. The bank's lending patterns showed a reasonable distribution of loans throughout all its communities, including LMI neighborhoods.

FUNB-NC offered a wide range of products and services to meet the identified credit needs of its communities. The bank determined that affordable housing loans were the primary credit need in its delineated community, and originated affordable home mortgage purchase loans through several programs, including the First Union Affordable Home Mortgage Program, the Neighborhood Development Mortgage Program, and the Community Partnership Mortgage Program, to meet this need. From October 1995 to October 1996, the bank originated 16 percent of all its mortgage loans, totalling $102 million, to borrowers in LMI census tracts. FUNB-NC also participated in government-sponsored affordable housing programs. From January 1995 through October 1996, the bank made loans totalling $52.6 million through programs sponsored by the FHA, the Veterans Administration ("VA"), and the Federal National Mortgage Administration.

In addition, FUNB-NC engaged in small business lending, including loans to businesses in LMI census tracts. As of October 1996, FUNB-NC had originated 18 percent of its small business loans, totalling $42 million, in LMI census tracts. From January 1995 through October 1996, the bank also made approximately $7 million in loans through programs sponsored by the Small Business Administration ("SBA").

Community development activities during the period covered by the 1997 examination totalled 78 projects, supporting affordable housing efforts, small business loan pools, and economic rehabilitation programs for depressed urban areas, that generated approximately $31 million in loans. These activities included a $2.6 million loan to the East Carolina Community Development Corporation to construct a 44-unit apartment complex for the elderly in Morehead, North Carolina; and a $5 million commitment to the Charlotte-Mecklenburg Housing Partnership for development of affordable housing for LMI households in the City of Charlotte and throughout Mecklenburg County.

*CRA Record of FUNB-Summit.* Examiners found that FUNB-Summit showed a high level of responsiveness to the credit needs of communities in Pennsylvania, New Jersey, and New York, and had introduced several new

credit products since the prior CRA performance examination to help address the credit needs of LMI individuals and neighborhoods. For example, FUNB-Summit introduced First Union's affordable home purchase mortgage loan programs and originated 263 loans under these programs in 1996, totalling $20 million. First Union also retained the bank's Coalition Mortgage Program, which featured a below-market interest rate, reduced fees, no points, increased debt-to-income ratios, and flexible underwriting terms. FUNB-Summit made 748 loans under the program in 1996, totalling approximately $77 million.[48] Examiners favorably commented that a majority of the loans in Pennsylvania were originated in concentrated LMI areas, notably in the Philadelphia MSA.[49] FUNB-Summit also increased its emphasis on lending under FHA and VA affordable housing programs. FHA loan originations increased 39 percent from 1995 to 1996, and VA loan originations increased from 20 loans to 90 loans during this period.[50]

The 1997 CRA performance examination indicated that HMDA data for 1995 showed that, in the Philadelphia MSA, FUNB-Summit was the fifth largest originator of residential mortgage loans made in LMI census tracts and the fourth largest originator to LMI borrowers. These data also showed that the bank was the largest originator of residential mortgage loans made in LMI census tracts and to LMI borrowers in New Jersey. The 1997 examination noted that FUNB-Summit significantly reduced its overall housing-related lending from 1995 to 1996, but HMDA data indicate that it did not reduce the percentage of housing-related loans it made to LMI and minority borrowers and to borrowers in LMI and minority census tracts. Instead, such loans increased or remained constant as a percentage of all housing-related loans the bank made in a large majority of the areas served by the bank.[51] Overall, the percentage of the bank's total loan originations in LMI census tracts nearly doubled, from 9 percent to 17 percent.

The 1997 examination also commended the bank's substantial increase in small business lending from $3 million in 1995 to $85 million in 1996. In addition, loans made by FUNB-Summit under programs sponsored by the SBA doubled from $4 million in 1995 to $8 million in 1996.[52]

The Board also has reviewed FUNB-Summit's lending record in New York, particularly in the Bronx.[53] In 1996, the bank made 144 Coalition Mortgage Program loans in New York, totalling approximately $22.3 million.[54] Examiners considered FUNB-Summit's lending penetration to be strong in all census tract income levels, and commented that a majority of the loans were originated in concentrated LMI areas, notably the Bronx. FUNB-Summit also participated as a limited partner in three projects designed to provide affordable housing in the Bronx during the period covered by the 1997 examination.[55]

The 1997 CRA performance examination of FUNB-Summit noted that FUNB-Summit was responsive to community economic development needs, and that its participation in community development projects was significant. During 1996, FUNB-Summit, through its subsidiary community development corporation ("CDC"), funded 22 projects and an additional 20 loans from loan pools within its delineated communities, for a total of $13.6 million in loan commitments. The bank and the CDC together made more than $50 million in qualifying community development loans.[56] These loans were made to projects to provide affordable housing and to support small business development, redevelopment of LMI areas, community non-profit organizations, and businesses owned by minorities or women.

*CRA Record of Delaware Bank.* Delaware Bank has total assets of $114 million, representing less than 1 percent of First Union's total banking assets, and operates primarily as a small commercial lender. The most recent publicly available CRA performance examination found that the bank participated in a local community investment corporation and made several loans to private developers to acquire and rehabilitate government-subsidized rental housing for low-income households, and that the bank's housing-related loans demonstrated a reasonable distribution throughout the community it serves. The Board also has reviewed information regarding the bank's CRA-related activities since this examination, including its community development activities, and supervisory information from the FDIC.

48. The bank made 204 loans under this program in Pennsylvania, totalling approximately $9.5 million, and 400 loans under this program in New Jersey, totalling approximately $44.8 million.

49. The bank also was a participating lender in other programs designed to assist LMI borrowers in obtaining home purchase and home improvement financing, including the New Jersey Citizens Action Home Improvement Loan Plan, Trenton Mortgage Plan, Lehigh Valley Mortgage Loan Pool, and Philadelphia Home Improvement Loan program.

50. FHA loans in Pennsylvania increased from 18 loans, totalling $1.5 million in 1995, to 35 loans, totalling $3.1 million in 1996. In New Jersey, FHA loans increased from 28 loans, totalling $3 million in 1995, to 38 loans, totalling $4.2 million in 1996.

51. The percentage of loan originations to African Americans increased from 3.9 percent to 7.2 percent in the Pennsylvania assessment area, from 5.3 percent to 11.1 percent in the Philadelphia MSA, and from 3.3 percent to 8.4 percent in New Jersey. The percentage of loan originations to Hispanics in these areas also increased.

52. In 1996, SBA loans by FUNB-Summit totalled $1.6 million in Pennsylvania and $5.3 million in New Jersey.

53. The bank's delineated community in New York includes the entire counties of Westchester, Rockland, Putnam, Orange, Dutchess, and Ulster and 155 census tracts in Bronx County, New York.

54. HMDA data for 1995 reviewed in the 1997 examination showed that, in New York, FUNB-Summit was the tenth largest originator of residential mortgage loans in LMI census tracts and the fifth largest originator to LMI borrowers.

55. These projects were designed to provide housing for LMI or elderly residents in the Bronx. First Union committed construction financing and equity investments qualifying for tax credits totalling approximately $20.5 million for the three projects.

56. First Union's community development lending from January 1995 to February 1997 was allocated approximately as follows: New Jersey—$25.8 million, Philadelphia MSA—$13 million, Northeastern Pennsylvania—$8.9 million, and New York—$3.2 million.

*HMDA Data.* The Board also has considered First Union's lending record in light of comments regarding the HMDA data of its subsidiaries. The data generally show that First Union provided a significant volume of housing-related credit to minority borrowers and to borrowers in LMI areas. For example, FUNB-Summit originated nearly 23,000 residential housing-related loans in 1996, totalling approximately $1.1 billion, and was the largest originator of home mortgage refinance loans and home improvement loans in its delineated community.[57]

The data also reflect certain disparities in the rates of loan originations and denials among members of different racial groups and persons at different income levels.[58] The Board is concerned when the record of an institution indicates such disparities in lending, and believes that all banks are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending but also equal access to credit by creditworthy applicants regardless of their race or income level. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because these data cover only a few categories of housing-related lending. HMDA data, moreover, provide only limited information about the covered loans.[59] 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 communities' credit needs or has engaged in illegal lending discrimination. Because of the limitations of HMDA data, the Board has considered those data carefully in light of other information.

As noted, OCC examiners found no evidence of prohibited discrimination or other illegal credit practices at First Union's banks. Examiners reviewed the banks' policies and procedures for complying with fair lending laws and regulations, conducted comparative file analyses for racial and gender discrimination, and did not find any violations. The Board also has considered the HMDA data in light of First Union's lending record, which shows that First Union's banks assist significantly in helping to meet the credit needs of their local communities, including LMI neighborhoods.[60]

*CRA Plan.* In connection with the proposal, First Union has announced a five-year, $13 billion CRA Plan for Pennsylvania, New Jersey and Delaware.[61] This program reflects an increase of 5 to 10 percent above the lending currently done by First Union and CoreStates on a combined basis in these same communities. Implementation of the CRA plan would have significant public benefits in the Pennsylvania/New Jersey/Delaware region, including in particular in LMI areas.

*Private CRA Agreements.* First Union has entered into a number of agreements with various community organizations, including organizations representing specific Pennsylvania and New Jersey communities served by the CoreStates and First Union banks. The Board recognizes that communications by depository institutions with community groups provide a valuable method of assessing and determining how an institution can best address the credit needs of the community. Neither the CRA nor the agencies' CRA regulations, however, require depository institutions to enter into agreements with any organization. The Board, therefore, has viewed such agreements and their enforceability as private contractual matters between the parties and has focused on the existing record of performance by the applicant and the programs that the applicant has in place to serve the credit needs of its communities.

Several commenters have criticized provisions in these agreements that they believe severely restrict the ability of community organizations and their members to protest

57. One commenter contended that First Union's HMDA data are questionable and must be closely scrutinized because of alleged HMDA reporting violations by First Union Home Equity Bank, N.A., Charlotte, North Carolina ("FUHEB"). FUHEB accounts for less than 1 percent of the banking assets of First Union. First Union has begun a systematic evaluation of FUHEB's HMDA reporting and committed to the OCC, the bank's primary federal supervisor, to take prompt action to address any deficiencies. The OCC will monitor FUHEB's compliance through its supervisory process. *See* Decision of the OCC approving First Union's merger with Signet Bank, Richmond, Virginia (Corporate Decision No. 97–96, at 14 n.21, dated November 9, 1997).

58. Commenters alleged that the dollar amount of First Union's HMDA-related lending in eastern Philadelphia is inadequate when compared to its share of market deposits in the area.

59. 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.

60. Several commenters contended that the lending activities of First Union's nonbanking subsidiaries and First Union's proposed purchase of The Money Store raise fair lending law issues. They alleged that The Money Store has a history of abusive lending practices and maintained that First Union would "steer" customers illegally to The Money Store, where they would be charged higher interest rates on loans. The Board notes that primary authority for enforcement of the fair lending laws for nonbanking companies is conferred by statute on the Federal Trade Commission and the Department of Housing and Urban Development. First Union's subsidiary banks—which account for a substantial majority of First Union's total assets and total revenues—have satisfactory records of compliance with fair lending laws. In addition, commenters' contentions against First Union's nonbanking subsidiaries rely in large measure on HMDA data that, as noted above, are inadequate to show illegal discrimination. Commenters also presented no facts to show that customers would be illegally "steered" by First Union to The Money Store. The acquisition of The Money Store, moreover, is subject to review by a federal banking agency under a proceeding that is separate from this application, and issues related to the acquisition of The Money Store will be reviewed at that time.

61. The major elements of the CRA Plan include: (1) $875 million in mortgage loans for LMI communities; (2) $10 billion in small business/small farm loans; and (3) $750 million in community development loans.

First Union also pledges to continue CoreStates's corporate contributions, which total approximately $17 million annually, for five years. In addition, First Union intends to fund a $100 million charitable foundation to serve Pennsylvania, New Jersey, and Delaware that would focus on community revitalization. First Union estimates that the foundation would begin operations by mid-year 1998.

applications by First Union. The Board believes it is important that the federal and state banking agencies have access to complete information regarding the performance records of depository institutions and the credit needs of the community. Although some community organizations have argued that no restriction should be allowed on their ability to comment to the agencies, other community organizations believe that an organization has a valuable right to negotiate with a depository institution regarding the organization's support of a depository institution that provides funding to the community.

First Union has responded that it does not view its agreements as limiting the ability of any party to comment in any way to the federal banking agencies, in the application process or otherwise, regarding a proposal involving the acquisition of a bank or branch in the party's home state.[62] First Union also represents that, even outside the party's home state, the agreements do not limit a party's ability to comment to a federal banking agency in the examination process, as part of a CRA evaluation, or in any other context outside the application process. In addition, the agreements do not restrict the ability of an organization to include comments at any time and in any manner in First Union's public CRA file, or to comment at any time on the credit or banking needs of any community, or to protest any application by First Union if First Union is not in substantial compliance with the agreement. Moreover, First Union represents that no agreement restricts the ability of any party at any time, including in any application, to criticize First Union's failure to abide by its agreement.

In light of the above, the Board does not believe that it should interfere with these agreements. The Board is not a party to agreements between a depository institution and any organization and believes these agreements are private matters between the parties.[63] The Board also notes that First Union continues to have a responsibility to help serve the credit needs of its entire community, including LMI neighborhoods, with or without private CRA agreements.

*Comments Regarding Job Losses.* A number of commenters expressed substantial concern about the effect of the proposal on CoreStates employees and on employment in the areas currently served by CoreStates.[64] First Union has indicated that it will take a number of steps to minimize any adverse effects of the proposal on employment or the economy.[65] First Union proposes to minimize the number of jobs lost in the greater Philadelphia area by adding approximately 3000 new jobs in the area and by reducing jobs through attrition. First Union projects that, after accounting for new jobs and attrition, approximately 1330 employees will be displaced as a result of the proposal. First Union also intends to provide at least $39 million for a job training and assistance program in order to reduce the impact of the proposal on affected employees, including providing outplacement services for unemployed CoreStates employees for a period of one year and making First Union's $16 million fund for job retraining available to CoreStates employees for up to two and one-half years after their notice of termination.

## D. Branch Closings

First Union and CoreStates together operate 378 branches in the Philadelphia banking market, including 64 branches in LMI census tracts. First Union has preliminarily identified 74 branches that may be consolidated into a nearby branch or closed, and approximately 23 branches, including five branches in LMI areas, that would be divested to address the competitive effects of the proposal in the Philadelphia banking market. First Union has committed that it will not, for at least two years and with two exceptions, close any branch in an LMI census tract or a census tract with a 40 percent or higher minority population in Pennsylvania, New Jersey, or Delaware unless another First Union or CoreStates branch that would remain open is within one-third of a mile from the closed branch.[66] On this basis, First Union projects that it will close no more than eight branches in LMI census tracts in the Philadelphia banking market. After consummation of the proposal, taking into account the divestiture of branches to mitigate competitive effects and branches that are under consideration for con-

62. First Union has submitted portions of an agreement with a Pennsylvania community organization as representative of the provision governing protests by organizations with an agreement with First Union. First Union has stated that any agreement it has made is governed by the representations discussed above.

63. One commenter alleged that First Union attempted to intimidate a community organization into refraining from providing adverse information to the Board by threatening to reduce the bank's support of the group's fund-raising efforts and, more generally, the bank's lending in the community. First Union denies that it did or would threaten retaliation against a community, and the community organization in question has indicated that it has reached an agreement with First Union that would result in an increase in First Union's lending in the area. The Board notes that First Union's record of assisting in serving the credit needs of the community is subject to regular examination under the CRA and that diminished or discontinued CRA-related activities in a community will be carefully scrutinized in evaluating an institution's record of CRA performance without regard to the status of privately-negotiated CRA agreements.

64. Several commenters expressed concern that First Union would conduct its layoffs in a discriminatory manner. These commenters noted First Union's recent settlement of a lawsuit in the District of Columbia that alleged employment discrimination in layoffs after an acquisition by First Union. The settlement does not support this allegation. There was no finding or admission of wrongdoing on the part of First Union in connection with the settlement. In addition, the Equal Employment Opportunity Commission has jurisdiction to determine whether companies are in compliance with equal employment opportunity statutes under the regulations of the Department of Labor. *See* 41 C.F.R. 60–1.7(a) and 60–1.40.

65. The effect of a proposed acquisition on employment in a community is not among the factors included in the BHC Act, and the convenience and needs factor has been interpreted consistently by the federal banking agencies, the courts, and Congress to relate to the effect of a proposal on the availability and quality of banking services in the community. *See Wells Fargo & Company*, 82 *Federal Reserve Bulletin* 445, 457 (1996).

66. The two exceptions are not in Philadelphia County. The Board has considered additional confidential information provided by First Union regarding these exceptions.

solidation or closure, First Union would continue to operate a total of approximately 281 branches in the market, including 51 branches in LMI areas. This network of branches would be the most extensive in the Philadelphia banking market, including LMI areas in that market.

Before First Union closes a branch, it requires its CRA coordinator for the state in which the branch is located to arrange for meetings with community organizations to discuss the proposed closing and provides these organizations a period of not less than 30 days in which to respond. All responses are documented by the CRA coordinator and, along with reports reviewing the other factors considered, are presented to the state branch closing coordinator for a recommendation. If the recommendation is closure, it must be approved by the bank's senior management, including the board of directors. After a final decision is made, contacts with community organizations are continued to assist in addressing concerns about the closing. The branch closing policies of all First Union's banks have been reviewed by the OCC and the FDIC in connection with their most recent CRA performance examinations and found to be satisfactory.

Several commenters complained that FU-Summit had a poor record of closing branches, particularly in LMI areas in New Jersey and Philadelphia. In the 1997 CRA performance examination, OCC examiners reviewed FU-Summit's record of closing branches, including a review of sample branch closing files, and concluded that the branch closings were reasonable. Examiners also concluded that the bank's branch network following the closings provided reasonable access to the services of the bank to all segments of the delineated community. The examiners noted that, after the branch closings, a majority of the bank's branches served LMI census tracts. Many branches offered extended weekday operating hours and were open on Saturdays. OCC examiners also found the bank's branch closing policy to be comprehensive and consistent with regulatory guidelines.

In addition to these factors, the Board has considered that federal banking law provides a specific mechanism for addressing branch closings. Federal law requires an insured depository institution to provide notice to the public and to the appropriate regulatory agency at least 30 days before closing any branch. The requirement applies any time a branch is closed, whether in connection with an acquisition or at any time after completion of an acquisition. This requirement for public notice cannot be limited by any commitment to the Board or to any community organization. The law does not authorize federal regulators to prevent the closing of any branch.[67]

The Board expects that First Union will apply its branch closing policies in determining whether to close branches in connection with the proposal. First Union's record of closing branches as a result of this proposal will be subject to review by the OCC in connection with its next CRA performance evaluation, and to review by the Board in connection with future applications to establish a deposit facility. First Union must submit in writing to the Federal Reserve Bank of Richmond any changes to its preliminary plans for closing branches in LMI census tracts prior to modifying these plans during the two years after consummation of the proposal.

## E. Conclusion on Convenience and Needs Considerations

The Board recognizes that this proposal represents a major transaction that will particularly affect communities in the Philadelphia area. Consideration of the effects of the proposal on the convenience and needs of these communities and other communities served by CoreStates is an important component of the Board's review of the proposal.

Some commenters have expressed concern about specific aspects of First Union's record in certain geographical areas and about whether First Union, with its base in North Carolina, will be responsive to the needs of communities in the Pennsylvania/New Jersey/Delaware area. As explained above, the information in this case demonstrates that First Union has a strong overall record of helping to meet the convenience and needs of communities that it serves. This record has been demonstrated over time and through the course of several CRA performance examinations. The record also reflects that First Union has shown a commitment to address the credit needs of new communities into which it expands.

The Board also has considered carefully the concerns expressed by commenters about First Union's lending record, its branch closing plans, the availability of various banking products and services to LMI customers and customers with special needs, and other comments.[68] The Board has weighed these concerns in light of all the facts of record, including the overall CRA record of First Union,

67. 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 a bank provide the public with at least 30 days notice and the primary federal supervisor with at least 90 days notice before the date of the proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written branch closing policy. First Union's branch closing policy follows these procedures.

68. As discussed above, several commenters criticized the basic banking accounts offered by First Union and, in particular, questioned their availability to customers who receive benefits electronically. The Board has considered the full range of credit products and banking services provided by First Union, which include products and services that assist in meeting the credit and banking needs of LMI individuals, such as its two basic banking accounts. The Board also has considered revisions proposed by First Union to make its basic banking products more accessible to customers who receive benefits electronically from Pennsylvania. There is no evidence in the record that the fees charged by First Union are based on a factor that would be prohibited under law. Although the Board has recognized that banks help serve the banking needs of their communities by making banking services available at nominal or no charge, neither the CRA nor the primary regulators of the banks involved in this transaction require an institution to limit the fees charged for its services.

reports of examinations for CRA performance, information provided by First Union, and information from other commenters regarding the record of First Union in meeting the credit and banking needs of its communities. The Board also has considered the location of branches that First Union proposes to maintain and its efforts to assure that its products and services are widely available throughout the entire community it serves. In addition, the Board has taken account of the plans announced by First Union to strengthen its record of CRA performance in the communities served by CoreStates after consummation of the proposal. The Board concludes, after considering all of these facts of record, that the convenience and needs factor, including the CRA performance records of the subsidiary banks of First Union and CoreStates, is consistent with approval.

*Financial, Managerial, Supervisory, and Interstate Factors*

The Board has carefully considered the financial and managerial resources and future prospects of First Union, CoreStates, and their respective subsidiary banks, and other supervisory factors in light of all the facts of record, including the public comments.[69] 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 proposal, and the managerial resources of each of the entities and the combined organization. In connection with the Board's assessment of the financial and managerial resources of First Union and CoreStates, the Board has considered its supervisory experience with the two companies and that of other federal supervisory authorities, including assessments of the organizations' efforts to ensure Year 2000 readiness. The Board also has considered the financial and other terms in the proposed merger agreement between First Union and CoreStates. Based on these and other facts of record, the Board concludes that considerations relating to the financial and managerial resources and future prospects of First Union, CoreStates, 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.

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire 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 First Union is North Carolina, and CoreStates operates in Pennsylvania, New Jersey, and Delaware.[70] All of the conditions for an interstate acquisition enumerated in section 3(d) of the BHC Act are met in this case.[71] In view of all the facts of record, the Board is legally permitted under section 3(d) of the BHC Act to approve the acquisition.

*Nonbanking Activities*

First Union also has filed notice, pursuant to section 4(c)(8) of the BHC Act, to acquire the nonbanking subsidiaries of CoreStates and thereby engage in commercial lending, trust company functions, financial and investment advisory services, agency transactional services (other than acting as a futures commission merchant), investing and trading activities as a principal, underwriting and dealing in, to a limited extent, certain bank-ineligible securities, credit-related insurance underwriting, community development activities, and data processing activities through an ATM and point-of-sale network. The Board previously has determined by regulation or order that each of these activities is closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[72] First Union 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 possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[73] As part of its evaluation of these factors, the Board considers the financial and managerial resources

69. These comments included allegations of improper conduct by officials at a bank acquired by CoreStates, which are the subject of a pending lawsuit, and comments regarding First Union's recent settlement of an administrative proceeding with the State of Florida involving allegations of inadequate disclosures in the sale of nondepository investment products and of unlicensed securities brokerage activities. The Board has considered the comments in light of supervisory reports of examination assessing the managerial resources of the institutions involved and the financial resources of First Union in the event that damages are awarded to the commenter in the individual lawsuit.

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

71. 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). First Union is adequately capitalized and adequately managed, as defined by applicable law. Neither New Jersey nor Pennsylvania state law imposes age requirements on interstate bank acquisitions, and CoreStates's subsidiary bank in Delaware has been in existence for the minimum period of time necessary to satisfy age requirements established by applicable Delaware state law. *See* Del. Code Ann. tit. 5, § 795 (1997) (5 years). On consummation of the proposal, First Union 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 of insured depository institutions in each of Pennsylvania, New Jersey, and Delaware.

72. *See* 12 C.F.R. 225.28(b)(1), (5), (6), (7), (8)(ii), (11)(i), (12), and (14); *CoreStates Financial Corporation*, 83 *Federal Reserve Bulletin* 838 (1997).

73. *See* 12 U.S.C. § 1843(c)(8).

of the notificant, its subsidiaries, and any company to be acquired; the effect the transaction would have on such resources; and the management expertise, internal control and risk management systems, and capital of the entity conducting the activity.[74] 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 these notices.

The Board also has considered carefully the competitive effects of the proposed acquisition of CoreStates's nonbanking subsidiaries. The Board notes that the market for each of the nonbanking services is unconcentrated, and that there are numerous providers of the services. Consummation of the proposal, therefore, would have a *de minimis* effect on competition, and the Board has determined that the proposal would not have a significantly adverse effect on competition in any relevant market.

First Union has indicated that the proposal would provide added convenience to CoreStates's customers, to First Union's customers, and to the public by improving convenience and expanding services available to customers of both institutions.[75] Additionally, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies can 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 in this order, prior orders, and 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 outweighed by the public benefits of the proposal, such as increased consumer 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. The Board also concludes that all the factors required to be considered under section 25 of the Federal Reserve Act and the Board's Regulation K are consistent with approval of the acquisition by First Union of the foreign branches of CoreStates Bank.

*Conclusion*

Based on the foregoing and all the facts of record, the Board has determined that the proposal should be, and hereby is, approved.[76] In reaching its conclusion, the Board has considered all the issues raised in public comments filed in connection with the proposal in light of the factors that the Board is required to consider under the BHC Act and concludes that the comments do not warrant a delay or denial of the proposal.[77]

The Board's approval of the proposal is specifically conditioned on compliance by First Union with all the commitments made in connection with the proposal and the conditions in this order, including First Union's divestiture commitments. The Board's determination on the pro-

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

75. Several commenters questioned whether any public benefits would result from the proposal on account of the anticipated loss of banking alternatives and increase in fees and maintained that any public benefits would accrue only to shareholders and senior officers of CoreStates.

76. Some commenters requested that formal hearing procedures be followed in this case in order to allow commenters to question witnesses and to compel disclosure of information. 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 did not receive such a recommendation in this case. Under its rules, the Board may, in its discretion, hold a public hearing or meeting on an application to acquire a bank if a hearing is necessary or appropriate to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 225.16(e). The Board used its discretion in this case to hold a public meeting and, as discussed in detail throughout this order, the public meeting provided information to clarify factual issues and appropriately provided individuals the opportunity to testify. Based on all the facts of record, the Board has concluded that a formal public hearing as advocated by some commenters is not required or warranted in this case.

77. Commenters requested that the Board delay action on the proposal until the Board could conduct on-site surveys to determine the proposal's effects on competition and the convenience and needs of local communities. Some commenters believed that the Board should not act until the specific locations of the branches to be closed were disclosed to the public and subjected to public comment. Other commenters requested additional time to respond to information provided to them in the applications process or to negotiate agreements with First Union.

The requests for delay do not warrant postponement of the Board's consideration of the case. Although the BHC Act does not require it, the Board provides a public comment period of at least 30 days in every case involving a bank acquisition in order to allow interested persons an opportunity to provide information, analyses, and arguments regarding all aspects of the proposal, including the CRA performance record of an applicant and other relevant companies. In this case, the Board extended the public comment period to permit commenters approximately 57 days in which to comment. The Board also held a public meeting at which more than 80 commenters presented their views through direct testimony. These commenters were granted an additional seven days after the public meeting to submit supplemental information. In the Board's view, commenters have had ample opportunity to submit their views, and, in fact, have provided substantial written submissions and oral testimony that has been considered carefully by the Board in acting on the application. The Board's Rules of Procedure do not guarantee commenters an opportunity to continue the process of submitting additional comments in rebuttal to an applicant's response after the close of the period for submitting public comments. These rules permit a meaningful opportunity for the public to comment on a proposal within the time constraints of the BHC Act, and comments and responses in this case were submitted in accordance with the Board's rules. For these reasons, and 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 grounds discussed above or on the basis of informational insufficiency is not warranted.

posed nonbanking activities also is subject to all the 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 modification or termination of the activities of a bank 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. For purposes of this action, the commitments and conditions relied on 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.

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

By order of the Board of Governors, effective April 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*

## Appendix A

### A. Nonbanking Subsidiaries of CoreStates Financial Corp[1]

(1) Congress Financial Corporation, New York, New York, and thereby engage in factoring services, asset based lending, and commercial finance, pursuant to section 225.28(b)(1) of Regulation Y (12 C.F.R. 225.28(b)(1)).
(2) Meridian Asset Management, Inc., Valley Forge, and thereby engage in non-fiduciary custodian and agency services and trust services, pursuant to section 225.28(b)(5) of Regulation Y (12 C.F.R. 225.28(b)(5)), and, through subsidiaries of Meridian Asset Management, Inc., investment advisory services, pursuant to section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6)).
(3) McGlinn Capital Management, Inc., Reading, and thereby engage in investment advisory services, pursuant to section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6)).
(4) CoreStates Securities Corporation, Philadelphia, and thereby engage in financial and investment advisory activities, securities brokerage activities, riskless-principal transactions, providing private placement services and other transactional services, and investing and trading activities as a principal, pursuant to sections 225.28(b)(6), (7)(i)-(iii), (7)(v), and (8)(ii) of Regulation Y (12 C.F.R. 225.28(b)(6), (7)(i)-(iii), (7)(v), and (8)(ii)), and underwriting and dealing in, to a limited extent, certain municipal revenue bonds, 1–4 family mortgage-related securities, consumer receivable-related securities, and commercial paper, as previously approved by the Board in *CoreStates Financial Corporation*, 83 *Federal Reserve Bulletin* 838 (1997).
(5) Meridian Securities, Inc., Reading, and thereby engage in securities brokerage activities, pursuant to section 225.28(b)(7) of Regulation Y (12 C.F.R. 225.28(b)(7)).
(6) Pennco Life Insurance Company, Phoenix, Arizona, and thereby engage in underwriting credit-related insurance for loans made by affiliates, pursuant to section 225.28(b)(11) of Regulation Y (12 C.F.R. 225.28(b)(11)).
(7) Meridian Life Insurance Company, Reading, and thereby engage in underwriting credit-related insurance for loans made by affiliates, pursuant to section 225.28(b)(11) of Regulation Y (12 C.F.R. 225.28(b)(11)).
(8) Princeton Life Insurance Company, Lancaster, and thereby engage in underwriting credit-related insurance for loans made by affiliates, pursuant to section 225.28(b)(11) of Regulation Y (12 C.F.R. 225.28(b)(11)).
(9) CoreStates Community Development Corporation, Inc., Philadelphia, and thereby engage in investments to promote community welfare, including acquiring, rehabilitating, and selling real estate to provide affordable housing, pursuant to section 225.28(b)(12) of Regulation Y (12 C.F.R. 225.28(b)(12)).
(10) Electronic Payment Services, Inc., Wilmington, Delaware, and thereby engage in processing and transmitting banking, financial, or economic data through the operation of a point-of-sale network and automated teller machine network, pursuant to section 225.28(b)(14) of Regulation Y (12 C.F.R. 225.28(b)(14)).

### B. Foreign Branches of CoreStates Bank, N.A.

| | |
|---|---|
| (1) Hong Kong: | 12/F Asia Pacific, Finance Tower, 3 Garden Road, Hong Kong, Peoples Republic of China. |
| (2) London: | Centurion House, 24 Monument Street, London, England. |
| (3) Nassau: | P.O. Box 6313, Nassau, Bahamas. |
| (4) Taipei: | 17th Floor, 44 Ching Shan, North Road, Sec. 2, Taipei, Taiwan. |
| (5) Tokyo: | Yamato International Building, 8F, Nihonbashi, ChuoKu, Tokyo, Japan. |

1. All subsidiaries are in Pennsylvania unless otherwise indicated. Subsidiaries also include their majority owned companies.

## Appendix B

### A. State Deposit and Ranking Data for New Jersey and Delaware

*New Jersey*

First Union is the second largest commercial banking organization in New Jersey, controlling deposits of approximately $13.2 billion, representing 10.3 percent of all deposits held by depository institutions in the state ("state deposits"). CoreStates is the sixth largest commercial banking organization in New Jersey, controlling deposits of approximately $6.2 billion, representing 4.9 percent of state deposits. On consummation of the proposal, First Union would remain the second largest commercial banking organization in the state, controlling deposits of approximately $19.4 billion, representing 15.2 percent of state deposits in New Jersey.

*Delaware*

First Union is the 29th largest commercial banking organization in Delaware, controlling deposits of approximately $57.9 million, representing less than 1 percent of all state deposits. CoreStates is the tenth largest commercial banking organization in Delaware, controlling deposits of approximately $828.8 million, representing approximately 2 percent of state deposits. On consummation of the proposal, First Union would become the tenth largest depository institution in the state, controlling deposits of approximately $886.7 million, representing 2.1 percent of state deposits in Delaware.

### B. Banking Markets Where First Union and CoreStates Compete

(1) *Atlantic City*: Atlantic and Cape May Counties in New Jersey.
(2) *Lehigh Valley*: Carbon, Lehigh, and Northhampton Counties in Pennsylvania.
(3) *Metropolitan New York-New Jersey*: 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.
(4) *Philadelphia*: Philadelphia, Bucks, Chester, Delaware, and Montgomery Counties in Pennsylvania; Burlington, Camden, Gloucester, and Salem Counties in New Jersey; and the City of Trenton and the townships of Ewing, Hamilton, and Lawrence in Mercer County in New Jersey.
(5) *Scranton/Wilkes-Barre*: Columbia, Lackawanna, Luzerne, Wayne, and Wyoming Counties and the townships of Ararat, Auburn, Brooklyn, Clifford, Dimock, Gibson, Harford, Herrick, Lathrop, Lenox, and Springville in Susquehanna County in Pennsylvania.
(6) *Vineland*: Cumberland County in New Jersey.
(7) *Wilmington*: New Castle County in Delaware and Cecil County in Maryland.

## Appendix C

*Market data for banking markets, except Philadelphia and Lehigh Valley.*

(1) *Atlantic City*: First Union would control 15.1 percent of market deposits and would become the second largest of 15 depository institutions in the market. The HHI would increase 43 points to 1667.
(2) *Metropolitan New York-New Jersey*: First Union would control 4.8 percent of market deposits and would become the fifth largest of 303 depository institutions in the market. The HHI would increase 7 points to 758.
(3) *Scranton/Wilkes-Barre*: First Union would control 8.2 percent of market deposits and would become the third largest of 35 depository institutions in the market. The HHI would increase 34 points to 996.
(4) *Vineland*: First Union would control 10.8 percent of market deposits and would become the fourth largest of 13 depository institutions in the market. The HHI would increase 42 points to 1471.
(5) *Wilmington*: First Union would control 10.6 percent of market deposits and would become the third largest of 20 depository institutions in the market. The HHI would increase 15 points to 2338.

Appendix D

Most Recent CRA Performance Ratings of Banks Before the Consolidation of First Union National Bank

| Bank | Agency | Rating | Date |
|---|---|---|---|
| First Union National Bank, Charlotte, North Carolina | OCC | Outstanding | 5/31/97 |
| First Union National Bank, Jacksonville, Florida | OCC | Outstanding | 5/31/97 |
| First Union National Bank, Atlanta, Georgia | OCC | Outstanding | 5/31/97 |
| First Union National Bank, Rockville, Maryland | OCC | Outstanding | 5/31/97 |
| First Union National Bank, Greenville, South Carolina | OCC | Outstanding | 5/31/97 |
| First Union National Bank, Nashville, Tennessee | OCC | Outstanding | 5/31/97 |
| First Union National Bank, Roanoke, Virginia | OCC | Outstanding | 5/31/97 |
| First Union National Bank, Washington, D.C. | OCC | Outstanding | 5/31/97 |
| First Union National Bank, North Summit, New Jersey | OCC | Outstanding | 5/31/97 |
| First Union Bank of Connecticut, Stamford, Connecticut | FDIC | Satisfactory | 1/21/97 |
| First Union Bank of Delaware, Wilmington, Delaware | FDIC | Satisfactory | 10/31/95 |
| Signet Bank, Richmond, Virginia | FRB | Satisfactory | 1/15/96 |
| Signet Bank, N.A. Washington, D.C. | OCC | Satisfactory | 12/21/92 |
| First Union Home Equity Bank, N.A., Charlotte, North Carolina | OCC | Satisfactory | 5/31/97 |
| Boca Raton First National Bank, Boca Raton, Florida | OCC | Satisfactory | 10/26/95 |

*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 |
|---|---|---|
| Community Trust Bancorp, Inc., Pikeville, Kentucky | Community Trust Bank of West Virginia, N.A., Williamson, West Virginia | April 20, 1998 |

Section 3—Continued

| Applicant(s) | Bank(s) | Effective Date |
|---|---|---|
| Cullen/Frost Bankers, Inc.,<br>San Antonio, Texas | Overton Bancshares, Inc,<br>Fort Worth, Texas<br>Overton Bancorporation,<br>Fort Worth, Texas<br>Overton Bank and Trust, N.A.,<br>Fort Worth, Texas | April 10, 1998 |
| The New Galveston Company,<br>San Antonio, Texas | Overton Bancorporation,<br>Fort Worth, Texas<br>Overton Bank and Trust,<br>N.A.,<br>Fort Worth, Texas | April 10, 1998 |
| Norwest Corporation,<br>Minneapolis, Minnesota | First Bank,<br>Katy, Texas | April 16, 1998 |
| Norwest Corporation,<br>Minneapolis, Minnesota | First Bank of Grants,<br>Grants, New Mexico | April 27, 1998 |
| Union Planters Corporation,<br>Memphis, Tennessee | Peoples First Corporation,<br>Paducah, Kentucky<br>The Peoples First National Bank and Trust<br>Company,<br>Paducah, Kentucky | April 1, 1998 |
| Union Planters Holding Corporation,<br>Memphis, Tennessee | Peoples First Corporation,<br>Paducah, Kentucky<br>The Peoples First National Bank and Trust<br>Company,<br>Paducah, Kentucky | April 1, 1998 |

Section 4

| Applicant(s) | Bank(s) | Effective Date |
|---|---|---|
| First Chicago NBD Corporation,<br>Chicago, Illinois | Roney & Co., L.L.C.<br>Detroit, Michigan | April 9, 1998 |
| National City Corporation,<br>Cleveland, Ohio | Sterling Ltd. Co.,<br>Pepper Pike, Ohio<br>Sterling Management Co.,<br>Pepper Pike, Ohio<br>SLC Capital, Inc.,<br>Pepper Pike, Ohio | April 2, 1998 |
| Norwest Corporation,<br>Minneapolis, Minnesota | Forecast Home Mortgage LLC,<br>Los Angeles, California | April 7, 1998 |
| Norwest Corporation,<br>Minneapolis, Minnesota | WMC Mortgage Corporation,<br>Woodland Hills, California<br>Spring Mountain Escrow Company,<br>Woodland Hills, California | April 2, 1998 |
| Wachovia Corporation,<br>Winston-Salem, North Carolina | Hunt, Dupree, Rhine & Associates, Inc.,<br>Greenville, South Carolina<br>Retirement Plan Securities, Inc.,<br>Greenville, South Carolina | April 28, 1998 |

Sections 3 and 4

| Applicant(s) | Bank(s) | Effective Date |
| --- | --- | --- |
| Mercantile Bancorporation Inc.,<br>St. Louis, Missouri<br>Ameribanc, Inc.,<br>St. Louis, Missouri | CBT Corporation,<br>Paducah, Kentucky<br>Citizens Bank and Trust Company of<br>Paducah,<br>Paducah, Kentucky<br>Bank of Marshall County,<br>Benton, Kentucky<br>Pennyrile Citizens Bank and Trust Company,<br>Hopkinsville, Kentucky<br>Graves County Bank, Inc.,<br>Mayfield, Kentucky<br>United Commonwealth Bank, FSB,<br>Murray, Kentucky | April 13, 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 |
| --- | --- | --- | --- |
| America's First Bancorp, Inc.,<br>Washington, D.C. | America's First Bank, National<br>Association,<br>Washington, D.C. | Richmond | April 8, 1998 |
| BB&T Corporation,<br>Winston-Salem, North Carolina<br>BB&T Financial Corporation of<br>Virginia,<br>Winston-Salem, North Carolina | Franklin Bancorporation, Inc.,<br>Washington, D.C. | Richmond | April 23, 1998 |
| Bethany Bankshares, Inc.,<br>Bethany, Missouri | Gallatin/New Hampton Bancshares,<br>Inc.,<br>Albany, Missouri | Kansas City | April 1, 1998 |
| BOC Financial Corp.,<br>Landis, North Carolina | Bank of the Carolinas,<br>Landis, North Carolina<br>Landis Savings Bank, SSB,<br>Landis, Carolina | Richmond | April 9, 1998 |
| Capitol Bancorp Limited,<br>Lansing, Michigan<br>Sun Community Bancorp Limited,<br>Phoenix, Arizona | Biltmore Community Bank,<br>Phoenix, Arizona | Chicago | April 22, 1998 |
| Capitol Bancorp Limited,<br>Lansing, Michigan<br>Sun Community Bancorp Limited,<br>Phoenix, Arizona | Southern Arizona Community Bank,<br>Tucson, Arizona | Chicago | April 22, 1998 |
| Central Iowa Bancorporation,<br>Iowa City, Iowa | Conrad Bancorporation,<br>Conrad, Iowa | Chicago | April 2, 1998 |
| Community Bank Capital<br>Corporation,<br>Alpharetta, Georgia | Bank of North Georgia,<br>Alpharetta, Georgia | Atlanta | April 1, 1998 |

Section 3—Continued

| Applicant(s) | Bank(s) | Reserve Bank | Effective Date |
|---|---|---|---|
| Community Banks of Florida, Inc., Naples, Florida | Community Bank of Naples, N.A., Naples, Florida | Atlanta | April 7, 1998 |
| Cumberland Bancorp, Inc., Carthage, Tennessee | The Bank of Mason, Mason, Tennessee | Atlanta | April 7, 1998 |
| Farmers State Corporation, Mountain Lake, Minnesota | Community Bank New Ulm, New Ulm, Minnesota | Minneapolis | April 3, 1998 |
| Firstand Company, Hordville, Nebraska | First State Bank, Hordville, Nebraska | Kansas City | April 7, 1998 |
| First Citizens Banc Corp, Sandusky, Ohio | The Farmers State Bank of New Washington, Ohio, New Washington, Ohio | Cleveland | April 7, 1998 |
| First Neighborhood Bancshares, Inc., Employee Stock Ownership Plan, Toledo, Illinois | First Neighborhood Bancshares Inc., Toledo, Illinois<br>The First National Bank of Toledo, Toledo, Illinois<br>The First State Bank of Newman, Newman, Illinois<br>Greenup National Corp., Greenup, Illinois<br>The Greenup National Bank, Greenup, Illinois | Chicago | April 16, 1998 |
| First York Ban Corp., York, Nebraska | NebraskaLand National Bank, North Platte, Nebraska | Kansas City | April 17, 1998 |
| Flag Financial Corporation, LaGrange, Georgia | Three Rivers Bancshares, Inc., Milan, Georgia<br>Bank of Milan, Milan, Georgia | Atlanta | April 22, 1998 |
| Founders Financial Corporation, Grand Rapid, Michigan | Founders Trust Personal Bank, Grand Rapids, Michigan | Chicago | April 21, 1998 |
| GB&T Bancshares, Inc., Gainesville, Georgia | Gainesville Bank & Trust, Gainesville, Georgia | Atlanta | April 2, 1998 |
| Greater Bay Bancorp, Palo Alto, California | Pacific Rim Bancorporation, San Francisco, California<br>Golden Gate Bank, San Francisco, California | San Francisco | April 22, 1998 |
| Heartland Financial USA, Inc., Dubuque, Iowa | New Mexico Bank & Trust, Albuquerque, New Mexico | Chicago | April 14, 1998 |
| Heritage Capital Corporation, Ashland, Kentucky | Heritage Bank of Ashland, Inc., Ashland, Kentucky | Cleveland | April 20, 1998 |
| Interchange Financial Services Corporation, Saddle Brook, New Jersey | The Jersey Bank for Savings, Montvale, New Jersey | New York | April 21, 1998 |
| ISB Financial Corp., Iowa City, Iowa | Conrad Bancorporation, Conrad, Iowa<br>First State Bank, Conrad, Iowa | Chicago | April 2, 1998 |
| Kanbanc, Inc., Kansas City, Missouri | State Bank of Colony, Colony, Kansas | Kansas City | April 1, 1998 |
| LB Bancorp, Inc., Milwaukee, Wisconsin | Liberty Bank, Milwaukee, Wisconsin | Chicago | April 2, 1998 |
| Mid-America Bancorp, Inc., Jewell, Kansas | Heartland Bank, Jewell, Kansas | Kansas City | April 10, 1998 |

Section 3—Continued

| Applicant(s) | Bank(s) | Reserve Bank | Effective Date |
| --- | --- | --- | --- |
| NATCOM Bancshares, Inc.,<br>Superior, Wisconsin | National Bank of Commerce in Superior,<br>Superior, Wisconsin | Minneapolis | April 15, 1998 |
| Northern Trust Corporation,<br>Chicago, Illinois | Trustbank Financial Corporation,<br>Denver, Colorado<br>Trust Bank of Colorado,<br>Denver, Colorado | Chicago | April 17, 1998 |
| The Peoples BancTrust Company, Inc.,<br>Selma, Alabama | Elmore County Bancshares, Inc.,<br>Tallassee, Alabama<br>Bank of Tallassee,<br>Tallassee, Alabama | Atlanta | April 15, 1998 |
| Premier Holdings-Nevada, Inc.,<br>Carson City, Nevada | South Central Texas Bancshares-Delaware, Inc.,<br>Wilmington, Delaware | Dallas | April 9, 1998 |
| Security Bank Holding Company,<br>Coos Bay, Oregon<br>Security Bank Holding Company ESOP,<br>Coos Bay, Oregon | Family Security Bank,<br>Brookings, Oregon | San Francisco | April 15, 1998 |
| Shorebank Corporation,<br>Chicago, Illinois | Shorebank Detroit Corporation,<br>Detroit, Michigan<br>Shorebank,<br>Detroit, Michigan | Chicago | April 9, 1998 |
| Shorebank Detroit Corporation,<br>Detroit, Michigan | ShoreBank,<br>Detroit, Michigan<br>OmniBank,<br>River Rouge, Michigan | Chicago | April 9, 1998 |
| South Tulsa Financial Corporation,<br>Tulsa, Oklahoma | Bank South, N.A.,<br>Tulsa, Oklahoma | Kansas City | April 20, 1998 |
| State of Franklin Bancshares, Inc.,<br>Johnson City, Tennessee | State of Franklin Savings Bank,<br>Johnson City, Tennessee | Atlanta | April 23, 1998 |
| Texas United Bancshares, Inc.,<br>La Grange, Texas | Premier Bancshares, Inc.,<br>La Grange, Texas<br>South Central Texas Bancshares, Inc.,<br>Flatonia, Texas | Dallas | April 9, 1998 |
| Traditional Bancorporation, Inc.,<br>Mt. Sterling, Kentucky | Traditional Bank of Kentucky, Inc.,<br>Lexington, Kentucky | Cleveland | March 23, 1998 |
| Tri-County Financial Group, Inc.,<br>Mendota, Illinois | Farmers State Bank of McNabb,<br>McNabb, Illinois | Chicago | April 15, 1998 |

Section 4

| Applicant(s) | Nonbanking Activity/Company | Reserve Bank | Effective Date |
| --- | --- | --- | --- |
| Bancshares of Missouri, Inc.,<br>Kearney, Missouri | Jesse James Festival Grounds, L.L.C.,<br>Kearney, Missouri | Kansas City | April 2, 1998 |
| Bankers Trust New York Corporation,<br>New York, New York | BT Alex. Brown Incorporated,<br>New York, New York<br>NatWest Securities Corporation,<br>New York, New York | New York | April 6, 1998 |
| Carolina First Corporation,<br>Greenville, South Carolina | Resource Processing Group, Inc.,<br>Columbia, South Carolina | Richmond | April 15, 1998 |

Section 4—Continued

| Applicant(s) | Nonbanking Activity/Company | Reserve Bank | Effective Date |
|---|---|---|---|
| Citizens & Northern, Wellsboro, Pennsylvania | First National Bank of Canton, Canton, Pennsylvania | Philadelphia | April 10, 1998 |
| Davis Bancorporation, Inc., Davis, Oklahoma | FBC Financial Corporation, Claremore, Oklahoma | Kansas City | March 24, 1998 |
| Deutsche Bank AG, Frankfurt am Main, Federal Republic of Germany | Roland Berger & Partner Holding GmbH, Munich, Federal Republic of Germany | New York | April 3, 1998 |
| First Centralia Bancshares, Inc., Centralia, Kansas | FBC Financial Corporation, Claremore, Oklahoma | Kansas City | March 24, 1998 |
| Independent Bank Corporation, Ionia, Michigan | First Home Financial, Grand Rapids, Michigan | Chicago | March 31, 1998 |
| Mid-Atlantic Community BankGroup, Inc., Gloucester, Virginia | Johnson Mortgage Company LLC, Newport News, Virginia | Richmond | March 30, 1998 |
| Morrill & Janes Bancshares, Inc., Hiawatha, Kansas | FBC Financial Corporation, Claremore, Oklahoma | Kansas City | March 24, 1998 |
| Morrill Bancshares, Inc., Sabetha, Kansas | FBC Financial Corporation, Claremore, Oklahoma | Kansas City | March 24, 1998 |
| Neighborhood Bancorp, San Diego, California | Neighborhood Housing Development Corporation, San Diego, California | San Francisco | April 10, 1998 |
| New Independent Bancshares, Inc., New Washington, Indiana | New Washington Reinsurance Company, Ltd., New Washington, Indiana | St. Louis | March 30, 1998 |
| Onaga Bancshares, Inc., Onaga, Kansas | FBC Financial Corporation, Claremore, Oklahoma | Kansas City | March 24, 1998 |
| Royal Bank of Canada, Montreal, Quebec, Canada<br>Integrion Financial Network, LLC, Atlanta, Georgia | CheckFree Corporation, Norcross, Georgia | New York | March 27, 1998 |
| Stichting Prioriteit ABN AMRO Holding, Amsterdam, The Netherlands<br>Stichting Administratiekantoor ABN AMRO Holding, Amsterdam, The Netherlands<br>ABN AMRO Holding N.V., Amsterdam, The Netherlands<br>ABN AMRO North America, Inc., Chicago, Illinois<br>Integrion Financial Network, LLC, Atlanta, Georgia<br>Stichting Prioriteit ABN AMRO Holding, Amsterdam, The Netherlands<br>Stichting Administratiekantoor ABN AMRO Holding, Amsterdam, The Netherlands | CheckFree Corporation, Norcross, Georgia | Chicago | April 10, 1998 |

Section 4—Continued

| Applicant(s) | Nonbanking Activity/Company | Reserve Bank | Effective Date |
|---|---|---|---|
| ABN AMRO Holding N.V., Amsterdam, The Netherlands<br>ABN AMRO Bank N.V., Amsterdam, The Netherlands<br>ABN AMRO Incorporated, Chicago, Illinois | Sage Clearing Limited Partnership, San Francisco, California<br>Sage Clearing Corporation, San Francisco, California | Chicago | April 3, 1998 |
| Union Planters Corporation, Memphis, Tennessee<br>Union Planters Holding Corporation, Memphis, Tennessee | Capital Savings Bancorp, Inc., Jefferson City, Missouri<br>Capital Savings Bank, FSB, Jefferson City, Missouri | St. Louis | April 16, 1998 |
| Westdeutsche Landesbank Girozentrale, Dusseldorf, Germany | Thomas Cook Inc., New York, New York<br>Interpayment Services Limited, London, England | New York | March 31, 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 |
|---|---|---|---|
| American Bank of Montana, Bozeman, Montana | American Bank, Whitefish, Montana | Minneapolis | April 10, 1998 |
| Bank of Commerce, San Diego, California | Rancho Vista National Bank, Vista, California | San Francisco | April 17, 1998 |
| Colonial Bank, Montgomery, Alabama | Premier Bank, Atlanta, Georgia | Atlanta | April 15, 1998 |
| F&M Bank-Northern Virginia, Fairfax, Virginia | The Bank of Alexandria, Alexandria, Virginia | Richmond | April 21, 1998 |
| Fifth Third Bank of Central Kentucky, Inc., Paris, Kentucky | The Fifth Third Bank of Kentucky, Louisville, Kentucky | Cleveland | April 9, 1998 |
| The Jersey Bank for Savings, Montvale, New Jersey | Interchange Bank, Saddle Brook, New Jersey | New York | April 21, 1998 |
| The Richwood Banking Company, Richwood, Ohio | National City Bank of Columbus, Columbus, Ohio | Cleveland | March 25, 1998 |
| ShoreBank, Detroit, Michigan | OmniBank, River Rouge, Michigan | Chicago | April 9, 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.*

*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.

*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. Oral argument is scheduled for May 23, 1998.

*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 is scheduled for May 4, 1998.

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

*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.

*Vickery v. Board of Governors,* No. 97–1344 (D.C. Cir., filed May 9, 1997). Petition for review of a Board order dated April 14, 1997, prohibiting Charles R. Vickery, Jr., from further participation in the banking industry. Oral argument was heard on February 24, 1998, and on March 3, 1998, the court of appeals affirmed the Board's order.

*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 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 March 23, 1998, the Board moved 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. 91-CIV-6250 (S.D. New York, filed September 17, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On September 17, 1991, the court issued an order temporarily restraining the transfer or disposition of the individual's assets. On March 16, 1998, the district court granted in part and denied in part the Board's motion for summary judgment.

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# 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 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Q2 | Q3 | Q4 | Q1 | Nov. | Dec. | Jan. | Feb. | Mar. |
| *Reserves of depository institutions*[2] | | | | | | | | | |
| 1 Total | −14.3 | −1.8 | −1.3 | −6.1 | 10.6 | 8.5 | −21.2 | −14.1[r] | 9.5 |
| 2 Required | −15.0 | −2.4 | −4.1 | −6.1 | 5.1 | 7.0 | −24.5 | −7.8[r] | 15.4 |
| 3 Nonborrowed | −16.0 | −3.4 | .7 | −4.9 | 13.7 | 4.1 | −18.4 | −10.2[r] | 10.0 |
| 4 Monetary base[3] | 3.7 | 6.3 | 8.1 | 6.6 | 10.9 | 9.9 | 5.8 | 3.5 | 4.0 |
| *Concepts of money, liquid assets, and debt*[4] | | | | | | | | | |
| 5 M1 | −4.5 | .3 | .8 | 2.8 | 8.2 | 7.6 | −3.0 | 2.8 | 4.8 |
| 6 M2 | 4.4 | 5.4 | 6.8 | 7.8 | 7.3 | 6.8 | 7.2 | 9.3 | 8.1 |
| 7 M3 | 7.7 | 8.1 | 10.2[r] | 11.1 | 12.4[r] | 12.0[r] | 10.6[r] | 8.4[r] | 13.8 |
| 8 L | 8.4 | 7.1 | 9.6[r] | n.a. | 13.7[r] | 12.7[r] | 13.4[r] | −81.9 | n.a. |
| 9 Debt | 5.0 | 4.2 | 5.7[r] | n.a. | 6.5 | 6.2 | 5.9 | 6.4 | n.a. |
| *Nontransaction components* | | | | | | | | | |
| 10 In M2[5] | 7.9 | 7.3 | 9.0 | 9.6 | 7.0 | 6.5 | 10.9 | 11.6 | 9.3 |
| 11 In M3 only[6] | 18.9 | 16.9 | 20.8[r] | 21.3 | 28.3[r] | 28.3[r] | 20.7[r] | 5.6[r] | 30.6 |
| *Time and savings deposits* | | | | | | | | | |
| Commercial banks | | | | | | | | | |
| 12 Savings, including MMDAs | 11.0 | 9.6 | 16.3 | 13.6 | 11.9 | 13.6 | 14.5[r] | 13.0[r] | 12.3 |
| 13 Small time[7] | 5.6 | 7.1 | 3.1 | .8 | 5.6 | 1.0 | .2 | −.2 | −.6 |
| 14 Large time[8,9] | 24.1 | 17.2 | 14.0 | 21.1 | 22.6 | 19.9 | 8.5[r] | 30.8[r] | 37.5 |
| Thrift institutions | | | | | | | | | |
| 15 Savings, including MMDAs | 6.0 | 1.0 | 1.4[r] | 7.6 | −.6 | 5.4[r] | 6.4[r] | 13.6[r] | 11.6 |
| 16 Small time[7] | −2.9 | −5.2 | −3.5 | −.9 | −9.0 | .0 | 4.2 | −2.8 | −5.9 |
| 17 Large time[8] | 4.3 | 9.8 | 5.3 | 13.6 | 11.5 | 11.4 | 29.6 | 2.7 | −6.9 |
| *Money market mutual funds* | | | | | | | | | |
| 18 Retail | 13.5 | 16.0 | 15.6 | 19.2 | 14.4 | 4.8 | 22.9 | 28.0 | 21.0 |
| 19 Institution-only | 18.0 | 19.7 | 22.0 | 18.9 | 7.6 | 34.5 | 14.7 | 12.3 | 22.5 |
| *Repurchase agreements and Eurodollars* | | | | | | | | | |
| 20 Repurchase agreements[10] | 6.8 | 13.4 | 38.3 | 32.4 | 77.9 | 9.3 | 52.6 | −25.9 | 87.6 |
| 21 Eurodollars[10] | 32.2 | 18.6[r] | 23.4[r] | 14.6 | 34.2[r] | 81.0[r] | 21.6[r] | −40.0[r] | −42.2 |
| *Debt components*[4] | | | | | | | | | |
| 22 Federal | .4 | −.6 | .9 | n.a. | .3 | 2.2 | .0 | −.8 | n.a. |
| 23 Nonfederal | 6.6 | 5.9 | 7.4 | n.a. | 8.6 | 7.6 | 7.9 | 8.8 | 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 | | | | | | |
| | Jan. | Feb. | Mar. | Feb. 11 | Feb. 18 | Feb. 25 | Mar. 4 | Mar. 11 | Mar. 18 | Mar. 25 |
| SUPPLYING RESERVE FUNDS | | | | | | | | | | |
| 1 Reserve Bank credit outstanding | 468,720 | 463,965 | 467,483 | 461,269 | 464,620 | 466,130 | 466,322 | 467,484 | 468,358 | 466,500 |
| U.S. government securities[2] | | | | | | | | | | |
| 2 Bought outright—System account[3] | 429,845 | 427,988 | 431,767 | 427,093 | 428,138 | 428,618 | 428,922 | 430,335 | 432,541 | 432,887 |
| 3 Held under repurchase agreements | 4,155 | 2,720 | 2,313 | 274 | 2,799 | 5,743 | 4,000 | 2,850 | 2,216 | 1,113 |
| Federal agency obligations | | | | | | | | | | |
| 4 Bought outright | 685 | 678 | 641 | 682 | 675 | 675 | 675 | 667 | 625 | 625 |
| 5 Held under repurchase agreements | 833 | 573 | 1,245 | 163 | 617 | 442 | 2,008 | 2,415 | 1,478 | 174 |
| 6 Acceptances | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans to depository institutions | | | | | | | | | | |
| 7 Adjustment credit | 188 | 51 | 6 | 25 | 78 | 15 | 2 | 3 | 2 | 19 |
| 8 Seasonal credit | 18 | 11 | 22 | 9 | 12 | 13 | 14 | 19 | 20 | 26 |
| 9 Extended credit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 Float | 1,228 | 440 | 464 | 937 | 368 | 134 | 78 | 558 | 532 | 455 |
| 11 Other Federal Reserve assets | 31,769 | 31,505 | 31,026 | 32,087 | 31,934 | 30,489 | 30,625 | 30,638 | 30,945 | 31,201 |
| 12 Gold stock | 11,046 | 11,047 | 11,049 | 11,046 | 11,047 | 11,049 | 11,050 | 11,049 | 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 | 25,644 | 25,703 | 25,761 | 25,690 | 25,704 | 25,718 | 25,732 | 25,746 | 25,760 | 25,774 |
| ABSORBING RESERVE FUNDS | | | | | | | | | | |
| 15 Currency in circulation | 474,085 | 471,834 | 473,771 | 470,576 | 473,053 | 472,853 | 472,861 | 473,893 | 474,061 | 473,754 |
| 16 Treasury cash holdings | 224 | 227 | 254 | 223 | 227 | 229 | 241 | 245 | 256 | 260 |
| Deposits, other than reserve balances, with Federal Reserve Banks | | | | | | | | | | |
| 17 Treasury | 6,507 | 4,969 | 5,455 | 5,062 | 4,969 | 4,400 | 5,447 | 4,867 | 6,294 | 5,181 |
| 18 Foreign | 188 | 178 | 174 | 163 | 164 | 172 | 216 | 159 | 176 | 164 |
| 19 Service-related balances and adjustments | 7,198 | 7,063r | 6,993 | 7,117 | 7,030 | 6,953 | 6,990 | 7,126 | 6,976 | 7,003 |
| 20 Other | 421 | 395 | 369 | 422 | 404 | 371 | 370 | 376 | 372 | 357 |
| 21 Other Federal Reserve liabilities and capital | 16,016 | 16,114 | 16,176 | 16,140 | 16,154 | 16,139 | 16,197 | 16,409 | 16,178 | 16,089 |
| 22 Reserve balances with Federal Reserve Banks[4] | 9,971 | 9,135r | 10,302 | 7,501 | 8,571 | 10,979 | 9,981 | 10,402 | 10,055 | 9,716 |

| Factor | End-of-month figures | | | Wednesday figures | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Jan. | Feb. | Mar. | Feb. 11 | Feb. 18 | Feb. 25 | Mar. 4 | Mar. 11 | Mar. 18 | Mar. 25 |
| SUPPLYING RESERVE FUNDS | | | | | | | | | | |
| 1 Reserve Bank credit outstanding | 463,567 | 465,614 | 475,593 | 466,801 | 467,625 | 476,128 | 465,074 | 474,992 | 469,283 | 472,764 |
| U.S. government securities[2] | | | | | | | | | | |
| 2 Bought outright—System account[3] | 428,043 | 428,619 | 433,182 | 429,481 | 428,001 | 429,189 | 429,091 | 432,521 | 432,708 | 434,119 |
| 3 Held under repurchase agreements | 800 | 3,645 | 6,846 | 1,915 | 4,302 | 12,080 | 3,098 | 6,940 | 3,001 | 5,735 |
| Federal agency obligations | | | | | | | | | | |
| 4 Bought outright | 685 | 675 | 625 | 675 | 675 | 675 | 675 | 625 | 625 | 625 |
| 5 Held under repurchase agreements | 1,268 | 2,107 | 1,450 | 1,140 | 1,070 | 1,610 | 1,415 | 3,419 | 1,220 | 1,045 |
| 6 Acceptances | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans to depository institutions | | | | | | | | | | |
| 7 Adjustment credit | 16 | 0 | 2 | 2 | 3 | 4 | 2 | 2 | 2 | 8 |
| 8 Seasonal credit | 8 | 12 | 27 | 14 | 12 | 13 | 16 | 16 | 23 | 30 |
| 9 Extended credit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 Float | 671 | −202 | 1,503 | 1,053 | 3,379 | 1,116 | 353 | 386 | 539 | −532 |
| 11 Other Federal Reserve assets | 32,077 | 30,757 | 31,959 | 32,522 | 30,184 | 31,442 | 30,424 | 31,084 | 31,165 | 31,735 |
| 12 Gold stock | 11,046 | 11,050 | 11,049 | 11,047 | 11,048 | 11,050 | 11,049 | 11,050 | 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 | 25,676 | 25,732 | 25,788 | 25,690 | 25,704 | 25,718 | 25,732 | 25,746 | 25,760 | 25,774 |
| ABSORBING RESERVE FUNDS | | | | | | | | | | |
| 15 Currency in circulation | 468,337 | 472,029 | 475,091 | 472,372 | 474,118 | 473,257 | 474,356 | 475,059 | 474,719 | 474,518 |
| 16 Treasury cash holdings | 220 | 241 | 265 | 227 | 227 | 241 | 243 | 255 | 259 | 265 |
| Deposits, other than reserve balances, with Federal Reserve Banks | | | | | | | | | | |
| 17 Treasury | 5,552 | 5,037 | 5,490 | 4,401 | 4,699 | 4,398 | 4,778 | 4,556 | 5,745 | 4,819 |
| 18 Foreign | 215 | 243 | 167 | 152 | 170 | 194 | 242 | 159 | 156 | 159 |
| 19 Service-related balances and adjustments | 7,276 | 6,990r | 6,847 | 7,117 | 7,030 | 6,953 | 6,990 | 7,126 | 6,976 | 7,003 |
| 20 Other | 343 | 349 | 354 | 402 | 405 | 374 | 380 | 379 | 357 | 364 |
| 21 Other Federal Reserve liabilities and capital | 15,969 | 16,256 | 15,708 | 15,972 | 15,933 | 15,931 | 15,908 | 16,031 | 15,879 | 15,914 |
| 22 Reserve balances with Federal Reserve Banks[4] | 11,576 | 10,449r | 17,708 | 12,095 | 10,995 | 20,749 | 8,157 | 17,424 | 11,203 | 15,745 |

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

## 1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

| Reserve classification | Prorated monthly averages of biweekly averages | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1995 | 1996 | 1997 | 1997 | | | | 1998 | | |
| | Dec. | Dec. | Dec. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb.[r] | Mar. |
| 1 Reserve balances with Reserve Banks[2] | 20,440 | 13,395 | 10,673 | 9,742 | 9,990 | 10,559 | 10,673 | 9,733 | 9,394 | 10,140 |
| 2 Total vault cash[3] | 42,094 | 44,379 | 43,970 | 43,056 | 41,730 | 42,114 | 43,970 | 46,672 | 42,562 | 40,993 |
| 3 Applied vault cash[4] | 37,460 | 37,848 | 37,206 | 36,314 | 35,631 | 35,892 | 37,206 | 37,762 | 35,580 | 35,369 |
| 4 Surplus vault cash[5] | 4,634 | 6,532 | 6,763 | 6,742 | 6,099 | 6,222 | 6,763 | 8,910 | 6,982 | 5,623 |
| 5 Total reserves[6] | 57,900 | 51,243 | 47,880 | 46,056 | 45,621 | 46,451 | 47,880 | 47,495 | 44,974 | 45,509 |
| 6 Required reserves | 56,622 | 49,819 | 46,196 | 44,761 | 44,225 | 44,834 | 46,196 | 45,714 | 43,450 | 44,191 |
| 7 Excess reserve balances at Reserve Banks[7] | 1,278 | 1,424 | 1,683 | 1,295 | 1,396 | 1,617 | 1,683 | 1,780 | 1,524 | 1,319 |
| 8 Total borrowings at Reserve Banks[8] | 257 | 155 | 324 | 438 | 270 | 153 | 324 | 210 | 58 | 41 |
| 9 Seasonal borrowings | 40 | 68 | 79 | 368 | 227 | 115 | 79 | 18 | 12 | 22 |
| 10 Extended credit[9] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Reserve classification | Biweekly averages of daily figures for two week periods ending on dates indicated | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1997 | | | 1998 | | | | | | |
| | Dec. 3 | Dec. 17 | Dec. 31 | Jan. 14 | Jan. 28 | Feb. 11 | Feb. 25 | Mar. 11[r] | Mar. 25 | Apr. 8 |
| 1 Reserve balances with Reserve Banks[2] | 11,022 | 9,678 | 11,595 | 11,500 | 8,176 | 8,750 | 9,726 | 10,210 | 9,878 | 10,625 |
| 2 Total vault cash[3] | 42,175 | 44,267 | 44,058 | 44,958 | 48,839 | 44,560 | 41,199 | 41,597 | 40,594 | 40,815 |
| 3 Applied vault cash[4] | 36,068 | 36,965 | 37,692 | 37,976 | 37,827 | 36,462 | 34,892 | 35,555 | 35,154 | 35,532 |
| 4 Surplus vault cash[5] | 6,108 | 7,302 | 6,366 | 6,982 | 11,012 | 8,098 | 6,307 | 6,042 | 5,441 | 5,283 |
| 5 Total reserves[6] | 47,090 | 46,643 | 49,286 | 49,476 | 46,003 | 45,212 | 44,618 | 45,765 | 45,031 | 46,157 |
| 6 Required reserves | 45,357 | 45,170 | 47,403 | 47,659 | 44,213 | 43,648 | 43,132 | 44,209 | 43,893 | 44,854 |
| 7 Excess reserve balances at Reserve Banks[7] | 1,733 | 1,473 | 1,883 | 1,817 | 1,790 | 1,563 | 1,485 | 1,556 | 1,138 | 1,302 |
| 8 Total borrowings at Reserve Banks[8] | 119 | 240 | 454 | 209 | 242 | 67 | 59 | 19 | 34 | 101 |
| 9 Seasonal borrowings | 95 | 85 | 71 | 22 | 16 | 9 | 13 | 17 | 23 | 30 |
| 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 5/8/98 | Effective date | Previous rate | On 5/8/98 | Effective date | Previous rate | On 5/8/98 | Effective date | Previous rate |
| Boston | 5.00 | 2/1/96 | 5.25 | 5.50 | 5/7/98 | 5.50 | 6.00 | 5/7/98 | 6.00 |
| New York | ↑ | 1/31/96 | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ |
| Philadelphia | | 1/31/96 | | | | | | | |
| Cleveland | | 1/31/96 | | | | | | | |
| Richmond | | 2/1/96 | | | | | | | |
| Atlanta | | 1/31/96 | | | | | | | |
| Chicago | | 2/1/96 | | | | | | | |
| St. Louis | | 2/5/96 | | | | | | | |
| Minneapolis | | 1/31/96 | | | | | | | |
| Kansas City | | 2/1/96 | | | | | | | |
| Dallas | ↓ | 1/31/96 | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| San Francisco | 5.00 | 1/31/96 | 5.25 | 5.50 | 5/7/98 | 5.50 | 6.00 | 5/7/98 | 6.00 |

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

| Effective date | Range (or level)—All F.R. Banks | F.R. Bank of N.Y. |
|---|---|---|
| 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 May 8, 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 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. |
| U.S. TREASURY SECURITIES[2] | | | | | | | | | | |
| *Outright transactions (excluding matched transactions)* | | | | | | | | | | |
| Treasury bills | | | | | | | | | | |
| 1 Gross purchases | 10,932 | 9,901 | 9,147 | 0 | 0 | 0 | 0 | 4,545 | 0 | 0 |
| 2 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 Exchanges | 405,296 | 426,928 | 419,347 | 35,666 | 28,328 | 39,313 | 33,485 | 26,905 | 41,731 | 29,290 |
| 4 For new bills | 405,296 | 426,928 | 418,997 | 35,666 | 28,328 | 39,313 | 33,485 | 26,905 | 41,731 | 29,290 |
| 5 Redemptions | 900 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,000 | 0 |
| Others within one year | | | | | | | | | | |
| 6 Gross purchases | 390 | 524 | 5,748 | 0 | 644 | 0 | 1,462 | 1,947 | 0 | 0 |
| 7 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8 Maturity shifts | 43,574 | 30,512 | 43,473 | 7,487 | 1,596 | 3,193 | 5,231 | 1,748 | 3,447 | 6,098 |
| 9 Exchanges | −35,407 | −41,394 | −27,499 | −2,780 | −2,382 | −1,267 | −4,126 | −2,329 | −400 | −6,128 |
| 10 Redemptions | 1,776 | 2,015 | 0 | 0 | 0 | 416 | 0 | 0 | 478 | 0 |
| One to five years | | | | | | | | | | |
| 11 Gross purchases | 5,366 | 3,898 | 20,299 | 0 | 2,697 | 0 | 3,323 | 4,471 | 0 | 0 |
| 12 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 13 Maturity shifts | −34,646 | −25,022 | −39,744 | −5,247 | −1,596 | −3,193 | −4,883 | −1,748 | −3,447 | −3,213 |
| 14 Exchanges | 26,387 | 31,459 | 20,274 | 1,170 | 2,382 | 1,267 | 1,651 | 2,329 | 0 | 3,383 |
| Five to ten years | | | | | | | | | | |
| 15 Gross purchases | 1,432 | 1,116 | 3,101 | 0 | 0 | 770 | 485 | 613 | 0 | 0 |
| 16 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 17 Maturity shifts | −3,093 | −5,469 | −1,954 | −2,240 | 0 | 0 | 31 | 0 | 0 | −2,884 |
| 18 Exchanges | 7,220 | 6,666 | 5,215 | 880 | 0 | 0 | 1,295 | 0 | 400 | 1,420 |
| More than ten years | | | | | | | | | | |
| 19 Gross purchases | 2,529 | 1,655 | 5,827 | 0 | 0 | 648 | 954 | 1,214 | 0 | 0 |
| 20 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 21 Maturity shifts | −2,253 | −20 | −1,775 | 0 | 0 | 0 | −379 | 0 | 0 | 0 |
| 22 Exchanges | 1,800 | 3,270 | 2,360 | 730 | 0 | 0 | 1,180 | 0 | 0 | 1,325 |
| All maturities | | | | | | | | | | |
| 23 Gross purchases | 20,649 | 17,094 | 44,122 | 0 | 3,341 | 1,418 | 6,224 | 12,790 | 0 | 0 |
| 24 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 25 Redemptions | 2,676 | 2,015 | 1,996 | 0 | 0 | 416 | 0 | 0 | 2,478 | 0 |
| *Matched transactions* | | | | | | | | | | |
| 26 Gross purchases | 2,197,736 | 3,092,399 | 3,586,584 | 317,008 | 311,153 | 316,425 | 272,474 | 353,726 | 332,581 | 326,812 |
| 27 Gross sales | 2,202,030 | 3,094,769 | 3,588,905 | 315,439 | 312,083 | 318,485 | 269,586 | 355,668 | 332,795 | 326,245 |
| *Repurchase agreements* | | | | | | | | | | |
| 28 Gross purchases | 331,694 | 457,568 | 810,485 | 54,561 | 77,109 | 75,323 | 73,618 | 97,932 | 45,543 | 33,428 |
| 29 Gross sales | 328,497 | 450,359 | 809,268 | 50,340 | 74,960 | 78,157 | 73,064 | 87,160 | 65,932 | 30,583 |
| 30 Net change in U.S. Treasury securities | 16,875 | 19,919 | 41,022 | 5,790 | 4,560 | −3,893 | 9,666 | 21,620 | −23,080 | 3,412 |
| 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 | 179 | 105 | 215 | 26 | 0 | 0 | 10 |
| *Repurchase agreements* | | | | | | | | | | |
| 34 Gross purchases | 36,851 | 75,354 | 160,409 | 13,131 | 9,796 | 15,639 | 23,054 | 20,056 | 13,107 | 9,615 |
| 35 Gross sales | 36,776 | 74,842 | 159,369 | 11,252 | 11,196 | 15,157 | 20,976 | 21,186 | 13,232 | 8,776 |
| 36 Net change in federal agency obligations | −928 | 103 | −500 | 1,700 | −1,505 | 267 | 2,052 | −1,130 | −125 | 829 |
| **37 Total net change in System Open Market Account** | **15,948** | **20,021** | **40,522** | **7,490** | **3,055** | **−3,626** | **11,718** | **20,490** | **−23,204** | **4,241** |

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 | | |
| | Feb. 25 | Mar. 4 | Mar. 11 | Mar. 18 | Mar. 25 | Jan. 31 | Feb. 28 | Mar. 31 |
| | Consolidated condition statement | | | | | | | |
| ASSETS | | | | | | | | |
| 1 Gold certificate account | 11,050 | 11,049 | 11,050 | 11,049 | 11,049 | 11,046 | 11,050 | 11,049 |
| 2 Special drawing rights certificate account | 9,200 | 9,200 | 9,200 | 9,200 | 9,200 | 9,200 | 9,200 | 9,200 |
| 3 Coin | 569 | 565 | 551 | 536 | 538 | 556 | 588 | 527 |
| *Loans* | | | | | | | | |
| 4 To depository institutions | 17 | 18 | 18 | 26 | 38 | 24 | 13 | 29 |
| 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 | 675 | 675 | 625 | 625 | 625 | 685 | 675 | 625 |
| 8 Held under repurchase agreements | 1,610 | 1,415 | 3,419 | 1,220 | 1,045 | 1,268 | 2,107 | 1,450 |
| 9 **Total U.S. Treasury securities** | **441,269** | **432,189** | **439,461** | **435,709** | **439,854** | **428,843** | **432,264** | **440,028** |
| 10 Bought outright[2] | 429,189 | 429,091 | 432,521 | 432,708 | 434,119 | 428,043 | 428,619 | 433,182 |
| 11 Bills | 196,057 | 195,959 | 195,626 | 195,812 | 196,196 | 194,909 | 195,488 | 195,258 |
| 12 Notes | 172,400 | 172,400 | 176,164 | 176,165 | 176,435 | 173,727 | 172,400 | 176,436 |
| 13 Bonds | 60,732 | 60,732 | 60,732 | 60,732 | 61,488 | 59,407 | 60,732 | 61,488 |
| 14 Held under repurchase agreements | 12,080 | 3,098 | 6,940 | 3,001 | 5,735 | 800 | 3,645 | 6,846 |
| 15 **Total loans and securities** | **443,571** | **434,297** | **443,523** | **437,579** | **441,561** | **430,820** | **435,058** | **442,131** |
| 16 Items in process of collection | 7,199 | 8,130 | 7,155 | 7,193 | 6,490 | 5,185 | 4,488 | 9,691 |
| 17 Bank premises | 1,276 | 1,276 | 1,279 | 1,280 | 1,280 | 1,273 | 1,275 | 1,279 |
| *Other assets* | | | | | | | | |
| 18 Denominated in foreign currencies[3] | 17,048 | 17,208 | 17,216 | 17,224 | 17,232 | 17,019 | 17,203 | 16,711 |
| 19 All other[4] | 13,006 | 11,860 | 12,536 | 12,632 | 13,191 | 13,693 | 12,327 | 13,930 |
| 20 **Total assets** | **502,918** | **493,586** | **502,510** | **496,692** | **500,541** | **488,792** | **491,188** | **504,519** |
| LIABILITIES | | | | | | | | |
| 21 Federal Reserve notes | 448,349 | 449,433 | 450,119 | 449,753 | 449,546 | 443,438 | 447,126 | 450,095 |
| 22 **Total deposits** | **32,440** | **20,747** | **29,922** | **24,224** | **28,933** | **24,937** | **23,155** | **30,456** |
| 23 Depository institutions | 27,475 | 15,346 | 24,828 | 17,967 | 23,590 | 18,826 | 17,525 | 24,445 |
| 24 U.S. Treasury—General account | 4,398 | 4,778 | 4,556 | 5,745 | 4,819 | 5,552 | 5,037 | 5,490 |
| 25 Foreign—Official accounts | 194 | 242 | 159 | 156 | 159 | 215 | 243 | 167 |
| 26 Other | 374 | 380 | 379 | 357 | 364 | 343 | 349 | 354 |
| 27 Deferred credit items | 6,198 | 7,498 | 6,439 | 6,836 | 6,148 | 4,449 | 4,652 | 8,260 |
| 28 Other liabilities and accrued dividends[5] | 4,716 | 4,558 | 4,840 | 4,692 | 4,693 | 4,635 | 4,696 | 4,601 |
| 29 **Total liabilities** | **491,704** | **482,236** | **491,320** | **485,505** | **489,320** | **477,458** | **479,628** | **493,412** |
| CAPITAL ACCOUNTS | | | | | | | | |
| 30 Capital paid in | 5,478 | 5,479 | 5,428 | 5,430 | 5,454 | 5,477 | 5,478 | 5,471 |
| 31 Surplus | 5,220 | 5,220 | 5,220 | 5,220 | 5,220 | 5,220 | 5,220 | 5,202 |
| 32 Other capital accounts | 517 | 650 | 542 | 536 | 547 | 636 | 861 | 434 |
| 33 **Total liabilities and capital accounts** | **502,918** | **493,586** | **502,510** | **496,692** | **500,541** | **488,792** | **491,188** | **504,519** |
| MEMO | | | | | | | | |
| 34 Marketable U.S. Treasury securities held in custody for foreign and international accounts | 606,419 | 609,177 | 610,249 | 613,342 | 611,157 | 607,873 | 605,360 | 613,236 |
| | Federal Reserve note statement | | | | | | | |
| 35 Federal Reserve notes outstanding (issued to Banks) | 548,745 | 549,622 | 550,756 | 551,759 | 552,573 | 547,998 | 549,260 | 553,090 |
| 36 LESS: Held by Federal Reserve Banks | 100,395 | 100,189 | 100,637 | 102,006 | 103,027 | 104,561 | 102,133 | 102,995 |
| 37 Federal Reserve notes, net | 448,349 | 449,433 | 450,119 | 449,753 | 449,546 | 443,438 | 447,126 | 450,095 |
| *Collateral held against notes, net* | | | | | | | | |
| 38 Gold certificate account | 11,050 | 11,049 | 11,050 | 11,049 | 11,049 | 11,046 | 11,050 | 11,049 |
| 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 | 428,099 | 429,183 | 429,869 | 429,504 | 429,297 | 423,192 | 426,876 | 429,846 |
| 42 **Total collateral** | **448,349** | **449,433** | **450,119** | **449,753** | **449,546** | **443,438** | **447,126** | **450,095** |

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 | | |
| | Feb. 25 | Mar. 4 | Mar. 11 | Mar. 18 | Mar. 25 | Jan. 31 | Feb. 28 | Mar. 31 |
| 1 **Total loans** | **17** | **18** | **18** | **26** | **38** | **24** | **62** | **29** |
| 2 Within fifteen days[1] | 12 | 2 | 2 | 26 | 38 | 21 | 56 | 17 |
| 3 Sixteen days to ninety days | 5 | 16 | 16 | n.a | n.a. | 2 | 6 | 12 |
| 4 **Total U.S. Treasury securities[2]** | **441,269** | **432,189** | **439,461** | **435,709** | **439,855** | **428,843** | **432,264** | **440,028** |
| 5 Within fifteen days[1] | 26,410 | 17,394 | 14,600 | 15,517 | 18,845 | 9,133 | 12,674 | 20,423 |
| 6 Sixteen days to ninety days | 91,811 | 97,786 | 98,503 | 93,598 | 93,078 | 104,808 | 103,213 | 94,170 |
| 7 Ninety-one days to one year | 139,269 | 132,552 | 139,638 | 139,873 | 140,183 | 131,151 | 132,599 | 137,838 |
| 8 One year to five years | 94,305 | 94,983 | 97,245 | 97,245 | 97,246 | 94,136 | 94,305 | 97,095 |
| 9 Five years to ten years | 39,841 | 39,841 | 39,841 | 39,842 | 40,125 | 41,306 | 39,841 | 40,126 |
| 10 More than ten years | 49,633 | 49,633 | 49,633 | 49,633 | 50,376 | 48,308 | 49,633 | 50,376 |
| 11 **Total federal agency obligations** | **2,285** | **2,090** | **4,044** | **1,845** | **1,670** | **1,953** | **2,782** | **2,075** |
| 12 Within fifteen days[1] | 1,660 | 1,465 | 3,419 | 1,220 | 1,045 | 1,278 | 2,157 | 1,510 |
| 13 Sixteen days to ninety days | 44 | 44 | 74 | 74 | 74 | 94 | 44 | 14 |
| 14 Ninety-one days to one year | 150 | 150 | 175 | 175 | 175 | 150 | 150 | 175 |
| 15 One year to five years | 151 | 151 | 126 | 126 | 126 | 151 | 151 | 126 |
| 16 Five years to ten years | 255 | 255 | 225 | 225 | 225 | 255 | 255 | 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. | 1997 | | | | | 1998 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. |
| | Seasonally adjusted | | | | | | | | | | | |
| ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2] | | | | | | | | | | | | |
| 1 Total reserves[3] | 59.40 | 56.39 | 50.06 | 47.20 | 47.41 | 46.67 | 46.45 | 46.87 | 47.20 | 46.36 | 45.82 | 46.18 |
| 2 Nonborrowed reserves[4] | 59.20 | 56.13 | 49.91 | 46.87 | 46.82 | 46.23 | 46.18 | 46.71 | 46.87 | 46.15 | 45.76 | 46.14 |
| 3 Nonborrowed reserves plus extended credit[5] | 59.20 | 56.13 | 49.91 | 46.87 | 46.82 | 46.23 | 46.18 | 46.71 | 46.87 | 46.15 | 45.76 | 46.14 |
| 4 Required reserves | 58.24 | 55.11 | 48.64 | 45.51 | 46.16 | 45.37 | 45.06 | 45.25 | 45.51 | 44.58 | 44.29r | 44.86 |
| 5 Monetary base[6] | 418.18 | 434.23 | 452.47 | 480.58 | 467.02 | 469.68 | 472.35 | 476.64 | 480.58 | 482.91 | 484.32 | 485.95 |
| | Not seasonally adjusted | | | | | | | | | | | |
| 6 Total reserves[7] | 61.13 | 58.02 | 51.52 | 48.56 | 47.09 | 46.55 | 46.16 | 47.05 | 48.56 | 47.50 | 45.00 | 45.56 |
| 7 Nonborrowed reserves | 60.92 | 57.76 | 51.37 | 48.23 | 46.49 | 46.11 | 45.89 | 46.90 | 48.23 | 47.29 | 44.94 | 45.51 |
| 8 Nonborrowed reserves plus extended credit[5] | 60.92 | 57.76 | 51.37 | 48.23 | 46.49 | 46.11 | 45.89 | 46.90 | 48.23 | 47.29 | 44.94 | 45.51 |
| 9 Required reserves[8] | 59.96 | 56.74 | 50.10 | 46.87 | 45.83 | 45.25 | 44.77 | 45.44 | 46.87 | 45.72 | 43.47r | 44.24 |
| 10 Monetary base[9] | 422.51 | 439.03 | 456.72 | 485.47 | 467.24 | 468.63 | 470.70 | 476.94 | 485.47 | 484.42 | 481.37r | 484.04 |
| NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10] | | | | | | | | | | | | |
| 11 Total reserves[11] | 61.34 | 57.90 | 51.24 | 47.88 | 46.65 | 46.06 | 45.62 | 46.45 | 47.88 | 47.50 | 44.97 | 45.51 |
| 12 Nonborrowed reserves | 61.13 | 57.64 | 51.09 | 47.56 | 46.05 | 45.62 | 45.35 | 46.30 | 47.56 | 47.29 | 44.92r | 45.47 |
| 13 Nonborrowed reserves plus extended credit[5] | 61.13 | 57.64 | 51.09 | 47.56 | 46.05 | 45.62 | 45.35 | 46.30 | 47.56 | 47.29 | 44.92r | 45.47 |
| 14 Required reserves | 60.17 | 56.62 | 49.82 | 46.20 | 45.39 | 44.76 | 44.23 | 44.83 | 46.20 | 45.71 | 43.45 | 44.19 |
| 15 Monetary base[12] | 427.25 | 444.45 | 463.49 | 491.92 | 474.01 | 475.32 | 477.28 | 483.50 | 491.92 | 491.62 | 488.43 | 491.00 |
| 16 Excess reserves[13] | 1.17 | 1.28 | 1.42 | 1.68 | 1.25 | 1.30 | 1.40 | 1.62 | 1.68 | 1.78 | 1.52 | 1.32 |
| 17 Borrowings from the Federal Reserve | .21 | .26 | .16 | .32 | .60 | .44 | .27 | .15 | .32 | .21 | .06 | .04 |

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. | 1997 | 1998 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Dec. | Jan. | Feb. | Mar. |
| | Seasonally adjusted | | | | | | | |
| *Measures[2]* | | | | | | | | |
| 1 M1 | 1,150.7 | 1,128.7 | 1,082.8 | 1,076.0 | 1,076.0 | 1,073.3 | 1,075.8 | 1,080.1 |
| 2 M2 | 3,503.0 | 3,651.2 | 3,826.1 | 4,040.2 | 4,040.2 | 4,064.6 | 4,096.1 | 4,123.8 |
| 3 M3 | 4,333.6 | 4,595.6 | 4,935.5 | 5,382.6[r] | 5,382.6[r] | 5,430.2[r] | 5,468.2[r] | 5,530.9 |
| 4 L | 5,315.8 | 5,702.2 | 6,088.3 | 6,625.8[r] | 6,625.8[r] | 6,700.0[r] | 6,243.0 | n.a. |
| 5 Debt | 12,998.7 | 13,699.2 | 14,419.9 | 15,152.7[r] | 15,152.7[r] | 15,227.2[r] | 15,308.9 | n.a. |
| *M1 components* | | | | | | | | |
| 6 Currency[3] | 354.3 | 372.4 | 394.9 | 425.5 | 425.5 | 427.5 | 431.0 | 432.4 |
| 7 Travelers checks[4] | 8.5 | 8.9 | 8.6 | 8.2 | 8.2 | 8.2 | 8.1 | 8.1 |
| 8 Demand deposits[5] | 384.0 | 391.0 | 403.6 | 397.1 | 397.1 | 392.7 | 391.8 | 390.9 |
| 9 Other checkable deposits[6] | 403.9 | 356.4 | 275.9 | 245.1 | 245.1 | 244.9 | 245.0 | 248.7 |
| *Nontransaction components* | | | | | | | | |
| 10 In M2[7] | 2,352.3 | 2,522.6 | 2,743.2 | 2,964.3[r] | 2,964.3[r] | 2,991.3[r] | 3,020.3[r] | 3,043.7 |
| 11 In M3 only[8] | 830.6 | 944.4 | 1,109.4 | 1,342.4[r] | 1,342.4[r] | 1,365.6[r] | 1,372.0[r] | 1,407.0 |
| *Commercial banks* | | | | | | | | |
| 12 Savings deposits, including MMDAs | 752.6 | 775.0 | 904.8 | 1,020.9 | 1,020.9 | 1,033.2[r] | 1,044.4 | 1,055.1 |
| 13 Small time deposits[9] | 503.2 | 575.8 | 594.5 | 621.6 | 621.6 | 621.7 | 621.6 | 621.3 |
| 14 Large time deposits[10, 11] | 298.7 | 345.4 | 413.2 | 495.8 | 495.8 | 499.3[r] | 512.1[r] | 528.1 |
| *Thrift institutions* | | | | | | | | |
| 15 Savings deposits, including MMDAs | 397.3 | 359.7 | 366.9 | 376.6[r] | 376.6[r] | 378.6 | 382.9[r] | 386.6 |
| 16 Small time deposits[9] | 314.2 | 357.2 | 354.3 | 343.6 | 343.6 | 344.8 | 344.0 | 342.3 |
| 17 Large time deposits[10] | 64.7 | 74.2 | 78.0 | 85.2 | 85.2 | 87.3 | 87.5 | 87.0 |
| *Money market mutual funds* | | | | | | | | |
| 18 Retail | 385.0 | 454.9 | 522.8 | 601.6 | 601.6 | 613.1 | 627.4 | 638.4 |
| 19 Institution-only | 203.1 | 253.9 | 310.3 | 376.2 | 376.2 | 380.8 | 384.7 | 391.9 |
| *Repurchase agreements and Eurodollars* | | | | | | | | |
| 20 Repurchase agreements[12] | 183.3 | 182.4 | 194.2 | 234.8 | 234.8 | 245.1 | 239.8 | 257.3 |
| 21 Eurodollars[12] | 80.8 | 88.6 | 113.7 | 150.3[r] | 150.3[r] | 153.0[r] | 147.9[r] | 142.7 |
| *Debt components* | | | | | | | | |
| 22 Federal debt | 3,491.9 | 3,638.5 | 3,780.0 | 3,797.3 | 3,797.3 | 3,797.4 | 3,794.9 | n.a. |
| 23 Nonfederal debt | 9,506.7 | 10,060.7 | 10,639.9 | 11,355.4[r] | 11,355.4[r] | 11,429.8[r] | 11,514.0 | n.a. |
| | Not seasonally adjusted | | | | | | | |
| *Measures[2]* | | | | | | | | |
| 24 M1 | 1,174.4 | 1,152.4 | 1,104.9 | 1,097.5 | 1,097.5 | 1,078.7 | 1,063.3 | 1,073.6 |
| 25 M2 | 3,523.4 | 3,672.0 | 3,845.4 | 4,059.2[r] | 4,059.2[r] | 4,066.5[r] | 4,082.8[r] | 4,135.0 |
| 26 M3 | 4,353.2 | 4,615.2 | 4,953.4 | 5,399.9[r] | 5,399.9[r] | 5,434.3[r] | 5,466.0[r] | 5,549.6 |
| 27 L | 5,344.6 | 5,732.7 | 6,116.4[r] | 6,651.7[r] | 6,651.7[r] | 6,701.8[r] | 6,238.9 | n.a. |
| 28 Debt | 13,000.6 | 13,699.8 | 14,419.3 | 15,151.9[r] | 15,151.9[r] | 15,207.0[r] | 15,268.8 | n.a. |
| *M1 components* | | | | | | | | |
| 29 Currency[3] | 357.5 | 376.2 | 397.9 | 429.0 | 429.0 | 426.4 | 428.9 | 431.5 |
| 30 Travelers checks[4] | 8.1 | 8.5 | 8.3 | 7.9 | 7.9 | 7.9 | 7.8 | 7.9 |
| 31 Demand deposits[5] | 400.3 | 407.2 | 419.9 | 412.9[r] | 412.9[r] | 396.2 | 382.9 | 385.1 |
| 32 Other checkable deposits[6] | 408.6 | 360.5 | 278.8 | 247.6 | 247.6 | 248.2 | 243.6 | 249.2 |
| *Nontransaction components* | | | | | | | | |
| 33 In M2[7] | 2,349.0 | 2,519.6 | 2,740.5 | 2,961.7[r] | 2,961.7[r] | 2,987.8[r] | 3,019.5 | 3,061.3 |
| 34 In M3 only[8] | 829.7 | 943.2 | 1,108.0 | 1,340.7[r] | 1,340.7[r] | 1,367.8[r] | 1,383.2[r] | 1,414.6 |
| *Commercial banks* | | | | | | | | |
| 35 Savings deposits, including MMDAs | 751.7 | 774.1 | 903.3 | 1,019.0 | 1,019.0 | 1,028.9 | 1,039.9 | 1,060.1 |
| 36 Small time deposits[9] | 501.5 | 573.8 | 592.7 | 620.0 | 620.0 | 621.3[r] | 621.9[r] | 621.7 |
| 37 Large time deposits[10, 11] | 298.9 | 345.8 | 413.6 | 496.3 | 496.3 | 491.8[r] | 508.6[r] | 526.7 |
| *Thrift institutions* | | | | | | | | |
| 38 Savings deposits, including MMDAs | 396.8 | 359.2 | 366.4 | 375.9[r] | 375.9[r] | 377.0 | 381.2 | 388.4 |
| 39 Small time deposits[9] | 313.2 | 355.9 | 353.2 | 342.7 | 342.7 | 344.6 | 344.1[r] | 342.5 |
| 40 Large time deposits[10] | 64.8 | 74.3 | 78.1 | 85.3 | 85.3 | 86.0 | 86.9 | 86.8 |
| *Money market mutual funds* | | | | | | | | |
| 41 Retail | 385.9 | 456.4 | 524.8 | 604.1 | 604.1 | 616.0 | 632.4 | 648.6 |
| 42 Institution-only | 204.6 | 255.8 | 312.7 | 378.9 | 378.9 | 389.8 | 397.7 | 400.2 |
| *Repurchase agreements and Eurodollars* | | | | | | | | |
| 43 Repurchase agreements[12] | 179.6 | 178.0 | 188.8 | 228.2 | 228.2 | 243.9 | 239.8 | 256.2 |
| 44 Eurodollars[12] | 81.8 | 89.4 | 114.7 | 152.0[r] | 152.0[r] | 156.3[r] | 150.3[r] | 144.7 |
| *Debt components* | | | | | | | | |
| 45 Federal debt | 3,499.0 | 3,645.9 | 3,787.9 | 3,805.8 | 3,805.8 | 3,792.5 | 3,795.3 | n.a. |
| 46 Nonfederal debt | 9,501.6 | 10,053.9 | 10,631.3 | 11,346.1[r] | 11,346.1[r] | 11,414.5[r] | 11,473.5 | n.a. |

Footnotes appear on following page.

NOTES TO TABLE 1.21

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. Includes both overnight and term.

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

### A. All commercial banks

Billions of dollars

| Account | Monthly averages | | | | | | | | Wednesday figures | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1997 | 1997[r] | | | | 1998[r] | | | 1998 | | | |
| | Mar.[r] | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Mar. 4 | Mar. 11 | Mar. 18 | Mar. 25 |
| | Seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 1 Bank credit | 3,851.7 | 4,004.1 | 4,026.2 | 4,068.9 | 4,089.9 | 4,143.9 | 4,175.7 | 4,217.1 | 4,206.4 | 4,217.2 | 4,206.8 | 4,211.9 |
| 2 Securities in bank credit | 1,007.8 | 1,037.0 | 1,045.4 | 1,077.0 | 1,083.8 | 1,102.7 | 1,107.8 | 1,125.9 | 1,123.9 | 1,123.9 | 1,121.4 | 1,121.3 |
| 3 U.S. government securities | 704.1 | 724.3 | 731.1 | 742.2 | 746.6 | 758.0 | 766.0 | 777.4 | 788.7 | 778.9 | 773.2 | 771.5 |
| 4 Other securities | 303.7 | 312.7 | 314.3 | 334.9 | 337.2 | 344.7 | 341.8 | 348.5 | 335.2 | 345.0 | 348.2 | 349.8 |
| 5 Loans and leases in bank credit[2] | 2,843.9 | 2,967.1 | 2,980.7 | 2,991.9 | 3,006.0 | 3,041.2 | 3,067.9 | 3,091.2 | 3,082.5 | 3,093.3 | 3,085.4 | 3,090.6 |
| 6 Commercial and industrial | 799.7 | 837.5 | 841.5 | 844.4 | 852.2 | 862.5 | 870.1 | 871.0 | 877.6 | 875.8 | 870.4 | 867.9 |
| 7 Real estate | 1,155.3 | 1,214.1 | 1,217.2 | 1,225.3 | 1,228.9 | 1,232.6 | 1,246.2 | 1,258.7 | 1,255.1 | 1,258.8 | 1,257.3 | 1,258.6 |
| 8 Revolving home equity | 87.4 | 95.8 | 96.4 | 97.4 | 98.4 | 98.9 | 99.4 | 99.2 | 99.2 | 99.1 | 99.1 | 98.9 |
| 9 Other | 1,067.9 | 1,118.3 | 1,120.8 | 1,128.0 | 1,130.4 | 1,133.7 | 1,146.8 | 1,159.5 | 1,155.9 | 1,159.6 | 1,158.1 | 1,159.7 |
| 10 Consumer | 516.0 | 515.1 | 508.0 | 507.7 | 507.7 | 504.8 | 503.5 | 502.8 | 505.4 | 502.7 | 503.9 | 503.4 |
| 11 Security[3] | 86.9 | 96.1 | 104.2 | 99.3 | 96.8 | 116.4 | 118.0 | 116.9 | 110.7 | 116.6 | 114.0 | 117.7 |
| 12 Other loans and leases | 286.0 | 304.3 | 309.7 | 315.2 | 320.6 | 324.9 | 330.1 | 341.8 | 333.7 | 339.4 | 339.7 | 343.1 |
| 13 Interbank loans | 217.5 | 199.8 | 200.9 | 206.0 | 214.2 | 204.0 | 199.0 | 212.9 | 204.2 | 200.3 | 206.2 | 223.7 |
| 14 Cash assets[4] | 240.3 | 258.0 | 265.9 | 277.4 | 267.3 | 268.7 | 268.8 | 279.9 | 271.8 | 279.3 | 274.8 | 284.6 |
| 15 Other assets[5] | 271.4 | 288.0 | 288.8 | 294.0 | 294.6 | 296.4 | 297.7 | 293.6 | 295.1 | 295.4 | 291.8 | 287.9 |
| 16 **Total assets[6]** | **4,524.9** | **4,693.3** | **4,725.3** | **4,789.8** | **4,809.2** | **4,856.5** | **4,884.4** | **4,946.6** | **4,920.5** | **4,935.4** | **4,922.8** | **4,951.3** |
| *Liabilities* | | | | | | | | | | | | |
| 17 Deposits | 2,915.8 | 3,048.0 | 3,065.7 | 3,105.3 | 3,111.6 | 3,112.9 | 3,149.5 | 3,189.0 | 3,181.3 | 3,173.5 | 3,165.7 | 3,188.4 |
| 18 Transaction | 700.0 | 687.6 | 685.5 | 693.0 | 686.8 | 678.2 | 684.6 | 695.4 | 689.6 | 686.4 | 684.8 | 704.0 |
| 19 Nontransaction | 2,215.8 | 2,360.4 | 2,380.2 | 2,412.3 | 2,424.8 | 2,434.7 | 2,464.8 | 2,493.5 | 2,491.8 | 2,487.2 | 2,480.9 | 2,484.3 |
| 20 Large time | 551.9 | 612.2 | 619.8 | 633.1 | 636.8 | 642.2 | 658.6 | 672.9 | 664.4 | 669.7 | 670.5 | 675.0 |
| 21 Other | 1,663.9 | 1,748.2 | 1,760.4 | 1,779.2 | 1,788.0 | 1,792.5 | 1,806.3 | 1,820.7 | 1,827.3 | 1,817.4 | 1,810.3 | 1,809.3 |
| 22 Borrowings | 736.7 | 771.0 | 800.2 | 814.0 | 818.8 | 824.9 | 826.0 | 856.9 | 848.2 | 846.2 | 854.6 | 861.0 |
| 23 From banks in the U.S. | 308.3 | 295.3 | 292.9 | 300.3 | 304.2 | 290.9 | 292.1 | 307.0 | 299.6 | 302.3 | 292.1 | 313.1 |
| 24 From others | 428.4 | 475.6 | 507.3 | 513.7 | 514.6 | 534.0 | 534.0 | 549.9 | 548.6 | 543.9 | 562.5 | 547.9 |
| 25 Net due to related foreign offices | 220.2 | 204.7 | 196.4 | 192.3 | 202.4 | 231.7 | 222.8 | 200.4 | 204.1 | 222.2 | 206.1 | 190.0 |
| 26 Other liabilities | 274.0 | 270.8 | 282.8 | 293.6 | 293.8 | 306.2 | 300.7 | 292.9 | 299.5 | 299.7 | 285.1 | 283.7 |
| 27 **Total liabilities** | **4,146.7** | **4,294.4** | **4,345.1** | **4,405.2** | **4,426.6** | **4,475.7** | **4,499.1** | **4,539.2** | **4,533.1** | **4,541.6** | **4,511.5** | **4,523.1** |
| 28 Residual (assets less liabilities)[7] | 378.2 | 398.9 | 380.2 | 384.6 | 382.6 | 380.8 | 385.3 | 407.3 | 387.4 | 393.9 | 411.3 | 428.3 |
| | Not seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 29 Bank credit | 3,842.4 | 3,996.7 | 4,031.0 | 4,076.6 | 4,099.5 | 4,151.2 | 4,173.1 | 4,207.5 | 4,208.4 | 4,206.9 | 4,197.5 | 4,190.8 |
| 30 Securities in bank credit | 1,009.2 | 1,028.8 | 1,043.7 | 1,076.6 | 1,078.9 | 1,103.3 | 1,111.3 | 1,127.2 | 1,129.6 | 1,128.4 | 1,121.7 | 1,115.7 |
| 31 U.S. government securities | 706.5 | 720.3 | 729.6 | 743.7 | 744.6 | 754.7 | 765.0 | 780.7 | 790.5 | 781.6 | 776.6 | 773.6 |
| 32 Other securities | 302.8 | 308.4 | 314.0 | 332.9 | 334.4 | 348.5 | 346.3 | 346.5 | 339.1 | 346.9 | 345.1 | 342.0 |
| 33 Loans and leases in bank credit[2] | 2,833.2 | 2,967.9 | 2,987.4 | 3,000.0 | 3,020.6 | 3,048.0 | 3,061.8 | 3,080.3 | 3,078.8 | 3,078.5 | 3,075.8 | 3,075.2 |
| 34 Commercial and industrial | 803.0 | 832.5 | 839.4 | 843.1 | 850.4 | 860.2 | 869.9 | 874.5 | 880.5 | 875.3 | 874.7 | 871.6 |
| 35 Real estate | 1,149.3 | 1,218.7 | 1,223.4 | 1,231.5 | 1,232.3 | 1,232.7 | 1,240.9 | 1,252.1 | 1,249.0 | 1,253.6 | 1,250.5 | 1,250.8 |
| 36 Revolving home equity | 86.6 | 96.5 | 97.2 | 98.1 | 98.7 | 99.1 | 99.0 | 98.1 | 98.5 | 98.3 | 98.1 | 97.7 |
| 37 Other | 1,062.7 | 1,122.2 | 1,126.2 | 1,133.4 | 1,133.6 | 1,133.5 | 1,141.9 | 1,154.0 | 1,150.5 | 1,155.3 | 1,152.4 | 1,153.0 |
| 38 Consumer | 509.6 | 517.9 | 509.9 | 510.3 | 514.0 | 511.6 | 503.0 | 496.3 | 500.7 | 496.3 | 497.2 | 496.4 |
| 39 Security[3] | 87.6 | 93.9 | 104.4 | 100.1 | 99.3 | 116.6 | 119.5 | 117.8 | 114.9 | 117.1 | 116.0 | 117.6 |
| 40 Other loans and leases | 283.8 | 304.9 | 310.3 | 315.0 | 324.5 | 326.9 | 328.4 | 339.6 | 333.7 | 336.2 | 337.3 | 338.8 |
| 41 Interbank loans | 216.4 | 195.2 | 196.9 | 211.4 | 223.7 | 211.0 | 202.0 | 212.5 | 210.8 | 202.5 | 205.5 | 213.1 |
| 42 Cash assets[4] | 231.0 | 256.0 | 270.0 | 287.5 | 286.8 | 280.0 | 268.9 | 268.3 | 265.3 | 266.1 | 265.2 | 262.2 |
| 43 Other assets[5] | 271.1 | 289.0 | 288.0 | 295.1 | 294.9 | 294.8 | 298.8 | 293.4 | 298.1 | 296.4 | 290.6 | 285.9 |
| 44 **Total assets[6]** | **4,505.1** | **4,680.0** | **4,729.5** | **4,813.8** | **4,848.2** | **4,880.7** | **4,886.2** | **4,925.0** | **4,925.7** | **4,915.1** | **4,902.1** | **4,895.4** |
| *Liabilities* | | | | | | | | | | | | |
| 45 Deposits | 2,906.4 | 3,050.5 | 3,068.6 | 3,123.4 | 3,144.0 | 3,119.0 | 3,136.7 | 3,179.8 | 3,181.8 | 3,168.1 | 3,156.1 | 3,153.6 |
| 46 Transaction | 687.8 | 682.8 | 681.8 | 703.8 | 721.0 | 690.2 | 677.9 | 683.1 | 687.4 | 673.8 | 672.0 | 670.3 |
| 47 Nontransaction | 2,218.6 | 2,367.7 | 2,386.8 | 2,419.6 | 2,422.9 | 2,428.8 | 2,458.8 | 2,496.6 | 2,494.4 | 2,494.4 | 2,484.1 | 2,483.3 |
| 48 Large time | 550.3 | 613.9 | 623.6 | 638.8 | 641.3 | 640.5 | 657.5 | 670.3 | 664.1 | 668.0 | 667.6 | 672.5 |
| 49 Other | 1,668.2 | 1,753.8 | 1,763.3 | 1,780.8 | 1,781.6 | 1,788.3 | 1,801.3 | 1,826.3 | 1,830.4 | 1,826.3 | 1,816.5 | 1,810.8 |
| 50 Borrowings | 729.3 | 773.1 | 796.3 | 811.5 | 816.8 | 831.3 | 826.6 | 848.9 | 842.6 | 829.7 | 852.5 | 855.3 |
| 51 From banks in the U.S. | 305.5 | 294.2 | 289.5 | 300.6 | 307.9 | 294.4 | 293.0 | 304.6 | 298.7 | 297.5 | 291.3 | 311.0 |
| 52 From others | 423.8 | 478.9 | 506.8 | 510.9 | 508.8 | 536.9 | 533.6 | 544.3 | 543.8 | 532.2 | 561.2 | 544.4 |
| 53 Net due to related foreign offices | 219.0 | 204.3 | 193.7 | 188.4 | 200.3 | 231.8 | 220.9 | 198.8 | 197.4 | 213.5 | 203.3 | 198.1 |
| 54 Other liabilities | 274.2 | 270.6 | 282.5 | 295.2 | 294.7 | 306.2 | 301.9 | 293.1 | 300.8 | 300.5 | 285.2 | 283.7 |
| 55 **Total liabilities** | **4,128.9** | **4,298.5** | **4,341.1** | **4,418.5** | **4,455.8** | **4,488.3** | **4,486.2** | **4,520.5** | **4,522.6** | **4,511.8** | **4,497.1** | **4,490.8** |
| 56 Residual (assets less liabilities)[7] | 376.1 | 381.5 | 388.4 | 395.4 | 392.4 | 392.4 | 400.0 | 404.4 | 403.1 | 403.3 | 405.0 | 404.7 |
| MEMO | | | | | | | | | | | | |
| 57 Revaluation gains on off-balance-sheet items[8] | 91.4 | 80.8 | 79.8 | 84.3 | 82.7 | 92.8 | 87.8 | 87.5 | 82.8 | 89.8 | 86.8 | 84.1 |
| 58 Revaluation losses on off-balance-sheet items[8] | 87.3 | 81.8 | 81.4 | 85.6 | 86.0 | 95.6 | 90.1 | 89.6 | 84.4 | 91.7 | 89.2 | 85.7 |

Footnotes appear on p. A21.

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

### B. Domestically chartered commercial banks

Billions of dollars

| Account | Monthly averages | | | | | | | | Wednesday figures | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1997 | 1997[r] | | | | 1998[r] | | | 1998 | | | |
| | Mar.[r] | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Mar. 4 | Mar. 11 | Mar. 18 | Mar. 25 |
| | Seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 1 Bank credit | 3,329.0 | 3,466.8 | 3,486.9 | 3,519.5 | 3,545.1 | 3,577.4 | 3,608.1 | 3,652.1 | 3,632.9 | 3,644.6 | 3,653.7 | 3,651.5 |
| 2 Securities in bank credit | 840.0 | 857.4 | 868.9 | 883.9 | 896.1 | 911.6 | 916.1 | 929.8 | 924.8 | 927.6 | 935.4 | 926.4 |
| 3 U.S. government securities | 625.0 | 641.8 | 650.5 | 662.9 | 670.4 | 678.6 | 683.6 | 691.3 | 694.2 | 692.5 | 697.1 | 687.5 |
| 4 Other securities | 215.0 | 215.6 | 218.5 | 221.0 | 225.7 | 232.9 | 232.4 | 238.5 | 230.6 | 235.1 | 238.3 | 238.9 |
| 5 Loans and leases in bank credit[2] | 2,489.0 | 2,609.4 | 2,617.9 | 2,635.6 | 2,649.0 | 2,665.8 | 2,692.0 | 2,722.4 | 2,708.1 | 2,717.0 | 2,718.3 | 2,725.1 |
| 6 Commercial and industrial | 581.9 | 615.3 | 619.0 | 622.9 | 630.8 | 638.9 | 646.9 | 650.0 | 650.4 | 648.4 | 649.3 | 650.3 |
| 7 Real estate | 1,123.4 | 1,186.1 | 1,189.8 | 1,198.7 | 1,202.9 | 1,206.1 | 1,220.2 | 1,234.0 | 1,229.6 | 1,233.3 | 1,232.6 | 1,234.5 |
| 8 Revolving home equity | 87.4 | 95.8 | 96.4 | 97.4 | 98.4 | 98.9 | 99.4 | 99.2 | 99.2 | 99.1 | 99.1 | 98.9 |
| 9 Other | 1,036.0 | 1,090.3 | 1,093.3 | 1,101.3 | 1,104.5 | 1,107.2 | 1,120.8 | 1,134.8 | 1,130.4 | 1,134.2 | 1,133.4 | 1,135.6 |
| 10 Consumer | 516.0 | 515.1 | 508.0 | 507.7 | 507.7 | 504.8 | 503.5 | 502.8 | 505.4 | 502.7 | 503.9 | 503.4 |
| 11 Security[3] | 47.2 | 52.5 | 57.5 | 57.6 | 53.0 | 61.5 | 63.2 | 68.0 | 61.2 | 67.7 | 66.5 | 69.1 |
| 12 Other loans and leases | 220.6 | 240.5 | 243.6 | 248.7 | 254.6 | 254.6 | 258.2 | 267.6 | 261.5 | 264.9 | 266.0 | 267.7 |
| 13 Interbank loans | 194.5 | 181.4 | 180.4 | 182.4 | 183.0 | 176.2 | 174.4 | 192.3 | 188.0 | 183.8 | 182.7 | 200.0 |
| 14 Cash assets[4] | 207.3 | 223.8 | 231.6 | 242.5 | 233.8 | 236.5 | 236.8 | 246.4 | 239.7 | 246.3 | 241.9 | 250.2 |
| 15 Other assets[5] | 231.1 | 245.2 | 246.5 | 249.3 | 252.6 | 255.2 | 256.0 | 251.5 | 254.0 | 251.7 | 250.4 | 246.4 |
| 16 **Total assets[6]** | **3,906.1** | **4,060.8** | **4,089.1** | **4,137.4** | **4,158.1** | **4,189.0** | **4,218.8** | **4,285.7** | **4,257.9** | **4,269.8** | **4,272.3** | **4,291.6** |
| *Liabilities* | | | | | | | | | | | | |
| 17 Deposits | 2,674.1 | 2,784.8 | 2,798.0 | 2,832.4 | 2,839.1 | 2,841.1 | 2,866.4 | 2,901.6 | 2,896.1 | 2,888.4 | 2,881.9 | 2,901.3 |
| 18 Transaction | 689.7 | 676.5 | 675.0 | 682.7 | 677.0 | 668.2 | 674.6 | 685.0 | 679.4 | 675.8 | 675.1 | 693.8 |
| 19 Nontransaction | 1,984.4 | 2,108.2 | 2,123.0 | 2,149.7 | 2,162.1 | 2,173.0 | 2,191.8 | 2,216.7 | 2,216.7 | 2,212.7 | 2,206.8 | 2,207.5 |
| 20 Large time | 324.6 | 360.7 | 365.7 | 373.9 | 376.9 | 382.3 | 387.1 | 397.7 | 391.2 | 397.2 | 398.0 | 399.5 |
| 21 Other | 1,659.8 | 1,747.6 | 1,757.3 | 1,775.8 | 1,785.2 | 1,790.7 | 1,804.7 | 1,819.0 | 1,825.5 | 1,815.4 | 1,808.8 | 1,808.0 |
| 22 Borrowings | 602.2 | 626.3 | 644.3 | 657.7 | 669.3 | 676.0 | 682.0 | 703.6 | 695.6 | 700.4 | 710.3 | 705.5 |
| 23 From banks in the U.S. | 274.8 | 260.4 | 259.1 | 271.3 | 278.3 | 267.5 | 269.5 | 281.2 | 274.4 | 279.7 | 272.4 | 286.3 |
| 24 From others | 327.4 | 365.9 | 385.2 | 386.3 | 391.0 | 408.5 | 412.5 | 422.4 | 421.2 | 420.7 | 437.9 | 419.2 |
| 25 Net due to related foreign offices | 72.9 | 79.1 | 77.9 | 75.2 | 80.8 | 91.2 | 87.7 | 81.7 | 73.5 | 85.3 | 80.6 | 84.0 |
| 26 Other liabilities | 181.2 | 176.6 | 191.2 | 197.6 | 198.2 | 209.7 | 203.2 | 198.9 | 204.6 | 201.5 | 193.2 | 193.5 |
| 27 **Total liabilities** | **3,530.4** | **3,666.8** | **3,711.5** | **3,762.9** | **3,787.4** | **3,818.1** | **3,839.3** | **3,885.9** | **3,869.8** | **3,875.6** | **3,865.9** | **3,884.3** |
| 28 Residual (assets less liabilities)[7] | 375.7 | 394.1 | 377.5 | 374.5 | 370.7 | 370.8 | 379.5 | 399.8 | 388.1 | 394.2 | 406.3 | 407.2 |
| | Not seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 29 Bank credit | 3,319.6 | 3,462.3 | 3,491.9 | 3,532.4 | 3,555.7 | 3,587.8 | 3,606.1 | 3,642.9 | 3,631.8 | 3,636.2 | 3,643.8 | 3,633.4 |
| 30 Securities in bank credit | 842.8 | 850.5 | 866.4 | 887.1 | 895.1 | 917.4 | 922.6 | 933.1 | 931.0 | 933.7 | 936.8 | 925.5 |
| 31 U.S. government securities | 626.7 | 637.7 | 648.5 | 663.3 | 668.6 | 677.3 | 683.3 | 693.8 | 695.4 | 694.1 | 698.5 | 689.5 |
| 32 Other securities | 216.2 | 212.8 | 217.8 | 223.8 | 226.4 | 240.1 | 239.3 | 239.2 | 235.6 | 239.6 | 238.4 | 236.1 |
| 33 Loans and leases in bank credit[2] | 2,476.8 | 2,611.8 | 2,625.5 | 2,645.3 | 2,660.7 | 2,670.3 | 2,683.5 | 2,709.8 | 2,700.8 | 2,702.4 | 2,707.0 | 2,707.8 |
| 34 Commercial and industrial | 584.5 | 611.3 | 617.2 | 621.9 | 628.2 | 635.7 | 645.7 | 652.9 | 652.5 | 648.8 | 652.8 | 653.2 |
| 35 Real estate | 1,117.3 | 1,190.7 | 1,195.7 | 1,204.6 | 1,206.3 | 1,206.1 | 1,214.7 | 1,227.4 | 1,223.2 | 1,228.0 | 1,225.7 | 1,226.8 |
| 36 Revolving home equity | 86.6 | 96.5 | 97.2 | 98.1 | 98.7 | 99.1 | 99.0 | 98.1 | 98.5 | 98.3 | 98.1 | 97.7 |
| 37 Other | 1,030.8 | 1,094.2 | 1,098.4 | 1,106.5 | 1,107.6 | 1,107.0 | 1,115.8 | 1,129.3 | 1,124.7 | 1,129.7 | 1,127.6 | 1,129.0 |
| 38 Consumer | 509.6 | 517.9 | 509.9 | 510.3 | 514.0 | 511.6 | 503.0 | 496.3 | 500.7 | 496.3 | 497.2 | 496.4 |
| 39 Security[3] | 47.3 | 50.6 | 57.6 | 58.6 | 54.3 | 61.6 | 64.5 | 68.2 | 64.2 | 68.0 | 67.8 | 68.1 |
| 40 Other loans and leases | 218.1 | 241.3 | 245.1 | 249.9 | 257.9 | 255.4 | 255.5 | 265.1 | 260.3 | 261.4 | 263.4 | 263.4 |
| 41 Interbank loans | 193.4 | 176.7 | 176.4 | 187.7 | 192.5 | 183.1 | 177.4 | 191.9 | 194.7 | 186.0 | 182.1 | 189.4 |
| 42 Cash assets[4] | 198.9 | 221.7 | 235.4 | 251.8 | 251.7 | 247.8 | 237.5 | 236.0 | 234.1 | 234.3 | 233.5 | 229.0 |
| 43 Other assets[5] | 230.9 | 246.2 | 246.7 | 249.8 | 252.2 | 253.3 | 255.7 | 251.3 | 255.0 | 250.9 | 249.4 | 245.6 |
| 44 **Total assets[6]** | **3,887.1** | **4,050.3** | **4,094.2** | **4,165.2** | **4,195.6** | **4,215.9** | **4,220.3** | **4,265.5** | **4,258.8** | **4,250.7** | **4,252.3** | **4,240.9** |
| *Liabilities* | | | | | | | | | | | | |
| 45 Deposits | 2,664.0 | 2,786.0 | 2,801.2 | 2,851.1 | 2,868.3 | 2,849.2 | 2,855.9 | 2,891.2 | 2,897.4 | 2,883.3 | 2,871.1 | 2,863.0 |
| 46 Transaction | 677.5 | 671.3 | 671.3 | 693.6 | 710.7 | 680.2 | 668.2 | 672.8 | 677.5 | 663.4 | 662.4 | 660.1 |
| 47 Nontransaction | 1,986.4 | 2,114.7 | 2,129.8 | 2,157.5 | 2,157.6 | 2,168.9 | 2,187.7 | 2,218.4 | 2,220.0 | 2,219.9 | 2,208.7 | 2,202.9 |
| 48 Large time | 321.6 | 363.4 | 368.7 | 378.3 | 377.2 | 381.6 | 387.4 | 393.1 | 390.6 | 394.6 | 393.2 | 393.0 |
| 49 Other | 1,664.8 | 1,751.3 | 1,761.2 | 1,779.2 | 1,780.4 | 1,787.4 | 1,800.3 | 1,825.3 | 1,829.4 | 1,825.4 | 1,815.5 | 1,809.8 |
| 50 Borrowings | 594.9 | 628.5 | 640.5 | 655.2 | 667.3 | 682.4 | 682.6 | 695.5 | 690.0 | 684.0 | 708.2 | 699.9 |
| 51 From banks in the U.S. | 272.1 | 259.4 | 255.7 | 271.6 | 282.1 | 271.0 | 270.4 | 278.8 | 273.5 | 274.9 | 271.6 | 284.2 |
| 52 From others | 322.8 | 369.1 | 384.8 | 383.5 | 385.2 | 411.5 | 412.2 | 416.8 | 416.5 | 409.0 | 436.6 | 415.7 |
| 53 Net due to related foreign offices | 72.5 | 80.2 | 76.0 | 70.6 | 73.8 | 86.5 | 84.5 | 80.9 | 69.5 | 83.3 | 79.8 | 86.1 |
| 54 Other liabilities | 181.2 | 176.6 | 191.2 | 197.6 | 198.2 | 209.7 | 203.2 | 198.9 | 204.6 | 201.5 | 193.2 | 193.5 |
| 55 **Total liabilities** | **3,512.6** | **3,671.3** | **3,708.9** | **3,774.5** | **3,807.6** | **3,827.8** | **3,826.2** | **3,866.6** | **3,861.5** | **3,852.1** | **3,852.3** | **3,842.5** |
| 56 Residual (assets less liabilities)[7] | 374.6 | 379.0 | 385.3 | 390.7 | 388.0 | 388.0 | 394.1 | 399.0 | 397.3 | 398.6 | 400.0 | 398.4 |
| MEMO | | | | | | | | | | | | |
| 57 Revaluation gains on off-balance-sheet items[8] | 49.0 | 37.5 | 38.2 | 41.5 | 41.3 | 50.1 | 47.3 | 47.5 | 43.9 | 48.9 | 47.3 | 45.7 |
| 58 Revaluation losses on off-balance-sheet items[8] | 43.2 | 40.0 | 41.3 | 43.6 | 44.2 | 52.9 | 49.5 | 49.8 | 46.2 | 51.4 | 50.0 | 47.7 |
| 59 Mortgage-backed securities[9] | 248.8 | 259.3 | 265.9 | 275.3 | 281.2 | 289.8 | 294.1 | 299.6 | 298.5 | 296.9 | 302.1 | 300.1 |

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 | | | |
| | Mar.[r] | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Mar. 4 | Mar. 11 | Mar. 18 | Mar. 25 |
| | Seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 1 Bank credit | 2,001.5 | 2,063.1 | 2,076.6 | 2,091.9 | 2,105.8 | 2,134.8 | 2,159.9 | 2,199.5 | 2,176.8 | 2,190.9 | 2,203.5 | 2,201.4 |
| 2 Securities in bank credit | 444.7 | 454.0 | 462.7 | 473.9 | 482.9 | 500.9 | 506.9 | 518.7 | 510.4 | 514.6 | 525.8 | 517.9 |
| 3 U.S. government securities | 310.5 | 320.8 | 327.0 | 337.5 | 342.8 | 353.4 | 360.0 | 368.3 | 367.0 | 367.2 | 375.2 | 367.0 |
| 4 Trading account | 18.7 | 23.4 | 25.0 | 26.7 | 27.3 | 29.1 | 28.0 | 27.5 | 27.9 | 27.8 | 28.6 | 27.6 |
| 5 Investment account | 291.8 | 297.3 | 302.0 | 310.9 | 315.4 | 324.3 | 332.1 | 340.8 | 339.0 | 339.4 | 346.6 | 339.4 |
| 6 Other securities | 134.2 | 133.2 | 135.7 | 136.3 | 140.1 | 147.5 | 146.8 | 150.5 | 143.5 | 147.4 | 150.6 | 150.9 |
| 7 Trading account | 68.9 | 61.7 | 63.6 | 63.7 | 63.7 | 69.9 | 67.9 | 71.2 | 66.1 | 70.4 | 71.3 | 71.1 |
| 8 Investment account | 65.3 | 71.5 | 72.1 | 72.6 | 76.5 | 77.7 | 79.0 | 79.2 | 77.4 | 77.0 | 79.3 | 79.8 |
| 9 State and local government | 21.0 | 22.2 | 22.3 | 22.3 | 22.1 | 22.5 | 22.7 | 22.8 | 22.7 | 22.6 | 22.8 | 22.9 |
| 10 Other | 44.3 | 49.3 | 49.8 | 50.3 | 54.3 | 55.1 | 56.2 | 56.4 | 54.7 | 54.4 | 56.5 | 57.0 |
| 11 Loans and leases in bank credit[2] | 1,556.8 | 1,609.1 | 1,613.9 | 1,618.0 | 1,622.9 | 1,633.9 | 1,653.0 | 1,680.8 | 1,666.3 | 1,676.3 | 1,677.6 | 1,683.5 |
| 12 Commercial and industrial | 413.1 | 434.3 | 436.9 | 438.9 | 445.7 | 451.8 | 458.3 | 461.1 | 461.9 | 460.1 | 460.7 | 461.1 |
| 13 Bankers acceptances | 1.8 | 1.5 | 1.3 | 1.3 | 1.2 | 1.2 | 1.2 | 1.3 | 1.2 | 1.2 | 1.2 | 1.2 |
| 14 Other | 411.3 | 432.8 | 435.6 | 437.6 | 444.5 | 450.6 | 457.0 | 459.9 | 461.9 | 460.2 | 460.7 | 461.0 |
| 15 Real estate | 635.0 | 649.6 | 649.4 | 650.6 | 649.6 | 647.2 | 656.4 | 668.2 | 664.5 | 667.7 | 667.4 | 668.3 |
| 16 Revolving home equity | 62.2 | 67.3 | 67.7 | 68.2 | 68.8 | 69.4 | 69.8 | 69.7 | 69.7 | 69.7 | 69.7 | 69.4 |
| 17 Other | 572.8 | 582.3 | 581.7 | 582.4 | 580.8 | 577.8 | 586.6 | 598.5 | 594.8 | 598.0 | 597.7 | 598.9 |
| 18 Consumer | 308.0 | 303.2 | 298.9 | 296.6 | 295.2 | 294.0 | 293.0 | 294.4 | 295.2 | 293.8 | 295.1 | 295.1 |
| 19 Security[3] | 42.4 | 47.7 | 52.4 | 52.1 | 47.3 | 55.9 | 57.4 | 61.8 | 54.9 | 61.5 | 60.4 | 63.1 |
| 20 Federal funds sold to and repurchase agreements with broker–dealers | 25.9 | 30.8 | 35.3 | 35.7 | 30.9 | 39.5 | 41.2 | 43.7 | 39.1 | 42.7 | 42.5 | 44.8 |
| 21 Other | 16.5 | 16.9 | 17.1 | 16.4 | 16.4 | 16.4 | 16.2 | 18.1 | 15.9 | 18.8 | 17.9 | 18.3 |
| 22 State and local government | 11.4 | 11.3 | 11.1 | 11.0 | 10.9 | 10.8 | 10.8 | 10.6 | 10.6 | 10.6 | 10.6 | 10.5 |
| 23 Agricultural | 9.2 | 9.2 | 9.3 | 9.6 | 9.6 | 9.5 | 9.5 | 9.6 | 9.5 | 9.6 | 9.6 | 9.6 |
| 24 Federal funds sold to and repurchase agreements with others | 6.4 | 7.4 | 8.9 | 8.9 | 11.1 | 7.7 | 6.1 | 7.1 | 6.5 | 6.0 | 7.5 | 7.2 |
| 25 All other loans | 63.8 | 69.2 | 68.6 | 71.2 | 72.3 | 73.2 | 76.7 | 81.3 | 77.6 | 80.9 | 79.8 | 81.5 |
| 26 Lease-financing receivables | 67.6 | 77.2 | 78.4 | 79.2 | 81.1 | 83.7 | 84.8 | 86.7 | 85.6 | 86.0 | 86.5 | 87.0 |
| 27 Interbank loans | 145.3 | 127.5 | 124.0 | 126.6 | 127.0 | 119.8 | 117.1 | 127.2 | 126.2 | 122.7 | 118.0 | 132.2 |
| 28 Federal funds sold to and repurchase agreements with commercial banks | 95.6 | 80.7 | 77.7 | 81.9 | 82.2 | 76.3 | 68.9 | 80.3 | 75.5 | 76.3 | 73.2 | 87.3 |
| 29 Other | 49.7 | 46.8 | 46.3 | 44.7 | 44.8 | 43.4 | 48.2 | 46.9 | 50.7 | 46.4 | 44.8 | 44.9 |
| 30 Cash assets[4] | 142.5 | 153.2 | 160.9 | 169.8 | 162.1 | 164.5 | 163.9 | 172.7 | 167.1 | 172.7 | 170.4 | 176.6 |
| 31 Other assets[5] | 177.2 | 182.7 | 184.6 | 184.6 | 189.6 | 191.3 | 190.7 | 186.5 | 190.0 | 186.1 | 186.3 | 182.3 |
| 32 **Total assets**[6] | **2,429.3** | **2,489.8** | **2,509.4** | **2,536.3** | **2,547.8** | **2,573.6** | **2,594.8** | **2,649.0** | **2,623.1** | **2,635.6** | **2,641.4** | **2,655.7** |
| *Liabilities* | | | | | | | | | | | | |
| 33 Deposits | 1,498.5 | 1,524.6 | 1,531.7 | 1,554.1 | 1,555.4 | 1,554.0 | 1,573.0 | 1,600.7 | 1,594.8 | 1,591.6 | 1,587.4 | 1,602.0 |
| 34 Transaction | 396.4 | 377.2 | 376.0 | 382.4 | 378.4 | 370.9 | 375.1 | 382.7 | 378.6 | 377.3 | 375.9 | 387.5 |
| 35 Nontransaction | 1,102.1 | 1,147.4 | 1,155.7 | 1,171.7 | 1,176.9 | 1,183.1 | 1,197.8 | 1,218.0 | 1,216.2 | 1,214.3 | 1,211.5 | 1,214.5 |
| 36 Large time | 171.4 | 197.3 | 200.5 | 206.5 | 209.1 | 213.7 | 216.3 | 226.5 | 220.1 | 226.2 | 227.4 | 228.6 |
| 37 Other | 930.7 | 950.2 | 955.2 | 965.2 | 967.8 | 969.4 | 981.5 | 991.5 | 996.1 | 988.2 | 984.1 | 985.9 |
| 38 Borrowings | 457.3 | 471.8 | 490.7 | 503.5 | 511.3 | 517.8 | 522.8 | 542.2 | 534.7 | 537.2 | 549.2 | 544.8 |
| 39 From banks in the U.S. | 200.4 | 185.4 | 187.9 | 200.6 | 205.7 | 195.1 | 196.9 | 208.8 | 202.2 | 207.1 | 200.4 | 213.8 |
| 40 From others | 256.9 | 286.3 | 302.9 | 302.9 | 305.6 | 322.7 | 325.9 | 333.3 | 332.6 | 330.1 | 348.8 | 331.1 |
| 41 Net due to related foreign offices | 68.9 | 74.2 | 72.8 | 70.2 | 76.5 | 87.0 | 81.6 | 77.6 | 69.3 | 80.7 | 76.2 | 80.5 |
| 42 Other liabilities | 156.0 | 149.3 | 163.4 | 168.8 | 169.1 | 180.9 | 173.8 | 168.5 | 174.4 | 171.3 | 162.7 | 162.8 |
| 43 **Total liabilities** | **2,180.7** | **2,219.9** | **2,258.6** | **2,296.7** | **2,312.3** | **2,339.7** | **2,351.2** | **2,389.0** | **2,373.3** | **2,380.9** | **2,375.4** | **2,390.1** |
| 44 Residual (assets less liabilities)[7] | 248.6 | 269.9 | 250.8 | 239.6 | 235.5 | 233.9 | 243.6 | 259.9 | 249.8 | 254.7 | 265.9 | 265.6 |

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 | | | |
| | Mar.[r] | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Mar. 4 | Mar. 11 | Mar. 18 | Mar. 25 |
| | Not seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 45 Bank credit | 1,995.8 | 2,056.0 | 2,081.6 | 2,105.3 | 2,115.8 | 2,150.4 | 2,166.4 | 2,193.9 | 2,184.3 | 2,189.0 | 2,197.4 | 2,184.6 |
| 46 Securities in bank credit | 446.1 | 447.6 | 462.9 | 480.1 | 483.7 | 508.3 | 515.5 | 520.6 | 518.9 | 521.0 | 526.0 | 513.8 |
| 47 U.S. government securities | 311.0 | 316.9 | 327.2 | 340.7 | 342.6 | 353.4 | 361.8 | 369.7 | 370.6 | 369.2 | 375.4 | 366.0 |
| 48 Trading account | 19.2 | 23.4 | 26.1 | 28.0 | 26.9 | 28.2 | 28.4 | 28.3 | 30.6 | 29.9 | 29.8 | 26.5 |
| 49 Investment account | 291.7 | 293.5 | 301.1 | 312.7 | 315.6 | 325.3 | 333.4 | 341.3 | 339.9 | 339.3 | 345.6 | 339.5 |
| 50 Mortgage-backed securities | 187.8 | 192.7 | 198.3 | 206.9 | 211.7 | 219.8 | 222.6 | 227.3 | 225.7 | 224.1 | 229.4 | 227.7 |
| 51 Other | 103.9 | 100.8 | 102.8 | 105.8 | 104.0 | 105.5 | 110.8 | 114.1 | 114.3 | 115.3 | 116.2 | 111.8 |
| 52 One year or less | 27.8 | 27.9 | 26.5 | 29.1 | 27.7 | 26.6 | 28.5 | 29.2 | 29.6 | 30.8 | 29.8 | 28.2 |
| 53 Between one and five years | 59.0 | 50.1 | 53.1 | 53.9 | 53.6 | 52.5 | 51.6 | 51.6 | 51.7 | 51.5 | 52.5 | 50.3 |
| 54 More than five years | 17.2 | 22.9 | 23.3 | 22.9 | 22.6 | 26.4 | 30.7 | 33.3 | 32.9 | 32.9 | 33.9 | 33.4 |
| 55 Other securities | 135.1 | 130.7 | 135.7 | 139.4 | 141.2 | 154.9 | 153.7 | 151.0 | 148.3 | 151.8 | 150.6 | 147.7 |
| 56 Trading account | 69.8 | 59.4 | 63.3 | 65.9 | 63.9 | 76.6 | 74.6 | 71.7 | 70.7 | 74.5 | 71.2 | 68.0 |
| 57 Investment account | 65.3 | 71.3 | 72.3 | 73.5 | 77.2 | 78.3 | 79.1 | 79.3 | 77.7 | 77.3 | 79.4 | 79.7 |
| 58 State and local government | 20.9 | 22.3 | 22.4 | 22.3 | 22.2 | 22.5 | 22.7 | 22.7 | 22.7 | 22.6 | 22.7 | 22.8 |
| 59 Other | 44.4 | 49.0 | 50.0 | 51.2 | 55.1 | 55.8 | 56.4 | 56.5 | 55.0 | 54.8 | 56.7 | 57.0 |
| 60 Loans and leases in bank credit[2] | 1,549.8 | 1,608.5 | 1,618.8 | 1,625.2 | 1,632.0 | 1,642.0 | 1,651.0 | 1,673.3 | 1,665.4 | 1,668.0 | 1,671.4 | 1,670.8 |
| 61 Commercial and industrial | 414.7 | 431.7 | 436.6 | 439.0 | 443.7 | 449.4 | 457.4 | 463.0 | 463.7 | 460.1 | 463.1 | 462.5 |
| 62 Bankers acceptances | 1.7 | 1.5 | 1.4 | 1.4 | 1.3 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| 63 Other | 413.1 | 430.2 | 435.2 | 437.7 | 442.4 | 448.2 | 456.2 | 461.8 | 462.5 | 458.9 | 461.9 | 461.3 |
| 64 Real estate | 631.3 | 652.5 | 653.0 | 654.5 | 652.1 | 650.3 | 654.7 | 663.9 | 661.4 | 665.1 | 663.1 | 662.6 |
| 65 Revolving home equity | 61.4 | 67.8 | 68.3 | 68.8 | 69.2 | 69.8 | 69.4 | 68.8 | 69.0 | 68.9 | 68.8 | 68.4 |
| 66 Other | 352.0 | 362.4 | 360.6 | 360.6 | 357.9 | 357.5 | 361.4 | 370.9 | 367.9 | 372.5 | 370.1 | 369.6 |
| 67 Commercial | 217.9 | 222.3 | 224.1 | 225.1 | 225.0 | 223.1 | 223.9 | 224.3 | 224.5 | 223.7 | 224.2 | 224.6 |
| 68 Consumer | 303.7 | 305.0 | 299.9 | 297.5 | 299.1 | 299.0 | 292.7 | 289.9 | 292.1 | 289.4 | 290.3 | 290.3 |
| 69 Security[3] | 42.5 | 45.8 | 52.5 | 53.1 | 48.6 | 56.0 | 58.7 | 61.9 | 57.9 | 61.8 | 61.7 | 62.1 |
| 70 Federal funds sold to and repurchase agreements with broker–dealers | 26.0 | 29.3 | 35.5 | 36.6 | 31.3 | 39.6 | 42.5 | 43.9 | 41.7 | 43.6 | 43.9 | 43.6 |
| 71 Other | 16.5 | 16.5 | 17.0 | 16.5 | 17.3 | 16.4 | 16.3 | 18.0 | 16.2 | 18.3 | 17.7 | 18.5 |
| 72 State and local government | 11.4 | 11.3 | 11.2 | 11.1 | 11.0 | 10.8 | 10.8 | 10.6 | 10.6 | 10.6 | 10.6 | 10.5 |
| 73 Agricultural | 8.9 | 9.5 | 9.5 | 9.6 | 9.6 | 9.4 | 9.1 | 9.2 | 9.1 | 9.2 | 9.2 | 9.2 |
| 74 Federal funds sold to and repurchase agreements with others | 6.4 | 7.4 | 8.9 | 8.9 | 11.1 | 7.7 | 6.1 | 7.1 | 6.5 | 6.0 | 7.5 | 7.2 |
| 75 All other loans | 62.8 | 68.8 | 69.1 | 72.3 | 75.5 | 73.9 | 75.3 | 80.4 | 77.4 | 78.9 | 78.9 | 78.9 |
| 76 Lease-financing receivables | 68.1 | 76.4 | 78.0 | 79.2 | 81.3 | 85.5 | 86.1 | 87.3 | 86.6 | 86.8 | 87.1 | 87.5 |
| 77 Interbank loans | 140.9 | 126.1 | 120.8 | 128.6 | 132.4 | 125.3 | 116.1 | 123.0 | 124.7 | 117.9 | 114.5 | 122.9 |
| 78 Federal funds sold to and repurchase agreements with commercial banks | 92.2 | 79.8 | 74.8 | 83.6 | 86.3 | 80.3 | 68.1 | 76.9 | 75.2 | 72.3 | 69.9 | 79.3 |
| 79 Other | 48.7 | 46.3 | 46.1 | 45.0 | 46.1 | 45.0 | 48.0 | 46.0 | 49.5 | 45.6 | 44.5 | 43.6 |
| 80 Cash assets[4] | 135.9 | 151.8 | 164.8 | 176.6 | 176.4 | 174.6 | 164.8 | 164.0 | 161.7 | 162.5 | 164.0 | 159.4 |
| 81 Other assets[5] | 177.2 | 182.7 | 184.6 | 184.6 | 189.6 | 191.3 | 190.7 | 186.5 | 190.0 | 186.1 | 186.3 | 182.3 |
| 82 **Total assets**[6] | **2,412.8** | **2,479.5** | **2,515.1** | **2,558.3** | **2,577.4** | **2,605.1** | **2,601.3** | **2,630.5** | **2,623.7** | **2,618.7** | **2,625.4** | **2,612.5** |
| *Liabilities* | | | | | | | | | | | | |
| 83 Deposits | 1,487.6 | 1,529.3 | 1,536.8 | 1,566.3 | 1,576.8 | 1,563.4 | 1,565.5 | 1,588.7 | 1,592.4 | 1,583.0 | 1,576.9 | 1,569.8 |
| 84 Transaction | 387.7 | 374.2 | 373.9 | 388.9 | 401.6 | 380.5 | 372.0 | 373.6 | 376.3 | 366.7 | 367.5 | 363.6 |
| 85 Nontransaction | 1,099.9 | 1,155.1 | 1,162.8 | 1,177.4 | 1,175.2 | 1,182.8 | 1,193.4 | 1,215.1 | 1,216.1 | 1,216.2 | 1,209.5 | 1,206.2 |
| 86 Large time | 168.4 | 200.0 | 203.4 | 211.0 | 209.4 | 213.0 | 216.7 | 221.9 | 219.5 | 223.5 | 222.7 | 222.1 |
| 87 Other | 931.6 | 955.1 | 959.4 | 966.4 | 965.9 | 969.8 | 976.7 | 993.2 | 996.6 | 992.7 | 986.8 | 984.1 |
| 88 Borrowings | 453.2 | 470.9 | 486.4 | 501.4 | 508.6 | 523.3 | 525.3 | 537.3 | 533.0 | 526.7 | 550.0 | 540.6 |
| 89 From banks in the U.S. | 199.0 | 183.3 | 184.9 | 201.8 | 209.4 | 198.1 | 198.6 | 207.6 | 202.9 | 204.7 | 200.6 | 211.9 |
| 90 From nonbanks in the U.S. | 254.2 | 287.6 | 301.6 | 299.6 | 299.2 | 325.2 | 326.6 | 329.8 | 330.1 | 322.0 | 349.4 | 328.7 |
| 91 Net due to related foreign offices | 68.6 | 75.3 | 70.8 | 65.6 | 69.5 | 82.3 | 78.4 | 76.8 | 65.3 | 78.8 | 75.4 | 82.6 |
| 92 Other liabilities | 156.0 | 149.3 | 163.4 | 168.8 | 169.1 | 180.9 | 173.8 | 168.5 | 174.4 | 171.3 | 162.7 | 162.8 |
| 93 **Total liabilities** | **2,165.3** | **2,224.8** | **2,257.4** | **2,302.1** | **2,324.0** | **2,349.9** | **2,342.9** | **2,371.4** | **2,365.2** | **2,359.8** | **2,365.0** | **2,355.7** |
| 94 Residual (assets less liabilities)[7] | 247.5 | 254.7 | 257.7 | 256.2 | 253.4 | 255.2 | 258.4 | 259.1 | 258.5 | 258.9 | 260.4 | 256.8 |
| MEMO | | | | | | | | | | | | |
| 95 Revaluation gains on off-balance-sheet items[8] | 49.0 | 37.5 | 38.2 | 41.5 | 41.3 | 50.1 | 47.3 | 47.5 | 43.9 | 48.9 | 47.3 | 45.7 |
| 96 Revaluation losses on off-balance-sheet items[8] | 43.2 | 40.0 | 41.3 | 43.6 | 44.2 | 52.9 | 49.5 | 49.8 | 46.2 | 51.4 | 50.0 | 47.7 |
| 97 Mortgage-backed securities[9] | 208.0 | 211.2 | 216.9 | 225.4 | 230.2 | 238.7 | 242.6 | 247.7 | 246.2 | 244.5 | 250.0 | 247.8 |
| 98 Pass-through securities | 140.8 | 145.0 | 149.6 | 154.5 | 157.5 | 162.5 | 165.0 | 169.4 | 167.2 | 165.3 | 171.9 | 170.7 |
| 99 CMOs, REMICs, and other mortgage-backed securities | 67.3 | 66.3 | 67.3 | 70.9 | 72.7 | 76.1 | 77.6 | 78.3 | 79.0 | 79.2 | 78.1 | 77.2 |
| 100 Net unrealized gains (losses) on available-for-sale securities[10] | 0.6 | 1.8 | 2.5 | 2.4 | 2.2 | 3.0 | 3.3 | 3.0 | 2.9 | 3.0 | 3.0 | 3.0 |
| 101 Offshore credit to U.S. residents[11] | 32.9 | 34.1 | 34.2 | 34.4 | 34.2 | 35.5 | 36.2 | 35.2 | 35.1 | 34.8 | 35.5 | 35.0 |

Footnotes appear on p. A21.

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

### D. Small domestically chartered commercial banks

Billions of dollars

| Account | Monthly averages | | | | | | | | Wednesday figures | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1997 | 1997[r] | | | | 1998[r] | | | 1998 | | | |
| | Mar.[r] | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Mar. 4 | Mar. 11 | Mar. 18 | Mar. 25 |
| | Seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 1 Bank credit | 1,327.5 | 1,403.7 | 1,410.2 | 1,427.6 | 1,439.2 | 1,442.6 | 1,448.2 | 1,452.6 | 1,456.1 | 1,453.7 | 1,450.2 | 1,450.1 |
| 2 Securities in bank credit | 395.3 | 403.4 | 406.2 | 410.1 | 413.2 | 410.7 | 409.2 | 411.0 | 414.3 | 413.0 | 409.6 | 408.5 |
| 3 U.S. government securities | 314.5 | 321.0 | 323.5 | 325.4 | 327.6 | 325.3 | 323.6 | 323.0 | 327.2 | 325.3 | 321.9 | 320.5 |
| 4 Other securities | 80.9 | 82.4 | 82.7 | 84.7 | 85.6 | 85.4 | 85.6 | 88.0 | 87.1 | 87.7 | 87.6 | 88.0 |
| 5 Loans and leases in bank credit[2] | 932.2 | 1,000.3 | 1,004.0 | 1,017.5 | 1,026.0 | 1,031.9 | 1,039.0 | 1,041.5 | 1,041.7 | 1,040.7 | 1,040.7 | 1,041.6 |
| 6 Commercial and industrial | 168.8 | 181.0 | 182.1 | 184.1 | 185.1 | 187.1 | 188.6 | 188.9 | 188.5 | 188.3 | 188.6 | 189.3 |
| 7 Real estate | 488.4 | 536.5 | 540.4 | 548.2 | 553.4 | 559.0 | 564.0 | 565.9 | 565.2 | 565.8 | 565.3 | 566.4 |
| 8 Revolving home equity | 25.2 | 28.5 | 28.7 | 29.2 | 29.6 | 29.5 | 29.6 | 29.5 | 29.5 | 29.5 | 29.4 | 29.5 |
| 9 Other | 463.1 | 508.0 | 511.7 | 519.0 | 523.8 | 529.5 | 534.4 | 536.5 | 535.7 | 536.3 | 535.9 | 536.9 |
| 10 Consumer | 208.0 | 211.9 | 209.1 | 211.0 | 212.4 | 210.7 | 210.4 | 208.2 | 210.1 | 208.8 | 208.8 | 208.1 |
| 11 Security[3] | 4.8 | 4.7 | 5.2 | 5.5 | 5.7 | 5.6 | 5.8 | 6.2 | 6.3 | 6.1 | 6.1 | 6.1 |
| 12 Other loans and leases | 62.2 | 66.1 | 67.2 | 68.8 | 69.4 | 69.5 | 70.1 | 72.2 | 71.7 | 71.6 | 71.8 | 71.7 |
| 13 Interbank loans | 49.2 | 53.8 | 56.4 | 55.8 | 56.1 | 56.4 | 57.3 | 65.1 | 61.8 | 61.1 | 64.8 | 67.8 |
| 14 Cash assets[4] | 64.8 | 70.5 | 70.6 | 72.7 | 71.7 | 72.1 | 72.9 | 73.7 | 72.6 | 73.6 | 71.5 | 73.6 |
| 15 Other assets[5] | 53.8 | 62.5 | 61.9 | 64.7 | 63.0 | 63.9 | 65.2 | 64.9 | 63.9 | 65.4 | 64.0 | 64.1 |
| 16 **Total assets**[6] | **1,476.8** | **1,571.0** | **1,579.6** | **1,601.1** | **1,610.3** | **1,615.3** | **1,624.0** | **1,636.6** | **1,634.7** | **1,634.1** | **1,630.8** | **1,635.8** |
| *Liabilities* | | | | | | | | | | | | |
| 17 Deposits | 1,175.5 | 1,260.2 | 1,266.3 | 1,278.3 | 1,283.7 | 1,287.2 | 1,293.4 | 1,300.9 | 1,301.3 | 1,296.8 | 1,294.5 | 1,299.3 |
| 18 Transaction | 293.3 | 299.3 | 299.0 | 300.3 | 298.6 | 297.3 | 299.5 | 302.3 | 300.8 | 298.4 | 299.2 | 306.3 |
| 19 Nontransaction | 882.2 | 960.8 | 967.3 | 978.0 | 985.2 | 989.9 | 993.9 | 998.7 | 1,000.5 | 998.3 | 995.3 | 993.0 |
| 20 Large time | 153.2 | 163.4 | 165.3 | 167.4 | 167.8 | 168.6 | 170.7 | 171.2 | 171.1 | 171.0 | 170.6 | 170.9 |
| 21 Other | 729.0 | 797.4 | 802.0 | 810.6 | 817.4 | 821.4 | 823.2 | 827.5 | 829.4 | 827.3 | 824.7 | 822.1 |
| 22 Borrowings | 144.9 | 154.6 | 153.6 | 154.2 | 157.9 | 158.2 | 159.2 | 161.4 | 160.9 | 163.2 | 161.1 | 160.7 |
| 23 From banks in the U.S. | 74.4 | 75.0 | 71.2 | 70.7 | 72.5 | 72.4 | 72.6 | 72.4 | 72.3 | 72.6 | 72.1 | 72.5 |
| 24 From others | 70.5 | 79.6 | 82.4 | 83.4 | 85.4 | 85.8 | 86.6 | 89.1 | 88.6 | 90.6 | 89.0 | 88.2 |
| 25 Net due to related foreign offices | 3.9 | 4.9 | 5.2 | 5.0 | 4.3 | 4.2 | 6.1 | 4.1 | 4.1 | 4.5 | 4.4 | 3.5 |
| 26 Other liabilities | 25.3 | 27.3 | 27.8 | 28.8 | 29.1 | 28.8 | 29.4 | 30.4 | 30.2 | 30.2 | 30.5 | 30.7 |
| 27 **Total liabilities** | **1,349.7** | **1,446.9** | **1,452.9** | **1,466.3** | **1,475.1** | **1,478.5** | **1,488.1** | **1,496.8** | **1,496.5** | **1,494.7** | **1,490.5** | **1,494.2** |
| 28 Residual (assets less liabilities)[7] | 127.1 | 124.2 | 126.7 | 134.8 | 135.2 | 136.8 | 135.8 | 139.8 | 138.2 | 139.4 | 140.3 | 141.5 |
| | Not seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 29 Bank credit | 1,323.7 | 1,406.2 | 1,410.3 | 1,427.0 | 1,439.9 | 1,437.3 | 1,439.6 | 1,448.9 | 1,447.5 | 1,447.1 | 1,446.4 | 1,448.7 |
| 30 Securities in bank credit | 396.7 | 402.9 | 403.5 | 407.0 | 411.3 | 409.1 | 407.1 | 412.4 | 412.1 | 412.7 | 410.8 | 411.8 |
| 31 U.S. government securities | 315.7 | 320.8 | 321.3 | 322.6 | 326.1 | 323.8 | 321.5 | 324.2 | 324.9 | 324.9 | 323.0 | 323.4 |
| 32 Other securities | 81.0 | 82.1 | 82.2 | 84.4 | 85.3 | 85.3 | 85.6 | 88.3 | 87.2 | 87.8 | 87.8 | 88.4 |
| 33 Loans and leases in bank credit[2] | 927.0 | 1,003.3 | 1,006.7 | 1,020.0 | 1,028.6 | 1,028.2 | 1,032.5 | 1,036.5 | 1,035.4 | 1,034.4 | 1,035.6 | 1,036.9 |
| 34 Commercial and industrial | 169.7 | 179.6 | 180.6 | 182.9 | 184.6 | 186.3 | 188.2 | 189.9 | 188.8 | 188.7 | 189.8 | 190.7 |
| 35 Real estate | 486.0 | 538.2 | 542.7 | 550.1 | 554.3 | 556.0 | 560.3 | 563.6 | 562.0 | 563.0 | 562.8 | 564.4 |
| 36 Revolving home equity | 25.1 | 28.7 | 28.9 | 29.3 | 29.5 | 29.4 | 29.5 | 29.4 | 29.5 | 29.4 | 29.3 | 29.3 |
| 37 Other | 460.9 | 509.5 | 513.8 | 520.8 | 524.8 | 526.6 | 530.7 | 534.3 | 532.5 | 533.6 | 533.4 | 535.0 |
| 38 Consumer | 205.9 | 212.9 | 210.0 | 212.7 | 214.8 | 212.5 | 210.3 | 206.3 | 208.5 | 206.8 | 206.9 | 206.0 |
| 39 Security[3] | 4.8 | 4.7 | 5.2 | 5.5 | 5.7 | 5.6 | 5.8 | 6.2 | 6.3 | 6.1 | 6.1 | 6.1 |
| 40 Other loans and leases | 60.5 | 67.9 | 68.3 | 68.8 | 69.2 | 68.0 | 67.9 | 70.4 | 69.9 | 69.7 | 70.0 | 69.8 |
| 41 Interbank loans | 52.5 | 50.7 | 55.6 | 59.2 | 60.1 | 57.9 | 61.3 | 68.9 | 70.0 | 68.1 | 67.6 | 66.5 |
| 42 Cash assets[4] | 62.9 | 69.9 | 70.6 | 75.2 | 75.3 | 73.2 | 72.7 | 72.0 | 72.3 | 71.8 | 69.5 | 69.6 |
| 43 Other assets[5] | 53.7 | 63.5 | 62.1 | 65.2 | 62.5 | 61.9 | 64.9 | 64.8 | 64.9 | 64.7 | 63.0 | 63.3 |
| 44 **Total assets**[6] | **1,474.3** | **1,570.8** | **1,579.1** | **1,606.9** | **1,618.1** | **1,610.8** | **1,618.9** | **1,634.9** | **1,635.0** | **1,631.9** | **1,626.8** | **1,628.3** |
| *Liabilities* | | | | | | | | | | | | |
| 45 Deposits | 1,176.4 | 1,256.7 | 1,264.4 | 1,284.8 | 1,291.5 | 1,285.8 | 1,290.4 | 1,302.5 | 1,305.0 | 1,300.4 | 1,294.1 | 1,293.2 |
| 46 Transaction | 289.9 | 297.1 | 297.4 | 304.6 | 309.2 | 299.7 | 296.1 | 299.2 | 301.2 | 296.7 | 294.9 | 296.6 |
| 47 Nontransaction | 886.5 | 959.6 | 967.0 | 980.2 | 982.3 | 986.2 | 994.3 | 1,003.3 | 1,003.8 | 1,003.7 | 999.3 | 996.6 |
| 48 Large time | 153.2 | 163.4 | 165.3 | 167.4 | 167.8 | 168.6 | 170.7 | 171.2 | 171.1 | 171.0 | 170.6 | 170.9 |
| 49 Other | 733.3 | 796.2 | 801.7 | 812.8 | 814.5 | 817.6 | 823.6 | 832.1 | 832.8 | 832.6 | 828.7 | 825.7 |
| 50 Borrowings | 141.6 | 157.6 | 154.0 | 153.8 | 158.7 | 159.1 | 157.4 | 158.2 | 157.0 | 157.3 | 158.2 | 159.3 |
| 51 From banks in the U.S. | 73.0 | 76.1 | 70.8 | 69.8 | 72.7 | 72.8 | 71.8 | 71.2 | 70.6 | 70.2 | 71.0 | 72.2 |
| 52 From others | 68.6 | 81.5 | 83.2 | 83.9 | 86.0 | 86.3 | 85.6 | 87.0 | 86.4 | 87.0 | 87.1 | 87.1 |
| 53 Net due to related foreign offices | 3.9 | 4.9 | 5.2 | 5.0 | 4.3 | 4.2 | 6.1 | 4.1 | 4.1 | 4.5 | 4.4 | 3.5 |
| 54 Other liabilities | 25.3 | 27.3 | 27.8 | 28.8 | 29.1 | 28.8 | 29.4 | 30.4 | 30.2 | 30.2 | 30.5 | 30.7 |
| 55 **Total liabilities** | **1,347.2** | **1,446.5** | **1,451.4** | **1,472.4** | **1,483.6** | **1,478.0** | **1,483.3** | **1,495.2** | **1,496.3** | **1,492.4** | **1,487.2** | **1,486.8** |
| 56 Residual (assets less liabilities)[7] | 127.1 | 124.3 | 127.6 | 134.5 | 134.5 | 132.7 | 135.6 | 139.7 | 138.7 | 139.6 | 139.6 | 141.6 |
| MEMO | | | | | | | | | | | | |
| 57 Mortgage-backed securities[9] | 40.7 | 48.1 | 49.0 | 50.1 | 51.3 | 51.5 | 51.9 | 52.4 | 52.3 | 52.4 | 52.1 | 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[r] | | | | 1998[r] | | | 1998 | | | |
| | Mar.[r] | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Mar. 4 | Mar. 11 | Mar. 18 | Mar. 25 |
| | Seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 1 Bank credit | 522.7 | 537.3 | 539.3 | 549.4 | 544.7 | 566.5 | 567.6 | 565.0 | 573.5 | 572.6 | 553.1 | 560.4 |
| 2 Securities in bank credit | 167.8 | 179.6 | 176.5 | 193.1 | 187.7 | 191.1 | 191.7 | 196.2 | 199.1 | 196.3 | 186.0 | 194.9 |
| 3 U.S. government securities | 79.1 | 82.5 | 80.6 | 79.2 | 76.3 | 79.4 | 82.4 | 86.1 | 94.5 | 86.4 | 76.1 | 84.0 |
| 4 Other securities | 88.7 | 97.1 | 95.9 | 113.8 | 111.5 | 111.8 | 109.3 | 110.0 | 104.6 | 109.9 | 109.9 | 110.9 |
| 5 Loans and leases in bank credit[2] | 354.9 | 357.7 | 362.8 | 356.3 | 357.0 | 375.4 | 375.9 | 368.8 | 374.4 | 376.2 | 367.0 | 365.5 |
| 6 Commercial and industrial | 217.9 | 222.3 | 222.5 | 221.4 | 221.3 | 223.7 | 223.1 | 221.0 | 227.2 | 227.4 | 221.1 | 217.5 |
| 7 Real estate | 31.9 | 28.0 | 27.5 | 26.6 | 25.9 | 26.5 | 26.0 | 24.7 | 25.5 | 25.4 | 24.7 | 24.1 |
| 8 Security[3] | 39.7 | 43.6 | 46.7 | 41.7 | 43.8 | 54.9 | 54.9 | 48.9 | 49.5 | 48.9 | 47.5 | 48.5 |
| 9 Other loans and leases | 65.5 | 63.8 | 66.1 | 66.5 | 66.0 | 70.3 | 71.9 | 74.2 | 72.2 | 74.5 | 73.8 | 75.4 |
| 10 Interbank loans | 23.0 | 18.4 | 20.5 | 23.6 | 31.1 | 27.8 | 24.6 | 20.6 | 16.2 | 16.5 | 23.4 | 23.7 |
| 11 Cash assets[4] | 33.1 | 34.2 | 34.4 | 34.9 | 33.5 | 32.2 | 32.0 | 33.4 | 32.0 | 33.0 | 32.9 | 34.4 |
| 12 Other assets[5] | 40.3 | 42.8 | 42.3 | 44.7 | 42.0 | 41.2 | 41.6 | 42.1 | 41.1 | 43.8 | 41.3 | 41.5 |
| 13 **Total assets[6]** | **618.8** | **632.4** | **636.2** | **652.3** | **651.1** | **667.5** | **665.6** | **660.9** | **662.6** | **665.6** | **650.5** | **659.8** |
| *Liabilities* | | | | | | | | | | | | |
| 14 Deposits | 241.7 | 263.2 | 267.7 | 272.8 | 272.5 | 271.7 | 283.1 | 287.3 | 285.2 | 285.1 | 283.8 | 287.1 |
| 15 Transaction | 10.3 | 11.0 | 10.4 | 10.3 | 9.8 | 10.0 | 10.0 | 10.4 | 10.1 | 10.6 | 9.7 | 10.2 |
| 16 Nontransaction | 231.4 | 252.1 | 257.2 | 262.6 | 262.7 | 261.7 | 273.1 | 276.9 | 275.1 | 274.5 | 274.1 | 276.9 |
| 17 Large time | 227.3 | 251.5 | 254.1 | 259.3 | 259.9 | 259.9 | 271.5 | 275.2 | 273.2 | 272.5 | 272.5 | 275.6 |
| 18 Other | 4.1 | 0.6 | 3.1 | 3.3 | 2.8 | 1.8 | 1.6 | 1.7 | 1.9 | 2.0 | 1.6 | 1.3 |
| 19 Borrowings | 134.5 | 144.6 | 155.8 | 156.3 | 149.5 | 148.9 | 144.0 | 153.3 | 152.6 | 145.7 | 144.3 | 155.5 |
| 20 From banks in the U.S. | 33.4 | 34.9 | 33.8 | 29.0 | 25.9 | 23.4 | 22.6 | 25.8 | 25.2 | 22.6 | 19.7 | 26.8 |
| 21 From others | 101.1 | 109.7 | 122.0 | 127.3 | 123.6 | 125.4 | 121.4 | 127.5 | 127.4 | 123.2 | 124.6 | 128.7 |
| 22 Net due to related foreign offices | 147.3 | 125.6 | 118.5 | 117.1 | 121.7 | 140.5 | 135.2 | 118.7 | 130.7 | 136.9 | 125.5 | 106.0 |
| 23 Other liabilities | 92.7 | 94.2 | 91.6 | 96.0 | 95.5 | 96.5 | 97.5 | 94.0 | 94.8 | 98.2 | 91.9 | 90.2 |
| 24 **Total liabilities** | **616.3** | **627.7** | **633.5** | **642.2** | **639.2** | **657.5** | **659.8** | **653.3** | **663.3** | **666.0** | **645.5** | **638.7** |
| 25 Residual (assets less liabilities)[7] | 2.5 | 4.8 | 2.7 | 10.1 | 11.9 | 10.0 | 5.8 | 7.5 | −0.7 | −0.4 | 5.0 | 21.1 |
| | Not seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 26 Bank credit | 522.9 | 534.4 | 539.1 | 544.2 | 543.8 | 563.4 | 567.0 | 564.6 | 576.5 | 570.8 | 553.6 | 557.5 |
| 27 Securities in bank credit | 166.4 | 178.3 | 177.3 | 189.5 | 183.9 | 185.8 | 188.7 | 194.1 | 198.6 | 194.7 | 184.9 | 190.1 |
| 28 U.S. government securities | 79.8 | 82.7 | 81.1 | 80.3 | 75.9 | 77.5 | 81.7 | 86.9 | 95.0 | 87.4 | 78.1 | 84.2 |
| 29 Trading account | 17.8 | 17.0 | 14.3 | 16.0 | 13.7 | 13.4 | 14.0 | 17.6 | 23.8 | 16.0 | 10.5 | 17.1 |
| 30 Investment account | 62.0 | 65.7 | 66.7 | 64.3 | 62.2 | 62.4 | 67.6 | 69.7 | 71.2 | 71.4 | 67.7 | 67.0 |
| 31 Other securities | 86.6 | 95.6 | 96.2 | 109.1 | 107.9 | 108.4 | 107.1 | 107.3 | 103.5 | 107.3 | 106.8 | 106.0 |
| 32 Trading account | 52.3 | 55.1 | 55.6 | 60.9 | 60.0 | 61.5 | 61.4 | 59.8 | 57.7 | 60.5 | 58.4 | 58.6 |
| 33 Investment account | 34.3 | 40.5 | 40.6 | 48.3 | 47.9 | 48.1 | 45.7 | 47.0 | 45.8 | 46.8 | 48.3 | 47.3 |
| 34 Loans and leases in bank credit[2] | 356.5 | 356.1 | 361.9 | 354.7 | 359.9 | 377.6 | 378.3 | 370.5 | 378.0 | 376.1 | 368.8 | 367.4 |
| 35 Commercial and industrial | 218.5 | 221.2 | 222.2 | 221.2 | 222.2 | 224.5 | 224.3 | 221.6 | 228.0 | 226.5 | 221.9 | 218.4 |
| 36 Real estate | 31.9 | 28.0 | 27.8 | 26.9 | 26.0 | 26.5 | 26.2 | 24.7 | 25.7 | 25.6 | 24.8 | 24.0 |
| 37 Security[3] | 40.3 | 43.3 | 46.7 | 41.6 | 45.0 | 55.0 | 55.0 | 49.6 | 50.7 | 49.1 | 48.2 | 49.5 |
| 38 Other loans and leases | 65.7 | 63.6 | 65.2 | 65.1 | 66.7 | 71.6 | 72.9 | 74.5 | 73.5 | 74.8 | 74.0 | 75.5 |
| 39 Interbank loans | 23.0 | 18.4 | 20.5 | 23.6 | 31.1 | 27.8 | 24.6 | 20.6 | 16.2 | 16.5 | 23.4 | 23.7 |
| 40 Cash assets[4] | 32.1 | 34.3 | 34.6 | 35.7 | 35.1 | 32.2 | 31.4 | 32.3 | 31.2 | 31.8 | 31.7 | 33.2 |
| 41 Other assets[5] | 40.2 | 42.8 | 41.3 | 45.3 | 42.7 | 41.6 | 43.1 | 42.1 | 43.2 | 45.5 | 41.2 | 40.3 |
| 42 **Total assets[6]** | **617.9** | **629.7** | **635.3** | **648.6** | **652.5** | **664.8** | **665.9** | **659.4** | **666.9** | **664.4** | **649.8** | **654.5** |
| *Liabilities* | | | | | | | | | | | | |
| 43 Deposits | 242.4 | 264.5 | 267.5 | 272.3 | 275.6 | 269.8 | 280.9 | 288.5 | 284.3 | 284.8 | 285.0 | 290.6 |
| 44 Transaction | 10.2 | 11.5 | 10.5 | 10.2 | 10.3 | 10.0 | 9.8 | 10.4 | 9.9 | 10.4 | 9.6 | 10.2 |
| 45 Nontransaction | 232.2 | 253.0 | 257.0 | 262.1 | 265.3 | 259.9 | 271.1 | 278.2 | 274.5 | 274.4 | 275.4 | 280.4 |
| 46 Large time | 228.8 | 250.5 | 254.9 | 260.5 | 264.2 | 258.9 | 270.1 | 277.2 | 273.5 | 273.4 | 274.4 | 279.5 |
| 47 Other | 3.4 | 2.4 | 2.1 | 1.6 | 1.2 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| 48 Borrowings | 134.5 | 144.6 | 155.8 | 156.3 | 149.5 | 148.9 | 144.0 | 153.3 | 152.6 | 145.7 | 144.3 | 155.5 |
| 49 From banks in the U.S. | 33.4 | 34.9 | 33.8 | 29.0 | 25.9 | 23.4 | 22.6 | 25.8 | 25.2 | 22.6 | 19.7 | 26.8 |
| 50 From others | 101.1 | 109.7 | 122.0 | 127.3 | 123.6 | 125.4 | 121.4 | 127.5 | 127.4 | 123.2 | 124.6 | 128.7 |
| 51 Net due to related foreign offices | 146.5 | 124.1 | 117.7 | 117.8 | 126.5 | 145.3 | 136.5 | 117.9 | 128.0 | 130.2 | 123.5 | 112.0 |
| 52 Other liabilities | 93.0 | 94.0 | 91.3 | 97.6 | 96.5 | 96.5 | 98.7 | 94.2 | 96.2 | 99.0 | 92.1 | 90.1 |
| 53 **Total liabilities** | **616.3** | **627.2** | **632.2** | **644.0** | **648.2** | **660.5** | **660.0** | **654.0** | **661.0** | **659.6** | **644.8** | **648.3** |
| 54 Residual (assets less liabilities)[7] | 1.6 | 2.5 | 3.1 | 4.6 | 4.4 | 4.3 | 5.9 | 5.5 | 5.8 | 4.8 | 4.9 | 6.2 |
| MEMO | | | | | | | | | | | | |
| 55 Revaluation gains on off-balance-sheet items[8] | 42.4 | 43.3 | 41.6 | 42.8 | 41.4 | 42.6 | 40.5 | 40.0 | 38.9 | 40.9 | 39.5 | 38.4 |
| 56 Revaluation losses on off-balance-sheet items[8] | 44.1 | 41.8 | 40.2 | 42.0 | 41.8 | 42.7 | 40.6 | 39.8 | 38.2 | 40.3 | 39.2 | 38.0 |

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. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. |
| | Commercial paper (seasonally adjusted unless noted otherwise) | | | | | | | | | | |
| 1 **All issuers** | **555,075** | **595,382** | **674,904** | **775,371** | **966,699** | **908,640** | **921,769** | **940,524** | **966,699** | **973,761** | **1,004,662** |
| Financial companies[1] | | | | | | | | | | | |
| 2 Dealer-placed paper[2], total | 218,947 | 223,038 | 275,815 | 361,147 | 513,307 | 475,792 | 483,489 | 483,475 | 513,307 | 509,950 | 520,940 |
| 3 Directly placed paper[3], total | 180,389 | 207,701 | 210,829 | 229,662 | 252,536 | 235,030 | 237,544 | 249,781 | 252,536 | 254,926 | 268,001 |
| 4 Nonfinancial companies[4] | 155,739 | 164,643 | 188,260 | 184,563 | 200,857 | 197,818 | 200,736 | 207,268 | 200,857 | 208,886 | 215,721 |
| | 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 |

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

## 1.35 INTEREST RATES Money and Capital Markets

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

| Item | 1995 | 1996 | 1997 | 1997 | 1998 | | | 1998, week ending | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Dec. | Jan. | Feb. | Mar. | Feb. 27 | Mar. 6 | Mar. 13 | Mar. 20 | Mar. 27 |
| MONEY MARKET INSTRUMENTS | | | | | | | | | | | | |
| 1 Federal funds[1,2,3] | 5.83 | 5.30 | 5.46 | 5.50 | 5.56 | 5.51 | 5.49 | 5.51 | 5.60 | 5.45 | 5.47 | 5.43 |
| 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 | 5.78 | 5.46 | 5.47 | 5.51 | 5.49 | 5.50 | 5.51 | 5.50 | 5.52 |
| 4 2-month | n.a. | n.a. | 5.57 | 5.71 | 5.44 | 5.44 | 5.49 | 5.47 | 5.48 | 5.49 | 5.50 | 5.48 |
| 5 3-month | n.a. | n.a. | 5.56 | 5.67 | 5.42 | 5.42 | 5.46 | 5.44 | 5.46 | 5.47 | 5.46 | 5.46 |
| Financial | | | | | | | | | | | | |
| 6 1-month | n.a. | n.a. | 5.59 | 5.80 | 5.48 | 5.49 | 5.53 | 5.50 | 5.54 | 5.52 | 5.51 | 5.53 |
| 7 2-month | n.a. | n.a. | 5.59 | 5.72 | 5.46 | 5.47 | 5.51 | 5.50 | 5.51 | 5.50 | 5.50 | 5.51 |
| 8 3-month | n.a. | n.a. | 5.60 | 5.70 | 5.44 | 5.45 | 5.49 | 5.47 | 5.50 | 5.49 | 5.48 | 5.49 |
| *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 | 5.75 | 5.48 | 5.46 | 5.50 | 5.48 | 5.51 | 5.51 | 5.50 | 5.50 |
| 16 6-month | 5.80 | 5.31 | 5.57 | 5.68 | 5.45 | 5.41 | 5.46 | 5.44 | 5.47 | 5.46 | 5.46 | 5.46 |
| *Certificates of deposit, secondary market*[3,10] | | | | | | | | | | | | |
| 17 1-month | 5.87 | 5.35 | 5.54 | 5.88 | 5.53 | 5.53 | 5.58 | 5.55 | 5.58 | 5.57 | 5.58 | 5.58 |
| 18 3-month | 5.92 | 5.39 | 5.62 | 5.80 | 5.54 | 5.54 | 5.58 | 5.56 | 5.59 | 5.58 | 5.58 | 5.59 |
| 19 6-month | 5.98 | 5.47 | 5.73 | 5.82 | 5.56 | 5.55 | 5.61 | 5.58 | 5.61 | 5.60 | 5.59 | 5.61 |
| 20 Eurodollar deposits, 3-month[3,11] | 5.93 | 5.38 | 5.61 | 5.79 | 5.53 | 5.53 | 5.56 | 5.54 | 5.56 | 5.56 | 5.55 | 5.56 |
| *U.S. Treasury bills* | | | | | | | | | | | | |
| Secondary market[3,5] | | | | | | | | | | | | |
| 21 3-month | 5.49 | 5.01 | 5.06 | 5.16 | 5.04 | 5.09 | 5.03 | 5.16 | 5.08 | 4.97 | 5.02 | 5.05 |
| 22 6-month | 5.56 | 5.08 | 5.18 | 5.24 | 5.03 | 5.07 | 5.04 | 5.11 | 5.08 | 5.02 | 5.05 | 5.02 |
| 23 1-year | 5.60 | 5.22 | 5.32 | 5.24 | 4.98 | 5.04 | 5.11 | 5.14 | 5.15 | 5.09 | 5.08 | 5.12 |
| Auction average[3,5,12] | | | | | | | | | | | | |
| 24 3-month | 5.51 | 5.02 | 5.07 | 5.16 | 5.09 | 5.11 | 5.03 | 5.14 | 5.12 | 4.97 | 4.99 | 5.03 |
| 25 6-month | 5.59 | 5.09 | 5.18 | 5.24 | 5.07 | 5.07 | 5.04 | 5.04 | 5.13 | 5.01 | 5.03 | 4.99 |
| 26 1-year | 5.69 | 5.23 | 5.36 | 5.18 | 5.07 | 4.97 | 5.13 | n.a. | 5.13 | n.a. | n.a. | n.a. |
| U.S. TREASURY NOTES AND BONDS | | | | | | | | | | | | |
| *Constant maturities*[13] | | | | | | | | | | | | |
| 27 1-year | 5.94 | 5.52 | 5.63 | 5.53 | 5.24 | 5.31 | 5.39 | 5.42 | 5.43 | 5.37 | 5.36 | 5.39 |
| 28 2-year | 6.15 | 5.84 | 5.99 | 5.72 | 5.36 | 5.42 | 5.56 | 5.54 | 5.61 | 5.53 | 5.51 | 5.57 |
| 29 3-year | 6.25 | 5.99 | 6.10 | 5.74 | 5.38 | 5.43 | 5.57 | 5.55 | 5.62 | 5.53 | 5.50 | 5.59 |
| 30 5-year | 6.38 | 6.18 | 6.22 | 5.77 | 5.42 | 5.49 | 5.61 | 5.60 | 5.69 | 5.57 | 5.54 | 5.62 |
| 31 7-year | 6.50 | 6.34 | 6.33 | 5.83 | 5.53 | 5.60 | 5.71 | 5.69 | 5.80 | 5.69 | 5.63 | 5.69 |
| 32 10-year | 6.57 | 6.44 | 6.35 | 5.81 | 5.54 | 5.57 | 5.65 | 5.63 | 5.75 | 5.62 | 5.57 | 5.63 |
| 33 20-year | 6.95 | 6.83 | 6.69 | 6.07 | 5.88 | 5.96 | 6.01 | 6.00 | 6.11 | 5.99 | 5.95 | 5.99 |
| 34 30-year | 6.88 | 6.71 | 6.61 | 5.99 | 5.81 | 5.89 | 5.95 | 5.94 | 6.05 | 5.93 | 5.89 | 5.92 |
| *Composite* | | | | | | | | | | | | |
| 35 More than 10 years (long-term) | 6.93 | 6.80 | 6.67 | 6.06 | 5.87 | 5.94 | 6.00 | 5.99 | 6.10 | 5.98 | 5.94 | 5.97 |
| STATE AND LOCAL NOTES AND BONDS | | | | | | | | | | | | |
| *Moody's series*[14] | | | | | | | | | | | | |
| 36 Aaa | 5.80 | 5.52 | 5.32 | 5.03 | 4.88 | 4.92 | 5.03 | 4.95 | 5.04 | 5.02 | 5.06 | 4.99 |
| 37 Baa | 6.10 | 5.79 | 5.50 | 5.17 | 5.04 | 5.09 | 5.25 | 5.16 | 5.26 | 5.25 | 5.28 | 5.21 |
| 38 *Bond Buyer* series[15] | 5.95 | 5.76 | 5.52 | 5.19 | 5.06 | 5.10 | 5.21 | 5.14 | 5.25 | 5.20 | 5.19 | 5.20 |
| CORPORATE BONDS | | | | | | | | | | | | |
| 39 Seasoned issues, all industries[16] | 7.83 | 7.66 | 7.54 | 7.03 | 6.89 | 6.95 | 7.00 | 6.99 | 7.09 | 6.99 | 6.95 | 6.98 |
| *Rating group* | | | | | | | | | | | | |
| 40 Aaa | 7.59 | 7.37 | 7.27 | 6.76 | 6.61 | 6.67 | 6.72 | 6.71 | 6.81 | 6.70 | 6.66 | 6.69 |
| 41 Aa | 7.72 | 7.55 | 7.48 | 6.99 | 6.82 | 6.88 | 6.93 | 6.93 | 7.02 | 6.93 | 6.89 | 6.90 |
| 42 A | 7.83 | 7.69 | 7.54 | 7.05 | 6.93 | 7.01 | 7.05 | 7.04 | 7.13 | 7.04 | 7.00 | 7.03 |
| 43 Baa | 8.20 | 8.05 | 7.87 | 7.32 | 7.19 | 7.25 | 7.32 | 7.28 | 7.40 | 7.30 | 7.27 | 7.30 |
| 44 A-rated, recently offered utility bonds[17] | 7.86 | 7.77 | 7.71 | 7.10 | 6.97 | 7.02 | 7.11 | 7.08 | 7.17 | 7.06 | 7.06 | 7.14 |
| MEMO | | | | | | | | | | | | |
| *Dividend–price ratio*[18] | | | | | | | | | | | | |
| 45 Common stocks | 2.56 | 2.19 | 1.77 | 1.62 | 1.62 | 1.55 | 1.48 | 1.53 | 1.52 | 1.49 | 1.46 | 1.44 |

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 July | 1997 Aug. | 1997 Sept. | 1997 Oct | 1997 Nov. | 1997 Dec. | 1998 Jan. | 1998 Feb. | 1998 Mar. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 480.94 | 482.39 | 489.74 | 499.25 | 492.14 | 504.66 | 504.13 | 532.15 | 560.70 |
| 2 Industrial | 367.40 | 453.57 | 574.97 | 610.42 | 609.54 | 617.94 | 625.22 | 615.65 | 623.57 | 624.61 | 660.91 | 693.13 |
| 3 Transportation | 270.14 | 327.30 | 415.08 | 433.75 | 439.71 | 451.63 | 466.04 | 453.56 | 461.04 | 458.49 | 485.73 | 508.06 |
| 4 Utility | 110.64 | 126.36 | 143.87 | 144.25 | 143.82 | 145.96 | 157.83 | 153.53 | 165.74 | 146.25 | 170.96 | 191.67 |
| 5 Finance | 238.48 | 303.94 | 424.84 | 441.59 | 446.93 | 459.86 | 476.70 | 465.35 | 490.30 | 479.81 | 508.97 | 539.47 |
| 6 Standard & Poor's Corporation (1941–43 = 10)[2] | 541.72 | 670.49 | 873.43 | 925.29 | 927.74 | 937.02 | 951.16 | 938.92 | 962.37 | 963.36 | 1,023.74 | 1,076.83 |
| 7 American Stock Exchange (Aug. 31, 1973 = 50)[3] | 498.13 | 570.86 | 628.34 | 635.28 | 645.59 | 678.05 | 702.43 | 674.37 | 667.89 | 665.72 | 685.73 | 722.37 |
| *Volume of trading (thousands of shares)* | | | | | | | | | | | | |
| 8 New York Stock Exchange | 345.729 | 409,740 | 523,254 | 543.006 | 506.205 | 541,204 | 606,513 | 531.449 | 541,134 | 632.895 | 610.958 | 619.366 |
| 9 American Stock Exchange | 20,387 | 22.567 | n.a. | 25.562 | 24,095 | 28,252 | 32,873 | 27,741 | 27.624 | 28,199 | 26,808 | 28,943 |
| | Customer financing (millions of dollars, end-of-period balances) | | | | | | | | | | | |
| **10 Margin credit at broker–dealers[4]** | **76,680** | **97,400** | **126,090** | **116,190** | **119,810** | **126,050** | **128,190** | **127,330** | **126,090** | **127,790** | **135,590** | **140,340** |
| *Free credit balances at brokers[5]* | | | | | | | | | | | | |
| 11 Margin accounts[6] | 16,250 | 22,540 | 31,410 | 24,290 | 23,375 | 23,630 | 26,950 | 26,735 | 31,410 | 29,480 | 27,450 | 27,430 |
| 12 Cash accounts | 34,340 | 40,430 | 52,160 | 43,985 | 42,960 | 43,770 | 47,465 | 45,470 | 52,160 | 48.620 | 48,640 | 51.340 |

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

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

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

## 1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

| Type of account or operation | Fiscal year | | | Calendar year | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 1997 | | | 1998 | | |
| | 1995 | 1996 | 1997 | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. |
| *U.S. budget*[1] | | | | | | | | | |
| 1 Receipts, total | 1,351,830 | 1,453,062 | 1,579,292 | 114,898 | 103,481 | 167,998 | 162,610 | 97,952 | 117,930 |
| 2 On-budget | 1,000,751 | 1,085,570 | 1,187,302 | 87,083 | 73,690 | 135,340 | 123,367 | 65,051 | 80,647 |
| 3 Off-budget | 351,079 | 367,492 | 391,990 | 27,815 | 29,791 | 32,658 | 39,243 | 32,901 | 37,283 |
| 4 Outlays, total | 1,515,729 | 1,560,512 | 1,601,235 | 150,866 | 120,830 | 154,359 | 137,231 | 139,701 | 131,743 |
| 5 On-budget | 1,227,065 | 1,259,608 | 1,290,609 | 123,863 | 91,327 | 146,647 | 108,843 | 109,393 | 101,967 |
| 6 Off-budget | 288,664 | 300,904 | 310,626 | 26,999 | 29,504 | 7,712 | 28,388 | 30,309 | 29,775 |
| 7 Surplus or deficit (−), total | −163,899 | −107,450 | −21,943 | −35,964 | −17,349 | 13,639 | 25,379 | −41,750 | −13,813 |
| 8 On-budget | −226,314 | −174,038 | −103,307 | −36,780 | −17,637 | −11,307 | 14,524 | −44,342 | −21,320 |
| 9 Off-budget | 62,415 | 66,588 | 81,364 | 816 | 287 | 24,946 | 10,855 | 2,592 | 7,508 |
| *Source of financing (total)* | | | | | | | | | |
| 10 Borrowing from the public | 171,288 | 129,712 | 38,171 | 6,315 | 29,108 | −1,771 | −24,807 | 30,565 | 20,137 |
| 11 Operating cash (decrease, or increase (−)) | −2,007 | −6,276 | 604 | 23,360 | 483 | −12,107 | −8,422 | 24,027 | −11,352 |
| 12 Other[2] | −5,382 | −15,986 | −16,832 | 6,289 | −12,242 | 239 | 7,850 | −12,842 | 5,028 |
| MEMO | | | | | | | | | |
| 13 Treasury operating balance (level, end of period) | 37,949 | 44,225 | 43,621 | 20,261 | 19,778 | 31,885 | 40,307 | 16,280 | 27,632 |
| 14 Federal Reserve Banks | 8,620 | 7,700 | 7,692 | 4,616 | 5,127 | 5,444 | 5,552 | 5,037 | 5,490 |
| 15 Tax and loan accounts | 29,329 | 36,525 | 35,930 | 15,645 | 14,651 | 26,441 | 34,756 | 11,243 | 22,141 |

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 | Jan. | Feb. | Mar. |
| RECEIPTS | | | | | | | | | |
| 1 **All sources** | **1,453,062** | **1,579,292** | **767,099** | **707,551** | **845,527** | **773,810** | **162,610** | **97,952** | **117,930** |
| 2 Individual income taxes, net | 656,417 | 737,466 | 347,285 | 323,884 | 400,436[r] | 354,072 | 95,798 | 42,209 | 39,662 |
| 3 Withheld | 533,080 | 580,207 | 264,177 | 279,988 | 292,252 | 306,865 | 56,628 | 54,225 | 55,290 |
| 4 Nonwithheld | 212,168 | 250,753 | 162,782 | 53,491 | 191,050 | 58,069 | 40,039 | 2,914 | 7,332 |
| 5 Refunds | 88,897 | 93,560 | 79,735 | 9,604 | 82,926 | 10,869 | 870 | 14,941 | 22,973 |
| Corporation income taxes | | | | | | | | | |
| 6 Gross receipts | 189,055 | 204,493 | 96,480 | 95,364 | 106,451 | 104,659 | 6,888 | 3,598 | 23,153 |
| 7 Refunds | 17,231 | 22,198 | 9,704 | 10,053 | 9,635 | 10,135 | 2,481 | 2,769 | 3,661 |
| 8 Social insurance taxes and contributions, net | 509,414 | 539,371 | 277,767 | 240,326 | 288,251 | 260,795 | 51,765 | 44,749 | 48,027 |
| 9 Employment taxes and contributions[2] | 476,361 | 506,751 | 257,446 | 227,777 | 268,357 | 247,794 | 50,395 | 41,825 | 47,389 |
| 10 Unemployment insurance | 28,584 | 28,202 | 18,068 | 10,302 | 17,709 | 10,724 | 1,036 | 2,589 | 301 |
| 11 Other net receipts[3] | 4,469 | 4,418 | 2,254 | 2,245 | 2,184 | 2,280 | 333 | 335 | 337 |
| 12 Excise taxes | 54,014 | 56,924 | 25,682 | 27,016 | 28,084 | 31,132 | 4,679 | 4,791 | 4,499 |
| 13 Customs deposits | 18,670 | 17,928 | 8,731 | 9,294 | 8,619 | 9,679 | 1,387 | 1,454 | 1,412 |
| 14 Estate and gift taxes | 17,189 | 19,845 | 8,775 | 8,835 | 10,477 | 10,262 | 1,808 | 1,500 | 1,845 |
| 15 Miscellaneous receipts[4] | 25,534 | 25,465 | 12,087 | 12,888 | 12,866 | 13,347 | 2,768 | 2,420 | 2,994 |
| OUTLAYS | | | | | | | | | |
| 16 **All types** | **1,560,512** | **1,601,235** | **785,368** | **800,176** | **797,418** | **824,360** | **137,231** | **139,701** | **131,743** |
| 17 National defense | 265,748 | 270,473 | 132,599 | 139,402 | 132,725 | 140,873 | 20,927 | 20,492 | 20,326 |
| 18 International affairs | 13,496 | 15,228 | 8,076 | 8,532 | 5,740 | 9,420 | 740 | 364 | 979 |
| 19 General science, space, and technology | 16,709 | 17,174 | 8,897 | 8,260 | 8,939 | 10,040 | 1,498 | 1,404 | 1,617 |
| 20 Energy | 2,844 | 1,483 | 1,356 | 695 | 803 | 411 | 291 | −43 | 40 |
| 21 Natural resources and environment | 21,614 | 21,369 | 10,254 | 10,307 | 9,627 | 11,106 | 1,636 | 1,746 | 1,556 |
| 22 Agriculture | 9,159 | 9,032 | 73 | 11,037 | 1,465 | 10,590 | 1,967 | 329 | 283 |
| 23 Commerce and housing credit | −10,472 | −14,624 | −6,885 | −5,899 | −7,575 | −3,526 | −403 | −1,065 | −972 |
| 24 Transportation | 39,565 | 40,767 | 18,290 | 21,512 | 16,847 | 20,414 | 2,574 | 2,504 | 2,734 |
| 25 Community and regional development | 10,685 | 11,005 | 5,245 | 5,498 | 5,675[r] | 5,749 | 783 | 669 | 503 |
| 26 Education, training, employment, and social services | 52,001 | 53,008 | 25,979 | 27,524 | 25,080 | 26,851 | 5,042 | 6,535 | 2,888 |
| 27 Health | 119,378 | 123,843 | 59,989 | 61,595 | 61,809[r] | 63,552 | 11,162 | 9,735 | 10,876 |
| 28 Social security and Medicare | 523,901 | 555,273 | 264,647 | 269,412 | 278,863[r] | 283,109 | 46,929 | 46,810 | 45,815 |
| 29 Income security | 225,989 | 230,886 | 121,186 | 107,631 | 124,034 | 106,353 | 20,133 | 28,194 | 22,853 |
| 30 Veterans benefits and services | 36,985 | 39,313 | 18,140 | 21,109 | 17,696 | 22,077 | 3,331 | 3,386 | 1,883 |
| 31 Administration of justice | 17,548 | 20,197 | 9,015 | 9,583 | 10,643 | 10,212 | 1,718 | 2,026 | 1,764 |
| 32 General government | 11,892 | 12,768 | 4,641 | 6,546 | 6,623 | 7,302 | 836 | 108 | 1,012 |
| 33 Net interest[5] | 241,090 | 244,013 | 120,576 | 122,573 | 122,654 | 122,620 | 20,570 | 19,901 | 20,651 |
| 34 Undistributed offsetting receipts[6] | −37,620 | −49,973 | −16,716 | −25,142 | −24,235[r] | −22,795 | −2,504 | −3,394 | −3,064 |

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 | n.a. |
| 4 Held by agencies | 1,354 | 1,422 | 1,447 | 1,497 | 1,507 | 1,572 | 1,599 | 1,656 | n.a. |
| 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 | n.a. |
| 7 Held by agencies | 8 | 8 | 8 | 8 | 8 | 7 | 7 | 7 | n.a. |
| 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] | 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 | 1997 | 1998 | | 1998, week ending | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec. | Jan. | Feb. | Jan. 28 | Feb. 4 | Feb. 11 | Feb. 18 | Feb. 25 | Mar. 4 | Mar. 11 | Mar. 18 | Mar. 25 |
| OUTRIGHT TRANSACTIONS[2] | | | | | | | | | | | | |
| *By type of security* | | | | | | | | | | | | |
| 1 U.S. Treasury bills | 38,244 | 26,208 | 41,042 | 38,845 | 42,516 | 38,754 | 40,062 | 38,841 | 52,010 | 34,243 | 29,466 | 33,608 |
| Coupon securities, by maturity | | | | | | | | | | | | |
| 2 Five years or less | 95,901 | 89,024 | 122,614 | 142,424 | 119,673 | 115,005 | 96,774 | 144,026 | 144,196 | 114,812 | 111,392 | 126,020 |
| 3 More than five years | 54,749 | 51,980 | 83,227 | 73,818 | 84,007 | 85,646 | 81,756 | 80,096 | 86,775 | 63,331 | 61,967 | 58,701 |
| 4 Inflation-indexed | ↑ | ↑ | 493 | 554 | 298 | 475 | 254 | 787 | 570 | 267 | 312 | 336 |
| Federal agency | | | | | | | | | | | | |
| 5 Discount notes | | | 36,835 | 33,716 | 37,428 | 31,824 | 38,475 | 38,211 | 41,752 | 35,848 | 36,799 | 36,241 |
| Coupon securities, by maturity | | | | | | | | | | | | |
| 6 One year or less | n.a. | n.a. | 1,738 | 2,363 | 1,736 | 1,294 | 1,900 | 2,126 | 1,559 | 1,362 | 1,355 | 3,195 |
| 7 More than one year, but less than or equal to five years | | | 3,452 | 3,479 | 2,451 | 3,019 | 2,284 | 4,516 | 5,714 | 3,618 | 3,531 | 4,149 |
| 8 More than five years | ↓ | ↓ | 2,676 | 1,941 | 4,035 | 2,725 | 1,730 | 2,615 | 2,556 | 1,996 | 3,067 | 1,593 |
| 9 Mortgage-backed | 45,285 | 49,482 | 64,305 | 71,237 | 64,142 | 76,390 | 60,202 | 59,363 | 54,896 | 92,600 | 58,456 | 48,003 |
| *By type of counterparty* | | | | | | | | | | | | |
| With interdealer broker | | | | | | | | | | | | |
| 10 U.S. Treasury | 107,366 | 94,063 | 140,336 | 149,055 | 141,253 | 137,698 | 121,505 | 150,835 | 156,972 | 122,352 | 119,449 | 126,289 |
| 11 Federal agency | 1,143 | 1,224 | 1,987 | 1,510 | 1,710 | 2,125 | 1,653 | 2,205 | 2,179 | 2,227 | 2,047 | 1,519 |
| 12 Mortgage-backed | 13,748 | 16,441 | 21,100 | 24,645 | 21,494 | 24,869 | 20,000 | 19,274 | 17,854 | 27,155 | 19,820 | 17,348 |
| With other | | | | | | | | | | | | |
| 13 U.S. Treasury | 81,528 | 73,148 | 107,038 | 106,587 | 105,241 | 102,181 | 97,340 | 112,916 | 126,579 | 90,301 | 83,689 | 92,376 |
| 14 Federal agency | 41,873 | 30,169 | 42,715 | 39,989 | 43,941 | 36,737 | 42,737 | 45,264 | 49,402 | 40,598 | 42,704 | 43,659 |
| 15 Mortgage-backed | 31,538 | 33,042 | 43,204 | 46,592 | 42,647 | 51,520 | 40,203 | 40,089 | 37,041 | 65,445 | 38,636 | 30,655 |
| FUTURES TRANSACTIONS[3] | | | | | | | | | | | | |
| *By type of deliverable security* | | | | | | | | | | | | |
| 16 U.S. Treasury bills | 404 | 165 | 262 | 120 | 258 | 401 | 77 | 225 | 381 | 244 | 214 | 549 |
| Coupon securities, by maturity | | | | | | | | | | | | |
| 17 Five years or less | 2,534 | 2,107 | 2,552 | 2,318 | 1,946 | 1,400 | 1,662 | 4,049 | 4,383 | 2,204 | 3,099 | 1,503 |
| 18 More than five years | 13,394 | 11,345 | 16,583 | 17,318 | 15,655 | 13,897 | 15,610 | 18,522 | 21,785 | 16,104 | 16,901 | 14,111 |
| 19 Inflation-indexed | ↑ | ↑ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal agency | | | | | | | | | | | | |
| 20 Discount notes | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Coupon securities, by maturity | | | | | | | | | | | | |
| 21 One year or less | n.a. | n.a. | 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 |
| 23 More than five years | ↓ | ↓ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 24 Mortgage-backed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| OPTIONS TRANSACTIONS[4] | | | | | | | | | | | | |
| *By type of underlying security* | | | | | | | | | | | | |
| 25 U.S. Treasury bills | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Coupon securities, by maturity | | | | | | | | | | | | |
| 26 Five years or less | 1,831 | 2,173 | 2,652 | 2,099 | 2,856 | 2,588 | 1,878 | 2,885 | 3,467 | 2,674 | 1,703 | 2,282 |
| 27 More than five years | 4,487 | 3,742 | 6,194 | 6,588 | 5,091 | 5,288 | 5,160 | 8,496 | 6,425 | 6,807 | 4,239 | 5,129 |
| 28 Inflation-indexed | ↑ | ↑ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal agency | | | | | | | | | | | | |
| 29 Discount notes | n.a. | n.a. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Coupon securities, by maturity | | | | | | | | | | | | |
| 30 One year or less | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 31 More than one year, but less than or equal to five years | ↓ | ↓ | 0 | 0 | 0 | 0 | 0 | n.a. | 0 | 0 | 0 | 0 |
| 32 More than five years | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 33 Mortgage-backed | 632 | 428 | 636 | 600 | 622 | 380 | 739 | 881 | 602 | 754 | 417 | 646 |

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 | 1997 | 1998 | | 1998, week ending | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec. | Jan. | Feb. | Jan. 28 | Feb. 4 | Feb. 11 | Feb. 18 | Feb. 25 | Mar. 4 | Mar. 11 | Mar. 18 |
| | Positions[2] | | | | | | | | | | |
| NET OUTRIGHT POSITIONS[3] | | | | | | | | | | | |
| *By type of security* | | | | | | | | | | | |
| 1 U.S. Treasury bills | 18,205 | 12,567 | 8,517 | 5,154 | 7,900 | 4,244 | 14,147 | 4,839 | 14,758 | 14,989 | 16,613 |
| Coupon securities, by maturity | | | | | | | | | | | |
| 2 Five years or less | −21,352 | −12,119 | −7,847 | −7,108 | −9,565 | −6,257 | −6,557 | −6,581 | −15,232 | −16,412 | −13,544 |
| 3 More than five years | −16,759 | −17,495 | −21,431 | −20,561 | −15,096 | −21,399 | −20,445 | −25,823 | −22,004 | −26,879 | −22,672 |
| 4 Inflation-indexed | n.a. | n.a. | 1,422 | 1,792 | 1,639 | 1,506 | 1,359 | 1,457 | 1,004 | 958 | 1,164 |
| Federal agency | | | | | | | | | | | |
| 5 Discount notes | n.a. | n.a. | 18,759 | 20,376 | 20,133 | 19,303 | 14,677 | 22,402 | 16,681 | 22,161 | 15,785 |
| Coupon securities, by maturity | | | | | | | | | | | |
| 6 One year or less | n.a. | n.a. | 3,013 | 1,579 | 3,001 | 3,123 | 3,811 | 1,924 | 3,449 | 3,971 | 3,453 |
| 7 More than one year, but less than or equal to five years | n.a. | n.a. | 5,753 | 6,251 | 6,118 | 4,932 | 5,541 | 5,667 | 7,880 | 7,118 | 7,763 |
| 8 More than five years | n.a. | n.a. | 8,898 | 9,624 | 8,128 | 8,636 | 9,281 | 9,312 | 8,680 | 9,507 | 10,037 |
| 9 Mortgage-backed | 44,132 | 46,961 | 50,013 | 42,751 | 47,110 | 57,244 | 52,185 | 43,055 | 48,178 | 54,641 | 53,106 |
| NET FUTURES POSITIONS[4] | | | | | | | | | | | |
| *By type of deliverable security* | | | | | | | | | | | |
| 10 U.S. Treasury bills | −2,635 | −3,588 | −4,872 | −4,165 | −4,027 | −4,904 | −4,891 | −5,300 | −4,878 | −4,374 | −3,218 |
| Coupon securities, by maturity | | | | | | | | | | | |
| 11 Five years or less | 3,578 | −1,082 | −752 | −410 | −2,909 | −2,667 | −1,554 | 1,041 | 4,283 | 3,834 | 762 |
| 12 More than five years | −27,114 | −25,767 | −18,954 | −20,159 | −21,845 | −20,163 | −22,654 | −15,126 | −12,575 | −12,165 | −18,719 |
| 13 Inflation-indexed | n.a. | n.a. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal agency | | | | | | | | | | | |
| 14 Discount notes | n.a. | n.a. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Coupon securities, by maturity | | | | | | | | | | | |
| 15 One year or less | n.a. | n.a. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 More than one year, but less than or equal to five years | n.a. | n.a. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 17 More than five years | n.a. | n.a. | 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 | −757 | −667 | −1,366 | −653 | −1,253 | −1,027 | −1,246 | −2,157 | −743 | 641 | 2,782 |
| 21 More than five years | 3,226 | 3,022 | 2,729 | 2,132 | 3,202 | 2,169 | 3,356 | 2,563 | 2,328 | 3,500 | 3,258 |
| 22 Inflation-indexed | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Federal agency | | | | | | | | | | | |
| 23 Discount notes | n.a. | n.a. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Coupon securities, by maturity | | | | | | | | | | | |
| 24 One year or less | n.a. | n.a. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 25 More than one year, but less than or equal to five years | n.a. | n.a. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 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 | 869 | 701 | 907 | 860 | −50 | 234 | 690 | 1,813 | 2,148 | 1,253 | 1,098 |
| | Financing[5] | | | | | | | | | | |
| *Reverse repurchase agreements* | | | | | | | | | | | |
| 28 Overnight and continuing | 304,385 | 324,675 | 352,684 | 314,422 | 350,352 | 329,281 | 374,844 | 341,612 | 384,527 | 364,022 | 355,137 |
| 29 Term | 654,600 | 746,499 | 722,028 | 806,323 | 786,654 | 848,506 | 626,731 | 667,730 | 689,804 | 736,348 | 786,546 |
| *Securities borrowed* | | | | | | | | | | | |
| 30 Overnight and continuing | 200,401 | 214,756 | 214,345 | 209,166 | 212,450 | 213,321 | 218,106 | 211,427 | 217,293 | 220,176 | 210,707 |
| 31 Term | 92,672 | 88,880 | 80,881 | 89,298 | 84,324 | 82,349 | 76,158 | 80,410 | 84,980 | 86,934 | 90,597 |
| *Securities received as pledge* | | | | | | | | | | | |
| 32 Overnight and continuing | 5,939 | 5,127 | 4,208 | 4,435 | 4,502 | 4,445 | 4,357 | 4,144 | 3,063 | 2,893 | 2,674 |
| 33 Term | 286 | 152 | 237 | 166 | 165 | 261 | 267 | 231 | 224 | 258 | 174 |
| *Repurchase agreements* | | | | | | | | | | | |
| 34 Overnight and continuing | 648,786 | 715,197 | 735,160 | 706,615 | 733,169 | 728,930 | 768,739 | 703,572 | 747,707 | 739,482 | 758,664 |
| 35 Term | 586,741 | 686,432 | 639,985 | 718,382 | 701,852 | 744,488 | 550,147 | 602,252 | 611,323 | 647,681 | 698,755 |
| *Securities loaned* | | | | | | | | | | | |
| 36 Overnight and continuing | 7,927 | 8,157 | 8,531 | 7,794 | 8,446 | 8,573 | 8,593 | 8,087 | 9,436 | 9,332 | 9,502 |
| 37 Term | 4,591 | 4,645 | 3,880 | 4,471 | 4,430 | 4,113 | 3,481 | 3,510 | 4,393 | 4,137 | 4,851 |
| *Securities pledged* | | | | | | | | | | | |
| 38 Overnight and continuing | 53,643 | 52,182 | 55,551 | 50,907 | 51,715 | 54,489 | 59,232 | 55,989 | 53,529 | 54,320 | 55,238 |
| 39 Term | 3,566 | 5,019 | 3,111 | 6,057 | 5,235 | 4,703 | 1,087 | 2,185 | 3,451 | 3,587 | 6,311 |
| *Collateralized loans* | | | | | | | | | | | |
| 40 Total | 13,891 | 14,467 | 9,536 | 11,494 | 11,896 | 10,541 | 7,304 | 8,416 | 11,863 | 11,895 | 12,454 |

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 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Sept. | Oct. | Nov. | Dec. | Jan. |
| 1 **Federal and federally sponsored agencies** | **738,928** | **844,611** | **925,823** | **1,022,609** | **983,599** | **1,003,177** | **1,014,907** | **1,022,609** | **1,032,486** |
| 2 Federal agencies | 39,186 | 37,347 | 29,380 | 27,792 | 27,392 | 27,356 | 27,500 | 27,792 | 27,110 |
| 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 | 1,326 | 1,295 | 1,295 | 552 | 682 |
| 5 Federal Housing Administration[4] | 116 | 97 | 84 | 102 | 68 | 68 | 93 | 102 | 133 |
| 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 | 27,386 | 27,350 | 27,494 | 27,786 | 27,104 |
| 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 | 956,207 | 975,821 | 987,407 | 994,817 | 1,005,376 |
| 11 Federal Home Loan Banks | 205,817 | 243,194 | 263,404 | 313,919 | 295,212 | 302,310 | 308,745 | 313,919 | 311,385 |
| 12 Federal Home Loan Mortgage Corporation | 93,279 | 119,961 | 156,980 | 169,200 | 160,050 | 172,433 | 174,900 | 169,200 | 181,948 |
| 13 Federal National Mortgage Association | 257,230 | 299,174 | 331,270 | 369,774 | 358,003 | 356,149 | 361,602 | 369,774 | 370,524 |
| 14 Farm Credit Banks[8] | 53,175 | 57,379 | 60,053 | 63,517 | 61,612 | 61,093 | 61,093 | 63,517 | 61,317 |
| 15 Student Loan Marketing Association[9] | 50,335 | 47,529 | 44,763 | 37,717 | 40,531 | 43,000 | 40,321 | 37,717 | 39,375 |
| 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** | **49,944** | **48,698** | **32,523** | **49,090** | **48,321** |
| *Lending to federal and federally sponsored agencies* | | | | | | | | | |
| 20 Export-Import Bank[3] | 3,449 | 2,044 | 1,431 | 552 | 1,326 | 1,295 | 1,295 | 552 | 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 | 13,895 | 13,530 | 13,530 | 13,530 | 13,530 |
| 26 Rural Electrification Administration | 17,392 | 17,144 | 16,702 | 14,898 | 14,917 | 14,819 | 14,819 | 14,898 | 14,841 |
| 27 Other | 37,984 | 29,513 | 21,714 | 20,110 | 19,716 | 19,054 | 2,879 | 20,110 | 19,950 |

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 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. |
| 1 **All issues, new and refunding**[1] | **145,657** | **171,222** | **214,693** | **17,401** | **21,499** | **21,898** | **20,207** | **21,342** | **16,770** | **21,306** | **27,858** |
| *By type of issue* | | | | | | | | | | | |
| 2 General obligation | 56,980 | 60,409 | 69,934 | 5,062 | 3,590 | 7,837 | 5,713 | 8,005 | 5,608 | 9,893 | 9,597 |
| 3 Revenue | 88,677 | 110,813 | 134,989 | 11,518 | 17,909 | 14,061 | 14,494 | 13,337 | 11,162 | 11,413 | 18,261 |
| *By type of issuer* | | | | | | | | | | | |
| 4 State | 14,665 | 13,651 | 18,237 | 1,352 | 1,278 | 2,392 | 509 | 1,702 | 1,268 | 2,420 | 2,375 |
| 5 Special district or statutory authority[2] | 93,500 | 113,228 | 134,919 | 10,480 | 14,890 | 13,195 | 13,586 | 15,600 | 11,794 | 14,228 | 19,624 |
| 6 Municipality, county, or township | 37,492 | 44,343 | 70,558 | 4,803 | 16,592 | 13,920 | 5,920 | 4,098 | 3,708 | 4,658 | 5,859 |
| 7 **Issues for new capital** | **102,390** | **112,298** | **127,928** | **8,915** | **10,158** | **12,981** | **12,979** | **13,487** | **9,696** | **12,538** | **15,134** |
| *By use of proceeds* | | | | | | | | | | | |
| 8 Education | 23,964 | 26,851 | 31,860 | 2,781 | 1,943 | 2,647 | 2,973 | 2,981 | 2,338 | 3,525 | 4,297 |
| 9 Transportation | 11,890 | 12,324 | 13,951 | 1,276 | 2,654 | 1,215 | 1,420 | 1,144 | 1,521 | 1,760 | 771 |
| 10 Utilities and conservation | 9,618 | 9,791 | 12,219 | 576 | 907 | 1,402 | 1,217 | 683 | 598 | 687 | 1,866 |
| 11 Social welfare | 19,566 | 24,583 | 27,794 | 1,481 | 2,305 | 2,341 | 4,090 | 2,940 | 1,540 | 2,903 | 3,104 |
| 12 Industrial aid | 6,581 | 6,287 | 6,667 | 799 | 441 | 729 | 574 | 897 | 448 | 581 | 1,236 |
| 13 Other purposes | 30,771 | 32,462 | 35,095 | 2,024 | 1,908 | 4,642 | 2,705 | 4,842 | 3,251 | 3,082 | 3,860 |

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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. |
| 1 **All issues**[1] | **673,779** | n.a. | n.a. | **67,305** | **52,117** | **85,001** | **71,219** | **58,350** | **63,992** | **74,008**[r] | **76,720** |
| 2 **Bonds**[2] | **573,206** | n.a. | n.a. | **57,886** | **46,576** | **75,166** | **58,166** | **46,543** | **55,973** | **66,592**[r] | **65,575** |
| *By type of offering* | | | | | | | | | | | |
| 3 Public, domestic | 408,804 | 465,489 | 537,778 | 46,415 | 40,840 | 60,226 | 46,967[r] | 42,969 | 54,443 | 55,944[r] | 53,159 |
| 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 | 103,118 | 11,471 | 5,736 | 14,941 | 11,199 | 3,574 | 1,530 | 10,648 | 12,416 |
| *By industry group* | | | | | | | | | | | |
| 6 Manufacturing | 61,070 | 49,476 | 47,064 | 8,480 | 5,087 | 3,534 | 4,668 | 2,152 | 2,976 | 10,059[r] | 4,455 |
| 7 Commercial and miscellaneous | 50,689 | 40,544 | 42,480 | 4,466 | 3,196 | 4,330 | 7,982 | 1,166 | 1,978 | 5,497[r] | 3,320 |
| 8 Transportation | 8,430 | 5,722 | 11,352 | 544 | 406 | 296 | 1,322 | 299 | 448 | 2,233 | 1,410 |
| 9 Public utility | 13,751 | 9,498 | 16,660 | 3,674 | 1,407 | 1,357 | 1,664 | 1,590 | 1,372 | 1,640[r] | 953 |
| 10 Communication | 22,999 | 14,525 | 12,055 | 1,304 | 278 | 1,829 | 342 | 1,586 | 923 | 2,360[r] | 2,509 |
| 11 Real estate and financial | 416,269 | 429,157 | 511,285 | 39,419 | 36,202 | 63,820 | 42,189 | 39,750 | 48,276 | 44,803[r] | 52,928 |
| 12 **Stocks**[2] | **100,573** | n.a. | n.a. | **9,419** | **5,541** | **9,835** | **13,053** | **11,807** | **8,019** | **7,416** | **11,145** |
| *By type of offering* | | | | | | | | | | | |
| 13 Public preferred | 10,917 | 33,208 | 29,814 | 678 | 645 | 1,878 | 1,824 | 1,060 | 3,578 | 3,607 | 3,861 |
| 14 Common | 57,556 | 83,052 | 82,392 | 8,741 | 4,895 | 7,957 | 11,229 | 10,747 | 4,441 | 3,809 | 7,284 |
| 15 Private placement[3] | 32,100 | ↑ | ↑ | n.a. | n.a. | n.a. | ↑ | ↑ | ↑ | ↑ | ↑ |
| *By industry group* | | | | | | | | | | | |
| 16 Manufacturing | 21,545 | | | 1,056 | 836 | 1,294 | | | | | |
| 17 Commercial and miscellaneous | 27,844 | n.a. | n.a. | 2,804 | 1,673 | 3,714 | n.a. | n.a. | n.a. | n.a. | n.a. |
| 18 Transportation | 804 | | | 563 | 139 | 472 | | | | | |
| 19 Public utility | 1,936 | | | 483 | 48 | 405 | | | | | |
| 20 Communication | 1,077 | | | 120 | 52 | 235 | ↓ | ↓ | ↓ | ↓ | ↓ |
| 21 Real estate and financial | 47,367 | ↓ | ↓ | 3,875 | 2,371 | 3,885 | 6,583 | 5,449 | 5,257 | 5,675 | 5,585 |

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 | 1996r | 1997 | 1997r | | | | | 1998r | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. |
| 1 **Sales of own shares**[2] | **934,595** | **1,190,900** | **98,496** | **101,503** | **115,343** | **94,478** | **110,452** | **119,488** | **114,219** | **128,448** |
| 2 Redemptions of own shares | 702,711 | 918,728 | 77,637 | 72,279 | 91,654 | 66,135 | 89,982 | 92,621 | 81,688 | 96,889 |
| 3 Net sales[3] | 231,885 | 272,172 | 20,859 | 29,224 | 23,689 | 28,343 | 20,471 | 26,867 | 32,532 | 31,558 |
| 4 **Assets**[4] | **2,624,463** | **3,409,315** | **3,182,253** | **3,368,362** | **3,284,252** | **3,356,347** | **3,409,315** | **3,459,354** | **3,675,392** | **3,844,616** |
| 5 Cash[5] | 138,559 | 174,154 | 173,299 | 178,786 | 179,909 | 186,582 | 174,154 | 183,648 | 180,415 | 177,291 |
| 6 Other | 2,485,904 | 3,235,161 | 3,008,954 | 3,189,576 | 3,104,343 | 3,169,765 | 3,235,161 | 3,275,706 | 3,494,977 | 3,667,324 |

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

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

## 1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

| Account | 1995 | 1996 | 1997 | 1996 | | | | 1997 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| 1 Profits with inventory valuation and capital consumption adjustment | 650.0 | 735.9 | 805.0 | 717.7 | 738.5 | 739.6 | 747.8 | 779.6 | 795.1 | 827.3 | 818.1 |
| 2 Profits before taxes | 622.6 | 676.6 | 729.8 | 664.9 | 682.2 | 679.1 | 680.0 | 708.4 | 719.8 | 753.4 | 737.3 |
| 3 Profits-tax liability | 213.2 | 229.0 | 249.4 | 226.2 | 232.2 | 231.6 | 226.0 | 241.2 | 244.5 | 258.2 | 253.6 |
| 4 Profits after taxes | 409.4 | 447.6 | 480.3 | 438.7 | 450.0 | 447.5 | 454.0 | 467.2 | 475.3 | 495.2 | 483.7 |
| 5 Dividends | 264.4 | 304.8 | 336.1 | 300.7 | 303.7 | 305.7 | 309.1 | 326.8 | 333.0 | 339.1 | 345.6 |
| 6 Undistributed profits | 145.0 | 142.8 | 144.2 | 138.0 | 146.4 | 141.8 | 144.9 | 140.3 | 142.3 | 156.1 | 138.1 |
| 7 Inventory valuation | −24.3 | −2.5 | 5.5 | −5.1 | −5.4 | −2.7 | 3.3 | 3.5 | 5.9 | 3.6 | 9.2 |
| 8 Capital consumption adjustment | 51.6 | 61.8 | 69.7 | 57.9 | 61.6 | 63.2 | 64.4 | 67.7 | 69.4 | 70.3 | 71.6 |

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

## 1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

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

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

## 1.52 DOMESTIC FINANCE COMPANIES Owned and Managed Receivables[1]

Billions of dollars, amounts outstanding

| Type of credit | 1995 | 1996 | 1997 | 1997 | | | | 1998 | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. |
| | **Seasonally adjusted** | | | | | | | | |
| 1 **Total** | **682.4** | **762.4** | **810.4[r]** | **799.0** | **802.7** | **805.7** | **810.4[r]** | **811.8[r]** | **821.6** |
| 2 Consumer | 281.9 | 306.6 | 326.9 | 322.6 | 324.4 | 323.7 | 326.9 | 325.6 | 328.0 |
| 3 Real estate | 72.4 | 111.9 | 121.1 | 120.7 | 121.5 | 121.7 | 121.1 | 122.1 | 124.1 |
| 4 Business | 328.1 | 343.8 | 362.4[r] | 355.8 | 356.8 | 360.3 | 362.4[r] | 364.1[r] | 369.5 |
| | **Not seasonally adjusted** | | | | | | | | |
| 5 **Total** | **689.5** | **769.7** | **818.1[r]** | **795.3** | **800.8** | **806.9** | **818.1[r]** | **813.0[r]** | **820.1** |
| 6 Consumer | 285.8 | 310.6 | 330.9 | 323.3 | 324.2 | 325.4 | 330.9 | 327.0 | 326.5 |
| 7 Motor vehicles loans | 81.1 | 86.7 | 87.0 | 88.5 | 86.8 | 86.0 | 87.0 | 87.4 | 84.7 |
| 8 Motor vehicle leases | 80.8 | 92.5 | 96.8 | 96.1 | 95.9 | 96.4 | 96.8 | 94.6 | 94.9 |
| 9 Revolving[2] | 28.5 | 32.5 | 38.6 | 34.9 | 34.7 | 34.8 | 38.6 | 37.6 | 37.0 |
| 10 Other[3] | 42.6 | 33.2 | 34.4 | 35.0 | 35.3 | 35.5 | 34.4 | 35.2 | 35.5 |
| Securitized assets[4] | | | | | | | | | |
| 11 Motor vehicle loans | 34.8 | 36.8 | 44.3 | 39.7 | 42.6 | 42.5 | 44.3 | 42.8 | 45.3 |
| 12 Motor vehicle leases | 3.5 | 8.7 | 10.8 | 10.0 | 9.9 | 11.0 | 10.8 | 10.7 | 10.6 |
| 13 Revolving | n.a. | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 14 Other | 14.7 | 20.1 | 19.0 | 19.0 | 18.9 | 19.2 | 19.0 | 18.7 | 18.5 |
| 15 Real estate | 72.4 | 111.9 | 121.1 | 120.7 | 121.5 | 121.7 | 121.1 | 122.1 | 124.1 |
| 16 One- to four-family | n.a. | 52.1 | 59.0 | 56.6 | 58.5 | 59.4 | 59.0 | 59.8 | 62.2 |
| 17 Other | n.a. | 30.5 | 28.9 | 29.8 | 29.3 | 29.0 | 28.9 | 29.3 | 29.4 |
| Securitized real estate assets[4] | | | | | | | | | |
| 18 One- to four-family | n.a. | 28.9 | 33.0 | 34.0 | 33.5 | 33.0 | 33.0 | 32.8 | 32.3 |
| 19 Other | n.a. | 0.4 | 0.2 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| 20 Business | 331.2 | 347.2 | 366.1[r] | 351.4 | 355.1 | 359.8 | 366.1[r] | 363.9[r] | 369.5 |
| 21 Motor vehicles | 66.5 | 67.1 | 63.5 | 67.4 | 61.2 | 62.0 | 63.5 | 61.8 | 64.8 |
| 22 Retail loans | 21.8 | 25.1 | 25.6 | 26.0 | 26.5 | 26.3 | 25.6 | 26.1 | 26.4 |
| 23 Wholesale loans[5] | 36.6 | 33.0 | 27.7 | 31.8 | 25.0 | 25.8 | 27.7 | 25.7 | 28.2 |
| 24 Leases | 8.0 | 9.0 | 10.2 | 9.6 | 9.7 | 9.8 | 10.2 | 10.1 | 10.2 |
| 25 Equipment | 8.0 | 9.0 | 10.2 | 199.0 | 198.5 | 198.9 | 203.9[r] | 204.1[r] | 203.2 |
| 26 Loans | 8.0 | 9.0 | 10.2 | 51.9 | 50.3 | 49.6 | 51.5[r] | 50.7[r] | 49.7 |
| 27 Leases | 8.0 | 9.0 | 10.2 | 147.1 | 148.2 | 149.4 | 152.3 | 153.4 | 153.5 |
| 28 Other business receivables[6] | 8.0 | 9.0 | 10.2 | 53.1 | 54.7 | 54.0 | 51.1[r] | 52.0[r] | 55.5 |
| Securitized assets[4] | | | | | | | | | |
| 29 Motor vehicles | 8.0 | 9.0 | 10.2 | 19.6 | 28.4 | 32.4 | 33.0 | 31.5 | 31.2 |
| 30 Retail loans | 8.0 | 9.0 | 10.2 | 2.2 | 2.1 | 2.5 | 2.4 | 2.3 | 2.2 |
| 31 Wholesale loans | 8.0 | 9.0 | 10.2 | 17.4 | 26.3 | 29.8 | 30.5 | 29.2 | 29.0 |
| 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 | 9.6 | 9.7 | 9.9 | 10.7 | 10.4 | 10.8 |
| 34 Loans | 8.0 | 9.0 | 10.2 | 3.6 | 3.8 | 4.1 | 4.2 | 3.9 | 4.3 |
| 35 Leases | 8.0 | 9.0 | 10.2 | 6.0 | 5.8 | 5.8 | 6.5 | 6.5 | 6.5 |
| 36 Other business receivables[6] | 8.0 | 9.0 | 10.2 | 2.6 | 2.7 | 2.6 | 4.0 | 4.0 | 4.0 |

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

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

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

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

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

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

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

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

## 1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

| Item | 1995 | 1996 | 1997 | 1997 | | | | 1998 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. |
| | Terms and yields in primary and secondary markets | | | | | | | | | |
| PRIMARY MARKETS | | | | | | | | | | |
| *Terms*[1] | | | | | | | | | | |
| 1 Purchase price (thousands of dollars) | 175.8 | 182.4 | 180.1 | 190.6 | 183.4 | 184.0 | 190.7 | 184.1 | 195.3 | 191.7 |
| 2 Amount of loan (thousands of dollars) | 134.5 | 139.2 | 140.3 | 147.0 | 142.4 | 143.5 | 149.8 | 142.3 | 148.5 | 149.5 |
| 3 Loan-to-price ratio (percent) | 78.6 | 78.2 | 80.4 | 79.3 | 80.1 | 80.8 | 81.0 | 80.5 | 78.6 | 81.0 |
| 4 Maturity (years) | 27.7 | 27.2 | 28.2 | 28.3 | 28.1 | 28.6 | 28.2 | 28.5 | 28.0 | 28.3 |
| 5 Fees and charges (percent of loan amount)[2] | 1.21 | 1.21 | 1.02 | 1.12 | 0.94 | 0.95 | 0.96 | 0.91 | 0.99 | 0.95 |
| *Yield (percent per year)* | | | | | | | | | | |
| 6 Contract rate[1] | 7.65 | 7.56 | 7.57 | 7.43 | 7.39 | 7.26 | 7.25 | 7.13 | 7.09 | 7.03 |
| 7 Effective rate[1,3] | 7.85 | 7.77 | 7.73 | 7.61 | 7.54 | 7.40 | 7.40 | 7.27 | 7.24 | 7.17 |
| 8 Contract rate (HUD series)[4] | 8.05 | 8.03 | 7.76 | 7.51 | 7.48 | 7.38 | 7.25 | 7.16 | 7.22 | n.a. |
| SECONDARY MARKETS | | | | | | | | | | |
| *Yield (percent per year)* | | | | | | | | | | |
| 9 FHA mortgages (Section 203)[5] | 8.18 | 8.19 | 7.89 | 7.52 | 7.53 | 7.51 | 7.17 | 7.08 | 7.06 | n.a. |
| 10 GNMA securities[6] | 7.57 | 7.48 | 7.26 | 7.10 | 6.90 | 6.84 | 6.74 | 6.56 | 6.63 | 6.66 |
| | Activity in secondary markets | | | | | | | | | |
| FEDERAL NATIONAL MORTGAGE ASSOCIATION | | | | | | | | | | |
| *Mortgage holdings (end of period)* | | | | | | | | | | |
| 11 Total | 253,511 | 287,052 | 316,678 | 307,256 | 310,421 | 314,627 | 316,678 | 320,062 | 322,957 | 327,025 |
| 12 FHA/VA insured | 28,762 | 30,592 | 31,925 | 31,847 | 32,080 | 31,878 | 31,925 | 31,621 | 31,650 | 31,965 |
| 13 Conventional | 224,749 | 256,460 | 284,753 | 275,409 | 278,341 | 282,749 | 284,753 | 288,441 | 291,307 | 295,060 |
| 14 Mortgage transactions purchased (during period) | 56,598 | 68,618 | 70,465 | 6,544 | 7,619 | 8,166 | 6,692 | 7,647 | 8,630 | 12,095 |
| *Mortgage commitments (during period)* | | | | | | | | | | |
| 15 Issued[7] | 56,092 | 65,859 | 69,965 | 7,573 | 9,190 | 5,123 | 6,275 | 12,199 | 10,587 | 14,057 |
| 16 To sell[8] | 360 | 130 | 1,298 | 215 | 300 | 139 | 140 | 60 | 0 | 92 |
| FEDERAL HOME LOAN MORTGAGE CORPORATION | | | | | | | | | | |
| *Mortgage holdings (end of period)*[8] | | | | | | | | | | |
| 17 Total | 107,424 | 137,755 | 164,421 | 157,165 | 159,801 | 160,974 | 164,421 | 169,142 | 175,770 | 185,928 |
| 18 FHA/VA insured | 267 | 220 | 177[r] | 186 | 183 | 180 | 177[r] | 173[r] | 170[r] | 170 |
| 19 Conventional | 107,157 | 137,535 | 164,244[r] | 156,979 | 159,618 | 160,794 | 164.244[r] | 168,969[r] | 175,600[r] | 185,758 |
| *Mortgage transactions (during period)* | | | | | | | | | | |
| 20 Purchases | 98,470 | 125,103 | 117,401[r] | 10,362 | 12,175 | 11,152 | 15,979[r] | 13,120 | 13,610 | 21,011 |
| 21 Sales | 85,877 | 119,702 | 114,258[r] | 9,727 | 11,712[r] | 10,832 | 14,587 | 12,702 | 12,481 | 19,085 |
| 22 Mortgage commitments contracted (during period)[9] | 118,659 | 128,995 | 120,089 | 10,877 | 11,986 | 12,047 | 15,805 | 15,638 | 17,397 | 23,060 |

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 Sept. | 1997 Oct. | 1997 Nov. | 1997 Dec. | 1998 Jan.[r] | 1998 Feb. |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Seasonally adjusted | | | | | |
| 1 **Total** | **1,094,197** | **1,179,892** | **1,231,970[r]** | **1,224,466** | **1,233,908[r]** | **1,228,050[r]** | **1,231,970[r]** | **1,236,560** | **1,243,626** |
| 2 Automobile | 364,231 | 392,370 | 415,335[r] | 406,219 | 410,431 | 408,646[r] | 415,335[r] | 417,607 | 418,929 |
| 3 Revolving | 442,994 | 499,209 | 530,811 | 526,377 | 530,748 | 529,810 | 530,811 | 532,857 | 536,751 |
| 4 Other[2] | 286,972 | 288,313 | 285,824[r] | 291,870 | 292,729[r] | 289,594[r] | 285,824[r] | 286,096 | 287,946 |
| | | | | Not seasonally adjusted | | | | | |
| 5 **Total** | **1,122,828** | **1,211,590** | **1,265,384[r]** | **1,227,314** | **1,233,408[r]** | **1,235,598[r]** | **1,265,384[r]** | **1,246,594** | **1,238,380** |
| *By major holder* | | | | | | | | | |
| 6 Commercial banks | 501,963 | 526,769 | 512,539[r] | 507,549 | 506,291[r] | 506,497[r] | 512,539[r] | 500,847 | 495,572 |
| 7 Finance companies | 152,123 | 152,391 | 160,022 | 158,428 | 156,867 | 156,375 | 160,022 | 160,167 | 157,227 |
| 8 Credit unions | 131,939 | 144,148 | 153,667 | 150,669 | 151,486 | 151,770 | 153,667 | 152,346 | 151,172 |
| 9 Savings institutions | 40,106 | 44,711 | 47,172 | 48,487 | 48,049 | 47,611 | 47,172 | 46,733 | 46,295 |
| 10 Nonfinancial business[3] | 85,061 | 77,745 | 78,927 | 68,658 | 68,547 | 70,464 | 78,927 | 75,355 | 72,776 |
| 11 Pools of securitized assets[4] | 211,636 | 265,826 | 313,057[r] | 293,523 | 302,168 | 302,881[r] | 313,057[r] | 311,146 | 315,338 |
| *By major type of credit*[5] | | | | | | | | | |
| 12 Automobile | 367,069 | 395,609 | 418,859[r] | 409,812 | 414,950 | 412,869[r] | 418,859[r] | 415,840 | 414,613 |
| 13 Commercial banks | 151,437 | 157,047 | 155,254 | 157,234 | 157,857 | 156,232 | 155,254 | 154,413 | 152,747 |
| 14 Finance companies | 81,073 | 86,690 | 87,015 | 88,545 | 86,805 | 86,046 | 87,015 | 87,379 | 84,677 |
| 15 Pools of securitized assets[4] | 44,635 | 51,719 | 64,950[r] | 55,991 | 60,648 | 60,378[r] | 64,950[r] | 63,066 | 65,957 |
| 16 Revolving | 464,134 | 522,860 | 555,869 | 524,281 | 527,479 | 532,907 | 555,869 | 541,379 | 536,095 |
| 17 Commercial banks | 210,298 | 228,615 | 219,826 | 209,269 | 209,544 | 212,726 | 219,826 | 208,750 | 204,564 |
| 18 Finance companies | 28,460 | 32,493 | 38,608 | 34,925 | 34,717 | 34,789 | 38,608 | 37,585 | 37,020 |
| 19 Nonfinancial business[3] | 53,525 | 44,901 | 44,966 | 37,685 | 37,479 | 38,865 | 44,966 | 42,689 | 40,976 |
| 20 Pools of securitized assets[4] | 147,934 | 188,712 | 221,465 | 212,403 | 215,674 | 216,411 | 221,465 | 221,805 | 223,400 |
| 21 Other | 291,625 | 293,121 | 290,656[r] | 293,221 | 290,979[r] | 289,822[r] | 290,656[r] | 289,375 | 287,672 |
| 22 Commercial banks | 140,228 | 141,107 | 137,459[r] | 141,046 | 138,890[r] | 137,539[r] | 137,459[r] | 137,684 | 138,261 |
| 23 Finance companies | 42,590 | 33,208 | 34,399 | 34,958 | 35,345 | 35,540 | 34,399 | 35,203 | 35,530 |
| 24 Nonfinancial business[3] | 31,536 | 32,844 | 33,961 | 30,973 | 31,068 | 31,599 | 33,961 | 32,666 | 31,800 |
| 25 Pools of securitized assets[4] | 19,067 | 25,395 | 26,642 | 25,129 | 25,846 | 26,092 | 26,642 | 26,275 | 25,981 |

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 Aug. | 1997 Sept. | 1997 Oct. | 1997 Nov. | 1997 Dec. | 1998 Jan. | 1998 Feb. |
|---|---|---|---|---|---|---|---|---|---|---|
| INTEREST RATES | | | | | | | | | | |
| *Commercial banks*[2] | | | | | | | | | | |
| 1 48-month new car | 9.57 | 9.05 | 9.02 | 8.99 | n.a. | n.a. | 8.96 | n.a. | n.a. | 8.87 |
| 2 24-month personal | 13.94 | 13.54 | 13.90 | 13.84 | n.a. | n.a. | 14.50 | n.a. | n.a. | 14.01 |
| Credit card plan | | | | | | | | | | |
| 3 All accounts | 16.02 | 15.63 | 15.77 | 15.78 | n.a. | n.a. | 15.65 | n.a. | n.a. | 15.65 |
| 4 Accounts assessed interest | 15.79 | 15.50 | 15.57[r] | 15.81[r] | n.a. | n.a. | 15.62[r] | n.a. | n.a. | 15.33 |
| *Auto finance companies* | | | | | | | | | | |
| 5 New car | 11.19 | 9.84 | 7.12 | 5.93 | 6.12 | 7.27 | 6.85 | 5.93 | 6.12 | 6.98 |
| 6 Used car | 14.48 | 13.53 | 13.27 | 13.38 | 13.29 | 13.22 | 13.14 | 13.16 | 12.77 | 12.87 |
| OTHER TERMS[3] | | | | | | | | | | |
| *Maturity (months)* | | | | | | | | | | |
| 7 New car | 54.1 | 51.6 | 54.1 | 55.5 | 55.4 | 54.4 | 53.7 | 53.5 | 52.8 | 52.6 |
| 8 Used car | 52.2 | 51.4 | 51.0 | 51.2 | 50.8 | 50.6 | 50.5 | 50.5 | 52.2 | 52.5 |
| *Loan-to-value ratio* | | | | | | | | | | |
| 9 New car | 92 | 91 | 92 | 93 | 93 | 92 | 91 | 92 | 92 | 92 |
| 10 Used car | 99 | 100 | 99 | 99 | 99 | 101 | 99 | 99 | 98 | 97 |
| *Amount financed (dollars)* | | | | | | | | | | |
| 11 New car | 16,210 | 16,987 | 18,077 | 18,329 | 18,520 | 18,779 | 18,923 | 19,121 | 18,944 | 18,825 |
| 12 Used car | 11,590 | 12,182 | 12,281 | 12,204 | 12,190 | 12,287 | 12,389 | 12,547 | 12,391 | 12,356 |

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

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

Billions of dollars; quarterly data at seasonally adjusted annual rates

| Transaction category or sector | 1993 | 1994 | 1995 | 1996 | 1997 | 1996 | | | 1997 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | Nonfinancial sectors | | | | | | | | | | | |
| 1 **Total net borrowing by domestic nonfinancial sectors** | **589.4** | **575.2** | **704.2** | **719.7** | **758.8** | **694.9** | **686.8** | **638.7** | **724.2** | **612.6** | **722.3** | **976.1** |
| *By sector and instrument* | | | | | | | | | | | | |
| 2 Federal government | 256.1 | 155.9 | 144.4 | 145.0 | 23.1 | 62.7 | 163.2 | 126.9 | 81.2 | −97.1 | 40.9 | 67.4 |
| 3 Treasury securities | 248.3 | 155.7 | 142.9 | 146.6 | 23.2 | 60.5 | 166.3 | 130.2 | 82.6 | −97.3 | 41.9 | 65.6 |
| 4 Budget agency securities and mortgages | 7.8 | .2 | 1.5 | −1.6 | −.1 | 2.2 | −3.1 | −3.3 | −1.4 | .2 | −.9 | 1.7 |
| 5 Nonfederal | 333.3 | 419.4 | 559.7 | 574.6 | 735.7 | 632.2 | 523.6 | 511.8 | 643.0 | 709.6 | 681.4 | 908.8 |
| *By instrument* | | | | | | | | | | | | |
| 6 Commercial paper | 10.0 | 21.4 | 18.1 | −.9 | 13.7 | 9.2 | −14.2 | −24.1 | 7.2 | 20.3 | 14.5 | 12.8 |
| 7 Municipal securities and loans | 74.8 | −35.9 | −48.2 | 2.6 | 70.2 | 32.8 | −64.7 | 41.6 | 43.7 | 95.9 | 51.8 | 89.3 |
| 8 Corporate bonds | 75.2 | 23.3 | 73.3 | 72.5 | 90.7 | 71.5 | 67.8 | 89.9 | 79.4 | 86.1 | 122.9 | 74.4 |
| 9 Bank loans n.e.c. | 6.4 | 75.2 | 102.0 | 66.3 | 107.7 | 49.8 | 136.6 | 31.9 | 147.5 | 110.5 | 24.7 | 147.9 |
| 10 Other loans and advances | −18.9 | 34.0 | 67.2 | 33.8 | 65.9 | 47.3 | 63.0 | 3.9 | 31.2 | 20.3 | 73.5 | 138.3 |
| 11 Mortgages | 125.1 | 176.5 | 208.4 | 311.7 | 333.8 | 306.9 | 253.3 | 330.0 | 263.1 | 316.6 | 340.9 | 414.4 |
| 12 Home | 156.6 | 179.0 | 175.8 | 262.1 | 257.5 | 248.5 | 238.5 | 249.6 | 229.9 | 226.5 | 261.5 | 312.2 |
| 13 Multifamily residential | −6.6 | 2.0 | 10.7 | 17.8 | 21.0 | 17.6 | 12.0 | 27.6 | 10.8 | 21.3 | 15.1 | 36.6 |
| 14 Commercial | −25.9 | −6.8 | 20.2 | 29.2 | 52.1 | 35.9 | .7 | 51.2 | 20.4 | 64.6 | 60.0 | 63.2 |
| 15 Farm | 1.0 | 2.2 | 1.6 | 2.6 | 3.2 | 4.9 | 2.2 | 1.6 | 2.1 | 4.1 | 4.3 | 2.4 |
| 16 Consumer credit | 60.7 | 124.9 | 138.9 | 88.8 | 53.8 | 114.7 | 81.9 | 38.6 | 70.8 | 60.0 | 53.0 | 31.5 |
| *By borrowing sector* | | | | | | | | | | | | |
| 17 Household | 218.7 | 322.8 | 363.0 | 383.0 | 364.1 | 406.0 | 363.5 | 312.1 | 357.9 | 350.4 | 322.2 | 425.8 |
| 18 Nonfinancial business | 52.3 | 141.9 | 245.7 | 190.3 | 311.7 | 204.9 | 220.4 | 159.9 | 244.5 | 279.1 | 317.3 | 405.9 |
| 19 Corporate | 46.5 | 134.3 | 216.7 | 144.1 | 244.7 | 159.9 | 192.0 | 92.6 | 193.6 | 205.7 | 250.2 | 329.3 |
| 20 Nonfarm noncorporate | 3.2 | 3.3 | 26.0 | 41.5 | 60.7 | 37.1 | 27.9 | 58.2 | 46.6 | 66.8 | 64.0 | 65.5 |
| 21 Farm | 2.6 | 4.4 | 2.9 | 4.8 | 6.3 | 7.9 | .6 | 9.2 | 4.3 | 6.7 | 3.1 | 11.1 |
| 22 State and local government | 62.3 | −45.3 | −49.0 | 1.3 | 59.9 | 21.2 | −60.3 | 39.8 | 40.6 | 80.0 | 41.8 | 77.0 |
| 23 Foreign net borrowing in United States | 69.8 | −14.0 | 71.1 | 70.5 | 51.5 | 36.1 | 105.7 | 87.9 | 26.3 | 56.4 | 87.8 | 35.5 |
| 24 Commercial paper | −9.6 | −26.1 | 13.5 | 11.3 | 3.7 | 9.6 | 37.5 | 4.4 | 15.5 | 10.4 | −11.6 | .7 |
| 25 Bonds | 82.9 | 12.2 | 49.7 | 49.4 | 41.3 | 11.2 | 60.2 | 78.5 | 11.0 | 34.3 | 94.6 | 25.3 |
| 26 Bank loans n.e.c. | .7 | 1.4 | 8.5 | 9.1 | 8.5 | 15.1 | 4.7 | 7.8 | −.7 | 11.5 | 7.3 | 15.7 |
| 27 Other loans and advances | −4.2 | −1.5 | −.5 | .8 | −2.0 | .1 | 3.4 | −2.7 | .5 | .2 | −2.5 | −6.1 |
| 28 **Total domestic plus foreign** | **659.2** | **561.2** | **775.2** | **790.2** | **810.3** | **731.0** | **792.5** | **726.6** | **750.5** | **668.9** | **810.1** | **1,011.7** |
| | Financial sectors | | | | | | | | | | | |
| 29 **Total net borrowing by financial sectors** | **293.6** | **464.3** | **448.4** | **536.3** | **614.3** | **721.7** | **436.8** | **644.8** | **325.9** | **661.0** | **536.7** | **933.8** |
| *By instrument* | | | | | | | | | | | | |
| 30 Federal government-related | 165.3 | 287.5 | 204.1 | 231.5 | 213.4 | 301.4 | 222.9 | 252.8 | 105.7 | 286.2 | 161.0 | 300.6 |
| 31 Government-sponsored enterprise securities | 80.6 | 176.9 | 105.9 | 90.4 | 99.0 | 126.9 | 80.0 | 123.3 | −8.9 | 198.1 | 46.4 | 160.4 |
| 32 Mortgage pool securities | 84.7 | 115.4 | 98.2 | 141.1 | 114.4 | 174.5 | 142.9 | 129.6 | 114.6 | 88.1 | 114.6 | 140.3 |
| 33 Loans from U.S. government | .0 | −4.8 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 34 Private | 128.3 | 176.8 | 244.3 | 304.9 | 400.9 | 420.3 | 213.9 | 392.0 | 220.2 | 374.8 | 375.6 | 633.1 |
| 35 Open market paper | −5.5 | 40.5 | 42.7 | 92.2 | 166.7 | 105.4 | 84.4 | 162.0 | 175.9 | 77.8 | 168.2 | 244.6 |
| 36 Corporate bonds | 122.2 | 117.6 | 188.2 | 156.5 | 170.8 | 230.9 | 80.7 | 164.0 | 41.4 | 215.1 | 139.3 | 287.4 |
| 37 Bank loans n.e.c. | −14.4 | −13.7 | 4.2 | 16.8 | 13.6 | 20.6 | 2.6 | 20.4 | 7.0 | 4.9 | 16.7 | 25.7 |
| 38 Other loans and advances | 22.4 | 22.6 | 3.4 | 27.9 | 36.0 | 52.7 | 33.3 | 31.2 | −20.1 | 63.0 | 37.5 | 63.3 |
| 39 Mortgages | 3.6 | 9.8 | 5.9 | 11.4 | 14.0 | 10.8 | 12.9 | 14.3 | 16.0 | 14.0 | 14.0 | 12.0 |
| *By borrowing sector* | | | | | | | | | | | | |
| 40 Commercial banking | 13.4 | 20.1 | 22.5 | 13.0 | 46.5 | 44.5 | 14.7 | 26.8 | 13.7 | 79.7 | 32.0 | 60.7 |
| 41 Savings institutions | 11.3 | 12.8 | 2.6 | 25.5 | 19.8 | 42.1 | 25.8 | 23.0 | −16.8 | 31.9 | 22.3 | 41.7 |
| 42 Credit unions | .2 | .2 | −.1 | .1 | .1 | −.2 | .3 | .3 | −.2 | .2 | .2 | .3 |
| 43 Life insurance companies | .2 | .3 | −.1 | 1.1 | .2 | .3 | −.4 | 2.0 | .8 | .1 | .2 | −.3 |
| 44 Government-sponsored enterprises | 80.6 | 172.1 | 105.9 | 90.4 | 99.0 | 126.9 | 80.0 | 123.3 | −8.9 | 198.1 | 46.4 | 160.4 |
| 45 Federally related mortgage pools | 84.7 | 115.4 | 98.2 | 141.1 | 114.4 | 174.5 | 142.9 | 129.6 | 114.6 | 88.1 | 114.6 | 140.3 |
| 46 Issuers of asset-backed securities (ABSs) | 82.8 | 68.8 | 132.9 | 132.0 | 168.2 | 162.5 | 88.0 | 138.6 | 62.9 | 95.0 | 169.6 | 345.5 |
| 47 Finance companies | −1.4 | 48.7 | 50.2 | 45.9 | 48.7 | 67.8 | 30.7 | 43.8 | 7.2 | 123.8 | −2.9 | 66.6 |
| 48 Mortgage companies | .0 | −11.5 | .4 | 12.4 | 4.8 | 16.0 | 1.7 | 12.1 | 5.9 | 5.0 | 3.6 | 4.9 |
| 49 Real estate investment trusts (REITs) | 3.4 | 13.7 | 6.0 | 12.8 | 23.8 | 11.5 | 13.7 | 17.7 | 20.2 | 20.3 | 26.9 | 27.9 |
| 50 Brokers and dealers | 12.0 | .5 | −5.0 | −2.0 | 8.0 | 13.2 | 5.7 | 4.9 | −2.9 | 34.9 | −6.9 | 7.0 |
| 51 Funding corporations | 6.3 | 23.1 | 34.9 | 64.1 | 80.7 | 62.7 | 33.7 | 123.0 | 129.4 | −16.1 | 130.7 | 78.8 |

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

| Transaction category or sector | 1993 | 1994 | 1995 | 1996 | 1997 | 1996 | | | 1997 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | All sectors | | | | | | | | | | | |
| 52 **Total net borrowing, all sectors** | **952.7** | **1,025.5** | **1,223.7** | **1,326.5** | **1,424.6** | **1,452.7** | **1,229.3** | **1,371.5** | **1,076.4** | **1,329.9** | **1,346.7** | **1,945.5** |
| 53 Open market paper | −5.1 | 35.7 | 74.3 | 102.6 | 184.1 | 124.2 | 107.7 | 142.3 | 198.6 | 108.5 | 171.1 | 258.1 |
| 54 U.S. government securities | 421.4 | 448.1 | 348.5 | 376.5 | 236.5 | 364.1 | 386.1 | 379.7 | 186.9 | 189.1 | 201.9 | 368.0 |
| 55 Municipal securities | 74.8 | −35.9 | −48.2 | 2.6 | 70.2 | 32.8 | −64.7 | 41.6 | 43.7 | 95.9 | 51.8 | 89.3 |
| 56 Corporate and foreign bonds | 280.3 | 153.2 | 311.1 | 278.4 | 302.8 | 313.6 | 208.7 | 332.4 | 131.8 | 335.5 | 356.8 | 387.1 |
| 57 Bank loans n.e.c. | −7.2 | 62.9 | 114.7 | 92.1 | 129.7 | 85.5 | 143.8 | 60.1 | 153.8 | 126.8 | 48.7 | 189.4 |
| 58 Other loans and advances | −.8 | 50.3 | 70.1 | 62.5 | 99.8 | 100.1 | 99.7 | 32.4 | 11.7 | 83.6 | 108.5 | 195.6 |
| 59 Mortgages | 128.7 | 186.2 | 214.2 | 323.1 | 347.8 | 317.7 | 266.1 | 344.4 | 279.1 | 330.6 | 354.9 | 426.4 |
| 60 Consumer credit | 60.7 | 124.9 | 138.9 | 88.8 | 53.8 | 114.7 | 81.9 | 38.6 | 70.8 | 60.0 | 53.0 | 31.5 |
| | Funds raised through mutual funds and corporate equities | | | | | | | | | | | |
| 61 **Total net issues** | **429.7** | **125.2** | **143.9** | **230.5** | **217.8** | **380.4** | **71.9** | **156.0** | **197.7** | **183.0** | **313.9** | **176.6** |
| 62 Corporate equities | 137.7 | 24.6 | −3.5 | −7.0 | −41.2 | 75.9 | −100.1 | −20.3 | −55.7 | −57.9 | 10.2 | −61.5 |
| 63 Nonfinancial corporations | 21.3 | −44.9 | −58.3 | −64.2 | −79.9 | .4 | −127.6 | −56.0 | −78.8 | −90.4 | −60.4 | −90.0 |
| 64 Foreign shares purchased by U.S. residents | 63.4 | 48.1 | 50.4 | 58.8 | 38.0 | 70.1 | 32.7 | 42.3 | 47.0 | 53.0 | 62.2 | −10.4 |
| 65 Financial corporations | 53.0 | 21.4 | 4.4 | −1.6 | .7 | 5.4 | −5.1 | −6.7 | −23.9 | −20.6 | 8.4 | 38.8 |
| 66 Mutual fund shares | 292.0 | 100.6 | 147.4 | 237.6 | 259.0 | 304.5 | 171.9 | 176.3 | 253.4 | 240.9 | 303.7 | 238.2 |

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

## 1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

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

| Transaction category or sector | 1993 | 1994 | 1995 | 1996 | 1997 | 1996 | | | 1997 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| NET LENDING IN CREDIT MARKETS[2] | | | | | | | | | | | | |
| 1 **Total net lending in credit markets** | **952.7** | **1,025.5** | **1,223.7** | **1,326.5** | **1,424.6** | **1,452.7** | **1,229.3** | **1,371.5** | **1,076.4** | **1,329.9** | **1,346.7** | **1,945.5** |
| 2 Domestic nonfederal nonfinancial sectors | 43.0 | 241.8 | −85.7 | −17.9 | −115.2 | 311.1 | −222.3 | −158.5 | −205.8 | −66.3 | −175.8 | −13.0 |
| 3 Household | 2.4 | 278.5 | −1.8 | 5.1 | −101.7 | 274.9 | −81.9 | −22.8 | −204.2 | −30.0 | −121.5 | −51.0 |
| 4 Nonfinancial corporate business | 9.1 | 17.7 | −2.4 | 13.5 | 5.3 | 37.4 | −9.1 | −5.9 | 58.0 | −51.5 | 20.0 | −5.3 |
| 5 Nonfarm noncorporate business | −1.1 | .6 | .3 | .4 | .7 | .4 | .4 | .4 | .5 | .7 | .8 | .9 |
| 6 State and local governments | 32.6 | −55.0 | −81.8 | −37.0 | −19.6 | −1.7 | −131.7 | −130.2 | −60.2 | 14.5 | −75.1 | 42.4 |
| 7 Federal government | −18.4 | −27.5 | −.2 | −7.7 | 4.9 | −.1 | −7.1 | −4.1 | 1.9 | 5.6 | 3.0 | 9.1 |
| 8 Rest of the world | 129.3 | 132.3 | 273.9 | 409.3 | 316.4 | 268.9 | 485.3 | 532.2 | 367.3 | 303.0 | 402.7 | 192.5 |
| 9 Financial sectors | 798.8 | 678.9 | 1,035.7 | 942.9 | 1,218.5 | 872.8 | 973.4 | 1,001.9 | 913.0 | 1,087.5 | 1,116.8 | 1,756.8 |
| 10 Monetary authority | 36.2 | 31.5 | 12.7 | 12.3 | 38.3 | 11.7 | 11.5 | 8.4 | 37.4 | 47.2 | 14.3 | 54.3 |
| 11 Commercial banking | 142.2 | 163.4 | 265.9 | 187.5 | 324.3 | 179.7 | 196.1 | 248.3 | 308.1 | 309.2 | 209.8 | 469.9 |
| 12 U.S.-chartered banks | 149.6 | 148.1 | 186.5 | 119.6 | 275.0 | 121.9 | 119.5 | 158.9 | 195.9 | 301.1 | 209.5 | 393.5 |
| 13 Foreign banking offices in United States | −9.8 | 11.2 | 75.4 | 63.3 | 39.6 | 50.7 | 71.1 | 80.5 | 104.0 | 1.1 | −.6 | 53.8 |
| 14 Bank holding companies | .0 | .9 | −.3 | 3.9 | 5.4 | 5.4 | 4.8 | 10.5 | 2.2 | 5.1 | −5.0 | 19.4 |
| 15 Banks in U.S.-affiliated areas | 2.4 | 3.3 | 4.2 | .7 | 4.2 | 1.7 | .7 | −1.6 | 6.1 | 1.8 | 5.8 | 3.2 |
| 16 Savings institutions | −23.3 | 6.7 | −7.6 | 19.9 | −7.7 | 43.8 | 49.7 | −47.9 | −5.3 | 23.8 | −42.1 | −7.1 |
| 17 Credit unions | 21.7 | 28.1 | 16.2 | 25.5 | 15.7 | 33.0 | 21.1 | 24.3 | 18.5 | 25.7 | 15.7 | 2.7 |
| 18 Bank personal trusts and estates | 9.5 | 7.1 | −18.8 | 3.9 | 9.2 | 4.2 | 7.8 | 7.2 | 8.2 | 8.9 | 9.4 | 10.3 |
| 19 Life insurance companies | 100.9 | 66.7 | 99.2 | 72.5 | 121.1 | .9 | 123.2 | 118.1 | 94.3 | 175.0 | 107.0 | 108.1 |
| 20 Other insurance companies | 27.7 | 24.9 | 21.5 | 22.5 | 23.3 | 30.5 | 14.2 | 27.7 | −.1 | 27.9 | 32.4 | 32.8 |
| 21 Private pension funds | 49.5 | 45.5 | 61.4 | 46.5 | 66.9 | 46.9 | 41.3 | 31.0 | 52.4 | 58.5 | 66.2 | 90.5 |
| 22 State and local government retirement funds | 22.7 | 22.3 | 27.5 | 45.9 | 48.3 | 60.4 | 45.5 | 41.9 | 3.6 | 39.2 | 90.6 | 59.7 |
| 23 Money market mutual funds | 20.4 | 30.0 | 86.5 | 88.8 | 84.5 | 27.0 | 83.0 | 81.3 | 65.2 | 19.7 | 123.6 | 129.3 |
| 24 Mutual funds | 159.5 | −7.1 | 52.5 | 48.9 | 74.7 | 54.3 | 27.5 | 25.3 | 61.9 | 91.6 | 103.6 | 41.4 |
| 25 Closed-end funds | 20.0 | −3.7 | 10.5 | 2.2 | .8 | 2.2 | 2.2 | 2.2 | 2.7 | 1.3 | .3 | −.9 |
| 26 Government-sponsored enterprises | 87.8 | 117.8 | 84.7 | 92.0 | 95.0 | 114.7 | 81.4 | 137.9 | 45.1 | 119.2 | 55.5 | 160.1 |
| 27 Federally related mortgage pools | 84.7 | 115.4 | 98.2 | 141.1 | 114.4 | 174.5 | 142.9 | 129.6 | 114.6 | 88.1 | 114.6 | 140.3 |
| 28 Asset-backed securities issuers (ABSs) | 80.2 | 61.7 | 111.1 | 101.8 | 129.8 | 135.7 | 62.0 | 89.6 | 39.3 | 80.2 | 107.0 | 292.7 |
| 29 Finance companies | −20.9 | 48.3 | 49.9 | 18.4 | 22.2 | 36.3 | 13.2 | −6.2 | 44.9 | 1.9 | 65.2 | −23.2 |
| 30 Mortgage companies | .0 | −24.0 | −3.4 | 8.2 | 6.7 | −26.8 | 3.4 | 4.1 | −.3 | 10.0 | 7.2 | 9.7 |
| 31 Real estate investment trusts (REITs) | .6 | 4.7 | 2.2 | 3.5 | 5.0 | 3.4 | 3.4 | 3.9 | 5.0 | 5.0 | 5.0 | 5.0 |
| 32 Brokers and dealers | 14.8 | −44.2 | 90.1 | −15.7 | 15.9 | −72.0 | 35.5 | 82.7 | −14.5 | −11.7 | 15.8 | 74.0 |
| 33 Funding corporations | −35.3 | −16.2 | −24.6 | 17.2 | 30.4 | 12.3 | 8.6 | −7.6 | 31.9 | −33.1 | 15.6 | 107.2 |
| RELATION OF LIABILITIES TO FINANCIAL ASSETS | | | | | | | | | | | | |
| 34 **Net flows through credit markets** | **952.7** | **1,025.5** | **1,223.7** | **1,326.5** | **1,424.6** | **1,452.7** | **1,229.3** | **1,371.5** | **1,076.4** | **1,329.9** | **1,346.7** | **1,945.5** |
| *Other financial sources* | | | | | | | | | | | | |
| 35 Official foreign exchange | .8 | −5.8 | 8.8 | −6.3 | .7 | 1.6 | −26.6 | .7 | −17.6 | .4 | 2.4 | 17.5 |
| 36 Special drawing rights certificates | .0 | .0 | 2.2 | −.5 | −.5 | .0 | −1.8 | .0 | −2.1 | .0 | .0 | .0 |
| 37 Treasury currency | .4 | .7 | .6 | .0 | .0 | .0 | 2.3 | −2.3 | .4 | .2 | 1.3 | −1.9 |
| 38 Foreign deposits | −18.5 | 52.9 | 35.3 | 82.0 | 89.0 | 3.0 | 119.7 | 104.5 | 188.6 | 18.8 | 105.4 | 43.1 |
| 39 Net interbank transactions | 50.5 | 89.8 | 9.9 | −51.6 | −40.2 | −50.8 | −97.2 | 17.6 | −88.8 | −43.7 | −42.7 | 14.5 |
| 40 Checkable deposits and currency | 117.3 | −9.7 | −12.7 | 15.8 | 41.1 | 3.9 | 105.9 | −53.3 | 85.3 | 64.2 | −49.2 | 64.3 |
| 41 Small time and savings deposits | −70.3 | −39.9 | 96.6 | 97.2 | 98.5 | −3.2 | 94.2 | 90.1 | 157.9 | 24.5 | 46.6 | 165.1 |
| 42 Large time deposits | −23.5 | 19.6 | 65.6 | 114.0 | 120.5 | 83.1 | 180.2 | 135.4 | 49.9 | 176.3 | 194.1 | 61.6 |
| 43 Money market fund shares | 20.2 | 43.3 | 142.3 | 145.8 | 157.6 | 23.1 | 145.1 | 187.5 | 182.4 | 58.5 | 243.6 | 146.0 |
| 44 Security repurchase agreements | 71.3 | 78.2 | 110.5 | 40.3 | 114.0 | 98.4 | −15.9 | 83.3 | 32.8 | 193.7 | 115.9 | 113.6 |
| 45 Corporate equities | 137.7 | 24.6 | −3.5 | −7.0 | −41.2 | 75.9 | −100.1 | −20.3 | −55.7 | −57.9 | 10.2 | −61.5 |
| 46 Mutual fund shares | 292.0 | 100.6 | 147.4 | 237.6 | 259.0 | 304.5 | 171.9 | 176.3 | 253.4 | 240.9 | 303.7 | 238.2 |
| 47 Trade payables | 52.0 | 93.7 | 105.2 | 68.1 | 75.7 | 116.9 | −15.9 | 97.2 | 66.8 | 63.4 | 131.9 | 40.6 |
| 48 Security credit | 61.4 | −.1 | 26.7 | 52.4 | 103.8 | −34.8 | 5.3 | 125.2 | 117.1 | 137.4 | 79.7 | 81.2 |
| 49 Life insurance reserves | 36.0 | 34.5 | 44.9 | 43.6 | 57.0 | 31.4 | 59.2 | 66.7 | 39.8 | 77.5 | 62.8 | 48.0 |
| 50 Pension fund reserves | 255.6 | 246.1 | 233.9 | 227.2 | 298.6 | 195.6 | 221.6 | 277.0 | 243.3 | 337.3 | 311.8 | 302.0 |
| 51 Taxes payable | 11.4 | 2.6 | 4.6 | 14.0 | 20.1 | 7.6 | 12.5 | 16.6 | 30.4 | 1.8 | 29.9 | 18.1 |
| 52 Investment in bank personal trusts | .9 | 17.8 | −49.7 | 12.5 | 26.4 | 11.8 | 19.2 | 19.8 | 23.5 | 26.3 | 28.9 | 26.9 |
| 53 Noncorporate proprietors' equity | 24.6 | 59.0 | 39.5 | 22.6 | 15.8 | 19.6 | 44.5 | 5.9 | 22.6 | 19.7 | 19.7 | 1.2 |
| 54 Miscellaneous | 345.6 | 250.8 | 462.9 | 490.7 | 544.1 | 415.3 | 413.4 | 656.5 | 587.8 | 633.3 | 406.6 | 548.8 |
| 55 **Total financial sources** | **2,318.0** | **2,084.3** | **2,694.7** | **2,925.1** | **3,364.6** | **2,755.4** | **2,566.9** | **3,355.8** | **2,994.4** | **3,302.3** | **3,349.2** | **3,812.6** |
| *Liabilities not identified as assets* (−) | | | | | | | | | | | | |
| 56 Treasury currency | −.2 | −.2 | −.5 | −1.0 | −.6 | −1.0 | 1.3 | −3.1 | −.3 | −.5 | .8 | −2.4 |
| 57 Foreign deposits | −5.7 | 43.0 | 25.7 | 55.8 | 68.3 | 26.6 | 86.3 | 37.3 | 178.0 | −10.2 | 78.1 | 27.2 |
| 58 Net interbank liabilities | 4.2 | −2.7 | −3.1 | −3.3 | −16.0 | −22.5 | −4.4 | 4.2 | 26.9 | −24.4 | −51.6 | −15.0 |
| 59 Security repurchase agreements | 46.4 | 69.4 | 36.1 | 31.9 | 52.1 | 100.1 | −90.6 | 132.6 | −104.6 | 178.6 | 6.2 | 128.3 |
| 60 Taxes payable | 15.8 | 16.6 | 17.8 | 16.3 | 20.5 | 23.2 | 20.3 | 21.6 | 12.2 | 28.3 | 11.2 | 30.3 |
| 61 Miscellaneous | −190.1 | −145.6 | −110.6 | −120.7 | −283.0 | −123.2 | −240.1 | 19.0 | −189.3 | −321.4 | −281.7 | −339.8 |
| *Floats not included in assets* (−) | | | | | | | | | | | | |
| 62 Federal government checkable deposits | −1.5 | −4.8 | −6.0 | .5 | −2.7 | −6.6 | 27.1 | −21.4 | −9.4 | 16.1 | 2.1 | −19.5 |
| 63 Other checkable deposits | −1.3 | −2.8 | −3.8 | −4.0 | −3.9 | −5.0 | −4.7 | −3.7 | −2.6 | −4.8 | −3.4 | −4.8 |
| 64 Trade credit | −4.3 | .3 | −29.1 | −33.9 | −33.4 | .2 | −103.5 | −42.7 | 15.2 | −73.1 | −17.2 | −58.6 |
| 65 **Total identified to sectors as assets** | **2,454.5** | **2,111.1** | **2,768.2** | **2,983.6** | **3,563.4** | **2,763.6** | **2,875.4** | **3,212.0** | **3,068.4** | **3,513.7** | **3,604.6** | **4,066.9** |

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

2. Excludes corporate equities and mutual fund shares.

## 1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

| Transaction category or sector | 1994 | 1995 | 1996 | 1997 | 1996 | | | 1997 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | Nonfinancial sectors | | | | | | | | | | |
| 1 **Total credit market debt owed by domestic nonfinancial sectors** | **13,013.0** | **13,717.2** | **14,436.9** | **15,194.1** | **14,065.4** | **14,241.9** | **14,436.9** | **14,602.1** | **14,727.9** | **14,913.9** | **15,194.1** |
| *By sector and instrument* | | | | | | | | | | | |
| 2 Federal government | 3,492.3 | 3,636.7 | 3,781.8 | 3,804.9 | 3,693.8 | 3,733.1 | 3,781.8 | 3,829.8 | 3,760.6 | 3,771.2 | 3,804.9 |
| 3 Treasury securities | 3,465.6 | 3,608.5 | 3,755.1 | 3,778.3 | 3,665.5 | 3,705.7 | 3,755.1 | 3,803.5 | 3,734.3 | 3,745.1 | 3,778.3 |
| 4 Budget agency securities and mortgages | 26.7 | 28.2 | 26.6 | 26.5 | 28.2 | 27.4 | 26.6 | 26.3 | 26.3 | 26.1 | 26.5 |
| 5 Nonfederal | 9,520.7 | 10,080.4 | 10,655.1 | 11,389.2 | 10,371.6 | 10,508.8 | 10,655.1 | 10,772.3 | 10,967.3 | 11,142.7 | 11,389.2 |
| *By instrument* | | | | | | | | | | | |
| 6 Commercial paper | 139.2 | 157.4 | 156.4 | 168.6 | 181.7 | 173.0 | 156.4 | 168.7 | 179.3 | 176.6 | 168.6 |
| 7 Municipal securities and loans | 1,341.7 | 1,293.5 | 1,296.0 | 1,366.2 | 1,297.9 | 1,281.7 | 1,296.0 | 1,305.2 | 1,326.7 | 1,338.9 | 1,366.2 |
| 8 Corporate bonds | 1,253.0 | 1,326.3 | 1,398.8 | 1,489.5 | 1,359.4 | 1,376.4 | 1,398.8 | 1,418.7 | 1,440.2 | 1,470.9 | 1,489.5 |
| 9 Bank loans n.e.c. | 759.9 | 861.9 | 928.2 | 1,035.8 | 889.2 | 919.2 | 928.2 | 963.8 | 996.5 | 998.5 | 1,035.8 |
| 10 Other loans and advances | 669.6 | 736.9 | 770.6 | 836.5 | 757.3 | 769.4 | 770.6 | 782.9 | 786.9 | 801.3 | 836.5 |
| 11 Mortgages | 4,373.4 | 4,581.7 | 4,893.4 | 5,227.2 | 4,741.6 | 4,815.7 | 4,893.4 | 4,946.6 | 5,032.7 | 5,129.1 | 5,227.2 |
| 12 Home | 3,357.5 | 3,533.3 | 3,761.7 | 4,019.2 | 3,633.7 | 3,704.1 | 3,761.7 | 3,806.6 | 3,870.1 | 3,946.7 | 4,019.2 |
| 13 Multifamily residential | 268.4 | 279.2 | 300.7 | 321.6 | 290.8 | 293.8 | 300.7 | 303.4 | 308.7 | 312.5 | 321.6 |
| 14 Commercial | 664.5 | 684.7 | 743.9 | 796.0 | 731.0 | 731.1 | 743.9 | 749.0 | 765.2 | 780.2 | 796.0 |
| 15 Farm | 83.0 | 84.6 | 87.1 | 90.3 | 86.2 | 86.7 | 87.1 | 87.7 | 88.7 | 89.8 | 90.3 |
| 16 Consumer credit | 983.9 | 1,122.8 | 1,211.6 | 1,265.4 | 1,144.5 | 1,173.5 | 1,211.6 | 1,186.4 | 1,205.0 | 1,227.3 | 1,265.4 |
| *By borrowing sector* | | | | | | | | | | | |
| 17 Household | 4,482.5 | 4,850.7 | 5,204.6 | 5,571.5 | 4,991.3 | 5,101.0 | 5,204.6 | 5,240.0 | 5,340.5 | 5,439.4 | 5,571.5 |
| 18 Nonfinancial business | 3,921.7 | 4,162.2 | 4,381.7 | 4,689.0 | 4,309.6 | 4,352.1 | 4,381.7 | 4,454.2 | 4,531.4 | 4,598.0 | 4,689.0 |
| 19 Corporate | 2,657.7 | 2,869.2 | 3,042.4 | 3,282.8 | 2,993.7 | 3,028.4 | 3,042.4 | 3,104.9 | 3,160.4 | 3,209.7 | 3,282.8 |
| 20 Nonfarm noncorporate | 1,121.8 | 1,147.9 | 1,189.3 | 1,250.1 | 1,167.8 | 1,174.1 | 1,189.3 | 1,200.9 | 1,217.6 | 1,233.0 | 1,250.1 |
| 21 Farm | 142.2 | 145.1 | 149.9 | 156.2 | 148.2 | 149.5 | 149.9 | 148.3 | 153.4 | 155.4 | 156.2 |
| 22 State and local government | 1,116.5 | 1,067.6 | 1,068.9 | 1,128.7 | 1,070.7 | 1,055.7 | 1,068.9 | 1,078.1 | 1,095.4 | 1,105.2 | 1,128.7 |
| 23 **Foreign credit market debt held in United States** | **371.8** | **442.9** | **513.4** | **558.8** | **462.6** | **490.2** | **513.4** | **517.8** | **531.6** | **548.7** | **558.8** |
| 24 Commercial paper | 42.7 | 56.2 | 67.5 | 65.1 | 54.5 | 65.8 | 67.5 | 69.3 | 71.3 | 64.3 | 65.1 |
| 25 Bonds | 242.3 | 291.9 | 341.3 | 382.6 | 306.7 | 321.7 | 341.3 | 344.1 | 352.7 | 376.3 | 382.6 |
| 26 Bank loans n.e.c. | 26.1 | 34.6 | 43.7 | 52.1 | 40.5 | 41.7 | 43.7 | 43.5 | 46.4 | 48.2 | 52.1 |
| 27 Other loans and advances | 60.8 | 60.2 | 61.0 | 59.0 | 60.9 | 61.0 | 61.0 | 60.9 | 61.2 | 59.9 | 59.0 |
| 28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign** | **13,384.9** | **14,160.1** | **14,950.3** | **15,752.9** | **14,528.0** | **14,732.1** | **14,950.3** | **15,119.8** | **15,259.5** | **15,462.6** | **15,752.9** |
| | Financial sectors | | | | | | | | | | |
| 29 **Total credit market debt owed by financial sectors** | **3,797.3** | **4,248.4** | **4,784.7** | **5,366.0** | **4,511.9** | **4,624.1** | **4,784.7** | **4,861.4** | **5,029.4** | **5,133.7** | **5,366.0** |
| *By instrument* | | | | | | | | | | | |
| 30 Federal government-related | 2,172.7 | 2,376.8 | 2,608.3 | 2,821.7 | 2,489.4 | 2,545.1 | 2,608.3 | 2,634.7 | 2,706.2 | 2,746.5 | 2,821.7 |
| 31 Government-sponsored enterprise securities | 700.6 | 806.5 | 896.9 | 995.9 | 846.1 | 866.1 | 896.9 | 894.7 | 944.2 | 955.8 | 995.9 |
| 32 Mortgage pool securities | 1,472.1 | 1,570.3 | 1,711.4 | 1,825.8 | 1,643.3 | 1,679.0 | 1,711.4 | 1,740.0 | 1,762.1 | 1,790.7 | 1,825.8 |
| 33 Loans from U.S. government | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 34 Private | 1,624.6 | 1,871.5 | 2,176.4 | 2,544.3 | 2,022.5 | 2,079.0 | 2,176.4 | 2,226.7 | 2,323.2 | 2,387.2 | 2,544.3 |
| 35 Open market paper | 441.6 | 486.9 | 579.1 | 745.7 | 517.3 | 538.6 | 579.1 | 623.0 | 642.5 | 684.7 | 745.7 |
| 36 Corporate bonds | 983.9 | 1,172.0 | 1,328.5 | 1,466.3 | 1,265.2 | 1,288.8 | 1,328.5 | 1,334.4 | 1,390.7 | 1,396.0 | 1,466.3 |
| 37 Bank loans n.e.c. | 48.9 | 53.1 | 69.8 | 83.4 | 63.9 | 64.2 | 69.8 | 71.3 | 72.9 | 76.5 | 83.4 |
| 38 Other loans and advances | 131.6 | 135.0 | 162.9 | 198.9 | 146.8 | 155.1 | 162.9 | 157.9 | 173.7 | 183.0 | 198.9 |
| 39 Mortgages | 18.7 | 24.6 | 36.0 | 50.0 | 29.2 | 32.4 | 36.0 | 40.0 | 43.5 | 47.0 | 50.0 |
| *By borrowing sector* | | | | | | | | | | | |
| 40 Commercial banks | 94.5 | 102.6 | 113.6 | 141.0 | 104.6 | 107.7 | 113.6 | 115.3 | 125.7 | 130.0 | 141.0 |
| 41 Bank holding companies | 133.6 | 148.0 | 150.0 | 168.6 | 148.4 | 149.1 | 150.0 | 151.6 | 161.1 | 164.6 | 168.6 |
| 42 Savings institutions | 112.4 | 115.0 | 140.5 | 160.3 | 128.3 | 134.8 | 140.5 | 136.3 | 144.3 | 149.8 | 160.3 |
| 43 Credit unions | .5 | .4 | .4 | .6 | .3 | .4 | .4 | .4 | .4 | .5 | .6 |
| 44 Life insurance companies | .6 | .5 | 1.6 | 1.8 | 1.2 | 1.1 | 1.6 | 1.8 | 1.8 | 1.9 | 1.8 |
| 45 Government-sponsored enterprises | 700.6 | 806.5 | 896.9 | 995.9 | 846.1 | 866.1 | 896.9 | 894.7 | 944.2 | 955.8 | 995.9 |
| 46 Federally related mortgage pools | 1,472.1 | 1,570.3 | 1,711.4 | 1,825.8 | 1,643.3 | 1,679.0 | 1,711.4 | 1,740.0 | 1,762.1 | 1,790.7 | 1,825.8 |
| 47 Issuers of asset-backed securities (ABSs) | 554.1 | 687.0 | 819.1 | 998.4 | 756.6 | 781.2 | 819.1 | 829.8 | 852.5 | 908.8 | 998.4 |
| 48 Brokers and dealers | 34.3 | 29.3 | 27.3 | 35.3 | 24.6 | 26.1 | 27.3 | 26.6 | 35.3 | 33.6 | 35.3 |
| 49 Finance companies | 433.7 | 483.9 | 529.8 | 554.5 | 506.3 | 513.7 | 529.8 | 528.4 | 557.8 | 532.7 | 554.5 |
| 50 Mortgage companies | 18.7 | 19.1 | 31.5 | 36.4 | 28.1 | 28.5 | 31.5 | 33.0 | 34.3 | 35.2 | 36.4 |
| 51 Real estate investment trusts (REITs) | 31.1 | 37.1 | 49.9 | 73.7 | 42.0 | 45.4 | 49.9 | 54.9 | 60.0 | 66.7 | 73.7 |
| 52 Funding corporations | 211.0 | 248.6 | 312.7 | 373.8 | 282.0 | 291.0 | 312.7 | 348.6 | 350.0 | 363.4 | 373.8 |
| | All sectors | | | | | | | | | | |
| 53 **Total credit market debt, domestic and foreign** | **17,182.2** | **18,408.5** | **19,735.0** | **21,118.9** | **19,039.9** | **19,356.2** | **19,735.0** | **19,981.2** | **20,288.9** | **20,596.3** | **21,118.9** |
| 54 Open market paper | 623.5 | 700.4 | 803.0 | 979.4 | 753.6 | 777.4 | 803.0 | 861.1 | 893.1 | 925.7 | 979.4 |
| 55 U.S. government securities | 5,665.0 | 6,013.6 | 6,390.0 | 6,626.5 | 6,183.1 | 6,278.2 | 6,390.0 | 6,464.5 | 6,466.8 | 6,517.7 | 6,626.5 |
| 56 Municipal securities | 1,341.7 | 1,293.5 | 1,296.0 | 1,366.2 | 1,297.9 | 1,281.7 | 1,296.0 | 1,305.2 | 1,326.7 | 1,338.9 | 1,366.2 |
| 57 Corporate and foreign bonds | 2,479.1 | 2,790.3 | 3,068.7 | 3,338.4 | 2,931.3 | 2,986.8 | 3,068.7 | 3,097.2 | 3,183.6 | 3,243.2 | 3,338.4 |
| 58 Bank loans n.e.c. | 834.9 | 949.6 | 1,041.7 | 1,171.3 | 993.7 | 1,025.0 | 1,041.7 | 1,078.6 | 1,115.7 | 1,123.1 | 1,171.3 |
| 59 Other loans and advances | 862.0 | 932.1 | 994.5 | 1,094.4 | 965.0 | 985.4 | 994.5 | 1,001.7 | 1,021.8 | 1,044.2 | 1,094.4 |
| 60 Mortgages | 4,392.1 | 4,606.3 | 4,929.4 | 5,277.2 | 4,770.8 | 4,848.1 | 4,929.4 | 4,986.6 | 5,076.2 | 5,176.1 | 5,277.2 |
| 61 Consumer credit | 983.9 | 1,122.8 | 1,211.6 | 1,265.4 | 1,144.5 | 1,173.5 | 1,211.6 | 1,186.4 | 1,205.0 | 1,227.3 | 1,265.4 |

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

## 1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

| Transaction category or sector | 1994 | 1995 | 1996 | 1997 | 1996 | | | 1997 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| CREDIT MARKET DEBT OUTSTANDING[2] | | | | | | | | | | | |
| 1 **Total credit market assets** | **17,182.2** | **18,408.5** | **19,735.0** | **21,118.9** | **19,039.9** | **19,356.2** | **19,735.0** | **19,981.2** | **20,288.9** | **20,596.3** | **21,118.9** |
| 2 Domestic nonfederal nonfinancial sectors | 2,998.6 | 2,877.8 | 2,905.0 | 2,753.7 | 2,936.2 | 2,896.5 | 2,905.0 | 2,825.6 | 2,785.6 | 2,725.9 | 2,753.7 |
| 3 Household | 1,941.9 | 1,904.9 | 1,964.5 | 1,826.9 | 1,934.5 | 1,941.3 | 1,964.5 | 1,911.7 | 1,873.7 | 1,829.4 | 1,826.9 |
| 4 Nonfinancial corporate business | 289.2 | 286.8 | 291.0 | 296.3 | 285.7 | 273.8 | 291.0 | 281.8 | 272.3 | 277.1 | 296.3 |
| 5 Nonfarm noncorporate business | 37.6 | 37.9 | 38.3 | 39.0 | 38.1 | 38.2 | 38.3 | 38.5 | 38.6 | 38.8 | 39.0 |
| 6 State and local governments | 729.9 | 648.1 | 611.1 | 591.5 | 677.8 | 643.2 | 611.1 | 593.6 | 600.9 | 580.5 | 591.5 |
| 7 Federal government | 204.4 | 204.2 | 196.5 | 201.4 | 199.2 | 197.5 | 196.5 | 196.9 | 198.3 | 199.1 | 201.4 |
| 8 Rest of the world | 1,254.8 | 1,563.1 | 1,953.6 | 2,270.0 | 1,722.2 | 1,844.8 | 1,953.6 | 2,051.1 | 2,125.3 | 2,227.3 | 2,270.0 |
| 9 Financial sectors | 12,724.3 | 13,763.4 | 14,679.9 | 15,893.8 | 14,182.3 | 14,417.4 | 14,679.9 | 14,907.6 | 15,179.7 | 15,443.9 | 15,893.8 |
| 10 Monetary authority | 368.2 | 380.8 | 393.1 | 431.4 | 386.3 | 386.2 | 393.1 | 397.1 | 412.4 | 412.7 | 431.4 |
| 11 Commercial banking | 3,254.3 | 3,520.1 | 3,707.7 | 4,031.9 | 3,590.8 | 3,643.3 | 3,707.7 | 3,775.7 | 3,856.8 | 3,912.9 | 4,031.9 |
| 12 U.S.-chartered banks | 2,869.6 | 3,056.1 | 3,175.8 | 3,450.8 | 3,101.3 | 3,135.3 | 3,175.8 | 3,218.1 | 3,295.2 | 3,351.9 | 3,450.8 |
| 13 Foreign banking offices in United States | 337.1 | 412.6 | 475.8 | 515.4 | 437.1 | 454.2 | 475.8 | 499.5 | 501.8 | 501.0 | 515.4 |
| 14 Bank holding companies | 18.4 | 18.0 | 22.0 | 27.4 | 18.1 | 19.3 | 22.0 | 22.5 | 23.8 | 22.5 | 27.4 |
| 15 Banks in U.S.-affiliated areas | 29.2 | 33.4 | 34.1 | 38.3 | 34.3 | 34.5 | 34.1 | 35.6 | 36.1 | 37.5 | 38.3 |
| 16 Savings institutions | 920.8 | 913.3 | 933.2 | 925.5 | 932.7 | 945.2 | 933.2 | 931.9 | 937.8 | 927.3 | 925.5 |
| 17 Credit unions | 246.8 | 263.0 | 288.5 | 304.2 | 276.9 | 282.6 | 288.5 | 291.2 | 299.2 | 303.6 | 304.2 |
| 18 Bank personal trusts and estates | 248.0 | 229.2 | 233.1 | 242.3 | 229.4 | 231.3 | 233.1 | 235.2 | 237.4 | 239.7 | 242.3 |
| 19 Life insurance companies | 1,482.6 | 1,581.8 | 1,654.3 | 1,775.4 | 1,596.7 | 1,627.0 | 1,654.3 | 1,680.2 | 1,724.1 | 1,750.4 | 1,775.4 |
| 20 Other insurance companies | 446.4 | 468.7 | 491.2 | 514.4 | 480.7 | 484.2 | 491.2 | 491.2 | 498.1 | 506.2 | 514.4 |
| 21 Private pension funds | 656.9 | 718.3 | 764.8 | 831.7 | 746.7 | 757.1 | 764.8 | 777.9 | 792.5 | 809.1 | 831.7 |
| 22 State and local government retirement funds | 455.8 | 483.3 | 529.2 | 577.5 | 509.8 | 517.7 | 529.2 | 531.6 | 542.7 | 562.0 | 577.5 |
| 23 Money market mutual funds | 459.0 | 545.5 | 634.3 | 718.8 | 594.7 | 606.6 | 634.3 | 659.0 | 656.5 | 678.7 | 718.8 |
| 24 Mutual funds | 718.8 | 771.3 | 820.2 | 894.8 | 809.0 | 818.3 | 820.2 | 838.3 | 860.6 | 889.2 | 894.8 |
| 25 Closed-end funds | 86.0 | 96.4 | 98.7 | 99.5 | 97.6 | 98.1 | 98.7 | 99.3 | 99.7 | 99.7 | 99.5 |
| 26 Government-sponsored enterprises | 663.3 | 748.0 | 813.6 | 908.6 | 758.9 | 779.3 | 813.6 | 824.3 | 854.8 | 868.7 | 908.6 |
| 27 Federally related mortgage pools | 1,472.1 | 1,570.3 | 1,711.4 | 1,825.8 | 1,643.3 | 1,679.0 | 1,711.4 | 1,740.0 | 1,762.1 | 1,790.7 | 1,825.8 |
| 28 Asset-backed securities issuers (ABSs) | 516.8 | 627.9 | 729.7 | 859.5 | 686.0 | 704.1 | 729.7 | 734.5 | 753.5 | 783.1 | 859.5 |
| 29 Finance companies | 476.2 | 526.2 | 544.5 | 566.7 | 539.9 | 538.3 | 544.5 | 552.4 | 553.1 | 564.4 | 566.7 |
| 30 Mortgage companies | 36.5 | 33.0 | 41.2 | 47.9 | 39.3 | 40.2 | 41.2 | 41.1 | 43.6 | 45.4 | 47.9 |
| 31 Real estate investment trusts (REITs) | 13.3 | 15.5 | 19.0 | 24.0 | 17.2 | 18.0 | 19.0 | 20.3 | 21.5 | 22.8 | 24.0 |
| 32 Brokers and dealers | 93.3 | 183.4 | 167.7 | 183.6 | 138.2 | 147.1 | 167.7 | 164.1 | 161.2 | 165.1 | 183.6 |
| 33 Funding corporations | 109.3 | 87.3 | 104.5 | 130.3 | 108.1 | 113.9 | 104.5 | 122.5 | 112.0 | 112.3 | 130.3 |
| RELATION OF LIABILITIES TO FINANCIAL ASSETS | | | | | | | | | | | |
| 34 **Total credit market debt** | **17,182.2** | **18,408.5** | **19,735.0** | **21,118.9** | **19,039.9** | **19,356.2** | **19,735.0** | **19,981.2** | **20,288.9** | **20,596.3** | **21,118.9** |
| *Other liabilities* | | | | | | | | | | | |
| 35 Official foreign exchange | 53.2 | 63.7 | 53.7 | 48.9 | 61.4 | 54.3 | 53.7 | 46.3 | 46.7 | 46.1 | 48.9 |
| 36 Special drawing rights certificates | 8.0 | 10.2 | 9.7 | 9.2 | 10.2 | 9.7 | 9.7 | 9.2 | 9.2 | 9.2 | 9.2 |
| 37 Treasury currency | 17.6 | 18.2 | 18.2 | 18.2 | 18.2 | 18.8 | 18.2 | 18.3 | 18.3 | 18.7 | 18.2 |
| 38 Foreign deposits | 324.6 | 359.2 | 438.1 | 527.0 | 385.2 | 415.1 | 438.1 | 485.2 | 489.9 | 516.2 | 527.0 |
| 39 Net interbank liabilities | 280.1 | 290.7 | 240.8 | 198.9 | 250.0 | 225.8 | 240.8 | 210.2 | 197.1 | 186.9 | 198.9 |
| 40 Checkable deposits and currency | 1,242.0 | 1,229.3 | 1,245.1 | 1,286.2 | 1,212.3 | 1,220.8 | 1,245.1 | 1,220.0 | 1,265.3 | 1,234.2 | 1,286.2 |
| 41 Small time and savings deposits | 2,183.2 | 2,279.7 | 2,377.0 | 2,475.5 | 2,340.2 | 2,357.9 | 2,377.0 | 2,427.1 | 2,432.3 | 2,437.0 | 2,475.5 |
| 42 Large time deposits | 411.2 | 476.9 | 590.9 | 711.4 | 511.1 | 557.2 | 590.9 | 606.0 | 646.7 | 696.1 | 711.4 |
| 43 Money market fund shares | 602.9 | 745.3 | 891.1 | 1,048.7 | 809.5 | 838.1 | 891.1 | 950.8 | 952.4 | 1,005.1 | 1,048.7 |
| 44 Security repurchase agreements | 549.5 | 660.0 | 700.3 | 814.3 | 692.0 | 687.6 | 700.3 | 713.3 | 765.1 | 792.5 | 814.3 |
| 45 Mutual fund shares | 1,477.3 | 1,852.8 | 2,342.4 | 3,013.5 | 2,129.9 | 2,211.6 | 2,342.4 | 2,411.5 | 2,719.6 | 2,977.0 | 3,013.5 |
| 46 Security credit | 279.0 | 305.7 | 358.1 | 461.9 | 318.6 | 317.8 | 358.1 | 380.0 | 414.8 | 432.2 | 461.9 |
| 47 Life insurance reserves | 505.3 | 550.2 | 593.8 | 650.8 | 562.3 | 577.1 | 593.8 | 603.7 | 623.1 | 638.8 | 650.8 |
| 48 Pension fund reserves | 4,880.1 | 5,600.5 | 6,313.8 | 7,453.9 | 5,901.1 | 6,030.9 | 6,313.8 | 6,414.7 | 6,940.1 | 7,325.1 | 7,453.9 |
| 49 Trade payables | 1,141.5 | 1,246.7 | 1,314.8 | 1,390.5 | 1,269.7 | 1,263.0 | 1,314.8 | 1,300.6 | 1,322.2 | 1,351.3 | 1,390.5 |
| 50 Taxes payable | 101.4 | 106.0 | 120.0 | 140.1 | 113.4 | 117.9 | 120.0 | 133.2 | 128.9 | 137.5 | 140.1 |
| 51 Investment in bank personal trusts | 699.4 | 767.4 | 872.0 | 1,050.7 | 811.7 | 829.0 | 872.0 | 890.4 | 969.7 | 1,035.2 | 1,050.7 |
| 52 Miscellaneous | 5,402.7 | 5,792.0 | 6,163.8 | 6,441.0 | 5,943.3 | 6,031.6 | 6,163.8 | 6,344.1 | 6,276.2 | 6,394.0 | 6,441.0 |
| 53 **Total liabilities** | **37,341.4** | **40,762.9** | **44,378.5** | **48,859.7** | **42,379.7** | **43,120.4** | **44,378.5** | **45,146.0** | **46,506.6** | **47,829.3** | **48,859.7** |
| *Financial assets not included in liabilities (+)* | | | | | | | | | | | |
| 54 Gold and special drawing rights | 21.1 | 22.1 | 21.4 | 21.1 | 22.0 | 21.2 | 21.4 | 20.9 | 21.1 | 21.0 | 21.1 |
| 55 Corporate equities | 6,237.9 | 8,331.3 | 10,061.1 | 12,958.6 | 9,105.0 | 9,340.5 | 10,061.1 | 10,072.3 | 11,719.8 | 12,804.6 | 12,958.6 |
| 56 Household equity in noncorporate business | 3,419.1 | 3,625.4 | 3,836.5 | 4,087.6 | 3,727.1 | 3,792.1 | 3,836.5 | 3,914.9 | 4,052.3 | 4,111.8 | 4,087.6 |
| *Liabilities not identified as assets (−)* | | | | | | | | | | | |
| 57 Treasury currency | −5.4 | −5.8 | −6.8 | −7.4 | −6.3 | −6.0 | −6.8 | −6.9 | −7.0 | −6.8 | −7.4 |
| 58 Foreign deposits | 276.2 | 301.2 | 354.1 | 422.4 | 326.1 | 347.7 | 354.1 | 398.6 | 396.0 | 415.6 | 422.4 |
| 59 Net interbank transactions | −6.5 | −9.0 | −10.6 | −28.3 | −8.0 | −11.6 | −10.6 | −1.6 | −8.1 | −22.1 | −28.3 |
| 60 Security repurchase agreements | 67.8 | 103.9 | 135.8 | 187.9 | 125.5 | 113.4 | 135.8 | 110.9 | 153.4 | 164.8 | 187.9 |
| 61 Taxes payable | 48.8 | 60.8 | 73.2 | 93.2 | 61.0 | 67.7 | 73.2 | 70.6 | 72.5 | 82.3 | 93.2 |
| 62 Miscellaneous | −977.7 | −1,092.2 | −1,414.2 | −1,631.2 | −1,222.4 | −1,300.4 | −1,414.2 | −1,382.7 | −1,439.6 | −1,448.0 | −1,631.2 |
| *Floats not included in assets (−)* | | | | | | | | | | | |
| 63 Federal government checkable deposits | 3.4 | 3.1 | −1.6 | −8.1 | −3.4 | −1.7 | −1.6 | −9.7 | −6.8 | −7.8 | −8.1 |
| 64 Other checkable deposits | 38.0 | 34.2 | 30.1 | 26.2 | 31.8 | 23.1 | 30.1 | 25.6 | 27.9 | 19.5 | 26.2 |
| 65 Trade credit | −245.8 | −274.9 | −308.7 | −353.2 | −338.5 | −377.8 | −308.7 | −363.8 | −390.0 | −419.9 | −353.2 |
| 66 **Total identified to sectors as assets** | **47,820.7** | **53,620.4** | **59,446.2** | **67,225.5** | **56,268.0** | **57,419.8** | **59,446.2** | **60,313.1** | **63,501.4** | **65,989.1** | **67,225.5** |

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

2. Excludes corporate equities and mutual fund shares.

## 2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

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

| Measure | 1995 | 1996 | 1997 | 1997 | | | | | | 1998[r] | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. |
| 1 **Industrial production**[1] | **114.5** | **118.5** | **124.5** | **124.5** | **125.2** | **125.6** | **126.5** | **127.5** | **127.9** | **127.7** | **127.5** | **127.7** |
| *Market groupings* | | | | | | | | | | | | |
| 2 Products, total | 110.6 | 113.7 | 118.5 | 118.1 | 119.2 | 119.1 | 120.2 | 121.2 | 121.0[r] | 121.2 | 120.9 | 120.9 |
| 3 Final, total | 111.3 | 114.6 | 119.6 | 119.2 | 120.5 | 120.3 | 121.5 | 122.5 | 122.2[r] | 122.6 | 121.9 | 121.9 |
| 4 Consumer goods | 109.9 | 111.8 | 114.4 | 113.9 | 114.6 | 114.5 | 115.9 | 116.7 | 115.9[r] | 116.6 | 115.6 | 115.7 |
| 5 Equipment | 113.8 | 119.6 | 128.8 | 128.6 | 130.9 | 130.6 | 131.3 | 132.8 | 133.4[r] | 133.2 | 133.2 | 133.2 |
| 6 Intermediate | 108.3 | 110.8 | 115.1 | 114.6 | 115.3 | 115.2 | 116.3 | 117.3 | 117.4[r] | 117.0 | 117.6 | 117.5 |
| 7 Materials | 120.8 | 126.2 | 134.1 | 134.9 | 134.9 | 136.1 | 136.7 | 137.7 | 138.9[r] | 138.1 | 138.0 | 138.7 |
| *Industry groupings* | | | | | | | | | | | | |
| 8 Manufacturing | 116.0 | 120.2 | 127.0 | 126.9 | 127.9 | 128.0 | 129.1 | 130.4 | 130.9 | 131.0 | 130.7 | 130.4 |
| 9 Capacity utilization, manufacturing (percent)[2] | 82.8 | 81.4 | 81.7 | 81.5 | 81.8 | 81.6 | 81.9 | 82.3 | 82.3 | 82.0 | 81.5 | 80.9 |
| 10 Construction contracts[3] | 122.0 | 130.8 | 140.3[r] | 140.0 | 139.0 | 140.0[r] | 140.0[r] | 140.0 | 140.0 | 140.0 | 138.0 | 131.0 |
| 11 Nonagricultural employment, total[4] | 114.9 | 117.2 | 119.9 | 120.1 | 120.1 | 120.4 | 120.7 | 121.1 | 121.5 | 121.9 | 122.1 | 122.1 |
| 12 Goods-producing, total | 98.3 | 99.0 | 100.3 | 100.2 | 100.4 | 100.4 | 100.6 | 100.9 | 101.3 | 101.9 | 102.0 | 101.7 |
| 13 Manufacturing, total | 97.5 | 97.2 | 97.6 | 97.5 | 97.7 | 97.7 | 97.9 | 98.1 | 98.3 | 98.5 | 98.6 | 98.6 |
| 14 Manufacturing, production workers | 99.0 | 98.4 | 98.9 | 98.8 | 98.9 | 99.0 | 99.2 | 99.5 | 99.7 | 99.9 | 100.0 | 99.9 |
| 15 Service-producing | 120.2 | 123.0 | 126.2 | 126.5 | 126.5 | 126.8 | 127.2 | 127.6 | 127.9 | 128.3 | 128.6 | 128.6 |
| 16 Personal income, total | 158.2 | 167.0 | 176.8 | 176.7 | 177.8 | 178.3 | 179.2[r] | 180.5[r] | 181.3 | 182.4 | 183.5 | n.a. |
| 17 Wages and salary disbursements | 150.9 | 159.8 | 170.6 | 170.3 | 171.7 | 172.3 | 173.5 | 175.6 | 176.4[r] | 177.7 | 179.2 | n.a. |
| 18 Manufacturing | 130.4 | 135.7 | 142.0 | 141.1 | 142.1 | 142.8 | 144.4 | 145.7 | 146.4 | 146.5 | 146.8 | n.a. |
| 19 Disposable personal income[5] | 158.7 | 166.2 | 174.4 | 174.3 | 175.2 | 175.8 | 176.6 | 177.7 | 178.4[r] | 179.8 | 180.8 | n.a. |
| 20 Retail sales[5] | 151.2 | 158.6 | 165.6 | 166.5 | 167.2 | 166.7 | 166.5 | 166.8 | 167.6 | 169.3 | 170.5 | 170.3 |
| *Prices*[6] | | | | | | | | | | | | |
| 21 Consumer (1982–84=100) | 152.4 | 156.9 | 160.5 | 160.5 | 160.8 | 161.2 | 161.6 | 161.5 | 161.3 | 161.6 | 161.9 | 162.2 |
| 22 Producer finished goods (1982=100) | 127.9 | 131.3 | 131.8 | 131.3 | 131.7 | 131.8 | 132.3 | 131.7[r] | 131.1 | 130.2 | 130.1 | 129.7 |

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

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.

4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.

5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.

6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

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

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

## 2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

| Category | 1995 | 1996 | 1997 | 1997 | | | | | 1998[r] | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. |
| HOUSEHOLD SURVEY DATA[1] | | | | | | | | | | | |
| 1 Civilian labor force[2] | 132,304 | 133,943 | 126,297 | 136,404 | 136,439 | 136,406 | 136,864 | 137,169 | 137,493 | 137,557 | 137,523 |
| *Employment* | | | | | | | | | | | |
| 2 Nonagricultural industries[3] | 121,460 | 123,264 | 126,159 | 126,368 | 126,339 | 126,583 | 127,191 | 127,392 | 127,764 | 127,829 | 127,862 |
| 3 Agriculture | 3,440 | 3,443 | 3,399 | 3,379 | 3,422 | 3,327 | 3,384 | 3,385 | 3,319 | 3,335 | 3,132 |
| *Unemployment* | | | | | | | | | | | |
| 4 Number | 7,404 | 7,236 | 6,739 | 6,657 | 6,678 | 6,496 | 6,289 | 6,392 | 6,409 | 6,393 | 6,529 |
| 5 Rate (percent of civilian labor force) | 5.6 | 5.4 | 4.9 | 4.9 | 4.9 | 4.8 | 4.6 | 4.7 | 4.7 | 4.6 | 4.7 |
| ESTABLISHMENT SURVEY DATA | | | | | | | | | | | |
| 6 **Nonagricultural payroll employment**[4] | **117,191** | **119,523** | **122,257** | **122,492** | **122,792** | **123,083** | **123,512** | **123,866** | **124,265** | **124,517** | **124,481** |
| 7 Manufacturing | 18,524 | 18,457 | 18,538 | 18,555 | 18,553 | 18,590 | 18.634 | 18,674 | 18,722 | 18,723 | 18,726 |
| 8 Mining | 581 | 574 | 573 | 573 | 576 | 574 | 572 | 574 | 574 | 572 | 571 |
| 9 Contract construction | 5,160 | 5,400 | 5,627 | 5,637 | 5,642 | 5,650 | 5,682 | 5,747 | 5,843 | 5,877 | 5,789 |
| 10 Transportation and public utilities | 6,132 | 6,261 | 6,426 | 6,289 | 6,473 | 6,497 | 6,495 | 6,478 | 6,516 | 6,542 | 6.564 |
| 11 Trade | 27,565 | 28.108 | 28,788 | 28.864 | 28.902 | 28,970 | 29,132 | 29,196 | 29,242 | 29,269 | 29,226 |
| 12 Finance | 6,806 | 6.899 | 7,053 | 7,068 | 7,082 | 7,108 | 7,132 | 7,151 | 7,170 | 7,190 | 7,221 |
| 13 Service | 33,117 | 34,377 | 35,597 | 35,702 | 35.850 | 35.945 | 36,102 | 36,276 | 36,417 | 36,532 | 36,577 |
| 14 Government | 19,305 | 19,447 | 19,655 | 19.804 | 19.714 | 19,749 | 19,763 | 19.770 | 19,781 | 19,812 | 19,807 |

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[r] | 1998 Q1 | 1997 Q2 | 1997 Q3 | 1997 Q4 | 1998 Q1 | 1997 Q2 | 1997 Q3 | 1997 Q4[r] | 1998 Q1 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 130.7 | 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 | 120.3 | 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 | 135.9 | 163.2 | 165.7 | 168.1 | 170.7 | 79.5 | 79.8 | 80.4 | 79.6 |
| 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 | 115.7 | 138.6 | 140.0 | 141.3 | 142.2 | 84.0 | 82.1 | 81.2 | 81.3 |
| 7 Primary metals | 123.8 | 125.5 | 127.8 | 126.9 | 136.0 | 137.2 | 138.5 | 140.1 | 91.0 | 91.5 | 92.3 | 90.6 |
| 8 Iron and steel | 122.6 | 122.8 | 126.5 | 125.7 | 135.4 | 136.6 | 137.9 | 139.4 | 90.6 | 89.9 | 91.8 | 90.2 |
| 9 Nonferrous | 125.3 | 128.8 | 129.4 | 128.4 | 136.4 | 137.7 | 138.9 | 140.7 | 91.8 | 93.5 | 93.2 | 91.3 |
| 10 Industrial machinery and equipment | 168.2 | 173.9 | 177.6 | 179.8 | 199.0 | 204.4 | 210.0 | 215.9 | 84.5 | 85.1 | 84.6 | 83.3 |
| 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 | 137.6 | 182.6 | 184.7 | 186.7 | 188.8 | 71.4 | 74.0 | 77.1 | 72.9 |
| 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 | 112.9 | 134.3 | 135.0 | 135.7 | 136.5 | 82.4 | 82.3 | 82.9 | 82.7 |
| 15 Textile mill products | 108.5 | 110.9 | 111.5 | 110.2 | 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 | 113.4 | 125.5 | 126.0 | 126.7 | 127.4 | 89.4 | 90.5 | 89.6 | 89.0 |
| 17 Chemicals and products | 114.8 | 114.8 | 117.1 | 118.7 | 145.1 | 146.3 | 147.5 | 148.7 | 79.1 | 78.5 | 79.4 | 79.9 |
| 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 | 111.0 | 114.7 | 115.2 | 115.7 | 116.2 | 96.8 | 95.1 | 94.9 | 95.5 |
| 20 Mining | 106.0 | 106.4 | 105.9 | 107.4 | 117.9 | 118.1 | 118.2 | 118.4 | 89.9 | 90.1 | 89.6 | 90.7 |
| 21 Utilities | 111.7 | 114.0 | 115.5 | 111.8 | 126.3 | 126.7 | 127.1 | 127.4 | 88.5 | 90.0 | 90.9 | 87.7 |
| 22 Electric | 111.3 | 114.2 | 115.7 | 112.4 | 124.6 | 125.0 | 125.4 | 125.7 | 89.3 | 91.4 | 92.3 | 89.4 |

| Series | 1973 High | 1975 Low | Previous cycle[5] High | Previous cycle[5] Low | Latest cycle[6] High | Latest cycle[6] Low | 1997 Mar. | 1997 Oct. | 1997 Nov. | 1997 Dec.[r] | 1998 Jan.[r] | 1998 Feb. | 1998 Mar.[p] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capacity utilization rate (percent)[2] | | | | | | | | | | | | |
| 1 **Total industry** | **89.2** | **72.6** | **87.3** | **71.1** | **85.4** | **78.1** | **82.5** | **83.0** | **83.3** | **83.3** | **82.8** | **82.3** | **82.2** |
| 2 Manufacturing | 88.5 | 70.5 | 86.9 | 69.0 | 85.7 | 76.6 | 81.6 | 81.9 | 82.3 | 82.3 | 82.0 | 81.5 | 80.9 |
| 3 Primary processing[3] | 91.2 | 68.2 | 88.1 | 66.2 | 88.9 | 77.7 | 86.1 | 85.7 | 86.2 | 86.3 | 86.0 | 85.7 | 85.2 |
| 4 Advanced processing[4] | 87.2 | 71.8 | 86.7 | 70.4 | 84.2 | 76.1 | 79.7 | 80.2 | 80.6 | 80.5 | 80.2 | 79.5 | 79.1 |
| 5 Durable goods | 89.2 | 68.9 | 87.7 | 63.9 | 84.6 | 73.1 | 80.9 | 81.1 | 81.8 | 81.7 | 81.0 | 80.4 | 79.8 |
| 6 Lumber and products | 88.7 | 61.2 | 87.9 | 60.8 | 93.6 | 75.5 | 83.5 | 80.1 | 82.8 | 80.7 | 80.8 | 81.8 | 81.4 |
| 7 Primary metals | 100.2 | 65.9 | 94.2 | 45.1 | 92.7 | 73.7 | 90.2 | 92.3 | 93.1 | 91.6 | 91.9 | 90.8 | 89.1 |
| 8 Iron and steel | 105.8 | 66.6 | 95.8 | 37.0 | 95.2 | 71.8 | 88.9 | 91.9 | 92.1 | 91.2 | 91.6 | 91.0 | 88.0 |
| 9 Nonferrous | 90.8 | 59.8 | 91.1 | 60.1 | 89.3 | 74.2 | 91.8 | 92.8 | 94.4 | 92.3 | 92.4 | 90.9 | 90.5 |
| 10 Industrial machinery and equipment | 96.0 | 74.3 | 93.2 | 64.0 | 85.4 | 72.3 | 84.6 | 84.8 | 84.6 | 84.3 | 83.9 | 83.1 | 82.8 |
| 11 Electrical machinery | 89.2 | 64.7 | 89.4 | 71.6 | 84.0 | 75.0 | 82.3 | 80.9 | 82.0 | 81.6 | 81.4 | 80.6 | 79.3 |
| 12 Motor vehicles and parts | 93.4 | 51.3 | 95.0 | 45.5 | 89.1 | 55.9 | 73.9 | 75.0 | 78.1 | 78.2 | 73.5 | 72.9 | 72.3 |
| 13 Aerospace and miscellaneous transportation equipment | 78.4 | 67.6 | 81.9 | 66.6 | 87.3 | 79.2 | 74.0 | 78.2 | 78.5 | 80.5 | 81.1 | 81.2 | 80.7 |
| 14 Nondurable goods | 87.8 | 71.7 | 87.5 | 76.4 | 87.3 | 80.7 | 82.6 | 82.8 | 83.0 | 83.0 | 83.2 | 82.7 | 82.3 |
| 15 Textile mill products | 91.4 | 60.0 | 91.2 | 72.3 | 90.4 | 77.7 | 82.6 | 84.5 | 85.1 | 83.4 | 84.2 | 82.4 | 82.1 |
| 16 Paper and products | 97.1 | 69.2 | 96.1 | 80.6 | 93.5 | 85.0 | 89.8 | 89.2 | 89.7 | 89.9 | 88.7 | 89.3 | 89.0 |
| 17 Chemicals and products | 87.6 | 69.7 | 84.6 | 69.9 | 86.2 | 79.3 | 78.7 | 79.3 | 78.9 | 79.9 | 80.1 | 79.8 | 79.6 |
| 18 Plastics materials | 102.0 | 50.6 | 90.9 | 63.4 | 97.0 | 74.8 | 92.9 | 91.2 | 93.0 | 93.7 | 93.9 | ... | .. |
| 19 Petroleum products | 96.7 | 81.1 | 90.0 | 66.8 | 88.5 | 85.1 | 94.5 | 96.2 | 93.8 | 94.6 | 95.9 | 94.9 | 95.7 |
| 20 Mining | 94.3 | 88.2 | 96.0 | 80.3 | 88.0 | 87.0 | 90.6 | 89.6 | 89.7 | 89.4 | 90.8 | 90.6 | 90.8 |
| 21 Utilities | 96.2 | 82.9 | 89.1 | 75.9 | 92.6 | 83.4 | 87.0 | 92.0 | 90.7 | 89.9 | 86.4 | 86.4 | 90.5 |
| 22 Electric | 99.0 | 82.7 | 88.2 | 78.9 | 95.0 | 87.1 | 89.0 | 94.3 | 91.5 | 91.0 | 87.7 | 88.4 | 92.1 |

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 Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec.[r] | 1998 Jan.[r] | Feb. | Mar.[p] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Index (1992 = 100) | | | | | | | | | | | | |
| MAJOR MARKETS | | | | | | | | | | | | | | | |
| 1 **Total index** | **100.0** | **124.5** | **122.5** | **123.1** | **123.3** | **123.5** | **124.5** | **125.2** | **125.6** | **126.5** | **127.5** | **127.9** | **127.7** | **127.5** | **127.7** |
| 2 Products | 60.5 | 118.5 | 116.9 | 117.2 | 117.7 | 117.6 | 118.1 | 119.2 | 119.1 | 120.2 | 121.2 | 121.0 | 121.2 | 120.9 | 120.9 |
| 3 Final products | 46.3 | 119.6 | 117.9 | 118.0 | 118.6 | 118.6 | 119.2 | 120.5 | 120.3 | 121.5 | 122.5 | 122.2 | 122.6 | 121.9 | 121.9 |
| 4 Consumer goods, total | 29.1 | 114.4 | 113.4 | 113.4 | 113.9 | 113.5 | 113.9 | 114.6 | 114.5 | 115.9 | 116.7 | 115.9 | 116.6 | 115.6 | 115.7 |
| 5 Durable consumer goods | 6.1 | 131.3 | 130.7 | 127.4 | 128.8 | 129.8 | 128.1 | 132.1 | 131.9 | 131.4 | 136.5 | 134.7 | 135.8 | 134.6 | 134.2 |
| 6 Automotive products | 2.6 | 129.9 | 129.0 | 122.3 | 124.6 | 126.7 | 120.3 | 131.6 | 132.8 | 131.2 | 138.4 | 133.8 | 133.0 | 130.8 | 129.9 |
| 7 Autos and trucks | 1.7 | 136.5 | 135.6 | 124.4 | 127.6 | 130.3 | 120.2 | 137.6 | 140.9 | 139.7 | 147.8 | 142.7 | 139.9 | 136.7 | 135.0 |
| 8 Autos, consumer | .9 | 115.2 | 117.6 | 110.7 | 112.4 | 110.8 | 113.0 | 118.6 | 119.9 | 115.2 | 120.3 | 113.9 | 116.0 | 105.7 | 105.1 |
| 9 Trucks, consumer | .7 | 159.1 | 158.5 | 142.7 | 147.3 | 154.2 | 131.9 | 161.2 | 166.5 | 168.6 | 179.8 | 175.7 | 168.2 | 171.6 | 168.7 |
| 10 Auto parts and allied goods | .9 | 119.3 | 118.4 | 118.2 | 119.1 | 120.3 | 119.3 | 121.8 | 120.1 | 117.9 | 123.8 | 120.1 | 121.9 | 121.3 | 121.6 |
| 11 Other | 3.5 | 132.3 | 132.0 | 131.4 | 132.1 | 132.3 | 134.4 | 132.5 | 131.1 | 131.5 | 135.0 | 135.3 | 138.0 | 137.6 | 137.6 |
| 12 Appliances, televisions, and air conditioners | 1.0 | 168.6 | 166.9 | 164.2 | 166.5 | 165.4 | 174.8 | 169.8 | 166.0 | 169.4 | 177.2 | 178.7 | 186.1 | 189.5 | 189.2 |
| 13 Carpeting and furniture | .8 | 117.0 | 116.7 | 116.7 | 117.7 | 119.0 | 116.4 | 117.7 | 116.2 | 116.5 | 122.1 | 116.8 | 122.9 | 119.2 | 118.8 |
| 14 Miscellaneous home goods | 1.6 | 120.0 | 120.3 | 120.3 | 120.2 | 120.3 | 122.1 | 119.8 | 119.4 | 118.6 | 119.2 | 122.1 | 121.0 | 120.8 | 121.2 |
| 15 Nondurable consumer goods | 23.0 | 110.2 | 109.1 | 109.9 | 110.1 | 109.4 | 110.3 | 110.3 | 110.2 | 112.1 | 111.8 | 111.3 | 111.9 | 110.9 | 111.1 |
| 16 Foods and tobacco | 10.3 | 109.3 | 110.0 | 109.1 | 108.9 | 108.1 | 109.6 | 108.9 | 108.6 | 109.7 | 110.7 | 110.0 | 112.0 | 111.0 | 110.7 |
| 17 Clothing | 2.4 | 95.9 | 96.1 | 96.5 | 95.8 | 95.4 | 95.8 | 96.0 | 96.0 | 96.4 | 95.1 | 95.1 | 94.7 | 93.3 | 92.0 |
| 18 Chemical products | 4.5 | 119.1 | 115.9 | 118.4 | 119.3 | 119.1 | 117.3 | 119.4 | 119.4 | 123.0 | 121.3 | 121.8 | 123.4 | 122.6 | 123.0 |
| 19 Paper products | 2.9 | 109.3 | 107.8 | 108.2 | 108.9 | 109.8 | 110.8 | 109.8 | 110.1 | 111.3 | 111.7 | 110.1 | 110.2 | 107.6 | 106.3 |
| 20 Energy | 2.9 | 111.3 | 107.3 | 111.9 | 112.8 | 109.7 | 112.4 | 112.8 | 112.4 | 116.2 | 113.9 | 113.5 | 109.5 | 110.0 | 113.6 |
| 21 Fuels | .8 | 109.3 | 108.2 | 109.6 | 111.3 | 111.5 | 108.8 | 111.0 | 110.8 | 112.0 | 106.7 | 109.3 | 110.5 | 110.9 | 110.8 |
| 22 Residential utilities | 2.1 | 112.0 | 106.4 | 112.6 | 113.0 | 108.3 | 113.7 | 113.2 | 112.8 | 117.8 | 117.1 | 115.1 | 108.6 | 109.1 | 114.5 |
| 23 Equipment | 17.2 | 128.8 | 125.8 | 126.0 | 126.8 | 127.7 | 128.6 | 130.9 | 130.6 | 131.3 | 132.8 | 133.4 | 133.2 | 133.2 | 133.2 |
| 24 Business equipment | 13.2 | 141.9 | 137.5 | 137.9 | 139.0 | 140.2 | 141.6 | 144.6 | 144.4 | 145.5 | 147.5 | 148.6 | 147.6 | 147.0 | 146.8 |
| 25 Information processing and related | 5.4 | 168.1 | 161.0 | 163.0 | 164.4 | 166.8 | 169.3 | 171.1 | 172.9 | 174.3 | 174.7 | 176.0 | 176.6 | 176.4 | 176.4 |
| 26 Computer and office equipment | 1.1 | 385.6 | 348.8 | 358.4 | 365.3 | 375.8 | 391.6 | 407.1 | 414.6 | 420.3 | 427.3 | 440.1 | 454.4 | 464.8 | 475.1 |
| 27 Industrial | 4.0 | 133.3 | 130.6 | 131.6 | 131.5 | 131.7 | 133.7 | 135.8 | 133.8 | 135.9 | 136.3 | 137.8 | 136.0 | 134.7 | 134.9 |
| 28 Transit | 2.5 | 111.2 | 107.7 | 104.6 | 106.7 | 107.3 | 106.9 | 113.3 | 114.2 | 113.0 | 119.9 | 121.2 | 119.8 | 119.6 | 118.6 |
| 29 Autos and trucks | 1.2 | 119.7 | 121.4 | 112.5 | 114.6 | 113.6 | 111.5 | 120.3 | 120.2 | 117.0 | 128.2 | 124.6 | 121.1 | 120.3 | 118.8 |
| 30 Other | 1.3 | 135.0 | 132.6 | 134.4 | 135.2 | 136.3 | 136.3 | 137.9 | 135.1 | 137.5 | 137.3 | 136.2 | 133.5 | 133.3 | 133.8 |
| 31 Defense and space equipment | 3.3 | 75.2 | 75.7 | 75.4 | 75.6 | 76.0 | 74.9 | 75.0 | 74.7 | 74.7 | 74.5 | 74.5 | 75.3 | 76.1 | 76.3 |
| 32 Oil and gas well drilling | .6 | 149.7 | 154.8 | 151.4 | 150.7 | 150.9 | 152.1 | 153.2 | 153.1 | 149.1 | 150.0 | 145.9 | 154.0 | 158.9 | 158.6 |
| 33 Manufactured homes | .2 | 139.1 | 139.4 | 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 | 114.1 | 114.7 | 114.9 | 114.7 | 114.6 | 115.3 | 115.2 | 116.3 | 117.3 | 117.4 | 117.0 | 117.6 | 117.5 |
| 35 Construction supplies | 5.3 | 121.8 | 122.3 | 121.8 | 122.2 | 122.2 | 121.2 | 122.7 | 120.4 | 121.3 | 123.6 | 123.2 | 124.0 | 125.3 | 124.0 |
| 36 Business supplies | 8.9 | 111.1 | 109.2 | 110.6 | 110.6 | 110.2 | 110.6 | 111.0 | 112.2 | 113.4 | 113.5 | 113.9 | 112.9 | 113.0 | 113.7 |
| 37 Materials | 39.5 | 134.1 | 131.3 | 132.5 | 132.4 | 133.0 | 134.9 | 134.9 | 136.1 | 136.7 | 137.7 | 138.9 | 138.1 | 138.0 | 138.7 |
| 38 Durable goods materials | 20.8 | 158.2 | 153.0 | 155.1 | 155.4 | 156.9 | 159.3 | 160.3 | 161.3 | 163.2 | 165.0 | 166.5 | 166.1 | 166.1 | 165.9 |
| 39 Durable consumer parts | 4.0 | 139.2 | 135.9 | 137.1 | 134.7 | 136.2 | 139.2 | 140.3 | 140.7 | 141.8 | 142.3 | 146.9 | 138.7 | 139.5 | 139.2 |
| 40 Equipment parts | 7.6 | 221.9 | 210.0 | 213.4 | 216.7 | 220.0 | 224.6 | 227.6 | 229.6 | 233.3 | 237.9 | 240.9 | 245.3 | 246.1 | 247.1 |
| 41 Other | 9.2 | 125.5 | 123.2 | 124.7 | 124.5 | 125.0 | 125.9 | 126.0 | 126.6 | 127.8 | 128.8 | 128.3 | 128.6 | 127.9 | 127.3 |
| 42 Basic metal materials | 3.1 | 120.6 | 118.2 | 118.8 | 119.9 | 121.2 | 121.1 | 121.8 | 121.7 | 122.5 | 124.9 | 122.2 | 124.2 | 123.4 | 122.0 |
| 43 Nondurable goods materials | 8.9 | 113.0 | 112.5 | 113.0 | 111.8 | 111.9 | 113.5 | 112.3 | 113.3 | 113.1 | 114.4 | 116.0 | 114.5 | 115.4 | 115.2 |
| 44 Textile materials | 1.1 | 109.3 | 106.3 | 109.4 | 106.1 | 108.1 | 112.3 | 108.4 | 111.4 | 111.9 | 111.0 | 112.5 | 108.1 | 108.5 | 108.7 |
| 45 Paper materials | 1.8 | 112.6 | 112.5 | 112.6 | 112.6 | 110.9 | 113.8 | 114.3 | 112.7 | 113.4 | 112.2 | 113.7 | 112.6 | 112.4 | 112.8 |
| 46 Chemical materials | 3.9 | 115.2 | 114.8 | 115.4 | 113.8 | 113.8 | 115.1 | 113.9 | 115.6 | 115.0 | 116.5 | 119.1 | 119.1 | 120.0 | 119.6 |
| 47 Other | 2.1 | 110.3 | 110.4 | 109.7 | 109.5 | 110.8 | 110.1 | 108.6 | 109.5 | 109.0 | 113.7 | 113.3 | 109.5 | 111.6 | 111.1 |
| 48 Energy materials | 9.7 | 103.9 | 103.4 | 103.7 | 103.7 | 103.2 | 104.6 | 103.9 | 105.5 | 104.7 | 103.9 | 104.2 | 103.2 | 102.3 | 105.1 |
| 49 Primary energy | 6.3 | 101.7 | 101.9 | 101.7 | 102.1 | 101.0 | 102.3 | 102.4 | 102.2 | 101.7 | 101.4 | 100.7 | 101.9 | 101.0 | 102.8 |
| 50 Converted fuel materials | 3.3 | 108.3 | 106.2 | 107.6 | 106.8 | 107.3 | 109.0 | 106.8 | 111.8 | 110.6 | 108.6 | 110.9 | 105.7 | 104.9 | 109.4 |
| SPECIAL AGGREGATES | | | | | | | | | | | | | | | |
| 51 Total excluding autos and trucks | 97.1 | 124.3 | 122.3 | 123.2 | 123.4 | 123.6 | 124.8 | 125.1 | 125.4 | 126.5 | 127.2 | 127.7 | 127.6 | 127.4 | 127.7 |
| 52 Total excluding motor vehicles and parts | 95.1 | 123.8 | 121.9 | 122.7 | 123.0 | 123.1 | 124.3 | 124.6 | 124.8 | 125.9 | 126.6 | 127.0 | 127.2 | 126.9 | 127.2 |
| 53 Total excluding computer and office equipment | 98.2 | 121.9 | 120.2 | 120.7 | 120.9 | 121.1 | 122.0 | 122.6 | 122.9 | 123.8 | 124.8 | 125.1 | 124.8 | 124.5 | 124.7 |
| 54 Consumer goods excluding autos and trucks | 27.4 | 113.2 | 112.1 | 112.8 | 113.1 | 112.5 | 113.5 | 113.4 | 113.0 | 114.6 | 115.0 | 114.4 | 115.3 | 114.4 | 114.6 |
| 55 Consumer goods excluding energy | 26.2 | 114.8 | 114.2 | 113.6 | 114.0 | 114.0 | 114.1 | 114.9 | 114.7 | 115.9 | 117.0 | 116.2 | 117.5 | 116.3 | 115.9 |
| 56 Business equipment excluding autos and trucks | 12.0 | 144.5 | 139.5 | 141.0 | 141.9 | 143.4 | 145.2 | 147.5 | 147.3 | 149.0 | 149.7 | 151.5 | 150.7 | 150.1 | 150.2 |
| 57 Business equipment excluding computer and office equipment | 12.1 | 129.1 | 126.0 | 126.0 | 126.9 | 127.7 | 128.6 | 131.2 | 130.8 | 131.8 | 133.5 | 134.4 | 133.0 | 132.1 | 131.7 |
| 58 Materials excluding energy | 29.8 | 143.7 | 140.1 | 141.6 | 141.4 | 142.5 | 144.6 | 144.8 | 145.8 | 147.0 | 148.6 | 150.2 | 149.4 | 149.7 | 149.5 |

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

| Group | SIC[2] code | 1992 proportion | 1997 avg. | 1997 Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec.[r] | 1998 Jan.[r] | Feb. | Mar.[p] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Index (1992 = 100) | | | | | | | | | | | | |
| MAJOR INDUSTRIES | | | | | | | | | | | | | | | | |
| 59 **Total index** | .. | **100.0** | **124.5** | **122.5** | **123.1** | **123.3** | **123.5** | **124.5** | **125.2** | **125.6** | **126.5** | **127.5** | **127.9** | **127.7** | **127.5** | **127.7** |
| 60 Manufacturing | ... | 85.4 | 127.0 | 124.9 | 125.4 | 125.7 | 126.1 | 126.9 | 127.9 | 128.0 | 129.1 | 130.4 | 130.9 | 131.0 | 130.7 | 130.4 |
| 61 Primary processing | ... | 26.5 | 118.1 | 117.2 | 117.7 | 117.7 | 117.7 | 118.3 | 118.5 | 118.6 | 118.9 | 120.0 | 120.5 | 120.5 | 120.4 | 119.9 |
| 62 Advanced processing | .. | 58.9 | 131.4 | 128.6 | 129.2 | 129.6 | 130.2 | 131.2 | 132.5 | 132.7 | 134.1 | 135.5 | 136.1 | 136.2 | 135.8 | 135.7 |
| 63 Durable goods | . | 45.0 | 142.3 | 138.7 | 139.5 | 140.1 | 141.2 | 142.4 | 144.3 | 144.4 | 145.5 | 147.7 | 148.6 | 148.2 | 148.2 | 147.9 |
| 64 Lumber and products | 24 | 2.0 | 114.9 | 114.9 | 115.9 | 116.4 | 117.0 | 116.1 | 115.4 | 113.3 | 112.9 | 117.0 | 114.4 | 114.9 | 116.3 | 115.9 |
| 65 Furniture and fixtures | 25 | 1.4 | 122.5 | 120.7 | 123.5 | 123.3 | 123.5 | 124.2 | 121.1 | 122.0 | 123.0 | 124.1 | 124.4 | 122.7 | 121.7 | 121.2 |
| 66 Stone, clay, and glass products | 32 | 2.1 | 120.5 | 119.5 | 121.1 | 119.4 | 120.0 | 120.9 | 120.5 | 121.2 | 121.0 | 122.1 | 123.4 | 122.4 | 122.9 | 121.7 |
| 67 Primary metals | 33 | 3.1 | 124.5 | 121.8 | 122.3 | 124.2 | 124.9 | 125.2 | 125.5 | 125.9 | 127.4 | 128.9 | 127.2 | 128.1 | 127.3 | 125.5 |
| 68 Iron and steel | 331,2 | 1.7 | 122.8 | 119.6 | 121.2 | 123.9 | 122.6 | 122.2 | 121.8 | 124.5 | 126.4 | 127.0 | 126.1 | 127.2 | 126.8 | 123.3 |
| 69 Raw steel | 331PT | .1 | 115.9 | 114.0 | 115.1 | 115.4 | 114.9 | 115.5 | 116.1 | 119.2 | 117.7 | 120.9 | 119.2 | 122.8 | 123.7 | 120.6 |
| 70 Nonferrous | 333–6,9 | 1.4 | 126.4 | 124.5 | 123.5 | 124.6 | 127.7 | 128.8 | 129.9 | 127.7 | 128.6 | 131.1 | 128.5 | 129.2 | 127.9 | 128.1 |
| 71 Fabricated metal products | 34 | 5.0 | 122.9 | 122.1 | 122.5 | 122.7 | 121.9 | 122.4 | 122.8 | 122.7 | 124.4 | 124.7 | 126.7 | 125.8 | 125.1 | 124.7 |
| 72 Industrial machinery and equipment | 35 | 8.0 | 171.4 | 165.1 | 167.8 | 168.0 | 168.8 | 172.2 | 175.9 | 173.7 | 176.5 | 177.7 | 178.6 | 179.5 | 179.4 | 180.4 |
| 73 Computer and office equipment | 357 | 1.8 | 382.3 | 344.2 | 354.1 | 361.4 | 372.3 | 388.5 | 403.9 | 412.0 | 418.0 | 425.7 | 438.3 | 452.7 | 463.6 | 473.5 |
| 74 Electrical machinery | 36 | 7.3 | 231.5 | 220.8 | 223.7 | 226.3 | 229.7 | 235.5 | 236.8 | 237.5 | 240.8 | 247.4 | 249.9 | 253.0 | 254.3 | 254.1 |
| 75 Transportation equipment | 37 | 9.5 | 115.6 | 112.3 | 110.7 | 110.8 | 113.0 | 112.2 | 117.0 | 118.8 | 118.3 | 121.6 | 123.4 | 119.8 | 119.7 | 119.1 |
| 76 Motor vehicles and parts | 371 | 4.9 | 137.2 | 134.0 | 129.7 | 129.2 | 132.5 | 130.0 | 138.9 | 141.2 | 139.6 | 145.9 | 146.6 | 138.3 | 137.7 | 136.9 |
| 77 Autos and light trucks | 371PT | 2.6 | 128.3 | 127.8 | 117.8 | 120.6 | 122.4 | 115.0 | 129.5 | 132.3 | 130.4 | 137.7 | 132.5 | 130.8 | 126.2 | 124.8 |
| 78 Aerospace and miscellaneous transportation equipment | 372–6,9 | 4.6 | 94.4 | 91.0 | 92.0 | 92.7 | 93.8 | 94.6 | 95.5 | 96.8 | 97.3 | 97.9 | 100.6 | 101.5 | 101.9 | 101.4 |
| 79 Instruments | 38 | 5.4 | 108.0 | 106.5 | 106.6 | 107.6 | 107.9 | 108.0 | 109.2 | 108.9 | 109.7 | 109.5 | 109.0 | 110.0 | 109.5 | 110.0 |
| 80 Miscellaneous | 39 | 1.3 | 125.9 | 124.7 | 125.1 | 125.5 | 126.0 | 127.0 | 126.7 | 126.1 | 126.5 | 126.2 | 128.5 | 128.0 | 128.4 | 129.3 |
| 81 Nondurable goods | ... | 40.4 | 111.1 | 110.5 | 110.8 | 110.7 | 110.5 | 110.9 | 111.0 | 111.3 | 112.2 | 112.6 | 112.9 | 113.3 | 112.8 | 112.5 |
| 82 Foods | 20 | 9.4 | 109.6 | 110.0 | 109.2 | 109.2 | 108.8 | 110.0 | 108.9 | 108.6 | 109.2 | 110.9 | 110.9 | 112.4 | 111.7 | 111.6 |
| 83 Tobacco products | 21 | 1.6 | 112.7 | 114.2 | 113.0 | 111.5 | 109.0 | 110.5 | 112.5 | 112.0 | 118.8 | 115.9 | 110.1 | 112.3 | 111.7 | 110.3 |
| 84 Textile mill products | 22 | 1.8 | 109.6 | 108.0 | 109.2 | 107.2 | 109.1 | 110.7 | 110.7 | 111.4 | 111.6 | 112.5 | 110.4 | 111.8 | 109.4 | 109.3 |
| 85 Apparel products | 23 | 2.2 | 99.6 | 100.1 | 99.8 | 99.8 | 99.6 | 99.7 | 99.1 | 99.1 | 99.3 | 98.6 | 99.3 | 98.9 | 97.6 | 96.7 |
| 86 Paper and products | 26 | 3.6 | 112.9 | 112.4 | 112.4 | 112.6 | 111.7 | 114.2 | 114.4 | 113.7 | 112.8 | 113.6 | 114.1 | 112.7 | 113.8 | 113.6 |
| 87 Printing and publishing | 27 | 6.7 | 104.9 | 103.6 | 104.4 | 104.5 | 104.1 | 104.1 | 104.4 | 105.1 | 106.7 | 107.4 | 107.1 | 106.3 | 105.5 | 104.6 |
| 88 Chemicals and products | 28 | 9.9 | 115.3 | 113.6 | 115.2 | 114.5 | 114.6 | 114.3 | 114.5 | 115.6 | 116.7 | 116.5 | 118.2 | 118.8 | 118.7 | 118.7 |
| 89 Petroleum products | 29 | 1.4 | 109.4 | 108.0 | 110.1 | 111.4 | 111.3 | 108.9 | 109.7 | 110.1 | 111.2 | 108.6 | 109.7 | 111.3 | 110.3 | 111.3 |
| 90 Rubber and plastic products | 30 | 3.5 | 126.4 | 125.5 | 124.4 | 125.4 | 125.6 | 126.0 | 127.9 | 127.6 | 127.4 | 129.6 | 129.3 | 129.5 | 129.3 | 129.2 |
| 91 Leather and products | 31 | .3 | 73.7 | 76.6 | 75.9 | 75.3 | 74.0 | 74.0 | 71.2 | 70.9 | 72.4 | 71.0 | 71.3 | 69.4 | 70.8 | 69.1 |
| 92 Mining | ... | 6.9 | 106.0 | 106.7 | 105.5 | 106.7 | 105.7 | 106.5 | 106.3 | 106.5 | 105.9 | 106.1 | 105.7 | 107.4 | 107.3 | 107.5 |
| 93 Metal | 10 | .5 | 106.9 | 106.4 | 105.3 | 105.9 | 109.9 | 105.2 | 106.0 | 105.3 | 111.1 | 113.2 | 103.8 | 106.2 | 108.6 | 107.9 |
| 94 Coal | 12 | 1.0 | 109.9 | 107.0 | 105.4 | 115.9 | 107.4 | 112.1 | 107.7 | 109.5 | 109.6 | 111.2 | 117.4 | 116.0 | 108.4 | 109.4 |
| 95 Oil and gas extraction | 13 | 4.8 | 103.2 | 104.3 | 103.8 | 103.4 | 102.9 | 103.9 | 104.1 | 104.3 | 103.1 | 102.6 | 101.7 | 103.9 | 104.5 | 105.2 |
| 96 Stone and earth minerals | 14 | .6 | 118.8 | 123.6 | 116.8 | 118.2 | 120.9 | 117.8 | 119.9 | 117.7 | 116.2 | 119.2 | 120.2 | 122.6 | 124.6 | 120.5 |
| 97 Utilities | ... | 7.7 | 112.5 | 109.6 | 112.5 | 111.8 | 110.9 | 113.8 | 113.0 | 115.1 | 116.9 | 115.3 | 114.3 | 110.0 | 110.1 | 115.4 |
| 98 Electric | 491,493PT | 6.2 | 113.1 | 110.6 | 112.7 | 110.4 | 110.7 | 113.8 | 113.1 | 115.7 | 118.1 | 114.7 | 114.2 | 110.2 | 111.1 | 115.9 |
| 99 Gas | 492,493PT | 1.6 | 111.0 | 105.4 | 111.5 | 117.1 | 111.9 | 113.5 | 112.5 | 112.7 | 111.9 | 117.8 | 115.0 | 109.2 | 106.2 | 113.2 |
| SPECIAL AGGREGATES | | | | | | | | | | | | | | | | |
| 100 Manufacturing excluding motor vehicles and parts | .. | 80.5 | 126.4 | 124.3 | 125.2 | 125.5 | 125.7 | 126.7 | 127.2 | 127.3 | 128.4 | 129.4 | 130.0 | 130.5 | 130.3 | 130.0 |
| 101 Manufacturing excluding office and computing machines | .. | 83.6 | 124.1 | 122.2 | 122.7 | 122.9 | 123.2 | 123.9 | 124.8 | 124.9 | 125.9 | 127.2 | 127.6 | 127.6 | 127.3 | 126.9 |
| | | Gross value (billions of 1992 dollars, annual rates) | | | | | | | | | | | | | | |
| MAJOR MARKETS | | | | | | | | | | | | | | | | |
| 102 **Products, total** | .. | **2,001.9** | **2,373.2** | **2,355.4** | **2,353.4** | **2,365.8** | **2,365.3** | **2,368.4** | **2,402.0** | **2,396.9** | **2,416.1** | **2,442.2** | **2,435.3** | **2,441.0** | **2,433.9** | **2,433.2** |
| 103 Final | ... | 1,552.1 | 1,855.8 | 1,838.7 | 1,832.9 | 1,844.4 | 1,844.6 | 1,849.1 | 1,879.3 | 1,875.6 | 1,890.6 | 1,911.0 | 1,904.9 | 1,912.1 | 1,902.2 | 1,901.2 |
| 104 Consumer goods | ... | 1,049.6 | 1,195.5 | 1,191.4 | 1,187.7 | 1,194.1 | 1,190.2 | 1,191.0 | 1,205.2 | 1,203.3 | 1,215.9 | 1,224.1 | 1,215.7 | 1,224.8 | 1,215.0 | 1,214.4 |
| 105 Equipment | ... | 502.5 | 660.0 | 646.8 | 644.8 | 649.8 | 654.1 | 657.8 | 674.0 | 672.3 | 674.5 | 686.9 | 689.4 | 687.4 | 687.4 | 687.0 |
| 106 Intermediate | ... | 449.9 | 518.1 | 517.2 | 520.6 | 521.7 | 521.0 | 519.9 | 523.7 | 522.2 | 526.5 | 532.3 | 531.4 | 530.1 | 532.4 | 532.6 |

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. Standard industrial classification.

## 2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

| Item | 1995 | 1996 | 1997 | 1997 | | | | | | | | 1998 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Jan.[r] | Feb. |
| | Private residential real estate activity (thousands of units except as noted) | | | | | | | | | | | | |
| NEW UNITS | | | | | | | | | | | | | |
| 1 Permits authorized | 1,333 | 1,426 | 1,442 | 1,432 | 1,402 | 1,414 | 1,397 | 1,460 | 1,487 | 1,440 | 1,482 | 1,526 | 1,625 |
| 2 One-family | 997 | 1,070 | 1,056 | 1,053 | 1,049 | 1,030 | 1,027 | 1,065 | 1,087 | 1,061 | 1,071 | 1,133 | 1,163 |
| 3 Two-family or more | 335 | 356 | 387 | 379 | 353 | 384 | 370 | 395 | 400 | 379 | 411 | 393 | 462 |
| 4 Started | 1,354 | 1,477 | 1,474 | 1,404 | 1,502 | 1,461 | 1,383 | 1,501 | 1,529 | 1,523 | 1,540 | 1,545 | 1,635 |
| 5 One-family | 1,076 | 1,161 | 1,134 | 1,095 | 1,132 | 1,144 | 1,076 | 1,174 | 1,124 | 1,167 | 1,130 | 1,225 | 1,269 |
| 6 Two-family or more | 278 | 316 | 340 | 309 | 370 | 317 | 307 | 327 | 405 | 356 | 410 | 320 | 366 |
| 7 Under construction at end of period[1] | 776 | 820 | 834 | 815 | 828 | 836 | 834 | 843 | 853 | 862 | 870 | 885 | n.a. |
| 8 One-family | 554 | 584 | 570 | 565 | 566 | 570 | 567 | 571 | 574 | 575 | 578 | 589 | n.a. |
| 9 Two-family or more | 222 | 235 | 264 | 250 | 262 | 266 | 267 | 272 | 279 | 287 | 292 | 296 | n.a. |
| 10 Completed | 1,319 | 1,405 | 1,407 | 1,387 | 1,307 | 1,331 | 1,335 | 1,433 | 1,384 | 1,432 | 1,410 | 1,288 | n.a. |
| 11 One-family | 1,073 | 1,123 | 1,122 | 1,098 | 1,097 | 1,074 | 1,062 | 1,133 | 1,063 | 1,145 | 1,093 | 999 | n.a. |
| 12 Two-family or more | 247 | 283 | 285 | 289 | 210 | 257 | 273 | 300 | 321 | 287 | 317 | 289 | n.a. |
| 13 Mobile homes shipped | 341 | 361 | 354 | 354 | 353 | 356 | 354 | 351 | 349 | 352 | 353 | 362 | 377 |
| *Merchant builder activity in one-family units* | | | | | | | | | | | | | |
| 14 Number sold | 667 | 757 | 803 | 764 | 810 | 808 | 799 | 809 | 805 | 875[r] | 810[r] | 852 | 893 |
| 15 Number for sale at end of period[1] | 374 | 326 | 286 | 289 | 288 | 288 | 286 | 284 | 284 | 280 | 281 | 282 | 282 |
| *Price of units sold (thousands of dollars)*[2] | | | | | | | | | | | | | |
| 16 Median | 133.9 | 140.0 | 145.9 | 141.0 | 145.0 | 145.9 | 144.0 | 146.3 | 141.5 | 145.0 | 145.0[r] | 145.0 | 153.4 |
| 17 Average | 158.7 | 166.4 | 175.8 | 170.7 | 179.4 | 175.5 | 170.7 | 177.5 | 172.9 | 175.4[r] | 174.8[r] | 178.3 | 179.3 |
| EXISTING UNITS (one-family) | | | | | | | | | | | | | |
| 18 Number sold | 3,812 | 4,087 | 4,215 | 4,190 | 4,120 | 4,180 | 4,280 | 4,300 | 4,380 | 4,390 | 4,370 | 4,370 | 4,770 |
| *Price of units sold (thousands of dollars)*[2] | | | | | | | | | | | | | |
| 19 Median | 113.1 | 118.2 | 124.1 | 123.1 | 127.2 | 126.5 | 127.5 | 125.8 | 124.4 | 124.3 | 125.9 | 126.1 | 124.5 |
| 20 Average | 139.1 | 145.5 | 154.2 | 153.1 | 158.4 | 157.6 | 159.1 | 155.4 | 154.7 | 155.0 | 157.5 | 156.8 | 153.9 |
| | Value of new construction (millions of dollars)[3] | | | | | | | | | | | | |
| CONSTRUCTION | | | | | | | | | | | | | |
| **21 Total put in place** | **534,463** | **567,179** | **600,116[r]** | **595,763** | **594,195** | **603,002** | **603,684** | **605,748** | **611,742[r]** | **610,933[r]** | **616,027[r]** | **620,390** | **621,987** |
| 22 Private | 407,370 | 435,929 | 461,401[r] | 459,882 | 456,927 | 464,326 | 465,236 | 468,822 | 469,560[r] | 470,041[r] | 475,262[r] | 481,726 | 481,999 |
| 23 Residential | 231,230 | 246,659 | 259,575[r] | 259,662 | 257,277 | 258,803 | 259,958 | 263,799 | 265,422[r] | 267,207[r] | 270,822[r] | 275,725 | 278,788 |
| 24 Nonresidential | 176,140 | 189,271 | 201,826[r] | 200,220 | 199,650 | 205,523 | 205,278 | 205,023 | 204,138[r] | 202,834[r] | 204,440[r] | 206,001 | 203,211 |
| 25 Industrial buildings | 32,505 | 31,997 | 30,707[r] | 30,501 | 31,046 | 31,796 | 31,480 | 30,675 | 30,048[r] | 29,352[r] | 29,697[r] | 30,385 | 28,694 |
| 26 Commercial buildings | 68,223 | 74,593 | 80,823[r] | 78,670 | 79,009 | 82,346 | 81,552 | 80,551 | 81,489[r] | 81,511[r] | 82,104[r] | 82,425 | 80,951 |
| 27 Other buildings | 27,089 | 30,525 | 36,998[r] | 37,738 | 35,775 | 36,672 | 37,274 | 38,729 | 37,707[r] | 37,681[r] | 38,345[r] | 37,990 | 38,069 |
| 28 Public utilities and other | 48,323 | 52,156 | 53,298[r] | 53,311 | 53,820 | 54,709 | 54,972 | 55,068 | 54,894[r] | 54,290[r] | 54,294[r] | 55,201 | 55,497 |
| 29 Public | 127,092 | 131,250 | 138,715[r] | 135,882 | 137,268 | 138,676 | 138,448 | 136,926 | 142,182[r] | 140,893[r] | 140,765[r] | 138,663 | 139,988 |
| 30 Military | 2,983 | 2,541 | 2,553[r] | 2,548 | 2,580 | 2,738 | 2,767 | 2,451 | 2,827[r] | 2,740[r] | 2,234[r] | 2,486 | 2,979 |
| 31 Highway | 36,319 | 37,898 | 41,148[r] | 40,694 | 41,531 | 41,087 | 41,715 | 40,126 | 39,484[r] | 44,271 | 42,114[r] | 42,480 | 44,698 |
| 32 Conservation and development | 6,391 | 5,807 | 5,467[r] | 5,242 | 4,952 | 5,002 | 5,469 | 6,177 | 4,859[r] | 5,209[r] | 5,910[r] | 5,088 | 6,379 |
| 33 Other | 81,399 | 85,005 | 89,547[r] | 87,398 | 88,205 | 89,849 | 88,497 | 88,172 | 95,012[r] | 88,673[r] | 90,507[r] | 88,609 | 85,932 |

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, Mar. 1998[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1997 Mar. | 1998 Mar. | 1997 | | | 1998 | 1997 | | 1998 | | | |
| | | | June | Sept. | Dec. | Mar. | Nov. | Dec. | Jan. | Feb. | Mar. | |
| CONSUMER PRICES[2] (1982–84=100) | | | | | | | | | | | | |
| 1 **All items** | **2.8** | **1.4** | **1.5** | **2.3** | **1.5** | **.2** | **.1** | **.1** | **.0** | **.1** | **.0** | **162.2** |
| 2 Food | 3.3 | 2.0 | 2.1 | 2.8 | 1.5 | 1.3 | .1 | .0 | .3 | .0 | .0 | 159.7 |
| 3 Energy items | 4.8 | −8.6 | −11.8 | 8.3 | −7.7 | −21.1 | .0 | −1.8 | −2.4 | −2.2 | −1.2 | 101.6 |
| 4 All items less food and energy | 2.5 | 2.1 | 2.6 | 1.7 | 2.4 | 2.4 | .1 | .2 | .2 | .3 | .1 | 172.6 |
| 5 Commodities | .8 | .1 | .6 | −.3 | .6 | .8 | .1 | .0 | .1 | .2 | −.1 | 143.1 |
| 6 Services | 3.2 | 3.0 | 3.1 | 2.6 | 3.3 | 3.0 | .2 | .3 | .2 | .3 | .2 | 189.4 |
| PRODUCER PRICES (1982=100) | | | | | | | | | | | | |
| 7 Finished goods | 1.5 | −1.8 | −3.0 | 1.2 | −1.2 | −4.2 | −.2[r] | −.2 | −.7 | −.1 | −.3 | 129.7 |
| 8 Consumer foods | 2.4 | −1.4 | −3.5 | −1.5 | .9 | −1.5 | −.3[r] | −.1 | −.4 | .4 | −.4 | 133.3 |
| 9 Consumer energy | 3.6 | −10.4 | −13.0 | 6.0 | −6.1 | −25.9 | −.4[r] | −.7[r] | −3.7 | −1.8 | −1.9 | 74.4 |
| 10 Other consumer goods | .9 | .3 | −.6 | 1.7 | .0 | .3 | −.1 | .0 | −.1 | .1 | .1 | 145.8 |
| 11 Capital equipment | .4 | −.6 | −.9 | .6 | −1.7 | −.6 | −.1[r] | −.1[r] | −.1 | −.1 | .0 | 137.9 |
| *Intermediate materials* | | | | | | | | | | | | |
| 12 Excluding foods and feeds | .5 | −1.6 | −1.6 | .6 | −.6 | −4.4 | .1[r] | −.2[r] | −.5 | −.2 | −.4 | 123.6 |
| 13 Excluding energy | .1 | −.1 | .3 | .6 | .0 | −1.2 | .1 | .0[r] | −.1 | −.1 | −.1 | 134.0 |
| *Crude materials* | | | | | | | | | | | | |
| 14 Foods | −1.8 | −6.6 | −10.8 | −5.0 | 3.3 | −12.7 | −.1[r] | −.2[r] | −3.3 | −.7 | .7 | 106.6 |
| 15 Energy | −4.3 | −10.2 | 11.3 | 21.8 | 1.0 | −52.6 | 4.6[r] | −14.1[r] | −7.3 | −6.5 | −4.3 | 69.2 |
| 16 Other | .3 | −6.8 | −3.7 | .3 | −7.9 | −15.0 | −.4[r] | −1.5[r] | −2.2 | .1 | −1.9 | 148.7 |

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[r] | 1996 | 1997 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Q4 | Q1 | Q2 | Q3 | Q4[r] |
| GROSS DOMESTIC PRODUCT | | | | | | | | |
| 1 **Total** | **7,265.4** | **7,636.0** | **8,079.9** | **7,792.9** | **7,933.6** | **8,034.3** | **8,124.3** | **8,227.4** |
| *By source* | | | | | | | | |
| 2 Personal consumption expenditures | 4,957.7 | 5,207.6 | 5,485.8 | 5,308.1 | 5,405.7 | 5,432.1 | 5,527.4 | 5,577.8 |
| 3 Durable goods | 608.5 | 634.5 | 659.3 | 638.2 | 658.4 | 644.5 | 667.3 | 666.8 |
| 4 Nondurable goods | 1,475.8 | 1,534.7 | 1,592.0 | 1,560.1 | 1,587.4 | 1,578.9 | 1,600.8 | 1,600.9 |
| 5 Services | 2,873.4 | 3,038.4 | 3,234.5 | 3,109.8 | 3,159.9 | 3,208.7 | 3,259.3 | 3,310.0 |
| 6 Gross private domestic investment | 1,038.2 | 1,116.5 | 1,242.5 | 1,151.1 | 1,193.6 | 1,242.0 | 1,250.2 | 1,284.1 |
| 7 Fixed investment | 1,008.1 | 1,090.7 | 1,174.1 | 1,119.2 | 1,127.5 | 1,160.8 | 1,201.3 | 1,206.8 |
| 8 Nonresidential | 723.0 | 781.4 | 846.9 | 807.2 | 811.3 | 836.3 | 872.0 | 868.0 |
| 9 Structures | 200.6 | 215.2 | 230.2 | 227.0 | 227.4 | 226.8 | 232.9 | 233.9 |
| 10 Producers' durable equipment | 522.4 | 566.2 | 616.7 | 580.2 | 583.9 | 609.5 | 639.1 | 634.2 |
| 11 Residential structures | 285.1 | 309.2 | 327.2 | 312.0 | 316.2 | 324.6 | 329.3 | 338.8 |
| 12 Change in business inventories | 30.1 | 25.9 | 68.4 | 31.9 | 66.1 | 81.1 | 48.9 | 77.2 |
| 13 Nonfarm | 38.1 | 23.0 | 61.7 | 28.7 | 62.2 | 74.9 | 40.9 | 68.7 |
| 14 Net exports of goods and services | -86.0 | -94.8 | -101.1 | -88.6 | -98.8 | -88.7 | -111.3 | -105.3 |
| 15 Exports | 818.4 | 870.9 | 957.1 | 904.6 | 922.2 | 960.3 | 965.8 | 980.0 |
| 16 Imports | 904.5 | 965.7 | 1,058.1 | 993.2 | 1,021.0 | 1,049.0 | 1,077.1 | 1,085.4 |
| 17 Government consumption expenditures and gross investment | 1,355.5 | 1,406.7 | 1,452.7 | 1,422.3 | 1,433.1 | 1,449.0 | 1,457.9 | 1,470.9 |
| 18 Federal | 509.6 | 520.0 | 523.8 | 517.6 | 516.1 | 526.1 | 525.7 | 527.3 |
| 19 State and local | 846.0 | 886.7 | 928.9 | 904.7 | 917.0 | 923.0 | 932.3 | 943.6 |
| *By major type of product* | | | | | | | | |
| 20 Final sales, total | 7,235.3 | 7,610.2 | 8,011.5 | 7,761.0 | 7,867.4 | 7,953.2 | 8,075.3 | 8,150.2 |
| 21 Goods | 2,637.9 | 2,759.3 | 2,876.7 | 2,795.0 | 2,838.4 | 2,854.9 | 2,903.2 | 2,910.4 |
| 22 Durable | 1,133.9 | 1,212.0 | 1,284.0 | 1,233.5 | 1,248.0 | 1,275.3 | 1,305.3 | 1,307.3 |
| 23 Nondurable | 1,503.9 | 1,547.3 | 1,592.8 | 1,561.5 | 1,590.4 | 1,579.6 | 1,597.9 | 1,603.1 |
| 24 Services | 3,980.7 | 4,187.3 | 4,430.4 | 4,282.7 | 4,338.2 | 4,400.1 | 4,462.3 | 4,521.0 |
| 25 Structures | 616.8 | 663.6 | 704.4 | 683.3 | 690.8 | 698.2 | 709.8 | 718.8 |
| 26 Change in business inventories | 30.1 | 25.9 | 68.4 | 31.9 | 66.1 | 81.1 | 48.9 | 77.2 |
| 27 Durable goods | 29.1 | 16.9 | 33.0 | -1.1 | 31.8 | 46.8 | 18.6 | 34.8 |
| 28 Nondurable goods | 1.1 | 9.0 | 35.4 | 33.0 | 34.3 | 34.4 | 30.3 | 42.4 |
| MEMO | | | | | | | | |
| 29 **Total GDP in chained 1992 dollars** | **6,742.1** | **6,928.4** | **7,188.8** | **7,017.4** | **7,101.6** | **7,159.6** | **7,214.0** | **7,280.0** |
| NATIONAL INCOME | | | | | | | | |
| 30 **Total** | **5,912.3** | **6,254.5** | **6,649.7** | **6,376.5** | **6,510.0** | **6,599.0** | **6,699.6** | **6,790.1** |
| 31 Compensation of employees | 4,215.4 | 4,426.9 | 4,703.6 | 4,520.7 | 4,606.3 | 4,663.4 | 4,725.2 | 4,819.6 |
| 32 Wages and salaries | 3,442.6 | 3,633.6 | 3,878.6 | 3,718.0 | 3,792.7 | 3,842.7 | 3,897.3 | 3,981.6 |
| 33 Government and government enterprises | 623.0 | 642.6 | 665.3 | 648.9 | 657.8 | 662.0 | 667.7 | 673.7 |
| 34 Other | 2,819.6 | 2,991.0 | 3,213.3 | 3,069.0 | 3,134.9 | 3,180.8 | 3,229.6 | 3,307.9 |
| 35 Supplement to wages and salaries | 772.9 | 793.3 | 825.0 | 802.7 | 813.6 | 820.7 | 827.9 | 837.9 |
| 36 Employer contributions for social insurance | 366.0 | 385.7 | 408.4 | 393.6 | 401.3 | 405.6 | 410.2 | 416.6 |
| 37 Other labor income | 406.8 | 407.6 | 416.6 | 409.1 | 412.3 | 415.1 | 417.7 | 421.4 |
| 38 Proprietors' income[1] | 489.0 | 520.3 | 544.5 | 528.3 | 534.6 | 543.6 | 547.2 | 552.5 |
| 39 Business and professional[1] | 465.5 | 483.1 | 503.8 | 487.9 | 494.4 | 500.0 | 506.3 | 514.3 |
| 40 Farm[1] | 23.4 | 37.2 | 40.7 | 40.4 | 40.2 | 43.6 | 40.9 | 38.2 |
| 41 Rental income of persons[2] | 132.8 | 146.3 | 147.9 | 149.2 | 149.0 | 148.7 | 148.0 | 145.7 |
| 42 Corporate profits[1] | 650.0 | 735.9 | 805.0 | 747.8 | 779.6 | 795.1 | 827.3 | 818.1 |
| 43 Profits before tax[3] | 622.6 | 676.6 | 729.8 | 680.0 | 708.4 | 719.8 | 753.4 | 737.3 |
| 44 Inventory valuation adjustment | -24.3 | -2.5 | 5.5 | 3.3 | 3.5 | 5.9 | 3.6 | 9.2 |
| 45 Capital consumption adjustment | 51.6 | 61.8 | 69.7 | 64.4 | 67.7 | 69.4 | 70.3 | 71.6 |
| 46 Net interest | 425.1 | 425.1 | 448.7 | 430.6 | 440.5 | 448.1 | 451.8 | 454.2 |

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment
3. For after-tax profits, dividends, and the like, see table 1.48.

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

## 2.17 PERSONAL INCOME AND SAVING

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

| Account | 1995 | 1996 | 1997 | 1996 | 1997 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Q4 | Q1 | Q2 | Q3 | Q4[r] |
| PERSONAL INCOME AND SAVING | | | | | | | | |
| 1 **Total personal income** | **6,150.8** | **6,495.2** | **6,873.9[r]** | **6,618.4** | **6,746.2** | **6,829.1** | **6,906.9** | **7,013.5** |
| 2 Wage and salary disbursements | 3,429.5 | 3,632.5 | 3,877.4[r] | 3,716.9 | 3,791.5 | 3,841.6 | 3,896.1 | 3,980.4 |
| 3 Commodity-producing industries | 864.4 | 909.1 | 960.3[r] | 927.8 | 942.9 | 952.8 | 961.4 | 984.1 |
| 4 Manufacturing | 648.4 | 674.7 | 706.0[r] | 685.6 | 694.1 | 700.3 | 706.0 | 723.4 |
| 5 Distributive industries | 783.1 | 823.3 | 876.3[r] | 840.6 | 856.8 | 867.0 | 880.8 | 900.6 |
| 6 Service industries | 1,159.0 | 1,257.5 | 1,375.5 | 1,299.5 | 1,334.1 | 1,359.8 | 1,386.3 | 1,422.0 |
| 7 Government and government enterprises | 623.0 | 642.6 | 665.3 | 648.9 | 657.8 | 662.0 | 667.7 | 673.7 |
| 8 Other labor income | 406.8 | 407.6 | 416.6 | 409.1 | 412.3 | 415.1 | 417.7 | 421.4 |
| 9 Proprietors' income[1] | 489.0 | 520.3 | 544.5 | 528.3 | 534.6 | 543.6 | 547.2 | 552.5 |
| 10 Business and professional[1] | 465.5 | 483.1 | 503.8[r] | 487.9 | 494.4 | 500.0 | 506.3 | 514.3 |
| 11 Farm[1] | 23.4 | 37.2 | 40.7 | 40.4 | 40.2 | 43.6 | 40.9 | 38.2 |
| 12 Rental income of persons[2] | 132.8 | 146.3 | 147.9[r] | 149.2 | 149.0 | 148.7 | 148.0 | 145.7 |
| 13 Dividends | 251.9 | 291.2 | 321.5 | 295.2 | 312.5 | 318.3 | 324.5 | 330.7 |
| 14 Personal interest income | 718.9 | 735.7 | 768.6[r] | 749.8 | 757.2 | 766.1 | 772.6 | 778.4 |
| 15 Transfer payments | 1,015.0 | 1,068.0 | 1,121.1 | 1,081.5 | 1,107.2 | 1,117.0 | 1,125.7 | 1,134.8 |
| 16 Old-age survivors, disability, and health insurance benefits | 507.8 | 537.6 | 566.7 | 545.6 | 558.9 | 564.4 | 569.4 | 574.2 |
| 17 LESS: Personal contributions for social insurance | 293.1 | 306.3 | 323.7 | 311.5 | 318.2 | 321.3 | 324.8 | 330.4 |
| 18 EQUALS: Personal income | 6,150.8 | 6,495.2 | 6,873.9[r] | 6,618.4 | 6,746.2 | 6,829.1 | 6,906.9 | 7,013.5 |
| 19 LESS: Personal tax and nontax payments | 795.1 | 886.9 | 988.7 | 922.6 | 955.7 | 979.2 | 998.0 | 1,022.1 |
| 20 EQUALS: Disposable personal income | 5,355.7 | 5,608.3 | 5,885.2[r] | 5,695.8 | 5,790.5 | 5,849.9 | 5,908.9 | 5,991.4 |
| 21 LESS: Personal outlays | 5,101.1 | 5,368.8 | 5,658.5[r] | 5,475.4 | 5,574.6 | 5,602.8 | 5,700.8 | 5,755.6 |
| 22 EQUALS: Personal saving | 254.6 | 239.6 | 226.7[r] | 220.4 | 215.9 | 247.0 | 208.2 | 235.8 |
| MEMO<br>*Per capita (chained 1992 dollars)* | | | | | | | | |
| 23 Gross domestic product | 25,615.7 | 26,085.8 | 26,834.0[r] | 26,331.6 | 26,597.8 | 26,765.0 | 26,897.9 | 27,073.3 |
| 24 Personal consumption expenditures | 17,459.2 | 17,748.7 | 18,168.9[r] | 17,847.8 | 18,045.2 | 18,053.9 | 18,255.7 | 18,319.6 |
| 25 Disposable personal income | 18,861.0 | 19,116.0 | 19,493.0[r] | 19,152.0 | 19,331.0 | 19,439.0 | 19,518.0 | 19,681.0 |
| 26 Saving rate (percent) | 4.8 | 4.3 | 3.9[r] | 3.9 | 3.7 | 4.2 | 3.5 | 3.9 |
| GROSS SAVING | | | | | | | | |
| 27 **Gross saving** | **1,165.5** | **1,267.8** | **1,394.3** | **1,303.0** | **1,332.9** | **1,396.9** | **1,411.6** | **1,435.8** |
| 28 Gross private saving | 1,093.1 | 1,125.5 | 1,164.2 | 1,131.4 | 1,134.0 | 1,178.1 | 1,159.6 | 1,185.2 |
| 29 Personal saving | 254.6 | 239.6 | 226.7[r] | 220.4 | 215.9 | 247.0 | 208.2 | 235.8 |
| 30 Undistributed corporate profits[1] | 172.4 | 202.1 | 219.5 | 212.6 | 211.5 | 217.6 | 230.0 | 218.9 |
| 31 Corporate inventory valuation adjustment | −24.3 | −2.5 | 5.5[r] | 3.3 | 3.5 | 5.9 | 3.6 | 9.2 |
| *Capital consumption allowances* | | | | | | | | |
| 32 Corporate | 428.9 | 452.3 | 475.6 | 462.0 | 467.4 | 472.6 | 478.0 | 484.5 |
| 33 Noncorporate | 224.1 | 230.5 | 241.2 | 235.2 | 238.0 | 239.7 | 242.4 | 244.9 |
| 34 Gross government saving | 72.4 | 142.3 | 230.1 | 171.6 | 198.9 | 218.8 | 251.9 | 250.6 |
| 35 Federal | −103.6 | −39.3 | 42.8 | −5.9 | 15.9 | 34.7 | 60.8 | 59.7 |
| 36 Consumption of fixed capital | 70.9 | 71.2 | 71.6 | 71.3 | 71.4 | 71.5 | 71.6 | 71.8 |
| 37 Current surplus or deficit (−), national accounts | −174.4 | −110.5 | −28.8 | −77.1 | −55.5 | −36.8 | −10.8 | −12.1 |
| 38 State and local | 176.0 | 181.5 | 187.3 | 177.5 | 182.9 | 184.1 | 191.1 | 190.9 |
| 39 Consumption of fixed capital | 72.9 | 76.2 | 79.5 | 77.2 | 78.2 | 79.2 | 79.7 | 80.8 |
| 40 Current surplus or deficit (−), national accounts | 103.1 | 105.3 | 107.8 | 100.4 | 104.7 | 104.9 | 111.4 | 110.1 |
| 41 **Gross investment** | **1,137.2** | **1,207.9** | **1,308.3** | **1,243.5** | **1,268.6** | **1,323.4** | **1,308.4** | **1,332.7** |
| 42 Gross private domestic investment | 1,038.2 | 1,116.5 | 1,242.5[r] | 1,151.1 | 1,193.6 | 1,242.0 | 1,250.2 | 1,284.1 |
| 43 Gross government investment | 213.4 | 224.3 | 226.0 | 225.3 | 223.3 | 227.4 | 227.1 | 226.1 |
| 44 Net foreign investment | −114.4 | −132.9 | −160.2 | −132.9 | −148.4 | −146.0 | −168.9 | −177.4 |
| 45 **Statistical discrepancy** | **−28.2** | **−59.9** | **−86.0** | **−59.5** | **−64.3** | **−73.5** | **−103.2** | **−103.1** |

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

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

## 3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted[1]

| Item credits or debits | 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 | 1996 | 1997 | 1997 | | | | | 1998 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb.[p] |
| 1 Goods and services, balance | −101,857 | −111,040 | −113,684 | −8,993 | −10,996 | −8,979 | −8,904 | −10,897 | −11,619 | −12,108 |
| 2 Merchandise | −173,560 | −191,170 | −198,975 | −16,578 | −18,557 | −16,498 | −15,741 | −17,703 | −18,328 | −18,565 |
| 3 Services | 71,703 | 80,130 | 85,291 | 7,585 | 7,561 | 7,519 | 6,837 | 6,806 | 6,709 | 6,457 |
| 4 Goods and services, exports | 794,610 | 848,833 | 931,370 | 78,867 | 78,104 | 80,067 | 78,661 | 79,352 | 77,642 | 77,011 |
| 5 Merchandise | 575,871 | 612,069 | 678,150 | 57,264 | 56,308 | 58,388 | 57,524 | 58,414 | 56,686 | 55,609 |
| 6 Services | 218,739 | 236,764 | 253,220 | 21,603 | 21,796 | 21,679 | 21,137 | 20,938 | 20,956 | 21,402 |
| 7 Goods and services, imports | −896,467 | −959,873 | −1,045,054 | −87,860 | −89,100 | −89,046 | −87,565 | −90,249 | −89,261 | −89,119 |
| 8 Merchandise | −749,431 | −803,239 | −877,125 | −73,842 | −74,865 | −74,886 | −73,265 | −76,117 | −75,014 | −74,174 |
| 9 Services | −147,036 | −156,634 | −167,929 | −14,018 | −14,235 | −14,160 | −14,300 | −14,132 | −14,247 | −14,945 |

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 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar.[p] |
| 1 **Total** | **74,335** | **85,832** | **75,090** | **66,640** | **67,148** | **68,036** | **67,112** | **69,954** | **70,003** | **70,632** | **69,354** |
| 2 Gold stock, including Exchange Stabilization Fund[1] | 11,051 | 11,050 | 11,049 | 11,050 | 11,050 | 11,050 | 11,050 | 11,050 | 11,046 | 11,050 | 11,050 |
| 3 Special drawing rights[2,3] | 10,039 | 11,037 | 10,312 | 9,985 | 9,997 | 10,132 | 10,120 | 10,027 | 9,998 | 10,217 | 10,108 |
| 4 Reserve position in International Monetary Fund[2] | 12,030 | 14,649 | 15,435 | 13,959 | 14,042 | 14,243 | 14,571 | 18,071 | 18,039 | 18,135 | 17,976 |
| 5 Foreign currencies[4] | 41,215 | 49,096 | 38,294 | 31,646 | 32,059 | 32,611 | 31,371 | 30,809 | 30,920 | 31,230 | 30,220 |

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 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar.[p] |
| 1 **Deposits** | **250** | **386** | **167** | **169** | **188** | **190** | **167** | **457** | **215** | **243** | **167** |
| *Held in custody* | | | | | | | | | | | |
| 2 U.S. Treasury securities[2] | 441,866 | 522,170 | 638,049 | 660,461 | 655,406 | 638,100 | 635,092 | 620,885 | 625,219 | 621,956 | 630,602 |
| 3 Earmarked gold[3] | 12,033 | 11,702 | 11,197 | 10,793 | 10,793 | 10,793 | 10,793 | 10,763 | 10,709 | 10,705 | 10,664 |

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[r] | | | | | 1998 | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb.[p] |
| 1 **Total**[1] | **630,918** | **758,624** | **793,648** | **803,721** | **798,696** | **791,668** | **776,986** | **778,915** | **777,095** |
| *By type* | | | | | | | | | |
| 2 Liabilities reported by banks in the United States[2] | 107,394 | 113,098 | 128,728 | 138,276 | 153,804 | 147,796 | 135,026 | 140,511 | 137,693 |
| 3 U.S. Treasury bills and certificates[3] | 168,534 | 198,921 | 165,453 | 161,610 | 153,283 | 150,102 | 148,301 | 145,609 | 144,324 |
| U.S. Treasury bonds and notes | | | | | | | | | |
| 4 Marketable | 293,690 | 379,497 | 431,169 | 434,260 | 421,412 | 423,243 | 422,876 | 421,687 | 422,929 |
| 5 Nonmarketable[4] | 6,491 | 5,968 | 5,841 | 5,879 | 5,919 | 5,955 | 5,994 | 6,033 | 6,069 |
| 6 U.S. securities other than U.S. Treasury securities[5] | 54,809 | 61,140 | 62,457 | 63,696 | 64,278 | 64,572 | 64,789 | 65,075 | 66,080 |
| *By area* | | | | | | | | | |
| 7 Europe[1] | 222,406 | 257,915 | 272,666 | 276,694 | 280,589 | 272,680 | 263,078 | 261,505 | 260,718 |
| 8 Canada | 19,473 | 21,295 | 20,959 | 21,233 | 19,418 | 19,275 | 18,749 | 18,339 | 19,065 |
| 9 Latin America and Caribbean | 66,721 | 80,623 | 94,262 | 94,754 | 90,190 | 94,135 | 97,316 | 96,697 | 98,948 |
| 10 Asia | 311,016 | 385,484 | 390,584 | 394,551 | 391,541 | 390,203 | 381,196 | 386,007 | 383,547 |
| 11 Africa | 6,296 | 7,379 | 8,934 | 10,218 | 9,812 | 9,542 | 10,118 | 10,213 | 10,323 |
| 12 Other countries | 5,004 | 5,926 | 6,241 | 6,269 | 7,144 | 5,831 | 6,527 | 6,152 | 4,492 |

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[r] | | | |
|---|---|---|---|---|---|---|---|
| | | | | 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 | 82,729 |
| 3 Deposits | 19,661 | 22,696 | 22,467 | 26,390 | 28,900 | 32,154 | 28,355[r] |
| 4 Other claims | 41,050 | 51,320 | 43,551 | 46,341 | 56,405 | 59,004 | 54,374[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[r] | 1997 | | | | | 1998 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Aug. | Sept. | Oct. | Nov. | Dec.[r] | Jan. | Feb.[p] |
| BY HOLDER AND TYPE OF LIABILITY | | | | | | | | | | |
| 1 **Total, all foreigners** | **1,099,549** | **1,162,148** | **1,283,270** | **1,192,430[r]** | **1,200,331[r]** | **1,226,033[r]** | **1,240,488[r]** | **1,283,270** | **1,264,143** | **1,279,919** |
| 2 Banks' own liabilities | 753,461 | 758,998 | 883,174 | 788,607 | 799,271[r] | 824,677[r] | 834,237[r] | 883,174 | 864,040 | 876,116 |
| 3 Demand deposits | 24,448 | 27,034 | 32,104 | 27,090[r] | 28,332 | 33,503[r] | 35,690 | 32,104 | 29,712 | 29,687 |
| 4 Time deposits[2] | 192,558 | 186,910 | 198,546 | 190,482[r] | 187,840[r] | 193,751[r] | 191,970[r] | 198,546 | 187,763 | 181,527 |
| 5 Other[3] | 140,165 | 143,510 | 167,637 | 162,026 | 171,138[r] | 193,950[r] | 180,925 | 167,637 | 184,775 | 188,435 |
| 6 Own foreign offices[4] | 396,290 | 401,544 | 484,887 | 409,009 | 411,961[r] | 403,473[r] | 425,652[r] | 484,887 | 461,790 | 476,467 |
| 7 Banks' custodial liabilities[5] | 346,088 | 403,150 | 400,096 | 403,823[r] | 401,060[r] | 401,356[r] | 406,251[r] | 400,096 | 400,103 | 403,803 |
| 8 U.S. Treasury bills and certificates[6] | 197,355 | 236,874 | 193,325 | 209,121 | 205,946 | 200,215 | 196,476 | 193,325 | 184,955 | 186,637 |
| 9 Other negotiable and readily transferable instruments[7] | 52,200 | 72,011 | 93,604 | 89,096 | 90,656 | 95,108 | 99,882 | 93,604 | 96,945 | 99,343 |
| 10 Other | 96,533 | 94,265 | 113,167 | 105,606[r] | 104,[illegible]28[r] | 106,033[r] | 109,893[r] | 113,167 | 118,203 | 117,823 |
| 11 Nonmonetary international and regional organizations[8] | 11,039 | 13,972 | 11,390 | 10,569 | 11,806 | 13,914 | 12,469 | 11,390 | 11,255 | 16,259 |
| 12 Banks' own liabilities | 10,347 | 13,355 | 11,186 | 10,068 | 11,524 | 13,509 | 12,205 | 11,186 | 11,063 | 15,930 |
| 13 Demand deposits | 21 | 29 | 16 | 217 | 771 | 36 | 43 | 16 | 175 | 74 |
| 14 Time deposits[2] | 4,656 | 5,784 | 5,466 | 4,879 | 5,967 | 5,161 | 6,310 | 5,466 | 5,023 | 5,223 |
| 15 Other[3] | 5,670 | 7,542 | 5,704 | 4,972 | 4,786 | 8,312 | 5,852 | 5,704 | 5,865 | 10,633 |
| 16 Banks' custodial liabilities[5] | 692 | 617 | 204 | 501 | 282 | 405 | 264 | 204 | 192 | 329 |
| 17 U.S. Treasury bills and certificates[6] | 350 | 352 | 69 | 166 | 53 | 148 | 46 | 69 | 85 | 149 |
| 18 Other negotiable and readily transferable instruments[7] | 341 | 265 | 133 | 314 | 229 | 257 | 217 | 133 | 107 | 180 |
| 19 Other | 1 | 0 | 2 | 21 | 0 | 0 | 1 | 2 | 0 | 0 |
| 20 Official institutions[9] | 275,928 | 312,019 | 283,327 | 294,181[r] | 299,886[r] | 307,087[r] | 297,898[r] | 283,327 | 286,120 | 282,017 |
| 21 Banks' own liabilities | 83,447 | 79,406 | 101,610 | 99,211[r] | 105,454[r] | 118,154[r] | 109,988[r] | 101,610 | 110,607 | 107,913 |
| 22 Demand deposits | 2,098 | 1,511 | 2,314 | 2,181[r] | 1,745 | 2,034 | 1,891 | 2,314 | 1,682 | 1,910 |
| 23 Time deposits[2] | 30,717 | 33,336 | 41,120 | 40,418[r] | 39,984[r] | 41,770[r] | 39,716[r] | 41,120 | 38,306 | 36,582 |
| 24 Other[3] | 50,632 | 44,559 | 58,176 | 56,612 | 63,725 | 74,350 | 68,381 | 58,176 | 70,619 | 69,421 |
| 25 Banks' custodial liabilities[5] | 192,481 | 232,613 | 181,717 | 194,970 | 194,432 | 188,933 | 187,910 | 181,717 | 175,513 | 174,104 |
| 26 U.S. Treasury bills and certificates[6] | 168,534 | 198,921 | 148,301 | 165,453 | 161,610 | 153,283 | 150,102 | 148,301 | 145,609 | 144,324 |
| 27 Other negotiable and readily transferable instruments[7] | 23,603 | 33,266 | 33,211 | 29,349 | 32,315 | 35,236 | 37,374 | 33,211 | 29,614 | 29,643 |
| 28 Other | 344 | 426 | 205 | 168 | 507 | 414 | 434 | 205 | 290 | 137 |
| 29 Banks[10] | 691,412 | 694,835 | 816,199 | 730,209[r] | 724,645[r] | 732,963[r] | 765,574[r] | 816,199 | 791,980 | 798,587 |
| 30 Banks' own liabilities | 567,834 | 562,898 | 642,459 | 566,266[r] | 563,884[r] | 568,367[r] | 595,667[r] | 642,459 | 617,742 | 621,857 |
| 31 Unaffiliated foreign banks | 171,544 | 161,354 | 157,572 | 157,257[r] | 151,923[r] | 164,894[r] | 170,015 | 157,572 | 155,952 | 145,390 |
| 32 Demand deposits | 11,758 | 13,692 | 17,527 | 13,323 | 13,852 | 18,354 | 21,316 | 17,527 | 15,974 | 16,084 |
| 33 Time deposits[2] | 103,471 | 89,765 | 83,809 | 81,790[r] | 76,683[r] | 83,162[r] | 84,621 | 83,809 | 79,639 | 74,894 |
| 34 Other[3] | 56,315 | 57,897 | 56,236 | 62,144 | 61,388[r] | 63,378[r] | 64,078 | 56,236 | 60,339 | 54,412 |
| 35 Own foreign offices[4] | 396,290 | 401,544 | 484,887 | 409,009 | 411,961[r] | 403,473[r] | 425,652[r] | 484,887 | 461,790 | 476,467 |
| 36 Banks' custodial liabilities[5] | 123,578 | 131,937 | 173,740 | 163,943[r] | 160,761[r] | 164,596[r] | 169,907[r] | 173,740 | 174,238 | 176,730 |
| 37 U.S. Treasury bills and certificates[6] | 15,872 | 23,106 | 31,915 | 30,629 | 30,012 | 33,085 | 32,995 | 31,915 | 27,607 | 30,620 |
| 38 Other negotiable and readily transferable instruments[7] | 13,035 | 17,027 | 35,333 | 33,960 | 32,886 | 32,065 | 33,826 | 35,333 | 35,266 | 35,107 |
| 39 Other | 94,671 | 91,804 | 106,492 | 99,354[r] | 97,863[r] | 99,446[r] | 103,086[r] | 106,492 | 111,365 | 111,003 |
| 40 Other foreigners | 121,170 | 141,322 | 172,354 | 157,471 | 163,994[r] | 172,069[r] | 164,547[r] | 172,354 | 174,788 | 183,056 |
| 41 Banks' own liabilities | 91,833 | 103,339 | 127,919 | 113,062 | 118,409[r] | 124,647[r] | 116,377[r] | 127,919 | 124,628 | 130,416 |
| 42 Demand deposits | 10,571 | 11,802 | 12,247 | 11,369 | 11,964 | 13,079[r] | 12,440 | 12,247 | 11,881 | 11,619 |
| 43 Time deposits[2] | 53,714 | 58,025 | 68,151 | 63,395 | 65,206[r] | 63,658[r] | 61,323[r] | 68,151 | 64,795 | 64,828 |
| 44 Other[3] | 27,548 | 33,512 | 47,521 | 38,298 | 41,239 | 47,910 | 42,614 | 47,521 | 47,952 | 53,969 |
| 45 Banks' custodial liabilities[5] | 29,337 | 37,983 | 44,435 | 44,409 | 45,585 | 47,422 | 48,170 | 44,435 | 50,160 | 52,640 |
| 46 U.S. Treasury bills and certificates[6] | 12,599 | 14,495 | 13,040 | 12,873 | 14,271 | 13,699 | 13,333 | 13,040 | 11,654 | 11,544 |
| 47 Other negotiable and readily transferable instruments[7] | 15,221 | 21,453 | 24,927 | 25,473 | 25,256 | 27,550 | 28,465 | 24,927 | 31,958 | 34,413 |
| 48 Other | 1,517 | 2,035 | 6,468 | 6,063 | 6,058 | 6,173 | 6,372 | 6,468 | 6,548 | 6,683 |
| MEMO | | | | | | | | | | |
| 49 Negotiable time certificates of deposit in custody for foreigners | 9,103 | 14,573 | 16,046 | 16,040 | 15,872 | 15,485 | 16,553 | 16,046 | 17,038 | 20,791 |

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[r] | 1997 Aug. | Sept. | Oct. | Nov. | Dec.[r] | 1998 Jan. | Feb.[p] |
|---|---|---|---|---|---|---|---|---|---|---|
| AREA | | | | | | | | | | |
| 50 **Total, all foreigners** | **1,099,549** | **1,162,148** | **1,283,270** | **1,192,430[r]** | **1,200,331[r]** | **1,226,033[r]** | **1,240,488[r]** | **1,283,270** | **1,264,143[r]** | **1,279,919** |
| 51 **Foreign countries** | **1,088,510** | **1,148,176** | **1,271,880** | **1,181,861[r]** | **1,188,525[r]** | **1,212,119[r]** | **1,228,019[r]** | **1,271,880** | **1,252,888[r]** | **1,263,660** |
| 52 Europe | 362,819 | 376,590 | 420,448 | 407,700 | 402,428[r] | 418,988 | 425,584 | 420,448 | 401,473[r] | 416,890 |
| 53 Austria | 3,537 | 5,128 | 2,717 | 3,404 | 2,691 | 2,679 | 2,319 | 2,717 | 2,787 | 2,774 |
| 54 Belgium and Luxembourg | 24,792 | 24,084 | 41,007 | 46,063 | 43,436 | 46,067 | 46,258 | 41,007 | 39,018 | 36,934 |
| 55 Denmark | 2,921 | 2,565 | 1,514 | 1,736 | 2,867 | 2,359 | 2,157 | 1,514 | 1,625 | 1,465 |
| 56 Finland | 2,831 | 1,958 | 2,246 | 1,751 | 2,163 | 1,997 | 1,969 | 2,246 | 2,177 | 2,136 |
| 57 France | 39,218 | 35,078 | 46,607 | 41,213 | 43,065 | 45,057 | 45,653 | 46,607 | 44,773 | 44,990 |
| 58 Germany | 24,035 | 24,660 | 23,737 | 22,626 | 25,201 | 22,117 | 23,040 | 23,737 | 21,988[r] | 23,040 |
| 59 Greece | 2,014 | 1,835 | 1,515 | 1,592 | 2,086 | 2,075 | 1,229 | 1,515 | 1,676 | 1,661 |
| 60 Italy | 10,868 | 10,946 | 11,378 | 9,179 | 9,852 | 11,449 | 10,713 | 11,378 | 9,854 | 9,682 |
| 61 Netherlands | 13,745 | 11,110 | 7,385 | 7,823 | 8,413[r] | 8,119 | 7,010 | 7,385 | 6,287 | 7,043 |
| 62 Norway | 1,394 | 1,288 | 317 | 604 | 1,321 | 1,022 | 1,793 | 317 | 955 | 845 |
| 63 Portugal | 2,761 | 3,562 | 2,262 | 1,931 | 1,958 | 1,888 | 1,987 | 2,262 | 1,515 | 1,427 |
| 64 Russia | 7,948 | 7,623 | 7,968 | 13,216 | 12,784 | 11,722 | 6,938 | 7,968 | 5,573 | 6,039 |
| 65 Spain | 10,011 | 17,707 | 18,989 | 15,203 | 17,796 | 21,934 | 20,921 | 18,989 | 19,413 | 20,129 |
| 66 Sweden | 3,246 | 1,623 | 1,628 | 2,317 | 2,024 | 1,348 | 1,614 | 1,628 | 1,415 | 2,055 |
| 67 Switzerland | 43,625 | 44,538 | 39,258 | 41,076 | 36,862 | 37,075 | 39,665 | 39,258 | 37,414 | 37,231 |
| 68 Turkey | 4,124 | 6,738 | 4,054 | 5,933 | 4,736 | 4,661 | 4,218 | 4,054 | 3,659 | 4,047 |
| 69 United Kingdom | 139,183 | 153,420 | 181,865 | 167,914 | 159,189[r] | 165,199 | 177,781 | 181,865 | 176,402[r] | 189,745 |
| 70 Yugoslavia[11] | 177 | 206 | 239 | 244 | 243 | 233 | 234 | 239 | 292 | 244 |
| 71 Other Europe and other former U.S.S.R.[12] | 26,389 | 22,521 | 25,762 | 23,875 | 25,741 | 31,987 | 30,085 | 25,762 | 24,650 | 25,403 |
| 72 Canada | 30,468 | 38,920 | 28,341 | 27,629 | 29,592 | 30,282 | 30,921 | 28,341 | 29,035[r] | 29,384 |
| 73 Latin America and Caribbean | 440,213 | 467,529 | 536,342 | 496,645[r] | 504,051[r] | 502,099[r] | 499,513[r] | 536,342 | 530,305[r] | 532,662 |
| 74 Argentina | 12,235 | 13,877 | 20,199 | 18,033 | 16,643 | 17,700[r] | 18,358[r] | 20,199 | 19,215[r] | 17,430 |
| 75 Bahamas | 94,991 | 88,895 | 112,217 | 86,271 | 86,914 | 89,631[r] | 92,390[r] | 112,217 | 117,212[r] | 110,744 |
| 76 Bermuda | 4,897 | 5,527 | 6,911 | 7,786 | 6,084 | 6,209 | 6,012 | 6,911 | 6,279[r] | 8,282 |
| 77 Brazil | 23,797 | 27,701 | 31,037 | 31,567 | 33,575 | 31,680[r] | 32,614[r] | 31,037 | 31,857[r] | 33,022 |
| 78 British West Indies | 239,083 | 251,465 | 276,366 | 268,488[r] | 274,964[r] | 269,997[r] | 263,763[r] | 276,366 | 265,999[r] | 273,513 |
| 79 Chile | 2,826 | 2,915 | 4,072 | 3,353 | 3,327 | 3,579 | 3,283 | 4,072 | 4,514[r] | 4,445 |
| 80 Colombia | 3,659 | 3,256 | 3,652 | 2,587 | 2,657 | 3,478[r] | 3,341[r] | 3,652 | 3,559[r] | 3,883 |
| 81 Cuba | 8 | 21 | 66 | 60 | 55 | 71 | 57 | 66 | 63 | 58 |
| 82 Ecuador | 1,314 | 1,767 | 2,078 | 1,512 | 1,508 | 1,671 | 1,704 | 2,078 | 1,876 | 1,987 |
| 83 Guatemala | 1,276 | 1,282 | 1,494 | 1,389 | 1,449 | 1,399 | 1,361 | 1,494 | 1,492[r] | 1,381 |
| 84 Jamaica | 481 | 628 | 450 | 534 | 523 | 481 | 445 | 450 | 449 | 437 |
| 85 Mexico | 24,560 | 31,240 | 33,972 | 30,804 | 32,640 | 32,749[r] | 32,678[r] | 33,972 | 33,230[r] | 33,592 |
| 86 Netherlands Antilles | 4,673 | 6,099 | 5,085 | 8,286 | 7,591[r] | 6,069[r] | 4,995[r] | 5,085 | 5,777 | 5,413 |
| 87 Panama | 4,264 | 4,099 | 4,241 | 3,805 | 3,835 | 4,109[r] | 4,293[r] | 4,241 | 3,921[r] | 4,050 |
| 88 Peru | 974 | 834 | 893 | 1,006 | 904 | 917 | 907 | 893 | 876[r] | 913 |
| 89 Uruguay | 1,836 | 1,890 | 2,382 | 2,070 | 1,997 | 2,184 | 2,247 | 2,382 | 2,201 | 2,245 |
| 90 Venezuela | 11,808 | 17,363 | 21,601 | 20,229[r] | 20,639[r] | 20,699[r] | 22,111[r] | 21,601 | 22,340[r] | 21,749 |
| 91 Other | 7,531 | 8,670 | 9,626 | 8,865[r] | 8,746[r] | 9,476[r] | 8,954[r] | 9,626 | 9,445[r] | 9,518 |
| 92 Asia | 240,595 | 249,083 | 269,196 | 231,017 | 234,560 | 242,064[r] | 255,000 | 269,196 | 274,303[r] | 269,058 |
| China | | | | | | | | | | |
| 93 Mainland | 33,750 | 30,438 | 18,252 | 10,450 | 12,664 | 16,234[r] | 17,433 | 18,252 | 20,153[r] | 18,570 |
| 94 Taiwan | 11,714 | 15,995 | 11,760 | 11,803 | 13,460 | 15,207 | 13,586 | 11,760 | 12,936[r] | 12,941 |
| 95 Hong Kong | 20,197 | 18,789 | 17,722 | 17,647 | 18,533 | 19,755 | 18,886 | 17,722 | 18,002[r] | 17,730 |
| 96 India | 3,373 | 3,930 | 4,567 | 4,474 | 4,451 | 5,131 | 4,913 | 4,567 | 5,331 | 5,315 |
| 97 Indonesia | 2,708 | 2,298 | 3,554 | 3,737 | 2,810 | 4,568 | 3,092 | 3,554 | 2,909[r] | 2,988 |
| 98 Israel | 4,041 | 6,051 | 6,283 | 5,202 | 4,534 | 4,200 | 3,745 | 6,283 | 7,192 | 7,190 |
| 99 Japan | 109,193 | 117,316 | 143,401 | 119,581 | 118,536 | 116,852 | 133,690 | 143,401 | 138,685[r] | 142,243 |
| 100 Korea (South) | 5,749 | 5,949 | 12,955 | 9,646 | 9,327 | 8,597 | 9,982 | 12,955 | 11,703[r] | 12,520 |
| 101 Philippines | 3,092 | 3,378 | 3,250 | 2,541 | 2,409 | 2,505 | 2,558 | 3,250 | 2,530[r] | 2,867 |
| 102 Thailand | 12,279 | 10,912 | 6,501 | 4,956 | 6,545 | 6,988 | 5,824 | 6,501 | 5,858 | 4,676 |
| 103 Middle Eastern oil-exporting countries[13] | 15,582 | 16,285 | 14,959 | 15,325 | 14,279 | 14,436 | 14,017 | 14,959 | 16,059 | 13,485 |
| 104 Other | 18,917 | 17,742 | 25,992 | 25,655 | 27,012 | 27,591 | 27,274 | 25,992 | 32,945[r] | 26,727 |
| 105 Africa | 7,641 | 8,116 | 10,347 | 9,731 | 10,380 | 10,310 | 9,520 | 10,347 | 10,291 | 9,197 |
| 106 Egypt | 2,136 | 2,012 | 1,663 | 1,973 | 2,050 | 1,742 | 1,836 | 1,663 | 1,949 | 1,664 |
| 107 Morocco | 104 | 112 | 138 | 94 | 99 | 105 | 69 | 138 | 131 | 73 |
| 108 South Africa | 739 | 458 | 2,158 | 1,694 | 2,047 | 2,028 | 1,615 | 2,158 | 1,685 | 1,645 |
| 109 Zaire | 10 | 10 | 10 | 7 | 14 | 3 | 5 | 10 | 7 | 4 |
| 110 Oil-exporting countries[14] | 1,797 | 2,626 | 3,060 | 3,211 | 3,280 | 3,194 | 2,948 | 3,060 | 3,470 | 2,716 |
| 111 Other | 2,855 | 2,898 | 3,318 | 2,752 | 2,890 | 3,238 | 3,047 | 3,318 | 3,049 | 2,575 |
| 112 Other | 6,774 | 7,938 | 7,206 | 9,139 | 7,514 | 8,376 | 7,481 | 7,206 | 7,481[r] | 6,469 |
| 113 Australia | 5,647 | 6,479 | 6,304 | 7,917 | 6,391 | 7,284 | 6,283 | 6,304 | 6,385[r] | 5,466 |
| 114 Other | 1,127 | 1,459 | 902 | 1,222 | 1,123 | 1,092 | 1,198 | 902 | 1,096 | 1,003 |
| 115 Nonmonetary international and regional organizations | 11,039 | 13,972 | 11,390 | 10,569 | 11,806 | 13,914 | 12,469 | 11,390 | 11,255[r] | 16,259 |
| 116 International[15] | 9,300 | 12,099 | 10,217 | 9,434 | 10,634 | 11,943 | 10,926 | 10,217 | 10,031[r] | 14,666 |
| 117 Latin American regional[16] | 893 | 1,339 | 424 | 579 | 708 | 1,277 | 1,053 | 424 | 975 | 1,217 |
| 118 Other regional[17] | 846 | 534 | 749 | 556 | 464 | 694 | 490 | 749 | 249 | 376 |

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[r] | | | | | 1998 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb.[p] |
| 1 **Total, all foreigners** | **532,444** | **599,925** | **708,197[r]** | **650,506** | **655,419** | **681,287** | **699,095** | **708,197** | **703,125** | **703,279** |
| 2 **Foreign countries** | **530,513** | **597,321** | **705,734[r]** | **648,089** | **653,376** | **679,539** | **696,609** | **705,734** | **700,208** | **700,524** |
| 3 Europe | 132,150 | 165,769 | 199,881[r] | 189,759 | 199,256 | 213,472 | 215,077 | 199,881 | 204,763 | 211,999 |
| 4 Austria | 565 | 1,662 | 1,354 | 1,739 | 1,371 | 1,913 | 2,034 | 1,354 | 1,917 | 1,934 |
| 5 Belgium and Luxembourg | 7,624 | 6,727 | 6,641[r] | 8,124 | 7,847 | 8,347 | 7,475 | 6,641 | 5,714 | 6,021 |
| 6 Denmark | 403 | 492 | 980 | 811 | 1,082 | 896 | 844 | 980 | 1,531 | 907 |
| 7 Finland | 1,055 | 971 | 1,233 | 1,773 | 1,889 | 1,808 | 1,259 | 1,233 | 1,492 | 1,554 |
| 8 France | 15,033 | 15,246 | 16,239 | 16,232 | 17,531 | 16,831 | 19,817 | 16,239 | 21,474 | 18,963 |
| 9 Germany | 9,263 | 8,472 | 12,676 | 8,685 | 11,724 | 11,617 | 13,245 | 12,676 | 10,849 | 10,752 |
| 10 Greece | 469 | 568 | 402 | 481 | 499 | 463 | 401 | 402 | 504 | 504 |
| 11 Italy | 5,370 | 6,457 | 6,230[r] | 8,015 | 7,670 | 7,145 | 6,871 | 6,230 | 6,655 | 5,974 |
| 12 Netherlands | 5,346 | 7,117 | 6,141 | 11,083 | 11,543 | 11,503 | 11,496 | 6,141 | 5,384 | 5,447 |
| 13 Norway | 665 | 808 | 555 | 849 | 1,713 | 1,419 | 2,080 | 555 | 989 | 1,296 |
| 14 Portugal | 888 | 418 | 777 | 732 | 563 | 615 | 695 | 777 | 655 | 533 |
| 15 Russia | 660 | 1,669 | 1,248 | 2,192 | 1,927 | 2,054 | 2,207 | 1,248 | 1,297 | 1,143 |
| 16 Spain | 2,166 | 3,211 | 2,942[r] | 6,175 | 5,431 | 6,625 | 6,339 | 2,942 | 6,926 | 6,255 |
| 17 Sweden | 2,080 | 1,739 | 1,854 | 1,639 | 1,659 | 1,838 | 1,804 | 1,854 | 1,736 | 1,838 |
| 18 Switzerland | 7,474 | 19,798 | 28,846 | 24,338 | 25,393 | 29,779 | 29,399 | 28,846 | 28,515 | 29,102 |
| 19 Turkey | 803 | 1,109 | 1,558 | 1,305 | 1,410 | 1,424 | 1,572 | 1,558 | 1,648 | 1,675 |
| 20 United Kingdom | 67,784 | 85,234 | 103,143 | 90,226 | 93,825 | 102,405 | 100,870 | 103,143 | 99,302 | 110,307 |
| 21 Yugoslavia[2] | 147 | 115 | 52 | 76 | 75 | 75 | 74 | 52 | 53 | 53 |
| 22 Other Europe and other former U.S.S.R.[3] | 4,355 | 3,956 | 7,010 | 5,284 | 6,104 | 6,715 | 6,595 | 7,010 | 8,122 | 7,741 |
| 23 Canada | 20,874 | 26,436 | 27,170 | 24,452 | 23,523 | 22,815 | 24,765 | 27,170 | 25,155 | 24,872 |
| 24 Latin America and Caribbean | 256,944 | 274,153 | 343,806[r] | 298,829 | 302,678 | 303,917 | 317,508 | 343,806 | 345,779 | 345,383 |
| 25 Argentina | 6,439 | 7,400 | 8,924[r] | 7,277 | 7,243 | 8,129 | 8,761 | 8,924 | 9,076 | 9,402 |
| 26 Bahamas | 58,818 | 71,871 | 89,379 | 70,031 | 66,073 | 73,838 | 72,739 | 89,379 | 90,823 | 84,982 |
| 27 Bermuda | 5,741 | 4,129 | 8,782 | 9,840 | 9,353 | 8,008 | 6,552 | 8,782 | 9,385 | 8,917 |
| 28 Brazil | 13,297 | 17,259 | 21,696[r] | 19,249 | 19,429 | 20,134 | 20,390 | 21,696 | 22,541 | 24,188 |
| 29 British West Indies | 124,037 | 105,510 | 145,471[r] | 128,416 | 133,797 | 133,309 | 141,801 | 145,471 | 145,935 | 149,065 |
| 30 Chile | 4,864 | 5,136 | 7,913 | 5,919 | 6,350 | 7,304 | 7,783 | 7,913 | 7,910 | 8,249 |
| 31 Colombia | 4,550 | 6,247 | 6,945[r] | 6,608 | 6,543 | 6,869 | 6,976 | 6,945 | 6,733 | 6,729 |
| 32 Cuba | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 0 | 0 | 0 |
| 33 Ecuador | 825 | 1,031 | 1,311 | 1,199 | 1,218 | 1,307 | 1,292 | 1,311 | 1,390 | 1,398 |
| 34 Guatemala | 457 | 620 | 886 | 689 | 764 | 761 | 787 | 886 | 863 | 868 |
| 35 Jamaica | 323 | 345 | 424 | 375 | 374 | 364 | 405 | 424 | 410 | 401 |
| 36 Mexico | 18,024 | 18,425 | 19,518[r] | 18,680 | 18,770 | 18,584 | 18,904 | 19,518 | 20,510 | 21,103 |
| 37 Netherlands Antilles | 9,229 | 25,209 | 17,838 | 18,399 | 20,335 | 12,274 | 17,064 | 17,838 | 16,031 | 15,598 |
| 38 Panama | 3,008 | 2,786 | 4,364 | 3,471 | 3,555 | 3,958 | 4,089 | 4,364 | 4,074 | 4,232 |
| 39 Peru | 1,829 | 2,720 | 3,491[r] | 2,850 | 3,060 | 3,185 | 3,457 | 3,491 | 3,413 | 3,550 |
| 40 Uruguay | 466 | 589 | 629 | 702 | 728 | 709 | 651 | 629 | 588 | 594 |
| 41 Venezuela | 1,661 | 1,702 | 2,129[r] | 1,750 | 1,716 | 1,642 | 1,921 | 2,129 | 2,257 | 2,334 |
| 42 Other | 3,376 | 3,174 | 4,106[r] | 3,374 | 3,370 | 3,542 | 3,933 | 4,106 | 3,840 | 3,773 |
| 43 Asia | 115,336 | 122,478 | 125,007[r] | 124,927 | 119,395 | 129,622 | 129,760 | 125,007 | 114,400 | 108,904 |
| China | | | | | | | | | | |
| 44 Mainland | 1,023 | 1,401 | 1,579 | 2,574 | 2,798 | 2,345 | 2,102 | 1,579 | 2,534 | 1,988 |
| 45 Taiwan | 1,713 | 1,894 | 921 | 1,521 | 1,250 | 1,271 | 1,000 | 921 | 847 | 820 |
| 46 Hong Kong | 12,821 | 12,802 | 13,990[r] | 13,183 | 13,568 | 15,338 | 15,151 | 13,990 | 14,548 | 13,477 |
| 47 India | 1,846 | 1,946 | 2,200 | 2,110 | 2,086 | 2,360 | 2,501 | 2,200 | 2,299 | 2,172 |
| 48 Indonesia | 1,696 | 1,762 | 2,611 | 2,579 | 2,713 | 2,731 | 2,774 | 2,611 | 2,346 | 2,243 |
| 49 Israel | 739 | 633 | 768 | 749 | 907 | 1,539 | 1,201 | 768 | 946 | 987 |
| 50 Japan | 61,468 | 59,967 | 59,546 | 54,427 | 52,480 | 59,437 | 60,195 | 59,546 | 52,904 | 51,891 |
| 51 Korea (South) | 13,975 | 18,901 | 18,123[r] | 21,695 | 19,983 | 19,927 | 19,258 | 18,123 | 14,429 | 12,741 |
| 52 Philippines | 1,318 | 1,697 | 1,689 | 1,834 | 1,670 | 1,455 | 1,533 | 1,689 | 1,794 | 1,645 |
| 53 Thailand | 2,612 | 2,679 | 2,259 | 2,641 | 2,479 | 2,317 | 2,180 | 2,259 | 2,164 | 2,138 |
| 54 Middle Eastern oil-exporting countries[4] | 9,639 | 10,424 | 10,790 | 9,503 | 7,988 | 8,490 | 8,909 | 10,790 | 9,133 | 9,101 |
| 55 Other | 6,486 | 8,372 | 10,531[r] | 12,111 | 11,473 | 12,412 | 12,956 | 10,531 | 10,456 | 9,701 |
| 56 Africa | 2,742 | 2,776 | 3,530 | 3,281 | 3,464 | 3,342 | 3,332 | 3,530 | 3,580 | 3,403 |
| 57 Egypt | 210 | 247 | 247 | 288 | 251 | 245 | 282 | 247 | 279 | 304 |
| 58 Morocco | 514 | 524 | 511 | 554 | 547 | 599 | 412 | 511 | 498 | 514 |
| 59 South Africa | 465 | 584 | 805 | 489 | 655 | 557 | 743 | 805 | 694 | 573 |
| 60 Zaire | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 61 Oil-exporting countries[5] | 552 | 420 | 1,212 | 1,178 | 1,123 | 1,111 | 1,091 | 1,212 | 1,324 | 1,219 |
| 62 Other | 1,000 | 1,001 | 755 | 772 | 888 | 830 | 804 | 755 | 785 | 793 |
| 63 Other | 2,467 | 5,709 | 6,340[r] | 6,841 | 5,060 | 6,371 | 6,167 | 6,340 | 6,531 | 5,963 |
| 64 Australia | 1,622 | 4,577 | 5,299 | 5,266 | 4,314 | 5,296 | 4,962 | 5,299 | 5,419 | 5,139 |
| 65 Other | 845 | 1,132 | 1,041[r] | 1,575 | 746 | 1,075 | 1,205 | 1,041 | 1,112 | 824 |
| 66 Nonmonetary international and regional organizations[6] | 1,931 | 2,604 | 2,463 | 2,417 | 2,043 | 1,748 | 2,486 | 2,463 | 2,917 | 2,755 |

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[r] | | | | | 1998 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb.[p] |
| 1 **Total** | **655,211** | **743,919** | **857,931** | ... | **825,412** | ... | ... | **857,931** | ... | ... |
| 2 Banks' claims | 532,444 | 599,925 | 708,197 | 650,506 | 655,419 | 681,287 | 699,095 | 708,197 | 703,125 | 703,279 |
| 3 Foreign public borrowers | 22,518 | 22,216 | 20,660 | 28,258 | 28,875 | 29,795 | 27,739 | 20,660 | 30,184 | 27,029 |
| 4 Own foreign offices[2] | 307,427 | 341,574 | 431,679 | 370,642 | 374,452 | 400,207 | 409,314 | 431,679 | 415,690 | 421,051 |
| 5 *Unaffiliated foreign banks* | *101,595* | *113,682* | *109,225* | *115,348* | *104,744* | *115,095* | *122,350* | *109,225* | *111,009* | *106,412* |
| 6 Deposits | 37,771 | 33,826 | 31,010 | 37,123 | 31,056 | 31,711 | 33,850 | 31,010 | 30,670 | 26,500 |
| 7 Other | 63,824 | 79,856 | 78,215 | 78,225 | 73,688 | 83,384 | 88,500 | 78,215 | 80,339 | 79,912 |
| 8 All other foreigners | 100,904 | 122,453 | 146,633 | 136,258 | 147,348 | 136,190 | 139,692 | 146,633 | 146,242 | 148,787 |
| 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 | 9,623 | ... | 10,881 | ... | ... | 9,623 | ... | ... |
| 14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5] | 30,717 | 39,661 | 34,148 | 45,342 | 38,171 | 39,157 | 37,527 | 34,148 | 36,328 | 37,119 |

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[r] | | | |
|---|---|---|---|---|---|---|---|
| | | | | Mar. | June | Sept. | Dec. |
| 1 **Total** | **202,282** | **224,932** | **258,106** | **276,217** | **272,014** | **280,968** | **276,507** |
| *By borrower* | | | | | | | |
| 2 Maturity of one year or less | 170,411 | 178,857 | 211,859 | 223,836 | 210,882 | 217,949 | 205,808 |
| 3 Foreign public borrowers | 15,435 | 14,995 | 15,411 | 19,935 | 17,979 | 20,123 | 12,135 |
| 4 All other foreigners | 154,976 | 163,862 | 196,448 | 203,901 | 192,903 | 197,826 | 193,673 |
| 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 | 58,295 |
| 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 | 97,242 |
| 11 Asia | 40,567 | 40,296 | 38,078 | 36,484 | 38,435 | 34,629 | 33,955 |
| 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[r] | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 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 | 65.6 |
| 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[r] | 1998 | 1997[r] | | | | | 1998 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Jan.–Feb. | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb.[p] |
| | U.S. corporate securities | | | | | | | | | |
| STOCKS | | | | | | | | | | |
| 1 Foreign purchases | 590,714 | 963,885 | 189,384 | 84,953 | 80,546 | 106,673 | 85,149 | 90,994 | 90,130 | 99,254 |
| 2 Foreign sales | 578,203 | 897,850 | 173,118 | 76,820 | 75,428 | 105,668 | 80,133 | 85,670 | 83,877 | 89,241 |
| **3 Net purchases, or sales (−)** | **12,511** | **66,035** | **16,266** | **8,133** | **5,118** | **1,005** | **5,016** | **5,324** | **6,253** | **10,013** |
| **4 Foreign countries** | **12,585** | **66,175** | **16,308** | **8,176** | **5,123** | **1,023** | **5,024** | **5,358** | **6,305** | **10,003** |
| 5 Europe | 5,367 | 59,041 | 16,255 | 4,391 | 5,296 | 5,910 | 5,318 | 5,832 | 6,623 | 9,632 |
| 6 France | −2,402 | 3,134 | 1,157 | 461 | 241 | −80 | −65 | 299 | 665 | 492 |
| 7 Germany | 1,104 | 9,075 | 1,314 | 584 | 374 | 538 | 857 | 788 | 546 | 768 |
| 8 Netherlands | 1,415 | 3,833 | 753 | −118 | 820 | 757 | 579 | 409 | 613 | 140 |
| 9 Switzerland | 2,715 | 7,845 | 1,815 | 557 | −405 | 848 | 1,043 | 1,474 | 683 | 1,132 |
| 10 United Kingdom | 4,478 | 22,215 | 7,336 | 2,170 | 3,559 | 2,444 | 1,875 | 1,232 | 2,741 | 4,595 |
| 11 Canada | 2,226 | −1,174 | −732 | −286 | −560 | −520 | −344 | −304 | −254 | −478 |
| 12 Latin America and Caribbean | 5,816 | 5,264 | 4,830 | 2,456 | 813 | −4,091 | −627 | −1,224 | 2,646 | 2,184 |
| 13 Middle East[1] | −1,600 | 171 | −439 | −64 | 32 | 78 | 15 | 21 | −166 | −273 |
| 14 Other Asia | 918 | 2,061 | −3,639 | 1,545 | −519 | −508 | 888 | 1,071 | −2,693 | −946 |
| 15 Japan | −372 | 4,780 | −1,781 | 888 | −313 | 229 | 709 | 551 | −1,112 | −669 |
| 16 Africa | −85 | 471 | 47 | 2 | 94 | 80 | −36 | 7 | 34 | 13 |
| 17 Other countries | −57 | 341 | −14 | 132 | −33 | 74 | −190 | −45 | 115 | −129 |
| **18 Nonmonetary international and regional organizations** | **−74** | **−140** | **−42** | **−43** | **−5** | **−18** | **−8** | **−34** | **−52** | **10** |
| BONDS[2] | | | | | | | | | | |
| 19 Foreign purchases | 393,953 | 614,253 | 125,116 | 62,622 | 50,709 | 58,462 | 52,632 | 52,484 | 57,331 | 67,785 |
| 20 Foreign sales | 268,487 | 477,786 | 94,404 | 48,283 | 41,201 | 44,435 | 48,772 | 43,171 | 44,301 | 50,103 |
| **21 Net purchases, or sales (−)** | **125,466** | **136,467** | **30,712** | **14,339** | **9,508** | **14,027** | **3,860** | **9,313** | **13,030** | **17,682** |
| **22 Foreign countries** | **125,295** | **135,875** | **30,712** | **14,271** | **9,507** | **13,500** | **3,948** | **9,302** | **12,998** | **17,714** |
| 23 Europe | 77,570 | 74,301 | 13,893 | 7,603 | 5,843 | 3,598 | 2,395 | 4,575 | 5,286 | 8,607 |
| 24 France | 4,460 | 3,300 | 346 | 275 | 300 | 142 | 546 | −67 | 74 | 272 |
| 25 Germany | 4,439 | 2,742 | 708 | 34 | 638 | 120 | 165 | −474 | 289 | 419 |
| 26 Netherlands | 2,107 | 3,576 | −234 | 602 | 135 | 369 | 185 | 425 | −433 | 199 |
| 27 Switzerland | 1,170 | 187 | 1,026 | −304 | −501 | −109 | 712 | 733 | 760 | 266 |
| 28 United Kingdom | 60,509 | 56,804 | 10,619 | 6,594 | 4,109 | 2,611 | −104 | 3,069 | 4,018 | 6,601 |
| 29 Canada | 4,486 | 6,264 | 1,523 | 557 | 624 | 866 | 459 | 677 | 1,409 | 114 |
| 30 Latin America and Caribbean | 17,737 | 34,821 | 10,866 | 2,110 | 1,265 | 3,712 | 3,884 | 7,220 | 5,354 | 5,512 |
| 31 Middle East[1] | 1,679 | 1,656 | 898 | −44 | −1 | −183 | 199 | 142 | 78 | 820 |
| 32 Other Asia | 23,762 | 17,017 | 2,915 | 3,916 | 1,591 | 5,634 | −3,193 | −3,526 | 485 | 2,430 |
| 33 Japan | 14,173 | 9,354 | −70 | 2,996 | −613 | 5,207 | −2,883 | −3,764 | −958 | 888 |
| 34 Africa | 624 | 1,005 | 178 | 103 | 8 | 11 | 88 | 49 | 142 | 36 |
| 35 Other countries | −563 | 811 | 439 | 26 | 177 | −138 | 116 | 165 | 244 | 195 |
| **36 Nonmonetary international and regional organizations** | **171** | **592** | **0** | **68** | **1** | **527** | **−88** | **11** | **32** | **−32** |
| | Foreign securities | | | | | | | | | |
| 37 Stocks, net purchases, or sales (−) | −59,268 | −40,243 | −877 | −7,893 | −334 | −2,820 | 2,045 | 1,541 | 150 | −1,027 |
| 38 Foreign purchases | 450,365 | 719,145 | 129,017 | 60,734 | 62,690 | 79,549 | 70,286 | 64,328 | 62,369 | 66,648 |
| 39 Foreign sales | 509,633 | 759,388 | 129,894 | 68,627 | 63,024 | 82,369 | 68,241 | 62,787 | 62,219 | 67,675 |
| 40 Bonds, net purchases, or sales (−) | −51,369 | −47,241 | −6,573 | −5,214 | −8,006 | −739 | −4,468 | −3,062 | −3,748 | −2,825 |
| 41 Foreign purchases | 1,114,035 | 1,466,784 | 195,448 | 123,203 | 121,636 | 163,626 | 111,000 | 115,302 | 95,235 | 100,213 |
| 42 Foreign sales | 1,165,404 | 1,514,025 | 202,021 | 128,417 | 129,642 | 164,365 | 115,468 | 118,364 | 98,983 | 103,038 |
| **43 Net purchases, or sales (−), of stocks and bonds** | **−110,637** | **−87,484** | **−7,450** | **−13,107** | **−8,340** | **−3,559** | **−2,423** | **−1,521** | **−3,598** | **−3,852** |
| **44 Foreign countries** | **−109,766** | **−87,428** | **−7,321** | **−13,036** | **−8,334** | **−3,394** | **−2,375** | **−1,435** | **−3,509** | **−3,812** |
| 45 Europe | −57,139 | −28,060 | −5,773 | −4,587 | −5,544 | −5,227 | −2,528 | 909 | −3,979 | −1,794 |
| 46 Canada | −7,685 | −3,794 | 1,275 | −1,453 | −1,236 | 412 | 557 | −78 | 841 | 434 |
| 47 Latin America and Caribbean | −11,507 | −25,043 | 1,396 | −207 | −146 | 1,899 | −2,160 | −2,918 | 825 | 571 |
| 48 Asia | −27,831 | −24,972 | −4,117 | −4,803 | −709 | 889 | 1,684 | 936 | −1,120 | −2,997 |
| 49 Japan | −5,887 | −10,014 | −2,230 | 95 | −183 | 1,828 | 2,261 | 1,862 | −404 | −1,826 |
| 50 Africa | −1,517 | −3,296 | −245 | −703 | −273 | −1,027 | −380 | −74 | −113 | −132 |
| 51 Other countries | −4,087 | −2,263 | 143 | −1,283 | −426 | −340 | 452 | −210 | 37 | 106 |
| **52 Nonmonetary international and regional organizations** | **−871** | **−56** | **−129** | **−71** | **−6** | **−165** | **−48** | **−86** | **−89** | **−40** |

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[r] | 1998 Jan.–Feb. | 1997[r] Aug. | 1997[r] Sept. | 1997[r] Oct. | 1997[r] Nov. | 1997[r] Dec. | 1998 Jan. | 1998 Feb.[p] |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 **Total estimated** | **232,241** | **183,596** | **16,293** | **24,153** | **15,174** | **16,858** | **15,909** | **−9,398** | **6,336** | **9,957** |
| 2 Foreign countries | 234,083 | 183,179 | 15,905 | 24,359 | 14,788 | 17,094 | 15,489 | −7,788 | 5,814 | 10,091 |
| 3 Europe | 118,781 | 144,920 | 25,231 | 19,216 | 19,152 | 23,102 | 10,158 | −37 | 18,433 | 6,798 |
| 4 Belgium and Luxembourg | 1,429 | 3,427 | 556 | 92 | 138 | 357 | 384 | 161 | 304 | 252 |
| 5 Germany | 17,980 | 22,471 | 11 | 4,050 | 2,714 | 4,847 | 5,255 | 3,052 | −1,085 | 1,096 |
| 6 Netherlands | −582 | 1,746 | −389 | 882 | −3 | 334 | 375 | −1,525 | 403 | −792 |
| 7 Sweden | 2,242 | −465 | −348 | 583 | 16 | 302 | −67 | −124 | 82 | −430 |
| 8 Switzerland | 328 | 6,028 | 4,109 | −291 | 109 | 690 | 1,395 | 2,847 | 2,419 | 1,690 |
| 9 United Kingdom | 65,658 | 98,253 | 17,754 | 13,465 | 12,856 | 18,779 | 5,640 | −1,792 | 11,879 | 5,875 |
| 10 Other Europe and former U.S.S.R. | 31,726 | 13,460 | 3,538 | 435 | 3,322 | −2,207 | −2,824 | −2,656 | 4,431 | −893 |
| 11 Canada | 2,331 | −811 | 265 | −839 | −414 | −730 | 730 | −2,132 | −1 | 266 |
| 12 Latin America and Caribbean | 20,785 | −2,541 | −1,496 | 1,063 | −769 | −1,434 | 6,512 | 3,737 | −3,619 | 2,123 |
| 13 Venezuela | −69 | 655 | 101 | 25 | −691 | 107 | 397 | −36 | 4 | 97 |
| 14 Other Latin America and Caribbean | 8,439 | −536 | 4,660 | −3,245 | −2,880 | −3,723 | −723 | 2,485 | 1,711 | 2,949 |
| 15 Netherlands Antilles | 12,415 | −2,660 | −6,257 | 4,283 | 2,802 | 2,182 | 6,838 | 1,288 | −5,334 | −923 |
| 16 Asia | 89,735 | 39,047 | −6,883 | 4,860 | −4,614 | −5,394 | −1,002 | −10,359 | −8,231 | 1,348 |
| 17 Japan | 41,366 | 20,360 | −5,620 | −3,458 | −2,782 | 4,160 | −4,784 | −7,860 | −6,384 | 764 |
| 18 Africa | 1,083 | 1,523 | 213 | 218 | 461 | 45 | −82 | 268 | 37 | 176 |
| 19 Other | 1,368 | 1,041 | −1,425 | −159 | 972 | 1,505 | −827 | 735 | −805 | −620 |
| 20 Nonmonetary international and regional organizations | −1,842 | 417 | 388 | −206 | 386 | −236 | 420 | −1,610 | 522 | −134 |
| 21 International | −1,390 | 552 | 222 | −190 | 341 | −74 | 451 | −1,025 | 445 | −223 |
| 22 Latin American regional | −779 | 173 | 3 | −117 | −21 | 78 | −24 | −131 | 32 | −29 |
| MEMO | | | | | | | | | | |
| 23 Foreign countries | 234,083 | 183,179 | 15,905 | 24,359 | 14,788 | 17,094 | 15,489 | −7,788 | 5,814 | 10,091 |
| 24 Official institutions | 85,807 | 43,379 | 53 | 8,235 | 3,091 | −12,848 | 1,831 | −367 | −1,189 | 1,242 |
| 25 Other foreign | 148,276 | 139,800 | 15,852 | 16,124 | 11,697 | 29,942 | 13,658 | −7,421 | 7,003 | 8,849 |
| *Oil-exporting countries* | | | | | | | | | | |
| 26 Middle East[2] | 10,232 | 7,116 | −2,002 | 3,455 | 52 | −3,877 | 3,175 | −1,506 | −2,411 | 409 |
| 27 Africa[3] | 1 | −13 | 1 | −7 | 0 | 0 | 0 | 0 | 1 | 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 Apr. 30, 1998 Percent | Rate on Apr. 30, 1998 Month effective | Country | Rate on Apr. 30, 1998 Percent | Rate on Apr. 30, 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 | 3.5 | Oct. 1997 | Netherlands | 2.5 | Apr. 1996 |
| France[2] | 3.3 | Oct. 1997 | Switzerland | 1.0 | Sept. 1996 |

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

## 3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

| Type or country | 1995 | 1996 | 1997 | 1997 Oct. | 1997 Nov. | 1997 Dec. | 1998 Jan. | 1998 Feb. | 1998 Mar. | 1998 Apr. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 Eurodollars | 5.93 | 5.38 | 5.61 | 5.63 | 5.71 | 5.79 | 5.53 | 5.53 | 5.56 | 5.56 |
| 2 United Kingdom | 6.63 | 5.99 | 6.81 | 7.24 | 7.52 | 7.60 | 7.49 | 7.46 | 7.47 | 7.41 |
| 3 Canada | 7.14 | 4.49 | 3.59 | 3.83 | 4.02 | 4.61 | 4.68 | 5.02 | 4.93 | 4.94 |
| 4 Germany | 4.43 | 3.21 | 3.24 | 3.51 | 3.68 | 3.67 | 3.51 | 3.45 | 3.44 | 3.56 |
| 5 Switzerland | 2.94 | 1.92 | 1.58 | 1.73 | 1.91 | 1.56 | 1.27 | .98 | 1.06 | 1.39 |
| 6 Netherlands | 4.30 | 2.91 | 3.25 | 3.50 | 3.65 | 3.61 | 3.42 | 3.36 | 3.42 | 3.52 |
| 7 France | 6.43 | 3.81 | 3.35 | 3.47 | 3.57 | 3.57 | 3.50 | 3.45 | 3.45 | 3.50 |
| 8 Italy | 10.43 | 8.79 | 6.86 | 6.63 | 6.49 | 6.07 | 6.05 | 6.12 | 5.59 | 5.09 |
| 9 Belgium | 4.73 | 3.19 | 3.40 | 3.76 | 3.72 | 3.61 | 3.47 | 3.53 | 3.61 | 3.69 |
| 10 Japan | 1.20 | .58 | .58 | .52 | .53 | .78 | .77 | .84 | .74 | .66 |

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 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Nov. | Dec. | Jan. | Feb. | Mar.[r] | Apr. |
| 1 Australia/dollar[2] | 74.073 | 78.283 | 74.368 | 69.526 | 66.187 | 65.659 | 67.436 | 66.963 | 65.231 |
| 2 Austria/schilling | 10.076 | 10.589 | 12.206 | 12.182 | 12.510 | 12.765 | 12.735 | 12.852 | 12.760 |
| 3 Belgium/franc | 29.472 | 30.970 | 35.807 | 35.737 | 36.748 | 37.536 | 37.417 | 37.699 | 37.424 |
| 4 Canada/dollar | 1.3725 | 1.3638 | 1.3849 | 1.4128 | 1.4271 | 1.4409 | 1.4334 | 1.4166 | 1.4298 |
| 5 China, P.R./yuan | 8.3700 | 8.3389 | 8.3193 | 8.3109 | 8.3099 | 8.3094 | 8.3072 | 8.3076 | 8.3058 |
| 6 Denmark/krone | 5.5999 | 5.8003 | 6.6092 | 6.5937 | 6.7752 | 6.9190 | 6.9089 | 6.9661 | 6.9174 |
| 7 Finland/markka | 4.3763 | 4.5948 | 5.1956 | 5.2217 | 5.3789 | 5.5006 | 5.4999 | 5.5467 | 5.5053 |
| 8 France/franc | 4.9864 | 5.1158 | 5.8393 | 5.8001 | 5.9542 | 6.0832 | 6.0744 | 6.1257 | 6.0782 |
| 9 Germany/deutsche mark | 1.4321 | 1.5049 | 1.7348 | 1.7323 | 1.7788 | 1.8165 | 1.8123 | 1.8272 | 1.8132 |
| 10 Greece/drachma | 231.68 | 240.82 | 273.28 | 271.87 | 279.93 | 287.24 | 286.70 | 306.05 | 315.82 |
| 11 Hong Kong/dollar | 7.7357 | 7.7345 | 7.7431 | 7.7314 | 7.7456 | 7.7425 | 7.7412 | 7.7458 | 7.7497 |
| 12 India/rupee | 32.418 | 35.506 | 36.365 | 37.289 | 39.400 | 39.391 | 39.008 | 39.569 | 39.703 |
| 13 Ireland/pound[2] | 160.35 | 159.95 | 151.63 | 150.30 | 145.33 | 138.19 | 137.71 | 136.72 | 138.94 |
| 14 Italy/lira | 1,629.45 | 1,542.76 | 1,703.81 | 1,697.08 | 1,743.86 | 1,787.87 | 1,788.28 | 1,799.07 | 1,791.24 |
| 15 Japan/yen | 93.96 | 108.78 | 121.06 | 125.38 | 129.73 | 129.55 | 125.85 | 129.08 | 131.75 |
| 16 Malaysia/ringgit | 2.5073 | 2.5154 | 2.8173 | 3.3791 | 3.7907 | 4.4093 | 3.8148 | 3.7456 | 3.7376 |
| 17 Netherlands/guilder | 1.6044 | 1.6863 | 1.9525 | 1.9524 | 2.0051 | 2.0472 | 2.0432 | 2.0598 | 2.0422 |
| 18 New Zealand/dollar[2] | 65.625 | 68.765 | 66.247 | 62.420 | 59.137 | 57.925 | 58.286 | 57.261 | 55.339 |
| 19 Norway/krone | 6.3355 | 6.4594 | 7.0857 | 7.0588 | 7.2630 | 7.5007 | 7.5530 | 7.5833 | 7.5315 |
| 20 Portugal/escudo | 149.88 | 154.28 | 175.44 | 176.84 | 181.91 | 185.80 | 185.54 | 187.03 | 185.81 |
| 21 Singapore/dollar | 1.4171 | 1.4100 | 1.4857 | 1.5820 | 1.6518 | 1.7477 | 1.6509 | 1.6188 | 1.6007 |
| 22 South Africa/rand | 3.6284 | 4.3011 | 4.6072 | 4.8394 | 4.8706 | 4.9417 | 4.9337 | 4.9746 | 5.0459 |
| 23 South Korea/won | 772.69 | 805.00 | 950.77 | 1,035.22 | 1,494.04 | 1,707.30 | 1,628.42 | 1,489.36 | 1,391.55 |
| 24 Spain/peseta | 124.64 | 126.68 | 146.53 | 146.30 | 150.46 | 153.93 | 153.61 | 154.95 | 153.99 |
| 25 Sri Lanka/rupee | 51.047 | 55.289 | 59.026 | 60.132 | 61.591 | 62.281 | 62.363 | 62.083 | 62.903 |
| 26 Sweden/krona | 7.1406 | 6.7082 | 7.6446 | 7.5589 | 7.7977 | 8.0193 | 8.0723 | 7.9677 | 7.8238 |
| 27 Switzerland/franc | 1.1812 | 1.2361 | 1.4514 | 1.4069 | 1.4393 | 1.4748 | 1.4631 | 1.4901 | 1.5051 |
| 28 Taiwan/dollar | 26.495 | 27.468 | 28.775 | 31.794 | 32.502 | 34.117 | 32.948 | 32.524 | 33.016 |
| 29 Thailand/baht | 24.921 | 25.359 | 31.072 | 39.092 | 44.309 | 52.983 | 45.987 | 41.366 | 39.654 |
| 30 United Kingdom/pound[2] | 157.85 | 156.07 | 163.76 | 168.89 | 165.97 | 163.50 | 164.08 | 166.19 | 167.23 |
| MEMO | | | | | | | | | |
| 31 United States/dollar[3] | 84.25 | 87.34 | 96.38 | 96.37 | 98.82 | 100.52 | 99.93 | 100.47 | 100.30 |

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).

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FAMILY FINANCES IN THE U.S.: RECENT EVIDENCE FROM THE SURVEY OF CONSUMER FINANCES. January 1997.

*ANTICIPATED SCHEDULE OF RELEASE DATES FOR PERIODIC RELEASES OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (PAYMENT MUST ACCOMPANY REQUESTS)*

| Release number and title | Annual USPS rate | Annual fax rate | Approximate release days[1] | Period or date to which data refer | Corresponding *Bulletin* table numbers[2] |
|---|---|---|---|---|---|
| *Weekly Releases* | | | | | |
| H.2. Actions of the Board: Applications and Reports Received | $55.00 | n.a. | Friday | Week ended previous Saturday | . . . |
| H.3. Aggregate Reserves of Depository Institutions and the Monetary Base[3] | $20.00 | n.a. | Thursday | Week ended previous Wednesday | 1.20 |
| H.4.1. Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks[3] | $20.00 | n.a. | Thursday | Week ended previous Wednesday | 1.11, 1.18 |
| H.6. Money Stock, Liquid Assets, and Debt Measures[3] | $35.00 | n.a. | Thursday | Week ended Monday of previous week | 1.21 |
| H.8. Assets and Liabilities of Commercial Banks in the United States[3] | $30.00 | n.a. | Friday | Week ended previous Wednesday | 1.26A–E |
| H.10. Foreign Exchange Rates[3] | $20.00 | $20.00 | Monday | Week ended previous Friday | 3.28 |
| H.15. Selected Interest Rates[3] | $20.00 | $20.00 | Monday | Week ended previous Friday | 1.35 |
| *Monthly Releases* | | | | | |
| G.5. Foreign Exchange Rates[3] | $ 5.00 | $ 5.00 | First of month | Previous month | 3.28 |
| G.13. Selected Interest Rates | $ 5.00 | $ 5.00 | First Tuesday of month | Previous month | 1.35 |
| G.15. Research Library—Recent Acquisitions | No charge | n.a. | First of month | Previous month | . . . |
| G.17. Industrial Production and Capacity Utilization[3] | $15.00 | n.a. | Midmonth | Previous month | 2.12, 2.13 |
| G.19. Consumer Credit[3] | $ 5.00 | $ 5.00 | Fifth working day of month | Second month previous | 1.55, 1.56 |
| G.20. Finance Companies | $ 5.00 | n.a. | Fifth working day of month | Second month previous | 1.51, 1.52 |

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| *Quarterly Releases* | | | | | |
| E.2. Survey of Terms of Bank Lending to Business | $ 5.00 | n.a. | Midmonth of March, June, September, and December | February, May, August, and November | 4.23 |
| E.7. List of OTC Margin Stocks | No charge | n.a. | January, April, July, and October | February, May, August, and November | . . . |
| E.11. Geographical Distribution of Assets and Liabilities of Major Foreign Branches of U.S. Banks | $ 5.00 | n.a. | 15th of March, June, September, and December | Previous quarter | . . . |
| E.15. Agricultural Finance Databook | $ 5.00 | n.a. | End of March, June, September, and December | January, April, July, and October | . . . |
| E.16. Country Exposure Lending Survey | $ 5.00 | n.a. | January, April, July, and October | Previous quarter | . . . |
| Z.1. Flow of Funds Accounts of the United States: Flows and Outstandings[3] | $25.00 | n.a. | Second week of March, June, September, and December | Previous quarter | 1.57, 1.58, 1.59, 1.60 |
| *Annual Release* | | | | | |
| C.2. Aggregate Summaries of Annual Surveys of Securities Credit Extension | $ 5.00 | n.a. | February | End of previous June | . . . |

1. Please note that for some releases there is normally a certain variability in the release date because of reporting or processing procedures. Moreover, for all series unusual circumstances may, from time to time, result in a release date being later than anticipated.
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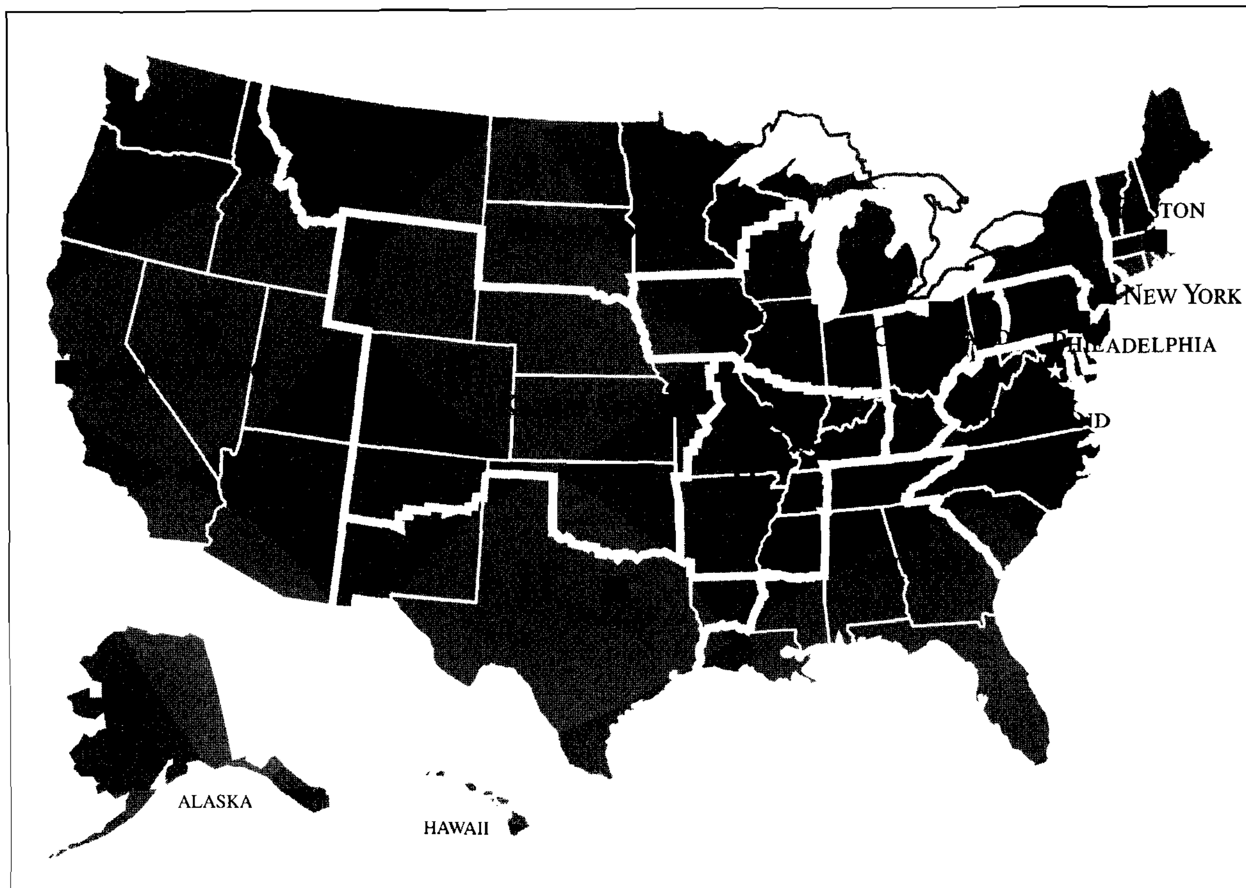



LEGEND

*Both pages*

■ Federal Reserve Bank city

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

*Facing page*

• Federal Reserve Branch city

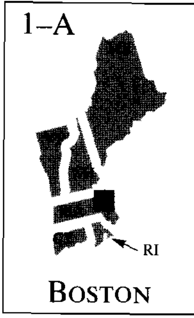
— Branch boundary

NOTE

The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in February 1996.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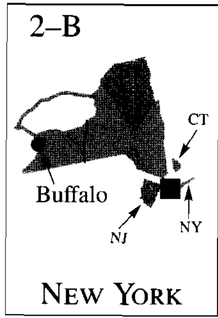
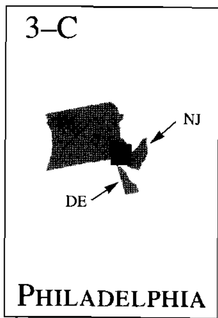
RI
BOSTON


2–B
CT
Buffalo
NJ
NY
NEW YORK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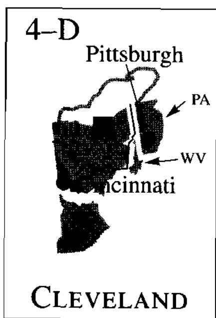
PHILADELPHIA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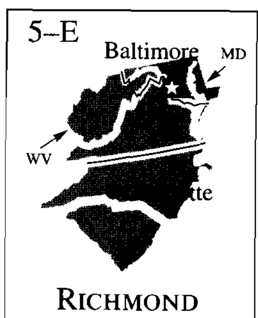
Pittsburgh
PA
WV
CLEVELAND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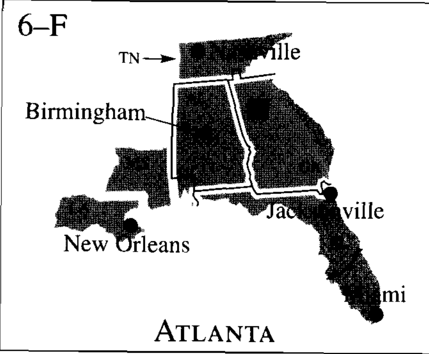
Baltimore
MD
WV
RICHMOND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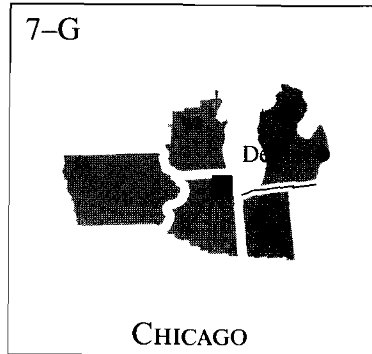
TN
Birmingham
New Orleans
ATLANTA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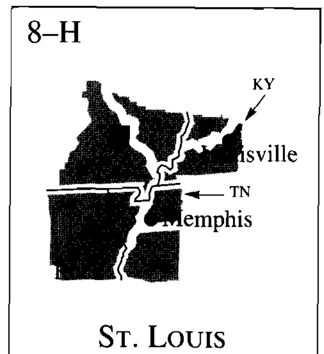
CHICAGO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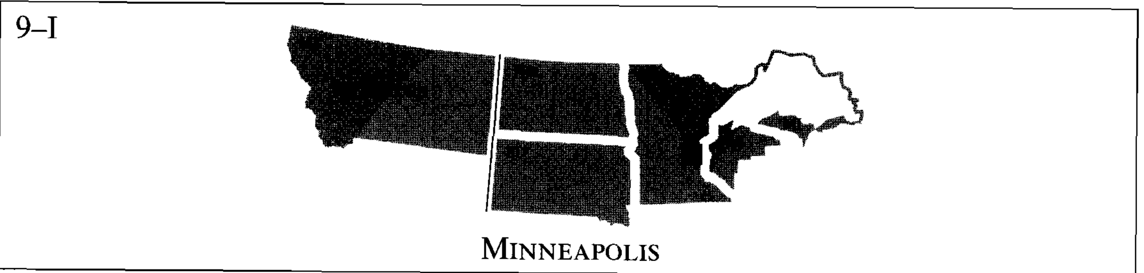
KY
TN
ST. LOUIS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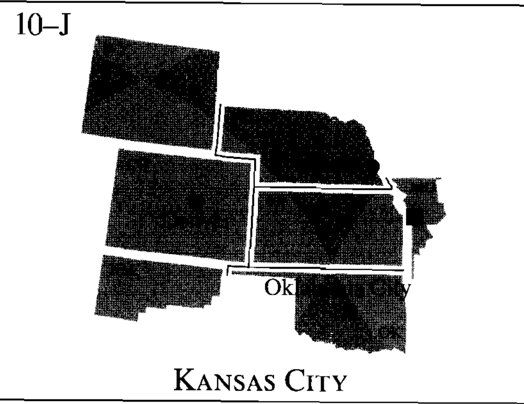
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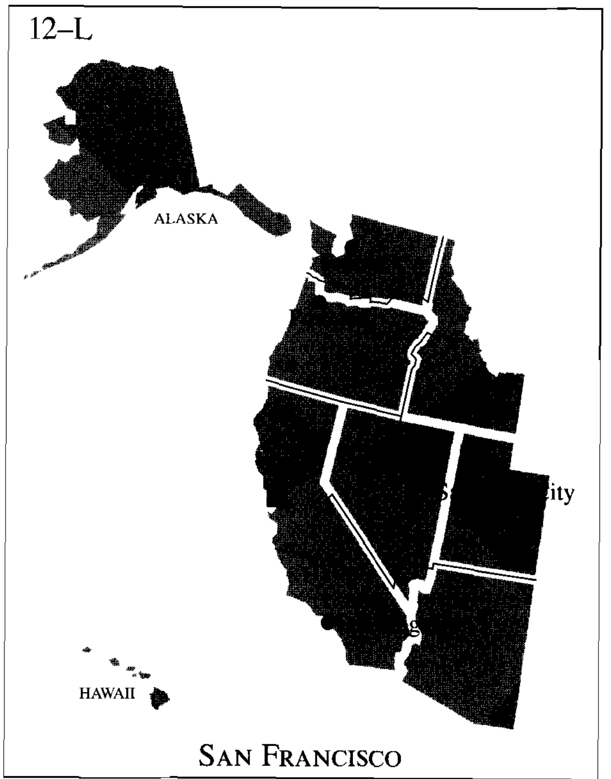
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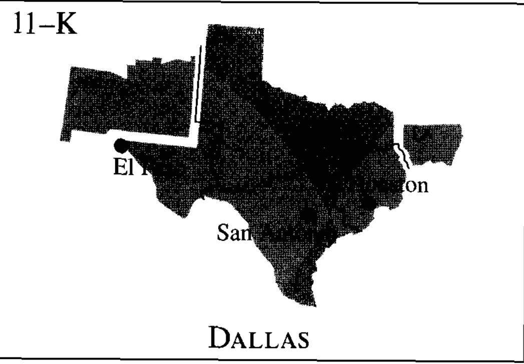
ALASKA
HAWAII
SAN FRANCISCO


11–K
DALLAS

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