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Monetary Policy Report to the Congress

Report submitted to the Congress on February 11, 2003, pursuant to section 2B of the Federal Reserve Act

MONETARY POLICY AND THE ECONOMIC OUTLOOK

The economy of the United States has suffered a series of blows in the past few years, including the fall in equity market values that began in 2000, cutbacks in capital spending in 2001, the horrific terrorist attacks of September 11, the emergence of disturbing evidence of corporate malfeasance, and an escalation of geopolitical risks. Despite these adversities, the nation's economy emerged from its downturn in 2001 to post moderate economic growth last year. The recovery was supported by accommodative monetary and fiscal policies and undergirded by unusually rapid productivity growth that boosted household incomes and held down business costs. The productivity performance was also associated with a rapid expansion of the economy's potential, and economic slack increased over the year despite the growth in aggregate demand.

After turning up in late 2001, activity began to strengthen more noticeably early last year. Sharp inventory cutbacks in 2001 had brought stocks into better alignment with gradually rising final sales, and firms began to increase production in the first quarter of 2002 to curtail further inventory runoffs. Moreover, businesses slowed their contraction of investment spending and began to increase outlays for some types of capital equipment. Household spending on both personal consumption items and housing remained solid and was supported by another installment of tax reductions, widespread price discounting, and low mortgage interest rates. By midyear, the cutbacks in employment came to an end, and private payrolls started to edge higher.

Although economic performance appeared to be gradually improving, the tentative nature of this improvement warranted the continuation of a highly accommodative stance of monetary policy. Accordingly, the Federal Open Market Committee (FOMC) held the federal funds rate at 1¾ percent through the first part of the year. In March, however, the FOMC shifted from an assessment that the risks over the foreseeable future to its goals of maximum sustainable growth and price stability were tilted toward economic weakness to an assessment that the risks were balanced.

Around midyear, the economy began to struggle again. Concerns about corporate governance came to weigh heavily on investors' confidence, and geopolitical tensions, especially the situation in Iraq, elevated uncertainties about the future economic climate. Equity prices fell during the summer, liquidity eroded in corporate debt markets, and risk spreads widened. Businesses once again became hesitant to spend and to hire, and both manufacturing output and private payrolls began to decline. State and local governments struggled to cope with deteriorating fiscal positions, and the economies of some of our major trading partners remained weak. Although the already accommodative stance of monetary policy and strong upward trend of productivity were providing important support to spending, the Committee perceived a risk that the near-term weakening could become entrenched. In August, the FOMC adjusted its weighting of risks toward economic weakness, and in November, it reduced the targeted federal funds rate 50 basis points, to 1¼ percent. The policy easing allowed the Committee to return to an assessment that the risks to its goals were balanced. With inflation expectations well contained, this additional monetary stimulus seemed to offer worthwhile insurance against the threat of persistent economic weakness and substantial declines in inflation from already low levels.

On net, the economy remained sluggish at the end of 2002 and early this year. The household sector continued to be a solid source of demand. Motor vehicle sales surged at year-end on the tide of another round of aggressive discounting by the manufacturers, other consumer outlays trended higher, and activity in housing markets remained exceptionally strong. Concerns about corporate governance appeared to recede somewhat late last year, in part because no new revelations of major wrongdoing had emerged. However, the ongoing situation in Iraq, civil strife in Venezuela that has curtailed oil production, and tensions on the Korean peninsula have sustained investors' uncertainty about economic prospects and have pushed prices higher on world oil markets. Faced with this uncertainty, businesses have been cautious in spending and changed payrolls little, on net, over December and January.

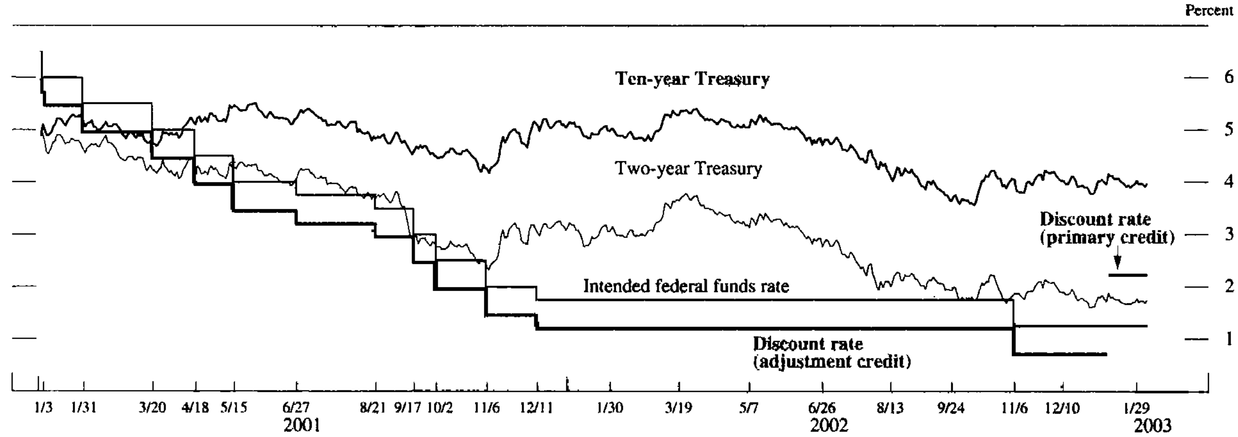
Mindful of the especially high degree of uncertainty attending the economic outlook in the current geopolitical environment, the members of the FOMC believe the most likely outcome to be that fundamentals will support a strengthening of economic growth. Business caution is anticipated to give way over the course of the year to clearer signs of improving sales. Inventories are lean relative to sales at present, and restocking is likely to provide an additional impetus to production in the period ahead. The rapid expansion of productivity, the waning effects of earlier declines in household wealth, and the highly accommodative stance of monetary policy should also continue to boost activity. Although state and local governments face budgetary problems, their restraint is likely to offset only a part of the stimulus from past and prospective fiscal policy actions at the federal level. In addition, the strengthening economies of our major trading partners along with the improving competitiveness of U.S. products ought to support demand for our exports. Taken together, these factors are expected to lead to a faster pace of economic expansion, while inflation pressures are anticipated to remain well contained.

Monetary Policy, Financial Markets, and the Economy over 2002 and Early 2003

As economic growth picked up during the early months of 2002, the FOMC maintained its target for the federal funds rate at 1¾ percent. A sharply reduced pace of inventory liquidation accounted for a significant portion of the step-up in real GDP growth, but other indicators also suggested that the economy was gaining momentum. Reductions in business outlays on equipment and software had moderated significantly after dropping precipitously in 2001, and consumer spending was well maintained by sizable gains in real disposable personal income. Residential construction activity was spurred by low home mortgage interest rates. The improvement in economic conditions sparked a rally in equity markets late in the first quarter and pushed up yields on longer-term Treasury instruments and investment-grade corporate bonds; yields on speculative-grade bonds declined in reaction to brighter economic prospects and the perceived reduction in credit risk. Meanwhile, surging energy prices exerted upward pressure on overall inflation, but still-appreciable slack in resource utilization and a strong upward trend in private-sector productivity were holding down core price inflation.

At both its March and May meetings, the FOMC noted that the apparent vigor of the economy was importantly attributable to a slowdown in the pace of inventory liquidation and that considerable uncertainty surrounded the outlook for final sales over the next several quarters. The Committee was especially concerned about prospects for a rebound in business fixed investment, which it viewed as key to ensuring sustainable economic expansion. Although the decline in investment spending during the first quarter of 2002 was the smallest in a year, gloomy business sentiment and large margins of excess capacity in numerous industries were likely to hamper capital expenditures. According to anecdotal

Selected interest rates



NOTE. The data are daily and extend through February 5, 2003. The dates on the horizontal axis are those of scheduled FOMC meetings and of any intermeeting policy actions. On January 9, 2003, the Federal Reserve changed the main credit program offered at the discount window by terminating the adjustment credit program and beginning the primary credit program.

reports, many firms were unwilling to expand capacity until they saw more conclusive evidence of growing sales and profits. At the same time, however, the FOMC noted that, with the federal funds rate unusually low on an inflation-adjusted basis and considerable fiscal stimulus in train, macroeconomic policies would provide strong support to further economic expansion. Against this backdrop, the Committee at the March 19 meeting judged the accommodative stance of monetary policy to be appropriate and announced that it considered the risks to achieving its long-run objectives as being balanced over the foreseeable future, judgments it retained at its meeting in early May.

The information reviewed at the June 25–26 FOMC meeting confirmed that the economy was expanding but at a slower pace than earlier in the year. As expected, the degree of impetus to economic activity from decelerating inventory liquidation had moderated. Residential investment and consumer spending also had slowed appreciably after surging earlier in the year. The most recent data on orders and shipments suggested a small upturn in business spending on equipment and software, but the improvement in capital spending appeared to be limited, unevenly distributed across industries, and not yet firmly indicative of sustained advance. Industrial production continued to increase, and the unemployment rate declined somewhat.

In financial markets, investors and lenders had apparently become more risk averse in reaction to the mixed tone of economic data releases, growing geopolitical tensions, further warnings about terrorist attacks, and additional revelations of dubious corporate accounting practices. In concert, these developments pushed down yields on longer-term Treasury securities, while interest rates on lower-quality corporate bonds rose notably, and equity prices dropped sharply. Although the economy continued to expand and the prospects for accelerating aggregate demand remained favorable, downbeat business sentiment and skittish financial markets rendered the timing and extent of the expected strengthening of the expansion subject to considerable uncertainty. In these circumstances, the FOMC left the federal funds rate unchanged to keep monetary policy very accommodative and once again assessed the risks to the outlook as being balanced.

By the time of the August 13 FOMC meeting, it had become apparent that economic activity had lost some of its earlier momentum. Turbulence in financial markets appeared to be holding back the pace of the economic expansion. Market participants focused their attention on the lack of convincing evidence that the recovery was gaining traction and the possibility that more news of corporate misdeeds would surface in the run-up to the Securities and Exchange Commission's August 14 deadline for the certification of financial statements by corporate executives. Although the cumulative losses in financial wealth since 2000 were restraining expenditures by households, very low mortgage interest rates were helping to sustain robust demand for housing. Moreover, the financial resources made available by a rapid pace of mortgage refinancing activity, in combination with attractive incentives offered by auto manufacturers, supported other consumer spending. The Committee continued to judge the prevailing degree of monetary accommodation as appropriate to foster a solid expansion that would bring the economy to fuller resource utilization. At the same time, the Committee recognized the considerable risks to that outlook and the potential adverse consequences for economic prospects from possible additional deterioration of financial conditions. The members noted, however, that a further easing of monetary policy, if it came to be viewed as appropriate, could be accomplished in a timely manner. In light of these considerations, the FOMC opted to retain a target rate of 1¾ percent for the federal funds rate, but it viewed the risks to the economy as having shifted from balanced to being tilted toward economic weakness.

When the FOMC met on September 24, data indicated that economic growth had picked up in the third quarter, on average, buoyed in part by a surge in motor vehicle production. The uneventful passing of the mid-August deadline for recertification of corporate financial statements briefly alleviated investors' skittishness in debt and equity markets. However, the most timely information suggested that some softening in economic activity had occurred late in the summer. Those economic reports, along with a darker outlook for corporate profits and escalating fears of a possible war against Iraq, led market participants to revise down their expectations for the economy. Equity prices and yields on both longer-term Treasury and private securities moved sharply lower in early autumn. In the Committee's view, heightened geopolitical tensions constituted a significant additional source of uncertainty clouding the economic outlook. Still, fundamentals suggested reasonable prospects for continued expansion. Accordingly, the FOMC left the federal funds rate unchanged at the close of the September meeting but also reiterated its view that the risks to the outlook were weighted toward economic weakness.

The information reviewed at the November 6 meeting indicated a more persistent spell of below-par economic performance than the FOMC had anticipated earlier. With home mortgage rates at very low levels, residential construction activity remained high. But consumer spending had decelerated noticeably since midsummer under the combined weight of stagnant employment and declining household wealth resulting from further decreases in equity prices. Worries about the potential for war against Iraq, as well as persistent concerns about the course of economic activity and corporate earnings, were apparently engendering a high degree of risk aversion among business executives that was constraining capital spending and hiring. Despite a weakening in the exchange value of the dollar, sluggish economic growth among major trading partners spelled difficulties for U.S. exports, and a rebound in foreign output seemed more likely to follow than to lead a rebound at home. Moreover, economic slack that was larger and more persistent than previously anticipated ran the risk of reducing core inflation appreciably further from already low levels. Given these considerations, the Committee lowered its target for the federal funds rate ½ percentage point, to 1¼ percent. The relatively aggressive adjustment in the stance of monetary policy was deemed to offset the potential for greater economic weakness, and the Committee accordingly announced that it judged risks to the outlook as balanced with respect to its long-run goals of price stability and sustainable economic growth.

When the FOMC met on December 10, overall conditions in financial markets had calmed considerably. Indicators of production and spending, however, remained mixed. The manufacturing sector registered large job losses in the autumn, and industrial production continued its slide, which had begun around midyear. A more vigorous rebound in business fixed investment was not evident, and indeed the recent data on orders and shipments and anecdotal reports from business contacts generally signaled continued softness in capital spending. Very low home mortgage interest rates were supporting residential construction activity, but consumption expenditures were sluggish. On balance, the Committee's view was that in the absence of major shocks to consumer and business confidence, a gradual strengthening of the economic expansion was likely over the coming quarters, especially given the very accommodative stance of monetary policy and probable further fiscal stimulus. The FOMC left the federal funds rate unchanged and indicated that it continued to view the risks to the outlook as balanced over the foreseeable future.

By the time of the FOMC meeting on January 28–29, 2003, it had become apparent that the economy had grown only slowly in the fourth quarter of last year, but little evidence of cumulating weakness appeared in the most recent data, and final demand had held up reasonably well. The escalation of global tensions weighed heavily on business and investor sentiment. Firms apparently were remaining very cautious in their hiring and capital spending, and equity prices had declined on balance since the December meeting. But yield spreads on corporate debt—especially for riskier credits—narrowed further, and longer-term Treasury yields declined slightly. Although the fundamentals still pointed to favorable prospects for economic growth beyond the near term, geopolitical developments were making it especially difficult to gauge the underlying strength of the economy, and uncertainties about the economic outlook remained substantial. Against this background, the Committee decided to leave the federal funds rate unchanged and stated that it continued to judge the risks to the outlook as balanced.

Economic Projections for 2003

An unusual degree of uncertainty attends the economic outlook at present, in large measure, but not exclusively, because of potential geopolitical developments. But Federal Reserve policymakers believe the most probable outcome for this year to be a pickup in the pace of economic expansion. The central tendency of the real GDP forecasts made by the members of the Board of Governors and the Federal Reserve Bank presidents is 3¼ percent to 3½ percent, measured as the change between the final quarter of 2002 and the final quarter of this year. The full range of these forecasts is 3 percent to 3¾ percent. Of course, neither the central tendency nor the range is intended to convey the uncertainties surrounding

Economic projections for 2003

Percent

Indicator	Memo: 2002 actual	Federal Reserve Governors and Reserve Bank presidents	
		Range	Central tendency
Change, fourth quarter to fourth quarter[1]			
Nominal GDP	4.1	4½–5½	4¾–5
Real GDP	2.8	3–3¾	3¼–3½
PCE chain-type price index	1.9	1¼–1¾	1¼–1½
Average level, fourth quarter			
Civilian unemployment rate	5.9	5¾–6	5¾–6

1. Change from average for fourth quarter of previous year to average for fourth quarter of year indicated.

the individual forecasts of the members. The civilian unemployment rate is expected to end the year in the 5¾ percent to 6 percent range.

Apart from the geopolitical and other uncertainties, the forces affecting demand this year appear, on balance, conducive to a strengthening of the economic expansion. Monetary policy remains highly accommodative, and federal fiscal policy is and likely will be stimulative. However, spending by many state and local governments will continue to be restrained by considerable budget difficulties. Activity abroad is expected to improve this year, even if at a less robust pace than in the United States; such growth together with the improving competitiveness of U.S. products should generate stronger demand for our exports. Furthermore, robust gains in productivity, though unlikely to be as large as in 2002, ought to continue to promote both household and business spending. Household purchasing power should be supported as well by a retreat in the price of imported energy products that is suggested by the oil futures market. And the adverse effects on household spending from past declines in equity wealth probably will begin to wane.

A reduction of businesses' hesitancy to expand investment and hiring is critical to the durability of the expansion, and such a reduction should occur gradually if geopolitical risks ease and profitability improves. Inventories are relatively lean, and some restocking ought to help boost production this year, albeit to a much smaller extent than did last year's cessation of sharp inventory liquidations. In addition, the continued growth of final sales, the tax law provision for partial expensing of equipment purchases, replacement demand, and a more hospitable financial environment should induce many firms to increase their capital spending. The growth of investment likely will be tempered, however, by the persistence of excess capital in some areas, notably the telecommunications sector, and reductions in business spending on many types of new structures may continue this year.

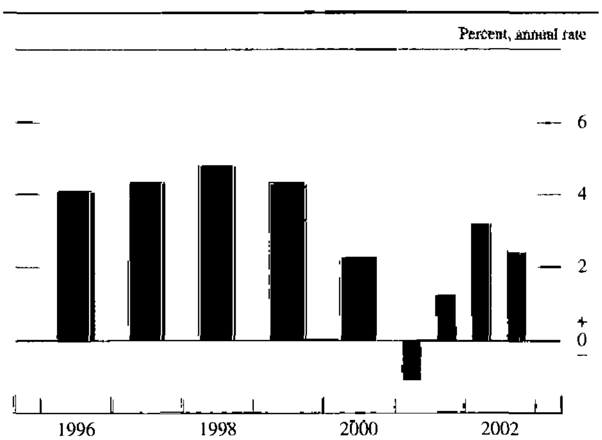
Federal Reserve policymakers believe that consumer prices will increase less this year than in 2002, especially if energy prices partly reverse last year's sharp rise. In addition, resource utilization likely will remain sufficiently slack to exert further downward pressure on underlying inflation. The central tendency of FOMC members' projections for increases in the chain-type price index for personal consumption expenditures (PCE) is 1¼ percent to 1½ percent this year, lower than the actual increase of about 2 percent in 2002.

Economic and Financial Developments in 2002 and Early 2003

In 2002, the United States economy extended the upturn in activity that began in late 2001. Real GDP increased 2¾ percent over the four quarters of last year, according to the advance estimate from the Commerce Department. However, the pace of activity was uneven over the course of the year, as concerns about emerging economic and political developments at times weighed heavily on an economy already adjusting to a succession of shocks from previous years.

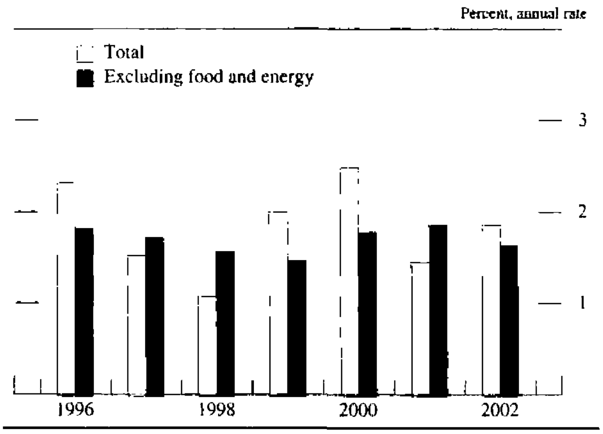
Economic conditions improved through the first part of the year. Household spending on both personal consumption items and housing remained solid, businesses curtailed their inventory liquidation and began to increase their outlays for some types of capital equipment, and private employment started to edge higher. But the forward momentum diminished noticeably later in the year when concerns about corporate governance put a damper on financial markets and geopolitical developments boosted oil prices and added to the uncertainty already faced by businesses about the economic outlook. In the summer, equity prices fell, risk spreads widened, and liquidity eroded in corporate debt markets. Businesses' caution was reflected in their reluctance to substantially boost investment, restock inventories, or add to payrolls. Responding to these developments, as well as some weakening in demand from abroad, manufacturers trimmed production during the fall. Employment at private businesses declined again, and the unemployment rate rose to 6 percent in December.

Change in real GDP



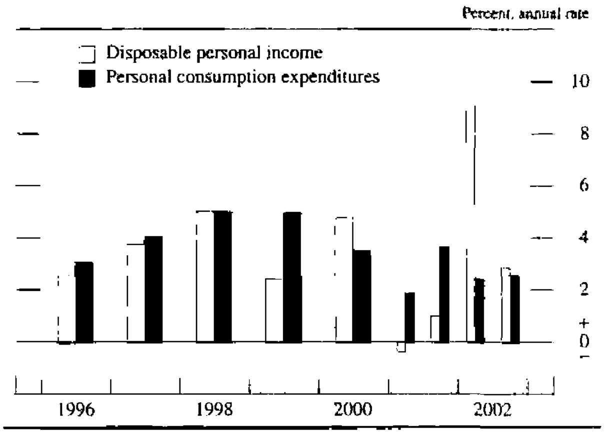
Note. Here and in subsequent charts, except as noted, annual changes are measured from Q4 to Q4, and change for a half-year is measured between its final quarter and the final quarter of the preceding period.

Change in PCE chain-type price index



NOTE. The data are for personal consumption expenditures (PCE).

Change in real income and consumption



However, despite the modest pace of last year's overall recovery, output per hour in the nonfarm business sector grew 3¾ percent over the year—an extraordinary increase even by the standards of the past half decade or so.

Signals on the trajectory of the economy as we enter 2003 remain mixed. Some of the factors that had noticeably restrained the growth of real GDP in the fourth quarter of last year—most especially a sharp decline in motor vehicle production—are not on track to be repeated. Moreover, employment leveled off on average in December and January, and readings on industrial production have had a somewhat firmer tone of late. Nevertheless, the few data in hand suggest that the economy has not yet broken out of the pattern of subpar performance experienced over the past year.

Consumer price inflation moved up a bit last year, reflecting sharply higher energy prices. Excluding the prices of food and energy items, the price index for personal consumption expenditures increased 1¾ percent, about ¼ percentage point less than in 2001; this deceleration most likely resulted from continued slack in labor and product markets, robust gains in productivity, and somewhat lower expectations of future inflation.

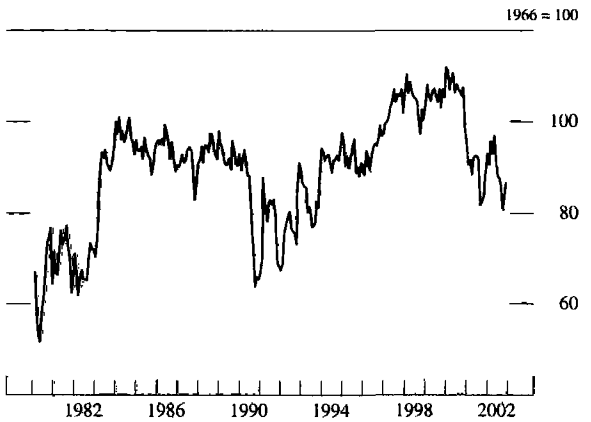
The Household Sector

Consumer Spending

Consumer spending grew at a moderate pace last year and, on the whole, continued to be an important source of support for overall demand. Personal consumption expenditures rose 2½ percent in real terms, near the 2¾ percent increase in 2001 and down from the more than 4 percent average growth over the preceding several years. Sales of new motor vehicles fell only a little from the extremely high levels of late 2001; outlays were especially strong during the summer and late in the year, when manufacturers were offering aggressive price and financing incentives. Growth of spending on other durable goods was well maintained last year as well, although the gains were smaller than is often seen early in an economic recovery; in contrast to the situation in many previous cycles, spending on durable goods did not decline sharply during the recession and so had less cause to rebound as the recovery got under way. Apart from outlays on durable goods, spending for most categories of consumer goods and services increased at a moderate rate last year.

That moderate rate of aggregate consumption growth was the product of various crosscurrents. On the positive side, real disposable personal income rose nearly 6 percent last year, the fastest increase in many years. Strong productivity growth partially offset the effects of stagnant employment in restricting the growth of household income, and the phase-in of additional tax reductions from the Economic Growth and Tax Relief Reconciliation Act of 2001 boosted household purchasing power appreciably. In addition, high levels of mortgage refinancing allowed homeowners to reduce their monthly payments, pay down more costly consumer credit, and, in many cases, extract equity that could be used to support other spending. On the negative side, household wealth again moved lower last year, as continued reductions in equity values outweighed further appreciation of house prices. By the end of the third quarter, according to the Federal Reserve's flow-of-funds accounts, the ratio of household net worth to disposable income

Consumer sentiment

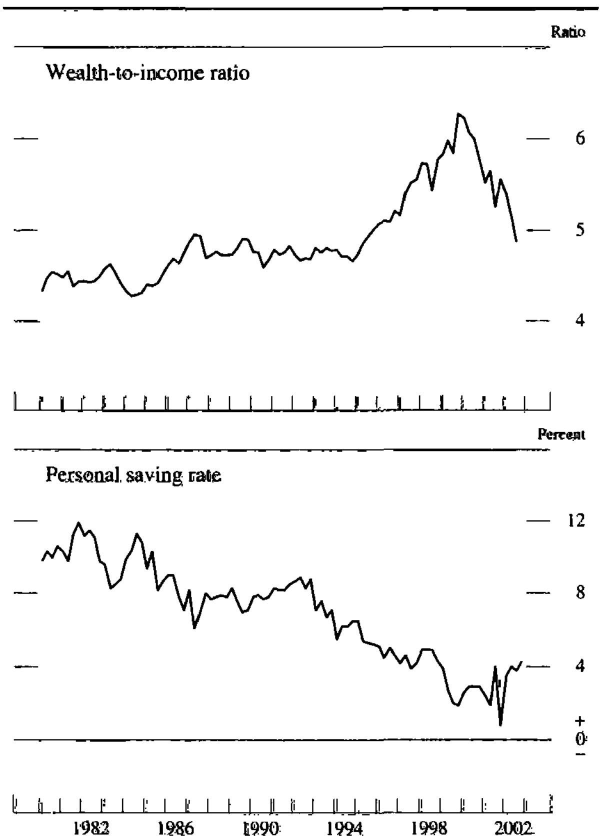


SOURCE. University of Michigan Survey Research Center.

had reversed nearly all of its run-up since the mid-1990s.

Consumer confidence, which had declined during most of 2001 and especially after the September 11 attacks, picked up in the first half of last year, according to both the Michigan Survey Research Center (SRC) and Conference Board surveys. However, confidence retreated over the summer along with the drop in equity prices, and by early this year, consumer confidence again stood close to the levels of late 2001. These levels of consumer confidence, though at the bottom of readings of the past several years, are nevertheless above levels normally associated with recession.

Wealth and saving



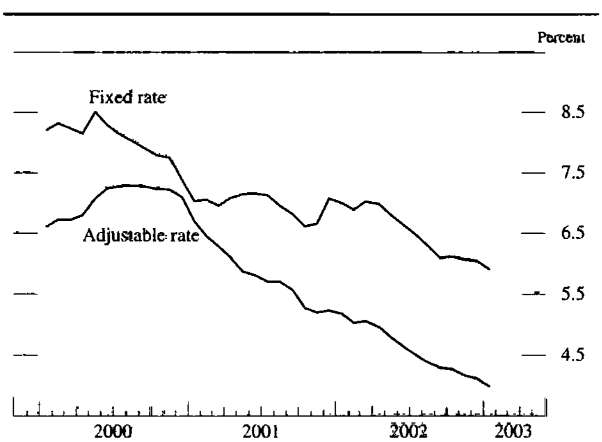
NOTE. The data are quarterly. The wealth-to-income ratio is the ratio of household net worth to disposable personal income and extends through 2002:Q3; the personal saving rate extends through 2002:Q4.

The personal saving rate, which has trended notably lower since the early 1980s, moved above 4 percent by late last year after having averaged 2¼ percent in 2001. The saving rate has been buffeted during the past two years by surges in income induced by tax cuts and by spikes in spending associated with variations in motor vehicle incentives. But, on balance, the extent of the increase in the saving rate has been roughly consistent with a gradual response of consumption to the reduction in the ratio of household wealth to disposable income.

Residential Investment

Real expenditures on residential investment increased 6 percent in 2002—the largest gain in several years. Demand for housing was influenced by the same factors affecting household spending more generally, but it was especially supported by low interest rates on mortgages. Rates on thirty-year fixed-rate mortgages, which stood at around 7 percent in the first months of the year, fell to around 6 percent by the autumn and dipped below that level early this year—the lowest in thirty-five years. Not surprisingly, atti-

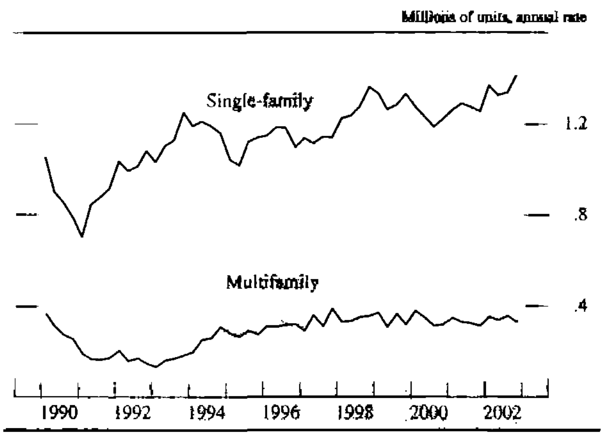
Mortgage rates



NOTE. The data, which are monthly and extend through January 2003, are contract rates on thirty-year mortgages.

SOURCE. Federal Home Loan Mortgage Corporation.

Private housing starts



NOTE. The data are quarterly.

tudes toward homebuying, as measured by the Michigan SRC, remained quite favorable.

Starts of new single-family homes were at 1.36 million units last year, 7 percent above the already solid pace for 2001. Sales of both new and existing homes were brisk as well. Home prices continued to rise but at a slower rate than in 2001, at least according to some measures. The repeat-sales price index for existing homes rose 5½ percent over the four quarters ended in 2002:Q3, a slowing from the 8¾ percent increase over the comparable year-earlier period. The constant-quality price index for new homes rose 4½ percent last year, but this increase was close to the average pace over the past few years. At the same time, measures of house prices that do not control for the mix of homes sold rose considerably more last year than in 2001, a difference indicating that a larger share of transactions were in relatively expensive homes.

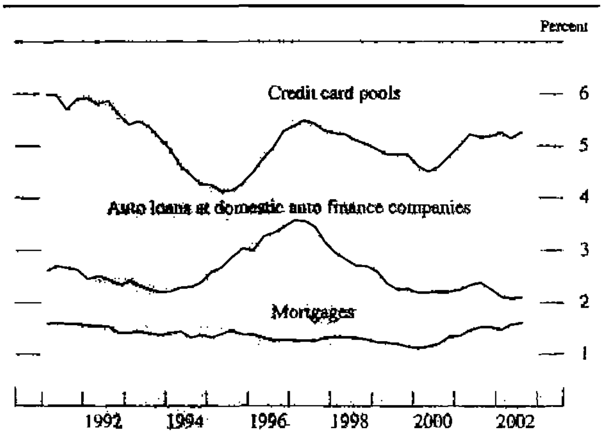
In the multifamily sector, starts averaged a solid 345,000 units last year, an amount in line with that of the preceding several years. However, the pace of building slowed a little in the fall. Apartment vacancy rates moved notably higher last year and rent and property values declined; these changes suggest that the strong demand for single-family homes may be eroding demand for apartment space.

Household Finance

Households continued to borrow at a rapid pace last year; the 9¼ percent increase in their debt outstanding was the largest since 1989. Low mortgage interest rates helped spur both very strong home purchases and refinancing of existing loans, which together increased home mortgage debt 11½ percent. Refinancing activity was especially elevated in the fourth quarter, when fixed mortgage interest rates dipped to around 6 percent. Torrid refinancing activity helps explain last year's slowdown of consumer credit, which is household borrowing not secured by real estate: A significant number of households reportedly extracted some of the equity from their homes at the time of refinancing and used the proceeds to repay other debt as well as to finance home improvements and other expenditures. According to banks that participated in the Federal Reserve's Senior Loan Officer Opinion Survey on Bank Lending Practices in October, the frequency and size of cash-out refinancings were substantially greater than had been reported in the January 2002 survey. Although automakers' financing incentives and attractive cash rebates stimulated a substantial amount of consumer borrowing, the growth rate of consumer credit in 2002, at 4¼ percent, was more than 2½ percentage points below the pace in 2001.

Even though households took on a large amount of mortgage debt last year, extraordinarily low mortgage rates kept the servicing requirement for that debt (measured as a share of homeowners' disposable income) well below its previous peak levels. Moreover, reflecting large gains in residential real estate values, equity in homes has continued to increase despite sizable debt-financed extractions. The combined influence of low interest rates and the sizable gain in disposable personal income also kept the total servicing costs faced by households—which in addition to home mortgage payments include costs of other financial obligations such as rental payments of tenants, consumer installment credit, and auto

Delinquency rates on selected types of household loans



NOTE. The data are quarterly and extend through 2002:Q3.
SOURCE. For mortgages, the Mortgage Bankers Association; for auto loans, the Big Three automakers; for credit cards, Moody's Investors Service.

leases—relative to their incomes below previous peaks. Against this backdrop, broad measures of household credit quality deteriorated very little last year, and signs of financial stress were confined mainly to the subprime segment of the market. Delinquency rates on home mortgages inched up, while those on auto loans at finance companies were flat. Delinquency rates on credit cards bundled into securitized asset pools remained close to those of recent experience.

The Business Sector

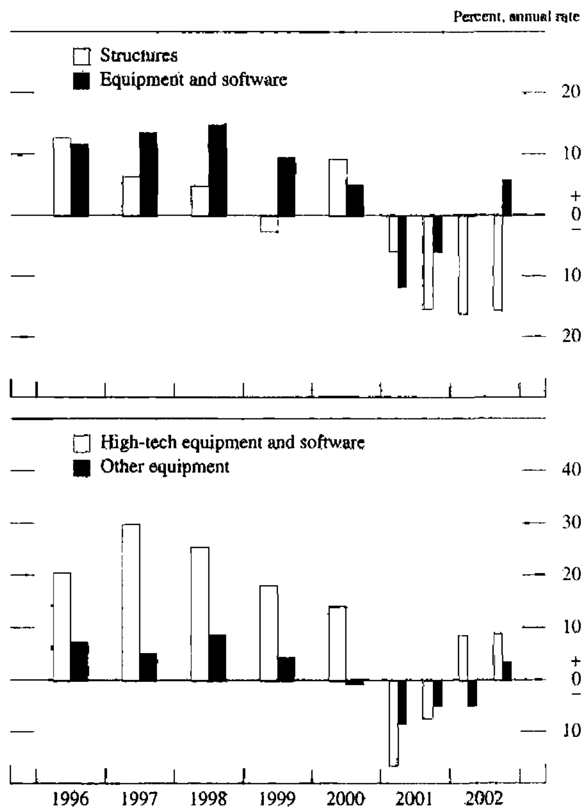
Overall business fixed investment moved lower last year, although the decline was not nearly so precipitous as in 2001. Outlays for equipment and software edged up, but spending on structures fell sharply. Financing conditions worsened over the summer, with equity prices declining, initial public offerings (IPOs) drying up, credit market spreads widening, and banks tightening up somewhat on credit standards in the wake of increased reports of corporate malfeasance. In addition, geopolitical concerns increased firms' already heightened uncertainty about the economic outlook. These factors contributed to an apparent deterioration in business confidence, and businesses still have not felt any great urgency to boost investment appreciably. For similar reasons, although firms slowed their rate of inventory liquidation last year, they have yet to undertake a sustained restocking.

Fixed Investment

After dropping sharply in 2001, real spending on equipment and software rose 3 percent last year. Spending on high-technology equipment, one of the hardest-hit sectors in 2001, showed signs of uneven improvement. The clearest rebound was in computing equipment, for which spending rose 25 percent in real terms; this gain fell short of the increases posted in the late 1990s but far more than reversed the previous year's decline. Software investment also turned positive, rising 6 percent after declining about 3 percent in 2001. By contrast, real outlays for communications equipment were reported to be up only slightly in 2002 after plummeting 30 percent in 2001.

Business spending on aircraft fell sharply last year. Airlines were hit especially hard by the economic downturn and by the reduction in air travel after the September 11 attacks; although expenditures for new aircraft held up through the end of 2001 because of

Change in real business fixed investment



NOTE. High-tech equipment consists of computers and peripheral equipment and communications equipment.

the very long lags involved in producing planes, shipments of planes slowed greatly thereafter. Meanwhile, business outlays on motor vehicles edged up last year. Demand for autos and light trucks by rental companies weakened sharply along with the drop in air traffic that occurred after September 11 but recovered gradually over the course of last year. Purchases of medium and heavy trucks fell off overall, despite the fact that demand for heavy (class 8) trucks was boosted by spending in advance of the implementation of more-stringent environmental regulations.

Investment in equipment other than high-tech and transportation goods moved modestly higher through most of last year, as real outlays for industrial machinery and a wide range of other equipment gradually strengthened through the summer. Although spending edged lower again in the fourth quarter, investment in non-high-tech, nontransportation equipment increased 3½ percent for the year as a whole.

Spending on equipment and software was supported last year by low interest rates, which helped hold down the cost of capital, as did the tax provision enacted in March 2002 that allows partial expensing of new equipment and software purchased before September 11, 2004. Moreover, modest increases in final sales together with replacement demand no doubt spurred many firms to make new capital outlays. Nevertheless, some sectors, most notably telecommunications, probably still had excess holdings of some forms of capital. Concerns about corporate malfeasance, which had become more intense over the spring and summer, weighed heavily on financial markets and raised the cost of capital through reduced share prices and higher yields on the bonds of lower-rated firms. In addition, uncertainty about the geopolitical situation, including the possible consequences for oil prices of an outbreak of war with Iraq, likely made many firms reluctant to commit themselves to new expenditures. In all, businesses have been, and appear to remain, quite cautious about undertaking new capital spending projects.

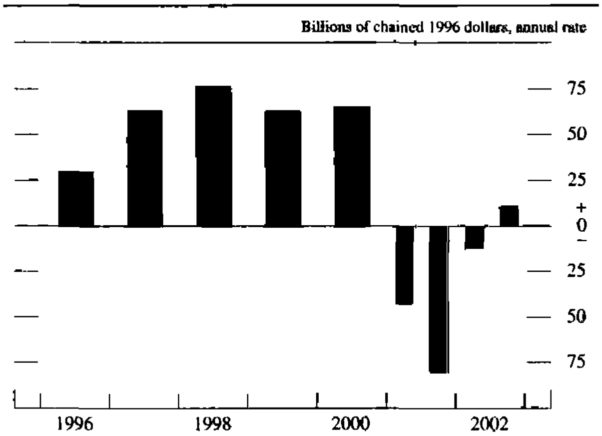
Real business spending for nonresidential structures declined sharply for a second year in 2002. Outlays for the construction of office buildings and industrial buildings were especially weak. Vacancy rates for such buildings increased throughout the year, and property values and rents moved lower. Construction of new hotels and motels also fell considerably, reflecting the weakness in the travel industry. By contrast, spending on other commercial buildings, such as those for retail, wholesale, and warehouse space, moved only a little lower last year.

A number of factors likely account for investment in structures having been much weaker than investment in equipment. Structures depreciate very slowly, so businesses can defer new outlays without incurring much additional deterioration of their capital stock. And unlike investment in equipment, spending on structures is not eligible for partial expensing. According to some analysts, concerns about additional acts of terrorism (and, until late in the year, the lack of insurance to cover such events) may also have had a damping effect on some types of construction, particularly large "trophy" projects.

Inventory Investment

The sharp inventory runoffs that characterized the economic downturn, together with gradually rising final sales, implied that, by early last year, stocks were in much better alignment with sales than had been the case during 2001. Accordingly, businesses lessened the pace of inventory liquidation early in the year and by summer had turned to some modest restocking. However, firms appeared to have exerted tight control over production and inventories; with

Change in real business inventories



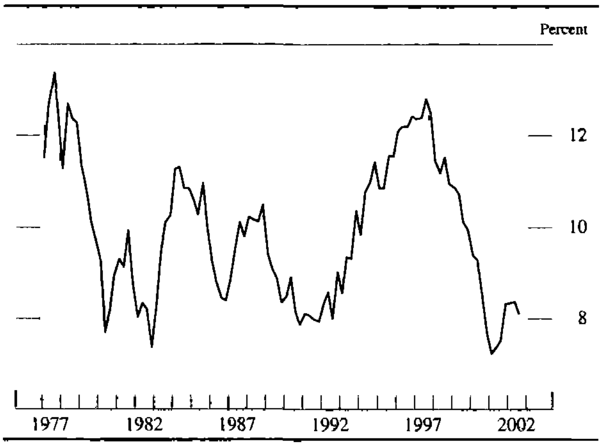
prospects for the strength of the recovery having diminished in the second half of the year, businesses quickly cut production, and inventories only edged up in the fourth quarter, according to incomplete and preliminary data. In all, total inventories were about unchanged last year compared with a liquidation of more than $60 billion in 2001, and this turnaround contributed 1 percentage point to the growth of real GDP over the year. At year-end, inventory-to-sales ratios in most sectors stood near the low end of their recent ranges.

In the motor vehicle industry, last year's very strong sales were matched by high levels of production, and the stock of inventories, especially for light trucks, appeared at times to be higher than the industry's desired levels. Nevertheless, the surge in sales late in the year helped to pare stocks, and dealers ended the year with inventories of light vehicles at a comfortable level.

Corporate Profits and Business Finance

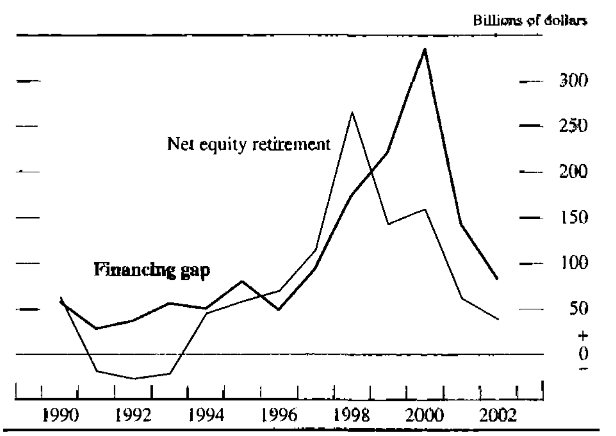
The profitability of the U.S. nonfinancial corporate sector improved from its lows of 2001 but relative to sector output remained at the low end of the range experienced over the past thirty years. Economic profits of nonfinancial corporations—that is, book profits adjusted for inventory valuations and capital consumption allowances—rebounded in late 2001 and were little changed through the third quarter of last year. The sluggish expansion of aggregate demand and the lack of pricing power associated with intense competitive pressures were the main factors that held down profits in 2002. Also playing a role, especially in the manufacturing sector, were costs arising from underfunded defined-benefit pension

Before-tax profits of nonfinancial corporations
as a percent of sector GDP



NOTE. The data are quarterly and extend through 2002:Q3. Profits are from domestic operations of nonfinancial corporations, with inventory valuation and capital consumption adjustments.

Financing gap and net equity retirement
at nonfarm nonfinancial corporations

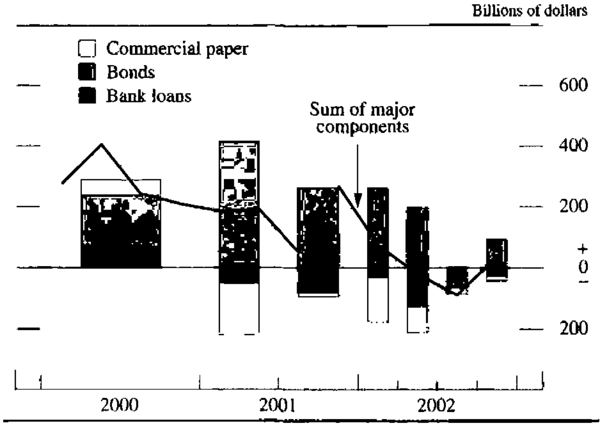


NOTE. The data are annual; 2002 is based on partially estimated data. The financing gap is the difference between capital expenditures and internally generated funds. Net equity retirement is the difference between equity retired through share repurchases, domestic cash-financed mergers, or foreign takeovers of U.S. firms and equity issued in public or private markets, including funds invested by venture capital partnerships.

plans. Reflecting the pause in economic growth, earnings reports for the fourth quarter indicate that profits may have dropped some late in the year.

A dearth of expenditures on fixed capital and moribund merger and acquisition activity were the chief culprits behind the sluggish pace of nonfinancial corporate borrowing last year. Also important was the propensity of some firms to draw on liquid assets—which began the year at high levels—rather than to seek external financing. Consequently, debt of the nonfinancial corporate sector expanded only 1½ percent, a rate slower than the already subdued pace in 2001. The composition of business borrowing was dominated last year, as it was in 2001, by longer-term sources of funds. Robust demand for higher-quality corporate debt on the part of investors, combined with the desire of firms to lock in low interest rates, prompted investment-grade corporations to issue a large volume of bonds during the first half of 2002. With funding needs limited, investment-grade issuers continued to use the proceeds to strengthen their balance sheets by refinancing higher-coupon bonds and by paying down short-term obligations such as bank loans and commercial paper. Buoyed by declining yields, gross issuance of below-investment-grade bonds for the most part also held up well during the first half, although this segment of the market was hit hard after revelations of corporate malfeasance, as investors shunned some of the riskiest issues; issuance was especially weak in the beleaguered telecom and energy sectors, which continue to be saddled with overcapacity and excessive leverage. Despite falling share prices, seasoned equity offerings were also well maintained over the first half of the year, in part because of the decision of some firms—especially in the telecom and energy sectors—to reduce leverage. IPOs, by contrast, were sparse. The evaporation of cash-financed mergers and acquisitions and desire by firms to conserve cash kept equity retirements at their slowest pace since 1994.

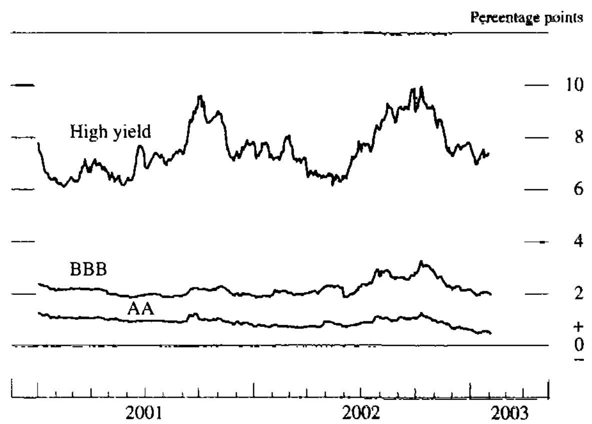
Major components of net business financing



NOTE. Seasonally adjusted annual rate for nonfarm nonfinancial corporate business. The data for the sum of major components are quarterly. The data for 2002:Q4 are estimated.

Over the summer, investors grew more reluctant to buy corporate bonds because of concerns about the reliability of financial statements, deteriorating credit quality, and historically low recovery rates on defaulted speculative-grade debt. Macroeconomic data suggesting that the economic recovery was losing momentum and widespread company warn-

Spreads of corporate bond yields over the ten-year Treasury yield



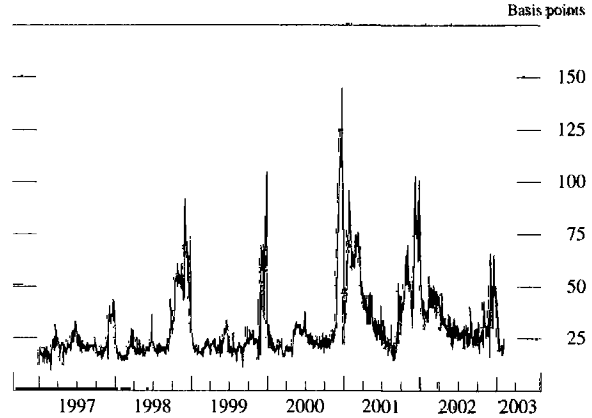
NOTE. The data are daily and extend through February 5, 2003. The spreads compare the yields on the Merrill Lynch AA, BBB, and 175 indexes with the yield on the ten-year off-the-run Treasury note.

ings about near-term profits pushed yields on speculative-grade debt sharply higher. Risk spreads on investment-grade bonds also widened appreciably in the third quarter, as yields in that segment of the corporate bond market declined less than those on Treasury securities of comparable maturity. Investors' aversion to risk was also heightened by mounting tensions with Iraq; by early autumn, risk spreads on junk-rated bonds reached their highest levels in more than a decade. Gross bond issuance both by investment-grade and below-investment-grade firms fell off markedly, and the amount of redemptions was large. By the third quarter, net issuance of bonds by nonfinancial corporations had turned negative for the first time since the early 1950s. Trading conditions in the corporate bond market deteriorated during this period, as bid–asked spreads reportedly widened in all sectors. With share prices dropping and stock market volatility increasing, issuance of seasoned equity nearly stalled in the summer and early autumn. IPOs were virtually nonexistent amid widely publicized investigations into the IPO allocation process at large investment banks.

A smattering of more upbeat news about the economy in mid-autumn and the absence of major revelations of corporate wrongdoing sparked a rally in equity prices and rekindled investors' appetite for corporate debt. Over the remainder of the year and during early 2003, risk spreads narrowed considerably on investment-grade corporate bonds—especially for the lowest rated of these issues—and even more on speculative-grade bonds, although they remained high by historical standards. In the meantime, liquidity in the corporate bond market generally improved. A brightening of investor sentiment caused a rebound in gross bond issuance, with firms continuing to use bond proceeds to refinance long-term debt and to pay down short-term debt. Rising stock prices and reduced volatility also allowed seasoned equity issuance to regain some ground in the fourth quarter. The improved tone in corporate debt markets carried over into early 2003. Gross corporate bond issuance continued at a moderate pace, and despite the drop in stock prices in the latter half of January, seasoned equity issuance has been reasonably well maintained. IPO activity and venture capital financing, however, remained depressed.

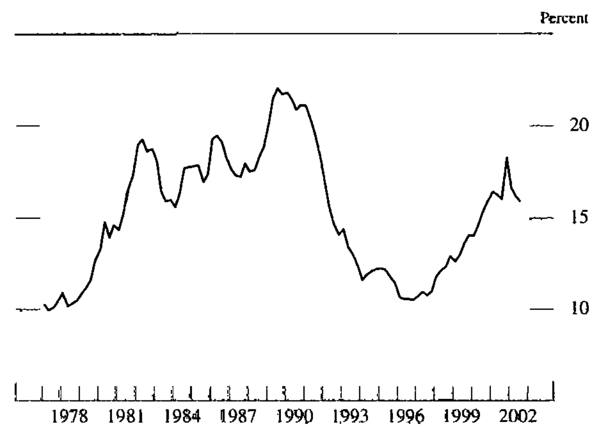
The heavy pace of bond issuance, sagging capital expenditures, and diminished merger and acquisition activity allowed firms to pay down large amounts of

Spread of low-tier CP rates over high-tier CP rates



NOTE. The data are daily and extend through February 5, 2003. The series shown is the difference between the rate on A2/P2 nonfinancial commercial paper and the AA rate.

Net interest payments of nonfinancial corporations relative to cash flow

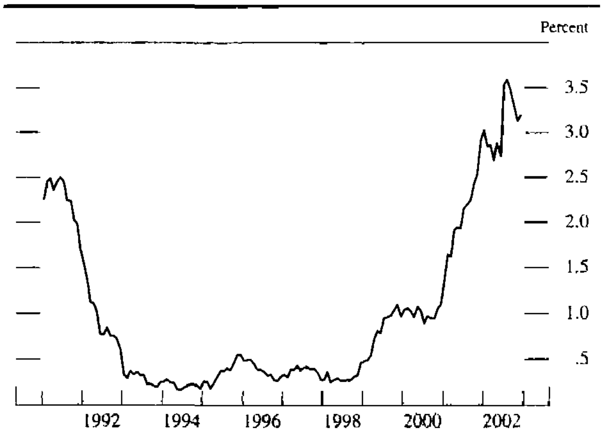


NOTE. The data are quarterly and extend through 2002:Q3.

both business loans at banks and commercial paper last year. The runoff in business loans that started in early 2001 intensified in the first half of 2002. At the same time, commercial paper issuers that were perceived as having questionable accounting practices encountered significant investor resistance, and most of these issuers discontinued their programs. Bond rating agencies stepped up the pressure on firms to substitute longer-term debt for shorter-term debt and thereby reduce rollover risk. In addition, banks raised the total cost of issuing commercial paper by tightening underwriting standards and boosting fees and spreads on the associated backup lines of credit—especially for lower-rated issuers. In doing so, respondents to the April Senior Loan Officer Opinion Survey on Bank Lending Practices cited heightened concerns about the deterioration of issuers' credit quality and a higher probability of lines being drawn. Many commercial paper issuers either turned to longer-term financing or dropped out of the credit markets altogether, and the volume of nonfinancial commercial paper outstanding shrank about one-fourth during the first six months of the year after having dropped one-third in 2001.

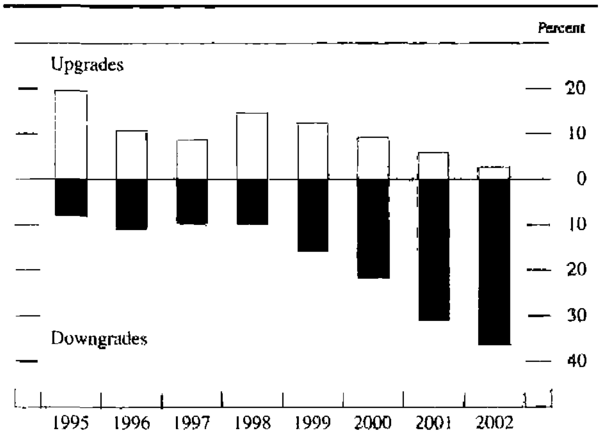
The volatility that gripped equity and bond markets around midyear, however, did not spill over to the commercial paper market. Quality spreads in the commercial paper market were largely unaffected, in part because many of the riskiest issuers had already exited the market, while others had strengthened their cash positions and significantly reduced rollover risk earlier in the year. Indeed, because of difficulties in the corporate bond market, some nonfinancial firms

Default rate on outstanding bonds



NOTE. The default rate is monthly and extends through December 2002. The rate for a given month is the face value of bonds that defaulted in the twelve months ending in that month divided by the face value of all bonds outstanding at the end of the calendar quarter immediately preceding the twelve-month period.

Ratings changes of nonfinancial corporations



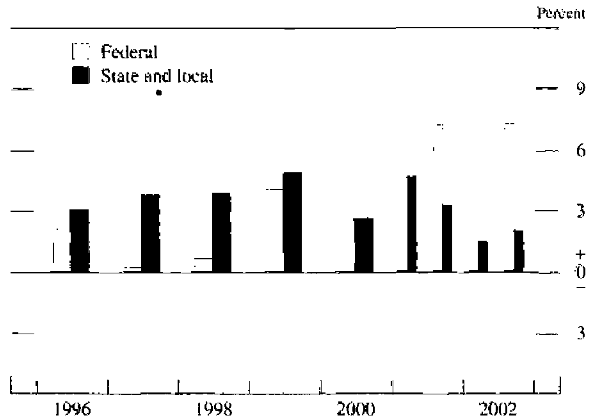
NOTE. Data are at an annual rate. Debt upgrades (downgrades) are expressed as a percentage of par value of all bonds outstanding.
SOURCE. Moody's Investors Service.

turned temporarily to the commercial paper market to obtain financing, and the volume of outstanding paper rose in July after a lengthy period of declines. Over the remainder of the year, business loans at banks and commercial paper outstanding contracted rapidly, as inventory investment remained negligible, and firms continued to take advantage of relatively low longer-term interest rates by issuing bonds.

A decline in market interest rates and improved profitability helped reduce the ratio of net interest payments to cash flow in the nonfinancial corporate sector last year. Even so, many firms struggled to service their debt, and corporate credit quality deteriorated markedly. The trailing average default rate on corporate bonds, looking back over the preceding twelve months, was already elevated and climbing when WorldCom's $26 billion default in July propelled the average rate to a record level. The amount of nonfinancial corporate debt downgraded by Moody's Investors Service last year was more than fourteen times the amount upgraded. At less than 25 percent, the average recovery rate in 2002 on all defaulted bonds—as measured by the price of bonds at default—was at the low end of recovery rates over the past decade. Delinquency rates on business loans at commercial banks rose noticeably before stabilizing in the second half of the year, and charge-off rates remained quite high throughout 2002.

After expanding rapidly in 2001, commercial mortgage debt grew much more slowly during the first quarter of last year, as business spending on nonresidential structures fell. Despite the continued contraction in outlays on nonresidential structures, commercial mortgage debt accelerated over the remainder of the year, apparently because of refinancing to extract a significant portion of equity from existing properties. The issuance of commercial-mortgage-backed securities (CMBS), a key source of commercial real estate financing in recent years, was well maintained in 2002. Even as office vacancy rates rose, the quality of commercial real estate credit remained stable last year. Commercial banks firmed standards on commercial real estate loans in 2002, on net, and delinquency rates on commercial real estate loans at banks stayed at historically low levels. Delinquency rates on CMBS leveled off after increasing appreciably in late 2001, and forward-looking indicators also do not suggest elevated concerns about prospective defaults: Yield spreads on CMBS over swap rates remained in the fairly narrow range that has prevailed over the past several years.

Change in real government expenditures on consumption and investment



The Government Sector

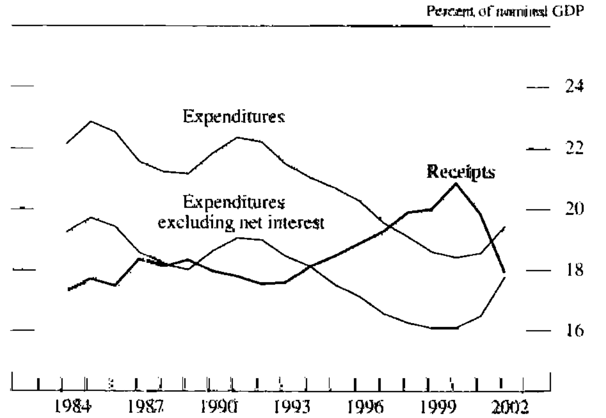
Federal Government

Despite modest economic growth, the federal budget position deteriorated sharply in 2002. After running a unified budget surplus of $127 billion in fiscal 2001, the federal government posted a deficit of $158 billion in fiscal 2002—and that deficit would have been $23 billion larger if not for the shifting of some corporate tax payments from fiscal 2001 to fiscal 2002. After adjustment for that tax shifting, receipts declined 9 percent in fiscal 2002: A $50 billion drop in corporate payments stemmed largely from tax provisions enacted in the 2002 stimulus bill (especially the partial-expensing provision on investment), and a decline in individual tax payments of $136 billion was largely attributable to a drop in capital gains realizations and to lower tax rates that were enacted in the 2001 tax bill.

Meanwhile, federal outlays increased nearly 8 percent in fiscal 2002 and 11 percent excluding a decline in net interest expenses. Spending increased notably in many categories, including defense, homeland security, Medicaid, and income security (which includes the temporary extended unemployment compensation program). Federal government consumption and investment—the part of spending that is counted in GDP—rose more than 7 percent in real terms in 2002. (Government spending on items such as interest payments and transfers are not counted in GDP because they do not constitute a direct purchase of final production.)

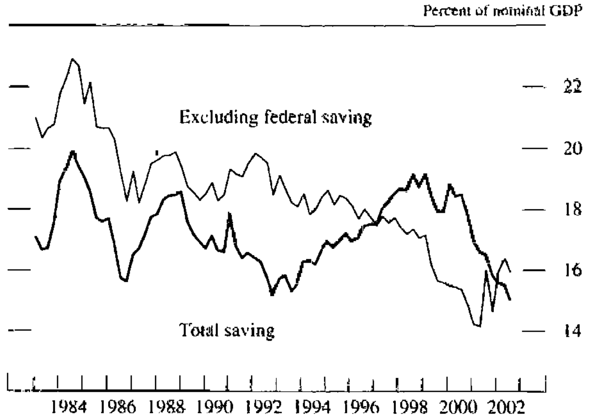
The turn to deficit in the unified budget means that the federal government, which had been contributing to national saving since 1997, began to reduce national saving last year. The reversal more than

Federal receipts and expenditures



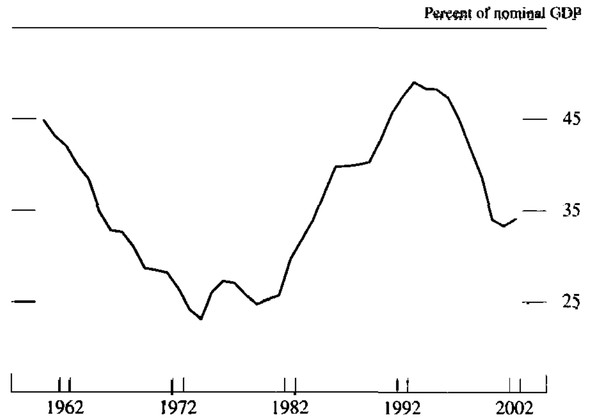
NOTE. The budget data are from the unified budget and are for fiscal years (October through September); GDP is for Q3 to Q3.

National saving



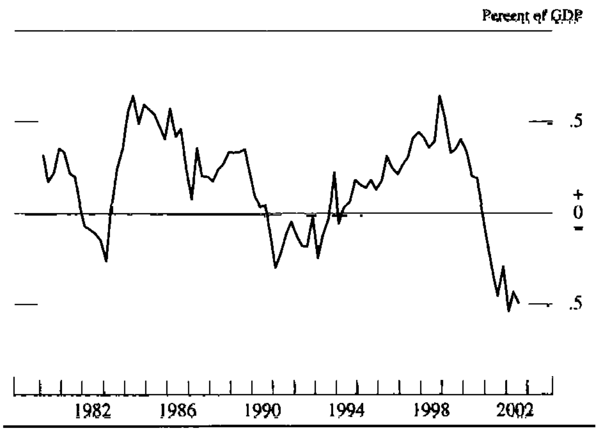
NOTE. The data are quarterly and extend through 2002:Q3.

Federal government debt held by the public



NOTE. Through 2001, the data for debt are year-end figures and the corresponding value for GDP is for Q4 at an annual rate; the final observation is for 2002:Q3. Excludes securities held as investments of federal government accounts.

State and local government current surplus or deficit



NOTE. The data, which are quarterly, are on a national income and product account basis and extend through 2002:Q3. The current surplus or deficit excludes social insurance funds.

offset an increase in saving by households and businesses, and gross national saving declined to 15 percent of GDP by the third quarter of last year—the lowest national saving rate since the 1940s.

After it reentered the credit markets as a significant borrower of net new funds in the second half of 2001, the Treasury continued to tap markets in volume last year. Federal net borrowing was especially brisk over the first half of the year. With federal debt rapidly approaching its statutory borrowing limit, the Secretary of the Treasury declared a debt ceiling emergency on May 16 and identified about $80 billion worth of accounting measures that could be used to create financing room within the existing $5.95 trillion limit. The Secretary's announcement and subsequent employment of one of these devices—in which Treasury securities held in government trust funds were temporarily replaced by Treasury IOUs not subject to the debt ceiling—had little effect on Treasury yields, as market participants were apparently confident that the ceiling would be raised in time to avoid default. And indeed, the Congress approved legislation raising the statutory borrowing limit to $6.4 trillion on June 27. With its credit needs remaining substantial, the Treasury continued to borrow heavily over the second half of 2002. The increase in the Treasury's net borrowing last year caused the ratio of publicly held debt to nominal GDP to rise for the first time since 1993.

State and Local Governments

State and local governments have continued to struggle in response to sluggish growth of receipts. In the current fiscal year (which ends June 30 for most states), most state governments are reported to be facing significant shortfalls. Although a variety of strategies may be available for the purpose of technically complying with balanced-budget requirements, including tapping nearly $20 billion in combined rainy-day and general fund balances and turning to the capital markets, many states will be forced to boost revenues and hold the line on spending.

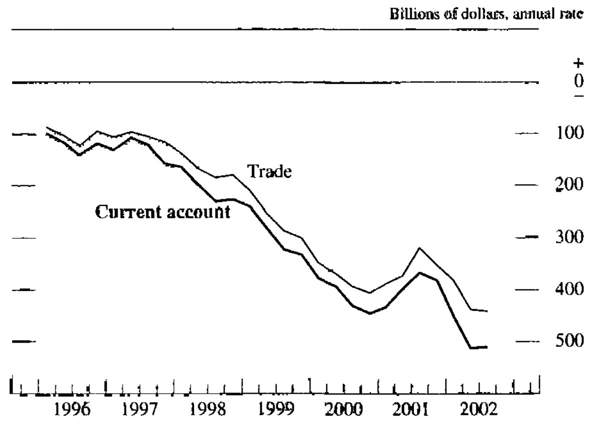
Real expenditures for consumption and gross investment by state and local governments rose less than 2 percent in 2002—the smallest increase in ten years. The slowdown in spending growth was widespread across expenditure categories and included notably smaller increases in outlays for construction. Employment in the state and local sector continued to rise in 2002, but at a slower rate than in recent years.

Debt of the state and local government sector expanded last year at the fastest pace since 1987. Governments used the proceeds to finance capital spending and to refund existing debt in advance. Net issuance of short-term municipal bonds was also well maintained, as California and some other states facing fiscal difficulties turned to shorter-term borrowing while fashioning more permanent solutions to their budget problems. Worsening budget situations contributed to some deterioration in municipal credit quality last year. Credit-rating downgrades outpaced upgrades by a significant margin, and the yield spread of BBB-rated over insured AAA-rated municipal bonds rose significantly over the second half of 2002.

The External Sector

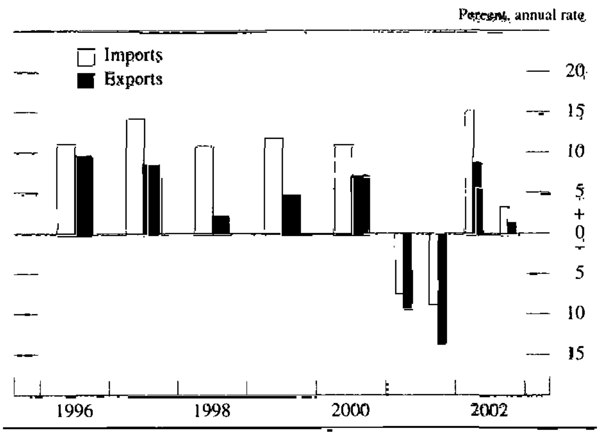
The U.S. current account deficit widened again in 2002 after a brief respite during the cyclical slow-

U.S. trade and current account balances

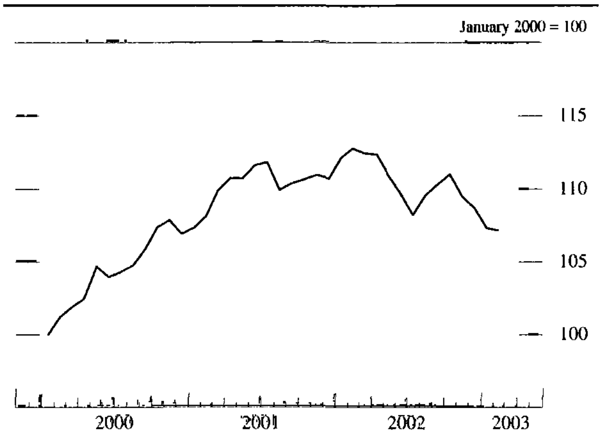


NOTE. The data are quarterly and extend through 2002:Q3.

Change in real imports and exports of goods and services



U.S. dollar real exchange rate, broad index



NOTE. The data are monthly. The last observation is the average of trading days through February 5, 2003. Exchange rates are adjusted for inflation with the consumer price index and are in foreign currency units per dollar. The broad index is a weighted average of the foreign exchange values of the U.S. dollar against the currencies of a large group of major U.S. trading partners. The index weights, which change over time, are derived from U.S. export shares and from U.S. and foreign import shares.

down in 2001. Two-thirds of the expansion of the deficit last year was attributable to a decline in the balance on goods and services, although net investment income also fell sharply as receipts from abroad declined more than payments to foreign investors in the United States. The broad exchange value of the dollar peaked around February 2002 after appreciating about 13 percent in real terms from January 2000; in early February 2003 it was down about 5 percent from the February 2002 level.

Trade and the Current Account

Both exports and imports rebounded in 2002 as the cyclical downturn of the previous year was reversed and spending on travel recovered from the post-September 11 slump. As is often the case, the amplitude of the recent cycle in trade has been greater than that of real GDP. In 2001, stagnant real GDP in the United States and abroad was coupled with declines of 11½ percent in real exports and 8 percent in real imports. Last year, moderate growth of both foreign and domestic real GDP was exceeded by gains of 5 percent and 9 percent, respectively, in our real exports and imports. The faster growth of imports relative to exports over the past two years was consistent with the historical pattern in which the responsiveness of imports to income is greater in the United States than in the rest of the world. Although the dollar depreciated on balance last year, the lagged effects of its prior appreciation over the two previous years contributed to the faster growth in imports relative to exports in 2002.

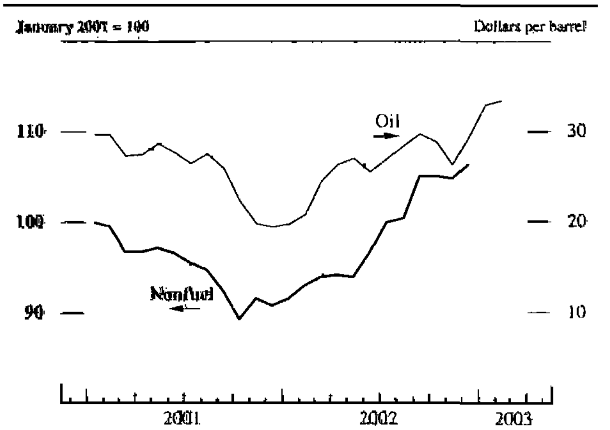
Real exports of goods posted a strong gain in the second quarter of 2002 after six consecutive quarters of decline. However, as output growth slowed abroad, exports decelerated in the third quarter and then fell in the fourth quarter. On balance, exports of goods rose about 2 percent over the course of the year, reversing only a small portion of the previous year's decline. Not surprisingly, the increase in goods exports in 2002 was concentrated in the destinations where GDP growth was strongest—Canada, Mexico, and several developing Asian economies. A gain of 12 percent in real exports of services in 2002 more than reversed the previous year's decline and reflected both a pickup in tourism and an increase in other private services. Export prices turned up in the second quarter after a year of decline and continued to rise at a moderate pace in the second half.

The very rapid growth of real imports of goods in the first half of last year was a reaction to the revival of U.S. activity, and they gained about 9 percent over the year. The particularly large gains in imports of consumer goods and automotive products reflected the buoyancy of U.S. consumption expenditures. Imports of most major categories of capital goods also increased on balance over the year. However, as with exports, import growth was considerably stronger in the first half of the year than in the second. This pattern likely reflected the deceleration in U.S. GDP, along with the effects of some depreciation of the dollar. In addition, there may have been some shifting of import demand from later in the year to the earlier months as it began to appear more likely that labor contract negotiations at West Coast ports would not go smoothly.[1] Imports of services more than reversed their 2001 decline over the course of the year, and gains were recorded for both travel and other private services. Prices of non-oil imports turned up in the second quarter after declining over the preceding four quarters, as a result of the weaker exchange rate and a turnaround in prices of internationally traded commodities.

The spot price of West Texas intermediate crude oil climbed above $35 per barrel in early 2003, its highest level since the beginning of 2000. Oil prices had fallen to around $20 per barrel during 2001 amid general economic weakness, but they began rising in February and March of last year in response to both improving global economic activity as well as a production-limiting agreement between OPEC and several major non-OPEC producers. Even though production in a number of OPEC and non-OPEC countries in fact exceeded the agreed limits last year, heightened tensions in the Middle East along with severe political turmoil in Venezuela continued to put upward pressure on prices. The pressure intensified late in the year as a strike in Venezuela that began on December 2 virtually shut down that country's oil industry, and Venezuelan oil production was still well below pre-strike levels in early 2003. Concern over a possible war with Iraq, along with a very low level of crude oil inventories in the United States, has helped to keep spot prices high. Also in response to the heightened tensions, the price of gold shot up about 30 percent over the past year.

1. The dispute between the Pacific Maritime Association and the International Longshore and Warehouse Union eventually led to an eleven-day port closure in late September and early October that ended when President Bush invoked the Taft–Hartley Act. Although the monthly pattern of trade was influenced by the closure, the overall level of imports for the year does not appear to have been much affected.

Prices of oil and of nonfuel commodities

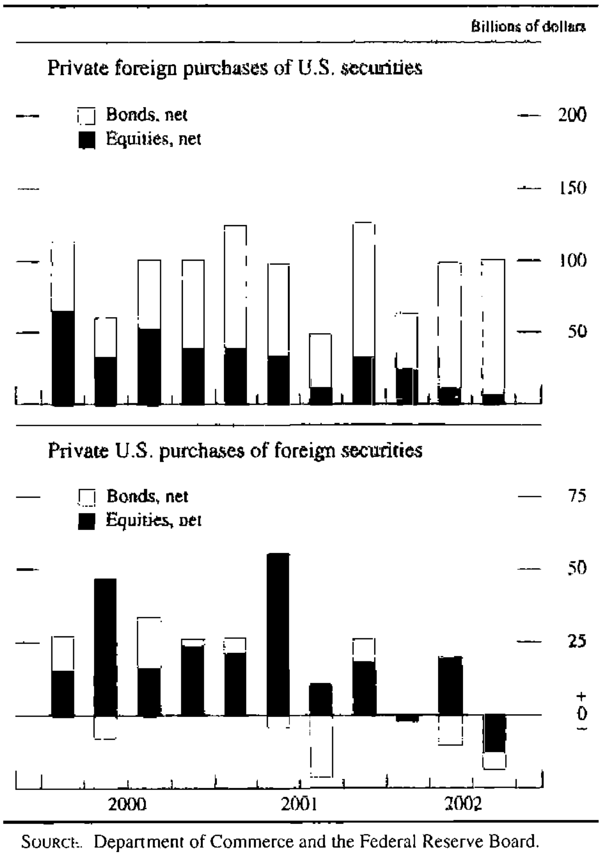


NOTE. The data are monthly; the last observation for oil is the average of trading days through February 5, 2003; the last observation for nonfuel commodities is December 2002. The oil price is the spot price of West Texas intermediate crude oil. The price of nonfuel commodities is a weighted average of thirty-nine primary-commodity prices from the International Monetary Fund.

The Financial Account

The increase in the current account deficit in 2002 was about equal on balance to the stepped-up foreign official purchases of U.S. assets, as changes in the

U.S. international securities transactions

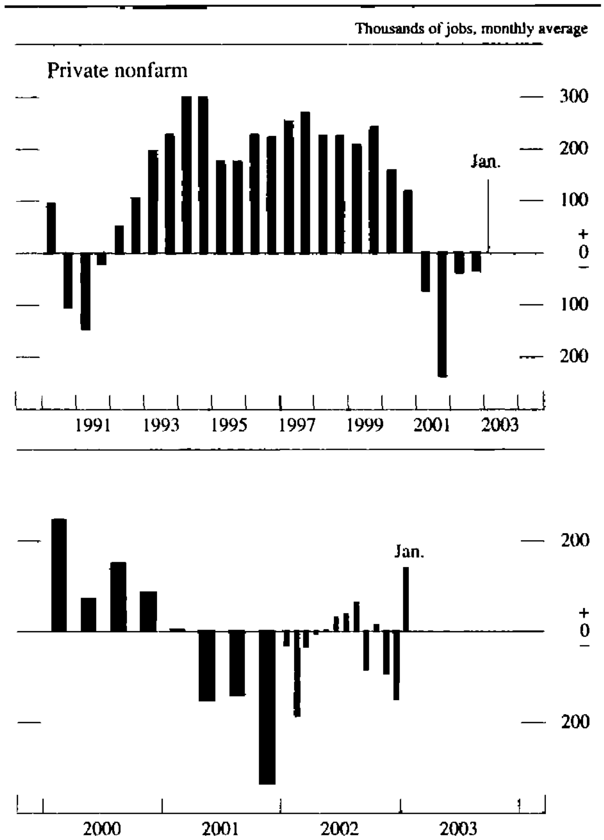


SOURCE. Department of Commerce and the Federal Reserve Board.

components of private capital flows were offsetting. Private foreign purchases of U.S. securities were about $360 billion at an annual rate through November, a volume similar to last year's total. However, there was some shift in the composition of flows away from equities and toward Treasury securities. This shift may have reflected the damping of equity demand caused by slower economic growth and continued concern about corporate governance and accounting. Over the same period, purchases by private U.S. investors of foreign securities declined nearly $100 billion. Accordingly, the net balance of private securities trading recorded a sharp increase in net inflows.

In contrast, net foreign direct investment inflows fell about $70 billion between 2001 and 2002. Foreign investment in the United States and investment abroad by U.S. residents both declined, but the decline in flows into the United States was considerably larger, as merger activity slowed and corporate profits showed little vigor. U.S. direct investment abroad held up fairly well in 2002, a result largely reflecting retained earnings.

Net change in payroll employment



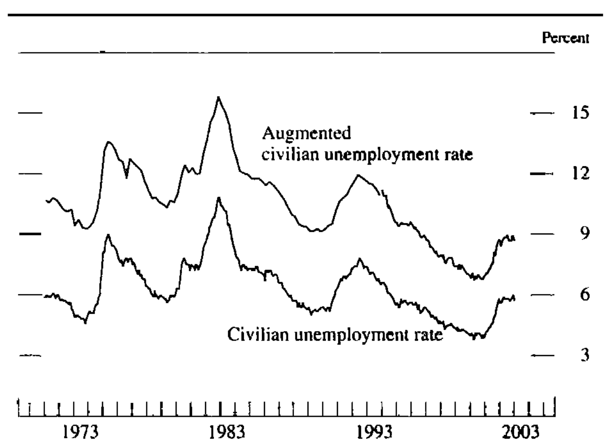
The Labor Market

Employment and Unemployment

Labor markets appeared to stabilize last spring after the sharp deterioration of 2001 and early 2002. Employment on private payrolls, which had declined an average of 160,000 per month in 2001, leveled off in the spring and moved slightly higher over the summer. But labor demand weakened again as the economy softened later in the summer, and private employment declined about 80,000 per month on average in the last four months of the year. Private payrolls rebounded nearly 150,000 in January, though the magnitude of both the especially sharp decline in December and the rebound in January likely was exaggerated by difficulties in adjusting for the normal seasonal movements in employment during these months.

The manufacturing sector continued to be the weakest segment of the labor market; even during the spring and early summer, when the overall labor market seemed to be improving, factory payrolls contracted on average. Declines in factory employment were more pronounced—at about 50,000 per month—toward the end of the year. Employment at help-supply firms and in wholesale trade—two sectors in which activity closely tracks that of manufacturing proper—rose over the summer but also turned down again later in the year. And employment in retail trade, though quite erratic, leveled off over the summer before declining further in the fall. However,

Measures of labor utilization



NOTE. The data extend through January 2003. The civilian rate is the number of civilian unemployed divided by the civilian labor force. The augmented rate adds to the numerator and the denominator of the civilian rate the number of those who are not in the labor force but want a job. The small break in the augmented rate in January 1994 arises from the introduction of a redesigned survey. For the civilian rate, the data are monthly; for the augmented rate, the data are quarterly through December 1993 and monthly thereafter.

employment in services other than help supply grew reasonably steadily throughout the year and rose nearly 50,000 per month after March; health services and education services contributed more than half of those job gains. The finance and real estate sectors also added jobs last year, probably because of the surge in mortgage refinancings and high levels of activity in housing markets. Last year's job losses in the private sector were partially offset by an increase in government employment that averaged about 20,000 per month; the increase resulted mostly from hiring by states and municipalities, but it also reflected hiring in the fall by the Transportation Security Administration.

Overall employment moved lower, on net, and the unemployment rate increased a little less than ½ percentage point over the year, to 6 percent, before dropping back to 5.7 percent in January 2003. The unemployment rate probably has been boosted slightly by the federal temporary extended unemployment compensation program. By extending benefits for an additional three months, the program allows unemployed individuals whose regular benefits have expired to be more selective in accepting job offers and provides them with an incentive not to withdraw from the labor force. In addition, as would be expected in a still-weak labor market, the labor force participation rate moved lower last year.

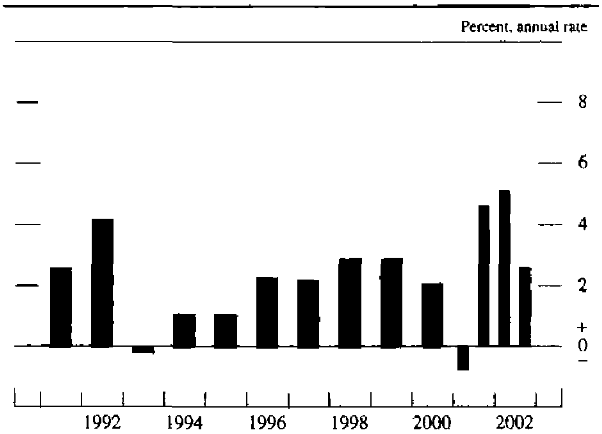
Productivity and Labor Costs

Labor productivity rose impressively in 2002. Output per hour in the nonfarm business sector increased an estimated 3¾ percent from the fourth quarter of 2001 to the fourth quarter of 2002. Labor productivity typically suffers in an economic downturn as businesses reduce hours worked by proportionally less than the decline in output; conversely, productivity typically rebounds early in an expansion as labor is brought back toward fuller utilization. During the most recent downturn, however, productivity held up comparatively well, a performance that makes last year's surge all the more impressive. Indeed, productivity rose at an average annual rate of nearly 3 percent over the past two years, faster than the average pace of increase during the late 1990s.

Very likely, the rapid pace of last year's productivity growth was due in part to the special circumstances that developed after the September 11 attacks. Businesses cut labor substantially in late 2001 and early 2002 amid widespread fear of a sharp decline in demand; when demand held up better than expected, businesses proved able to operate satisfactorily with their existing workforces. Moreover, the fact that this step-up in productivity was not reversed later in the year suggests that at least a portion of it is sustainable. The recent rapid growth in productivity may derive in part from ongoing improvements in the use of the vast amount of capital installed in earlier years, and it may also stem from organizational innovations induced by the weak profit environment.

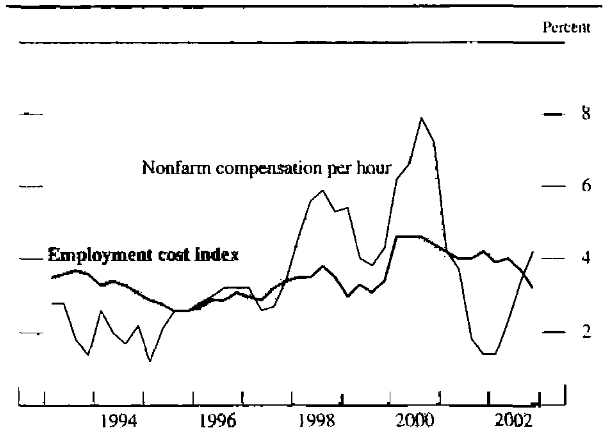
Indicators of hourly compensation sent mixed signals last year. The rise in the employment cost index (ECI) for hourly compensation in private nonfarm businesses, 3¼ percent, was 1 percentage point lower than the increase in 2001. Compensation increases likely were damped last year by the soft labor market and expectations of lower consumer price inflation.

Change in output per hour



NOTE. Nonfarm business sector.

Measures of change in hourly compensation



NOTE. The data extend through 2002:Q4. For nonfarm compensation, change is over four quarters; for the employment cost index (ECI), change is over the twelve months ending in the last month of each quarter. Nonfarm compensation is for the nonfarm business sector; the ECI is for private industry excluding farm and household workers.

The wages and salaries component and the benefits component of the ECI both posted smaller increases last year. The deceleration was less pronounced for the benefits component, however, which was boosted by further large increases in employers' health insurance costs. According to the ECI, health insurance costs, which constitute about 6 percent of overall compensation, rose 10 percent last year after having risen about 9 percent in each of the preceding two years.

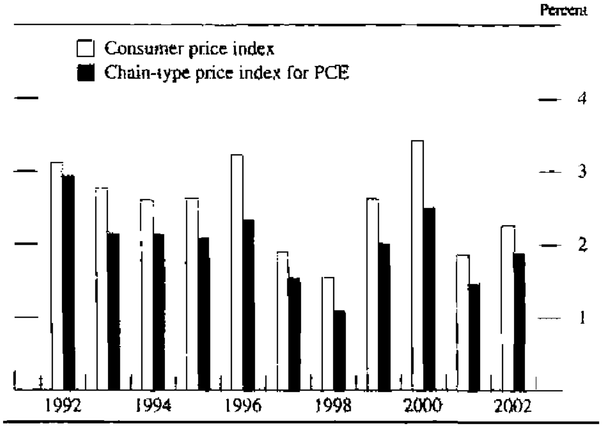
An alternative measure of compensation costs is compensation per hour in the nonfarm business sector, which is derived from information in the national income and product accounts. According to this measure, hourly compensation rose 4¼ percent last year—a little more than the increase in the ECI and up from a much smaller increase in 2001. One important difference between these two measures of compensation is that the ECI omits stock options, while nonfarm compensation per hour captures the value of these options upon exercise. The very small increase in the latter measure in 2001 likely reflects, in part, a drop in option exercises in that year, and the larger increase in 2002 may point to a firming, or at least to a smaller rate of decline, of these exercises.

Prices

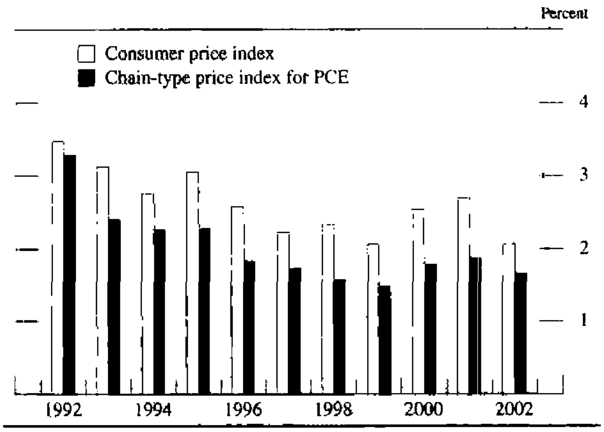
The chain-type price index for personal consumption expenditures (PCE) rose about 2 percent last year, compared with an increase of 1½ percent in 2001. This step-up in consumer price inflation resulted from a jump in energy prices. Outside of the energy sector, consumer price inflation was pushed lower last year by continued slack in labor and product markets as well as by expectations of future inflation that appeared to be lower in 2002 than in most of 2001. The increase in PCE prices excluding food and energy, which was just 1¾ percent, was about ¼ percentage point less than in 2001. The price index for GDP was less affected by last year's rise in energy prices than was the PCE measure; much of the energy price increase was attributable to higher prices of imported oil, which are not included in GDP because they are not part of domestic production. On net, GDP prices rose only 1¼ percent last year, a deceleration of ¾ percentage point that reflected not just the deceleration in core consumer prices but also considerably smaller increases for prices of construction.

The upturn in consumer energy prices in 2002 was driven by a jump in crude oil prices. Gasoline prices increased some 25 percent from December 2001 to December 2002; prices of fuel oil increased considerably as well. By contrast, consumer prices of natural gas posted only a modest rise after declining sharply in 2001, and electricity prices moved lower. More recently, the rise in crude oil prices since mid-December, together with cold weather, has increased the demand for natural gas and has led to higher spot

Change in consumer prices



Change in consumer prices excluding food and energy



Alternative measures of price change

Percent

Price measure	2001	2002
Chain-type		
Gross domestic product	2.0	1.3
Gross domestic purchases	1.3	1.6
Personal consumption expenditures	1.5	1.9
Excluding food and energy	1.9	1.7
Chained CPI	1.2	1.9
Excluding food and energy	1.8	1.6
Fixed-weight		
Consumer price index	1.9	2.3
Excluding food and energy	2.7	2.1

NOTE. Changes are based on quarterly averages and are measured to the fourth quarter of the year indicated from the fourth quarter of the preceding year.

gas prices; the higher spot prices for both oil and gas are likely to be boosting consumer energy prices early this year.

The PCE price index for food and beverages increased only 1½ percent last year; the increase followed a 3 percent rise in 2001 that reflected supply-related price increases for many livestock products including beef, poultry, and dairy products. But livestock supplies had recovered by early last year, and a drought-induced selloff of cattle herds last summer pushed prices still lower.

The prices of goods other than food and energy items decelerated sharply last year. Prices for apparel, new and used motor vehicles, and a wide range of other durable goods all declined noticeably and, on average, at a faster pace than in 2001. Price increases for services were much larger than for goods and slowed less from the previous year. Both tenants' rent and the imputed rent of owner-occupied housing—categories that account for a sizable share of services—rose significantly less last year than they did in 2001. But many other services prices posted increases in 2002 that were about the same as in 2001. Information on medical prices was mixed. According to the CPI, the price of medical services continued to accelerate, rising 5½ percent last year. But the increase in the PCE measure of medical services prices was less than 3 percent, a smaller increase than in 2001. One reason for this difference is that the prices of services paid for by Medicare and Medicaid are included in the PCE index but not in the CPI (because services provided by Medicare and Medicaid do not represent out-of-pocket costs to consumers and so are outside of the CPI's scope), and Medicare reimbursement rates for physicians were reduced last year.

Despite the acceleration in medical prices in the CPI but not in the PCE price index, the CPI excluding food and energy decelerated notably more than did the core PCE price index between 2001 and 2002. The two price measures differ in a number of respects, but much of last year's greater deceleration in the CPI can be traced to the fact that the CPI suffers from a form of "substitution bias" that is not present in the PCE index. The CPI, being a fixed-weight price index, overstates increases in the cost of living because it does not adequately take into account the fact that consumers tend to substitute away from goods that are rising in relative price; by contrast, the PCE price index does a better job of taking this substitution into account. Last year, the Bureau of Labor Statistics began to publish a new index called the chained CPI; like the PCE price index, the chained CPI does a more complete job of taking consumer substitution into account, but it is otherwise identical to the official CPI. In 2001, an unusually large gap between increases in the official CPI and the chained CPI arose, pointing to very large substitution bias in the official CPI in that year. This gap narrowed in 2002, indicating that substitution bias declined between the two years. (Final estimates of the chained CPI are not yet available; the currently available data for both 2001 and 2002 are preliminary and subject to revision.)

Survey measures of expected inflation generally ran a little lower in 2002 than in 2001. According to the Michigan SRC, median one-year inflation expectations plummeted after the September 11 attacks, but by early 2002, expectations returned to the 2¾ percent range that had prevailed during the previous summer. These expectations gradually moved lower over the course of last year and now stand around 2½ percent. Meanwhile, the Michigan SRC's measure of five- to ten-year inflation expectations remained steady at about 2¾ percent during 2002, a rate a little lower than the 3 percent inflation expectations that had prevailed through most of 2001.

U.S. Financial Markets

Developments in financial markets last year were shaped importantly by sharp declines, on net, in equity prices and most long-term interest rates and by periods of heightened market volatility. In contrast to 2001, when the Federal Reserve eased the stance of monetary policy eleven times, last year saw one reduction in the intended federal funds rate—in early November—and interest rates on short-term Treasury securities had moved little until then. Longer-term interest rates, by contrast, were more volatile. Investors' optimism about future economic prospects pressured longer-term Treasury bond yields higher early in 2002. But as the year progressed, that optimism faded when the economy failed to gather much momentum, and longer-term Treasury yields ended the year appreciably lower. Softer-than-expected readings of the economic expansion, a marked deterioration in corporate credit quality, concerns about corporate governance, and heightened geopolitical tensions made investors especially wary about risk. Lower-rated firms found credit substantially more expensive, as risk spreads on speculative-grade debt soared for most of the year before narrowing somewhat over the last few months. Even for higher-quality firms, risk spreads widened temporarily during the tumultuous conditions that prevailed in financial markets over the summer. In addition, commercial banks tightened standards and terms for business borrowers, on net, in 2002, and risk spreads on business loans remained in an elevated range throughout the year. Increased caution on the part of investors was particularly acute in the commercial paper market, where the riskiest issuers discontinued their programs.

Federal borrowing surged last year, while private borrowing was held down by the significantly reduced credit needs of business borrowers. Declines in longer-term interest rates during the first half of the year created incentives for both businesses and households to lock in lower debt-service obligations by heavily tapping corporate bond and home mortgage markets, respectively. While mortgage borrowing remained strong, businesses sharply curtailed their issuance of longer-term debt during the second half of 2002 amid the nervousness then prevailing in the financial markets.

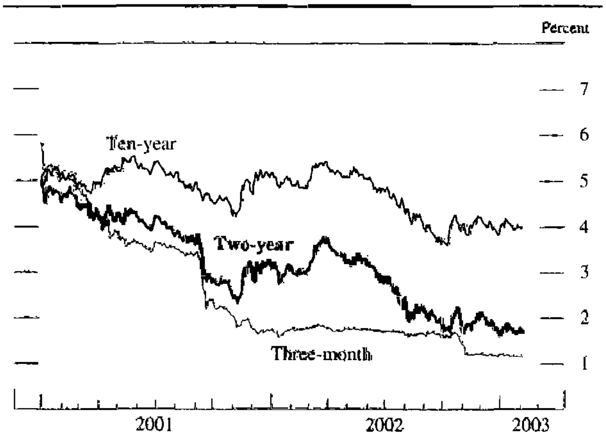
Interest Rates

Reflecting an unchanged stance of monetary policy over most of last year, short-term market interest rates moved little until early November, when the FOMC lowered the target federal funds rate ½ percentage point, and other short-term interest rates followed suit. Yields on intermediate- and long-term Treasury securities, by contrast, declined as much as 1½ percentage points, on net, in 2002. Longer-term interest rates began last year under upward pressure, as signs that the economy had bottomed out started to nudge rates higher in the final weeks of 2001. Positive economic news pushed interest rates up appreciably further during the first quarter of 2002. The increase in longer-term interest rates was consistent with the sharp upward tilt of money market futures rates, which suggested that market participants expected that the FOMC would almost double the intended level of the funds rate by year's end. However, as readings on the strength of the economic expansion came in on the soft side, investors substantially trimmed their expectations for policy tightening, and yields on longer-term Treasury securities turned down in the spring.

The slide in longer-term Treasury yields intensified over the summer amid weaker-than-expected economic data, heightened geopolitical tensions, fresh revelations of corporate malfeasance, and disappointing news about near-term corporate profits. In concert, these developments prompted investors to mark down their expectations for economic growth and, consequently, their anticipated path for monetary policy. A widespread retrenchment in risk-taking sent yields on speculative-grade corporate bonds sharply higher and kept those on the lower rungs of investment grade from declining, even as longer-term nominal Treasury yields fell to very low levels by the end of July.

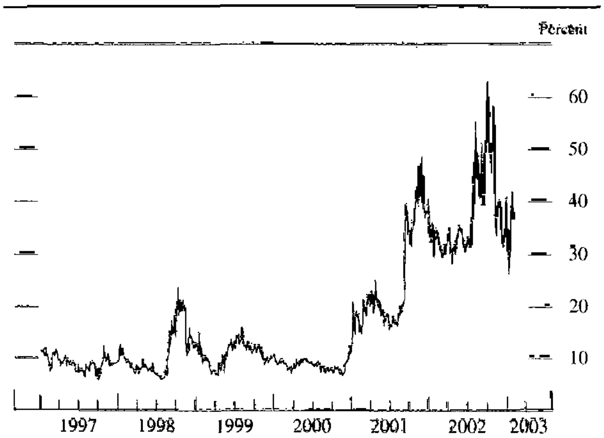
The uneventful passing of the Securities and Exchange Commission's August 14 deadline for officers of large companies to certify corporate financial statements somewhat assuaged investors' anxieties about corporate governance problems. But subsequent news suggesting that the economy was losing momentum and a flare-up in tensions with Iraq further boosted demand for Treasury securities. The FOMC's decision at the August meeting—to leave the intended federal funds rate unchanged but to judge the balance of risks to the outlook as weighted toward economic weakness—pulled the expected

Interest rates on selected Treasury securities



NOTE. The data are daily and extend through February 5, 2003.

Implied volatility of short-term interest rates

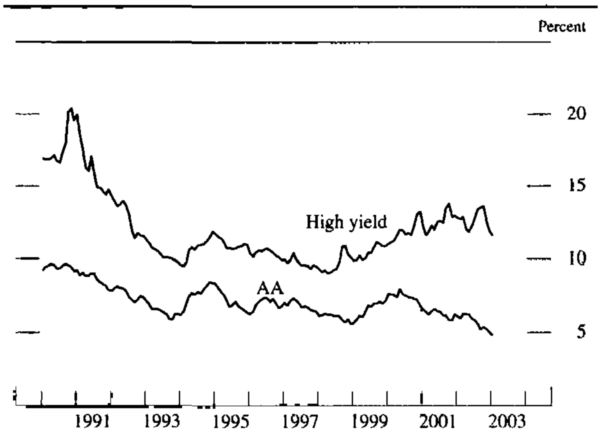


NOTE. The data are daily and extend through February 5, 2003. The series shown is the implied volatility of the three-month eurodollar rate over the coming four months, as calculated from option prices.

path of the funds rate lower, and longer-term Treasury yields sank to forty-year lows in early autumn. A high degree of investor uncertainty about the future path of monetary policy was evidenced by implied volatilities of short-term interest rates derived from option prices, which soared to record levels in early autumn. The size of the FOMC's November cut in the target federal funds rate and the shift to balance in its assessment of risks surprised market participants, but the policy easing appeared to lead investors to raise the odds that the economy would pick up from its sluggish pace. Generally positive economic news and rising equity prices over the remainder of the year also bolstered confidence and prompted market participants to mark up the expected path for monetary policy and push up longer-term Treasury yields.

Yields on higher-quality investment-grade corporate bonds generally tracked those on Treasuries of comparable maturity last year, although risk spreads on these instruments widened moderately over the summer and early autumn before narrowing over the remainder of the year. Interest rates on below-investment-grade corporate debt, by contrast, increased for much of last year, as spreads over Treasuries ballooned in response to mounting concerns about corporate credit quality, historically low recovery rates on defaulted bonds, and revelations of improper corporate governance; credit risk spreads widened in all speculative sectors but especially in telecom and energy. By the summer, investors' retreat from risk-taking had widened bid–asked spreads in the corporate bond market enough to impair trading. Risk spreads on speculative-grade bonds narrowed considerably over the year's final quarter and in early 2003, though they remain elevated by historical standards; risk spreads for the weaker speculative-grade credits remain exceptionally wide, as investors evidently anticipate a continued high level of defaults and low recovery rates.

Corporate bond yields



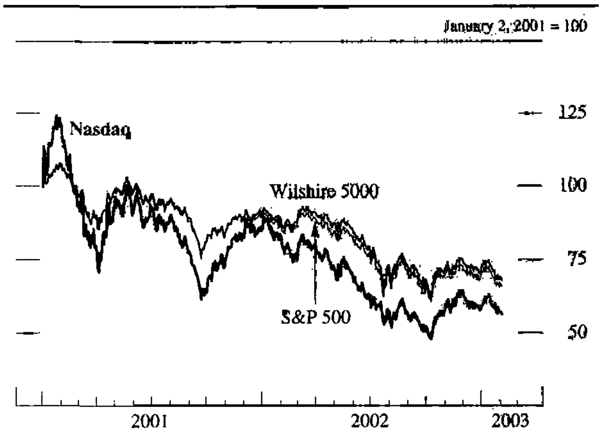
NOTE. The data are monthly averages and extend through January 2003. The AA rate is calculated from bonds in the Merrill Lynch AA index with seven to ten years remaining maturity. The high-yield rate is the yield on the Merrill Lynch 175 high-yield index.

Equity Markets

Equity prices were buffeted last year by considerable fluctuations in investors' assessments of the outlook for the economy and corporate earnings and by doubts about the quality and transparency of corporate balance sheets. Net declines in stock prices in 2002 exceeded those posted during either of the preceding two years. Worries about the pervasiveness of questionable corporate governance and a deterioration in the earnings outlook—especially in the technology sector—depressed equity prices in early 2002. The positive tenor of economic data, however, managed to outweigh those concerns, and stock prices staged a rally halfway through the first quarter, with the gains tilted toward "old economy" firms. But the rebound was short lived. Share prices started to tumble in early spring across all sectors as weaker-than-expected economic data eroded investors' confidence in the strength of the economic expansion. These developments were reinforced by first-quarter corporate earnings reports that, though mostly matching or exceeding investors' expectations, painted a bleak picture of prospective sales and profits.

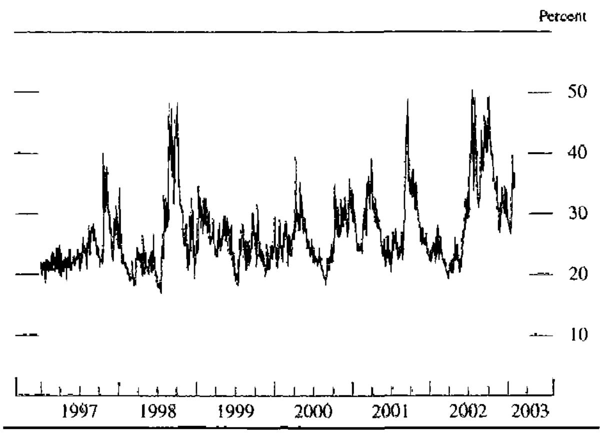
Over the spring and summer, accounting scandals, widespread warnings about near-term corporate profitability, and heightened geopolitical tensions intensified the slide in stock prices. Particularly large declines in share prices were posted for technology

Major stock price indexes



NOTE. The data are daily and extend through February 5, 2003.

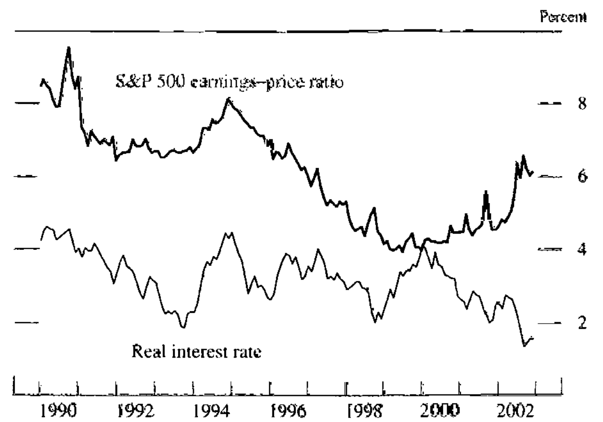
Implied S&P 100 volatility



NOTE. The data are daily and extend through February 5, 2003. The series shown is the implied volatility of the S&P 100 stock price index as calculated from the prices of options that expire over the next several months.
SOURCE. Chicago Board Options Exchange.

firms, whose prospects for sales and earnings were especially gloomy. Equity prices were boosted briefly by the uneventful passing of the August 14 deadline to certify financial statements, but they quickly reversed course on continued concerns about the pace of economic growth and corporate earnings and the escalating possibility of military action against Iraq. By early October, equity indexes sank to their lowest levels since the spring of 1997, and implied stock price volatility on the S&P 100 surged to its highest reading since the stock market crash of 1987. The drop in stock prices widened the gap between the expected year-ahead earnings–price ratio for the S&P 500 and the real ten-year Treasury yield—one simple measure of the equity premium—to levels not seen since the mid-1990s.

S&P 500 forward earnings–price ratio
and the real interest rate



NOTE. The data are monthly and extend through December 2002. The earnings–price ratio is based on I/B/E/S consensus estimates of earnings over the coming year. The real rate is estimated as the difference between the ten-year Treasury rate and the five-year to ten-year expected inflation rate from the FRB Philadelphia survey.

Share prices turned around in late October, as the third-quarter corporate earnings reports were not as weak as investors had originally feared. Equity prices were also given a boost in early November by the larger-than-expected monetary policy easing, and the rally was sustained over the remainder of the year by the generally encouraging tone of economic data. Greater confidence among investors in the economic outlook also helped bring down the implied volatility on the S&P 100 significantly by year-end, although it remains at an elevated level by historical standards. Despite the fourth-quarter rebound, broad equity indexes were down, on net, about 20 percent in 2002, while the tech-heavy Nasdaq lost more than 30 percent.

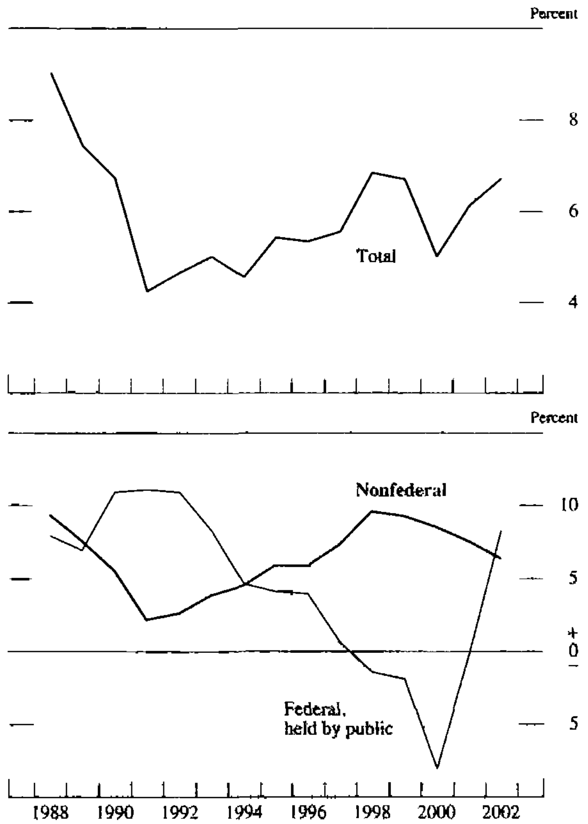
The decline in equity prices during the first three quarters of 2002 is estimated to have erased more than \$3½ trillion in household wealth, a loss of nearly 9 percent of total household net worth, although the fourth-quarter rise in stock prices restored about \$600 billion. Still, the level of household net worth at the end of last year was more than 40 percent higher than it was at the start of the bull market in 1995. Equity prices maintained their upward momentum during the first half of January 2003 but then fell sharply amid the looming prospects of military action against Iraq and a still-gloomy outlook for corporate earnings. Broad stock price indexes have lost almost 5 percent this year; however, solid fourth-quarter earnings from many prominent technology companies helped brighten investors' sentiment regarding that sector, and the Nasdaq is down about 3 percent this year.

Debt and Financial Intermediation

A deceleration of business borrowing slowed growth of the debt of nonfederal sectors about 1 percentage point in 2002, to 6½ percent. By contrast, the decline in interest rates last year kept borrowing by households and state and local governments brisk. At the federal level, weak tax receipts and an acceleration in spending pushed debt growth to 7½ percent last year after a slight contraction in 2001.

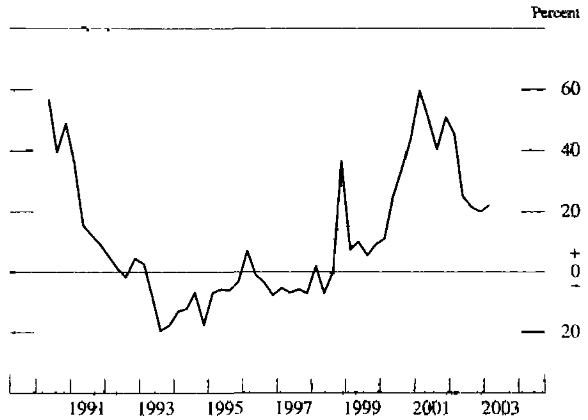
For the year as a whole, corporate borrowing was quite weak, mainly because of sagging capital expenditures, a drying up of merger and acquisition activity, and a reliance on liquid assets. Although businesses tapped bond markets in volume over the first half of the year, subsequent concerns about the reliability of financial statements and the quality of cor-

Change in domestic nonfinancial debt



NOTE. For 2002, change is from 2001:Q4 to 2002:Q3 at an annual rate. For earlier years, the data are annual and are computed by dividing the annual flow for a given year by the level at the end of the preceding year. The total consists of nonfederal debt and federal debt held by the public. Nonfederal debt consists of the outstanding credit market debt of state and local governments, households, nonprofit organizations, nonfinancial businesses, and farms. Federal debt held by the public excludes securities held as investments of federal government accounts.

Net percentage of domestic banks tightening standards on commercial and industrial loans to large and medium-sized firms



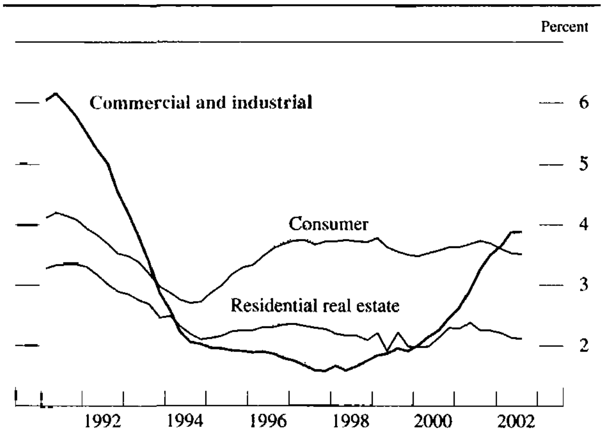
NOTE. The data are based on a survey generally conducted four times per year; the last reading is from the January 2003 survey. Large and medium-sized firms are those with annual sales of $50 million or more. Net percentage is the percentage reporting a tightening less the percentage reporting an easing.

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

porate governance and deteriorating creditworthiness ruined investors' appetite for corporate debt in the summer and early autumn. Households, by contrast, flocked to the mortgage markets to take advantage of low mortgage rates throughout the year, and strong motor vehicle sales supported the expansion of consumer credit. For depository institutions, the net effect of these developments was an acceleration of credit to 6½ percent last year, 2 percentage points above the pace of 2001. The growth of credit at thrift institutions moderated, though the slowdown can be attributed for the most part to a large thrift institution's conversion to a bank charter. The growth of credit at commercial banks accelerated to 6¾ percent—a significant increase from the anemic pace in 2001; the pickup was driven by large acquisitions of securities, especially mortgage-backed securities, as well as a surge in home equity and residential real estate lending.

By contrast, business lending at commercial banks dropped 7 percent last year after falling almost 4 percent in 2001; last year's decline kept overall loan growth for 2002 to about 5 percent. In the October Senior Loan Officer Opinion Survey on Bank Lending Practices, respondents noted that the decline in commercial and industrial (C&I) lending since the beginning of the year reflected not only the limited funding needs of creditworthy borrowers that found bond financing or a runoff of liquid assets more attractive, but also a reduction in the pool of creditworthy borrowers. Over the course of last year, banks reported some additional net tightening of standards and terms on C&I loans, mainly in response to greater uncertainty about the economic outlook and rising corporate bond defaults, although the proportions of banks that reported doing so declined noticeably. Direct measures of loan pricing conditions from the Federal Reserve's quarterly Survey of Terms of Business Lending also indicated that banks were cautious lenders last year, as the average spread of C&I loan rates over market interest rates on instruments of comparable maturity remained wide, and spreads on new higher-risk loans declined only slightly from the lofty levels that prevailed over the first half of the year. Although bank lenders were wary about business borrowers, especially toward lower-rated credits, they did not significantly constrict the supply of loans: Most small firms surveyed by the National Federation of Independent Businesses in

Delinquency rates on selected types of loans at banks

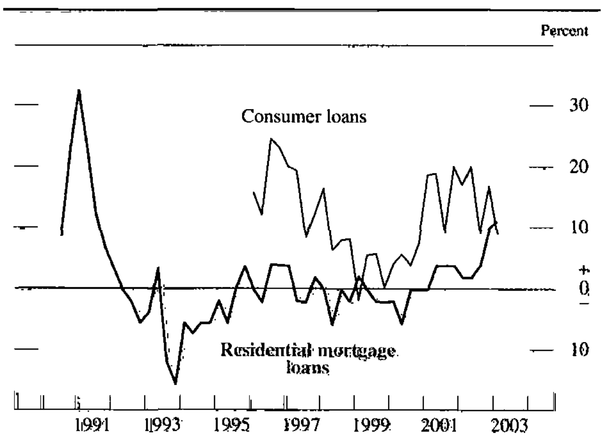


NOTE. The data, from bank Call Reports, are quarterly, seasonally adjusted, and extend through 2002:Q3.

2002 reported that they experienced little or no difficulty satisfying their borrowing needs.

Loan quality at commercial banks improved overall last year. Loan delinquency rates edged down through the third quarter of 2002—the latest period for which Call Report data are available—in response to better performance of residential real estate and consumer loans and a stable delinquency rate on C&I loans. Despite the improvement in consumer loan quality, domestic banks imposed somewhat more stringent credit conditions when lending to households, according to the survey on bank lending practices. Moderate net proportions of surveyed institutions tightened credit standards and terms for credit card and other consumer loans throughout last year. The net fraction of banks that tightened standards on

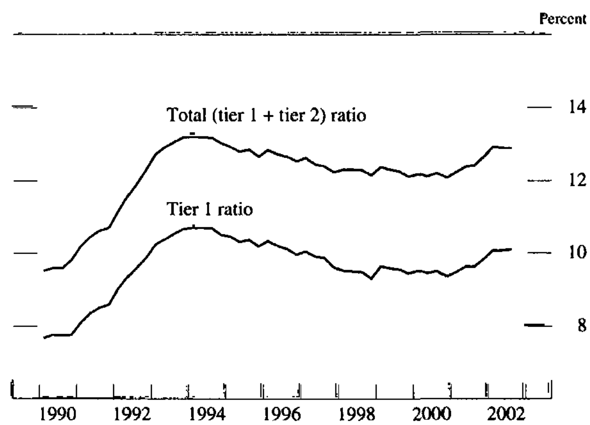
Net percentage of domestic banks tightening standards on consumer loans and residential mortgage loans



NOTE. The data are based on a survey generally conducted four times per year; the last reading is from the January 2003 survey. Net percentage is the percentage reporting a tightening less the percentage reporting an easing.

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

Regulatory capital ratios of commercial banks



NOTE. The data, which are quarterly and extend through 2002:Q3, are ratios of capital to risk-weighted assets. Tier 1 capital consists primarily of common equity and certain perpetual preferred stock. Tier 2 capital consists primarily of subordinated debt, preferred stock not included in tier 1 capital, and a limited amount of loan-loss reserves.

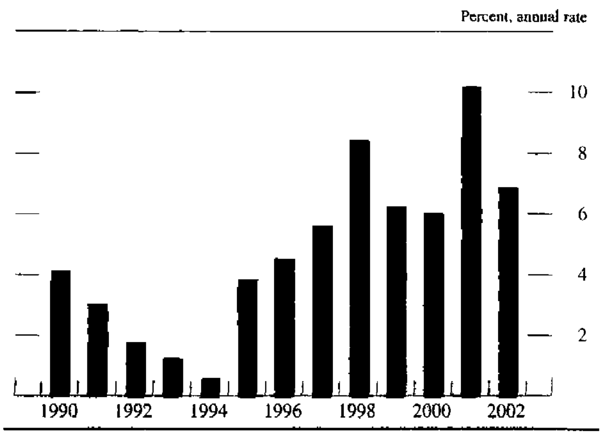
residential mortgage loans rose late in the year to the highest share in the past decade, but nonetheless remained quite low. Commercial banks generally registered strong profit gains last year, although steep losses on loans to energy and telecommunications firms significantly depressed profits at several large bank holding companies. Despite the increased rate of provisioning for loan losses, the banking sector's profitability stayed in the elevated range recorded for the past several years, as a result of the robust fee income from mortgage and credit card lending, effective cost controls, and the relatively inexpensive funding offered by inflows of core deposits. As of the third quarter of last year, virtually all assets in the banking sector were at well-capitalized institutions, and the substitution of securities for loans on banks' balance sheets helped edge up risk-based capital ratios.

The financial condition of insurance companies, by contrast, worsened notably last year. Both property and casualty insurers and life and health insurers sustained significant investment losses from the decline in equity prices and the deterioration in corporate credit quality. However, these negative pressures were offset somewhat by the continued strong growth of insurance premiums, and both sectors of the insurance industry stayed fairly well capitalized in 2002.

Monetary Aggregates

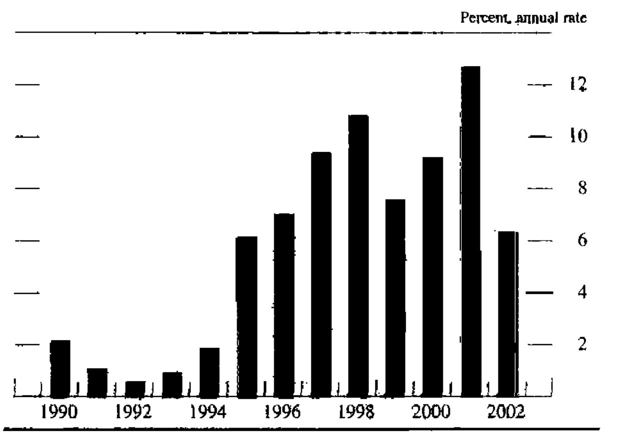
The broad monetary aggregates decelerated noticeably last year after surging in 2001. Short-term market interest rates, which had declined swiftly dur-

M2 growth rate



NOTE. M2 consists of currency, travelers checks, demand deposits, other checkable deposits, savings deposits (including money market deposit accounts), small-denomination time deposits, and balances in retail money market funds.

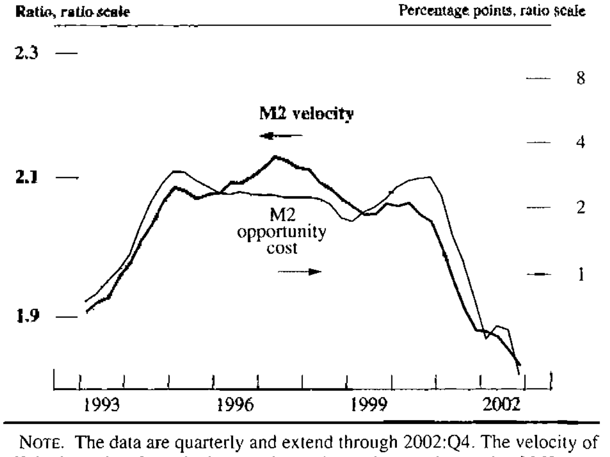
M3 growth rate



NOTE. M3 consists of M2 plus large-denomination time deposits, balances in institutional money market funds, repurchase-agreement liabilities (overnight and term), and eurodollars (overnight and term).

ing 2001, were stable over the first half of the year; deposit rates, in a typical pattern of lagged adjustment, continued to fall. Consequently, the opportunity cost of holding M2 assets increased, especially for its liquid deposit (checking and savings accounts) and retail money fund components, thereby restraining the demand for such assets. After decelerating in the first half of the year, M2 rebounded significantly in the second half, because of a surge in liquid deposits and retail money market mutual funds. The strength in both components partly reflected elevated volatility in equity markets against the backdrop of a still-low opportunity cost of holding such deposits. In addition, another wave of mortgage refinancing boosted M2 growth during this period. (Refinancings

M2 velocity and opportunity cost



NOTE. The data are quarterly and extend through 2002:Q4. The velocity of M2 is the ratio of nominal gross domestic product to the stock of M2. The opportunity cost of holding M2 is a two-quarter moving average of the difference between the three-month Treasury bill rate and the weighted average return on assets included in M2.

cause prepayments to accumulate temporarily in deposit accounts before being distributed to investors in mortgage-backed securities.) All told, over the four quarters of the year, M2 increased 7 percent, a pace that exceeded the expansion of nominal income. As a result, M2 velocity—the ratio of nominal GDP to M2—declined for the fifth year in a row, roughly in line with the drop in the opportunity cost of M2 over this period.

Reflecting in part the slowing of its M2 component, M3—the broadest money aggregate—expanded 6½ percent in 2002, a pace well below the 12¾ percent advance posted in 2001. Growth in M3 was also held down by a sharp deceleration of institutional money funds, as their yields dropped to close alignment with short-term market interest rates. This effect was only partly offset by the pickup in needs to fund bank credit, which resulted in an acceleration in the issuance of managed liabilities, including large time deposits. M3 velocity continued to decline in 2002.

New Discount Window Programs

On October 31, 2002, following a three-month public comment period, the Board of Governors approved changes to its Regulation A that established two new types of loans to depository institutions—primary and secondary credit—and discontinued the adjustment and extended credit programs. The new programs were implemented on January 9, 2003. The seasonal credit program was not altered.

The primary reason for adopting the new programs was to eliminate the subsidy to borrowing institutions that was implicit in the basic discount rate, which since the late 1960s had usually been set below market interest rates. The subsidy required Federal Reserve Banks to administer credit extensions heavily in order to ensure that borrowing institutions used credit only in appropriate circumstances—specifically, when they had exhausted other reasonably available funding sources. That administration was necessarily somewhat subjective and consequently difficult to apply consistently across Reserve Banks. In addition, the heavy administration was one factor that caused depository institutions to become reluctant to use the window even in appropriate conditions. Also, depository institutions were concerned at times about being marked with a "stigma" if market analysts and counterparties inferred that the institution was borrowing from the window and suspected that the borrowing signaled that the institution was having financial difficulties. The resulting reluctance to use the window reduced its usefulness in buffering shocks to the reserve market and in serving as a backup source of liquidity to depository institutions, and thus undermined its performance as a monetary policy tool.

To address these issues, the Board of Governors specified that primary credit may be made available at an above-market interest rate to depository institutions in generally sound financial condition. The above-market interest rate eliminates the implicit subsidy. Also, restricting eligibility for the program to generally sound institutions should reduce institutions' concerns that their borrowing could signal financial weakness.

The Federal Reserve set the initial primary credit rate at 2.25 percent, 100 basis points above the FOMC's target federal funds rate as of January 9, 2003. The target federal funds rate remained unchanged, and thus the adoption of the new programs did not represent a change in the stance of monetary policy. In the future, the primary credit rate will be adjusted from time to time as appropriate, using the same discretionary procedure that was used in the past to set the adjustment credit rate. The Federal Reserve also established procedures to reduce the primary credit rate to the target federal funds rate in a national emergency, even if key policymakers are unavailable.

Institutions that do not qualify for primary credit may obtain secondary credit when the borrowing is consistent with a prompt return to market sources of funds or is necessary to resolve severe financial difficulties. The interest rate on secondary credit is set by formula 50 basis points above the primary credit rate. The rate was set initially at 2.75 percent. Because secondary credit borrowers are not in sound financial condition, extensions of secondary credit usually involve some administration.

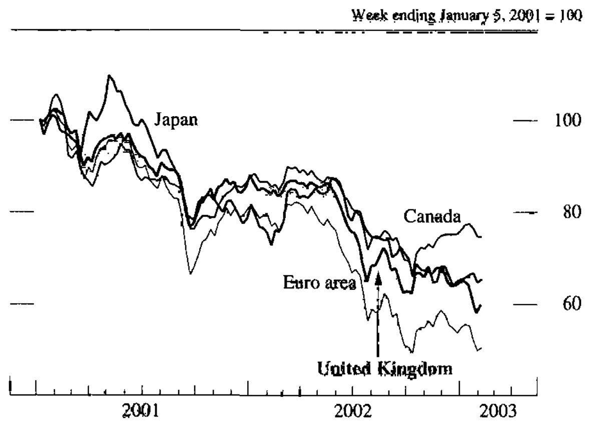
International Developments

The international economy rebounded in 2002 after a stagnant performance in 2001, but recovery was uneven in both timing and geographical distribution. Growth abroad picked up sharply in the first half of last year, as a strong rally in the high-tech exporting economies in developing Asia was joined by robust growth in Canada and, to a lesser extent, Mexico. Japan also posted respectable growth in the first half, largely as a result of a surge of exports. However, performance in the euro area remained sluggish, and several South American economies experienced difficulties, with full-fledged crises in Argentina and Venezuela and mounting concerns about prospects for Brazil. As the U.S. economy decelerated in the second half, the rapid pace of recovery slowed in developing Asia and in Canada, while performance remained lackluster in much of the rest of the world.

Monetary policy actions abroad also diverged across countries in 2002 as authorities reacted to differing economic conditions. In Canada, official interest rates were raised in three steps by July amid concerns that buoyant domestic demand and sharply rising employment would ignite inflationary pressures. Monetary authorities in Australia and Sweden also increased policy rates in the first half of the year. However, as economic conditions weakened around the world in the second half, official interest rates were held constant in Canada and Australia and were lowered in Sweden. Monetary policy was held steady throughout 2002 in the United Kingdom, where growth was moderate and inflation subdued, but official interest rates were lowered 25 basis points, to 3.75 percent, in early February 2003 in response to concerns about the prospects for global and domestic demand. The European Central Bank (ECB) held rates constant through most of the year, as inflation remained above the ECB's 2 percent target ceiling, but rates were lowered 50 basis points in December as the euro area's already weak recovery appeared to be stalling. Japanese short-term interest rates remained near zero, while authorities took some limited further steps to stimulate demand through nontraditional channels. Monetary policy was tightened in both Mexico and Brazil in response to concerns about the inflationary effects of past currency depreciation.

Yield curves in the major foreign industrial countries steepened and shifted up in the first quarter of 2002 in response to generally favorable economic

Equity indexes in selected foreign industrial countries

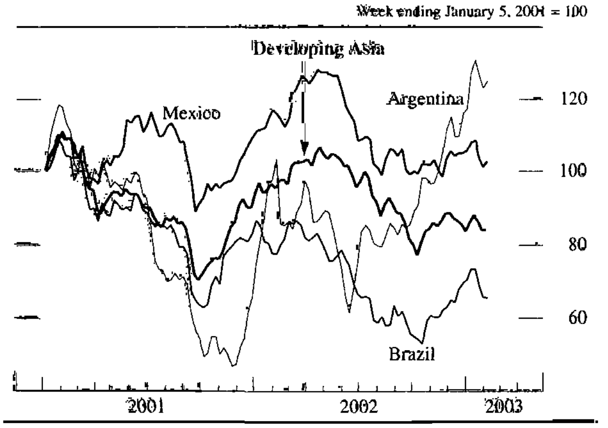


NOTE. The data are weekly. The last observations are the average of trading days through February 5, 2003.

news, but later they flattened out and moved back down as the outlook deteriorated. Similarly, equity prices in the major foreign industrial economies held up well early in the year but then declined along with the U.S. stock market and ended the year down sharply from the previous year. The performance of the stock markets in the emerging-market economies was mixed. Share prices in Brazil and Mexico fell sharply in the second and third quarters but then showed some improvement toward the end of the year. In the Asian emerging-market economies, equity prices rose in the first half of 2002 on a general wave of optimism, especially in the high-technology producing economies; equity prices began to decline around midyear as global demand softened but posted modest rebounds late in the year.

The foreign exchange value of the dollar continued its mild upward trend into the early part of 2002, as it

Equity indexes in selected emerging markets



NOTE. The data are weekly. The last observations are the average of trading days through February 5, 2003.

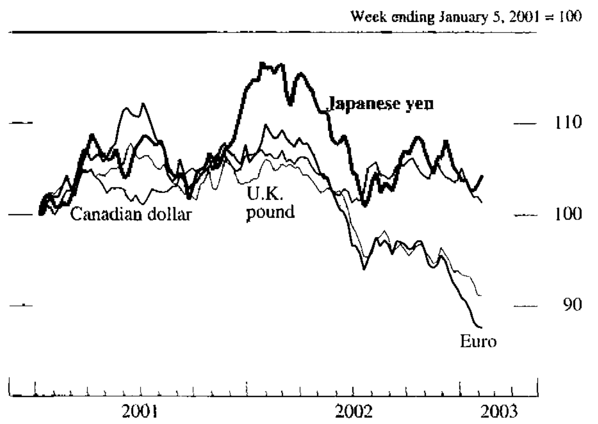
appeared that the United States was poised to lead a global economic recovery. However, the dollar weakened sharply in the late spring and early summer amid deepening concerns about U.S. corporate governance and profitability. Around that time market analysts also appeared to become more worried about the growing U.S. current account deficit and its potential negative influence on the future value of the dollar. The dollar rebounded somewhat around midyear as growth prospects for other major economies, particularly in the euro area, appeared to dim; the dollar dropped back again late in the year, as geopolitical tensions intensified, and continued to depreciate in early 2003. In nominal terms the dollar has declined about 5 percent on balance over the past year, with depreciations against the currencies of the major industrial countries and several of the developing Asian economies partly offset by appreciation against the currencies of several Latin American countries.

Industrial Economies

The Canadian economy recorded the strongest performance among the major foreign industrial countries last year despite some slowing in the second half. The strength, which was largely homegrown, reflected robust growth of consumption and residential construction as well as an end to inventory runoffs early in the year. The expansion was accompanied by very rapid increases in employment and utilization of capacity, and the core inflation rate breached the upper end of the government's 1 percent to 3 percent target range near the end of the year. The Canadian dollar appreciated against the U.S. dollar in the first half of the year, but it dropped back somewhat in the second half as the economy slowed; by the end of the year it was up only slightly on balance. The Canadian dollar has moved up somewhat more so far this year.

The Japanese economy recorded positive growth during 2002, although it was not enough to fully reverse the decline in output that occurred in 2001. Despite about 10 percent appreciation of the yen against the dollar in 2002, Japanese growth was driven largely by exports, with smaller contributions from both increased consumption and a slower pace of inventory reduction. In contrast, private investment continued to decline, although not as sharply as in 2001. Labor market conditions remained quite depressed, and consumer prices continued to fall. Little progress was made on the serious structural problems that have plagued the Japanese economy, including the massive and growing amount of bad

U.S. dollar exchange rate against selected major currencies



NOTE. The data are weekly. Exchange rates are in foreign currency units per dollar. Last observations are the average of trading days through February 5, 2003.

loans on the books of Japanese banks. A new set of official measures that aims at halving the value of bad loans within two and a half years was announced in the fall, but the details of this plan are still not fully specified. In September, the Bank of Japan announced a plan to buy shares from banks with excessive holdings of equity, which would help to reduce bank exposure to stock market fluctuations. Because the transactions are to occur at market prices, there would be no net financial transfer to the banks. Near the end of last year the Bank of Japan (BOJ) raised its target range for bank reserves at the BOJ from ¥10–15 trillion to ¥15–20 trillion, increased the monthly amount of its outright purchases of long-term government bonds, and broadened the range of collateral that can be used for market operations. In December the monetary base was up about 20 percent from a year earlier, a rise partially reflecting the increased level of bank reserves at the BOJ. However, the twelve-month rate of base money growth was considerably below the 36 percent pace registered in April. Broad money growth remains subdued.

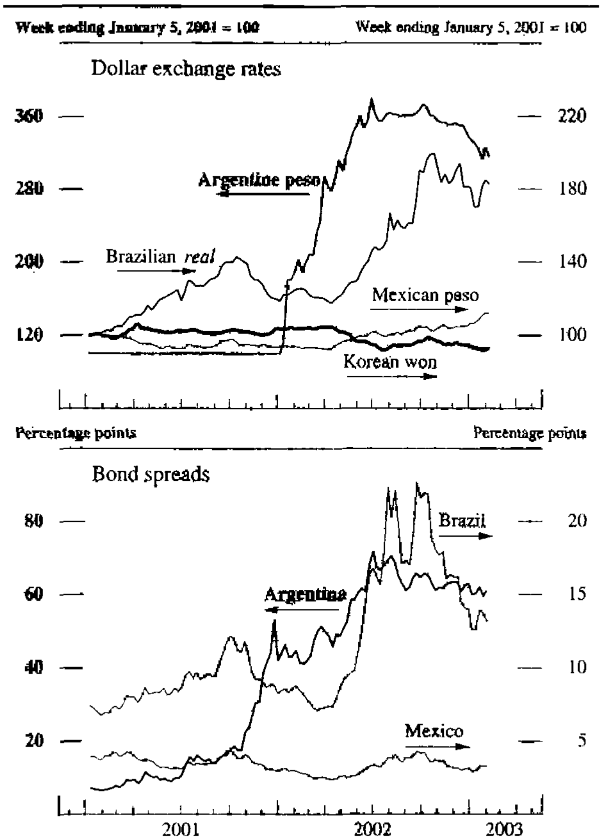
Economic performance in the euro area was quite sluggish last year. Although exports were up sharply, growth in consumption was modest, and private investment declined. The area's lackluster economic performance pushed the unemployment rate up by several tenths of a percentage point by the end of the year. Economic weakness was particularly pronounced in some of the larger countries—Germany, Italy, the Netherlands, and, to a lesser extent, France. In contrast, growth in Spain and some of the smaller euro-area countries—Ireland, Portugal, Finland, and Greece—was much more robust. Headline inflation jumped to a bit above 2½ percent early in the year, owing to higher food and energy prices and in small part to the introduction of euro notes and coins. Increased slack in the economy, however, together with the 15 percent appreciation of the euro by the end of the year, helped to mitigate inflation concerns, and the ECB lowered its policy interest rate in December. The euro continued to appreciate in early 2003.

Economic growth in the United Kingdom held up better than in the other major European countries last year, and sterling strengthened about 10 percent versus the dollar. However, the expansion remained uneven, with the services sector continuing to grow more rapidly than the smaller manufacturing sector. Despite tight labor markets, inflation remained a bit below the Bank of England's target of 2½ percent for most of the past year. A sharp rise in housing prices has, however, raised some concern about the possibility of a real estate price bubble. The British government announced its intention to complete a rigorous assessment of its criteria for joining the European Monetary Union (EMU) by the middle of this year and, if they are met, to hold a referendum on entry.

Emerging-Market Economies

The Brazilian economy posted a surprisingly strong rebound in 2002 despite a major political transition and accompanying turbulence in financial markets. The Brazilian *real* depreciated sharply between May and October, and sovereign bond spreads climbed to 2,400 basis points as it became increasingly likely that Luiz Inácio Lula da Silva (Lula), the Workers' Party candidate, would win the presidential election. Given some of the past stances of the party, this possibility fueled concerns among foreign investors about a potential erosion of fiscal and monetary discipline. In response to the sharp deterioration in financial conditions facing Brazil, a $30 billion IMF program was approved in September 2002, $6 billion of which was disbursed by the end of the year. However, financial conditions improved markedly after Lula won the election in late October and appointed a cabinet perceived to be supportive of orthodox fiscal and monetary policies, including greater central bank independence. By January 2003 the *real* had reversed about one-fourth of its previous decline against the dollar, and bond spreads had fallen sharply. However, the new administration still faces some major challenges. In particular, serious concerns remain over the very large quantity and relatively short maturity of the outstanding government debt. In addition, last year's currency depreciation fueled a rise in inflation

Exchange rates and bond spreads
for selected emerging markets



NOTE. The data are weekly. Exchange rates (top panel) are in foreign currency units per dollar. Bond spreads (bottom panel) are the J.P. Morgan Emerging Market Bond Index (EMBI+) spreads over U.S. Treasuries. Last observations are the average of trading days through February 5, 2003.

that has prompted several increases in the monetary policy interest rate. In January the government raised the upper bound of its inflation target range for this year to 8.5 percent from 6.5 percent, although the target for next year was lowered at the same time to 5.5 percent from 6.25 percent.

Argentine GDP contracted further in 2002 after declining 10 percent in 2001. The currency board arrangement that had pegged the peso at a one-to-one rate with the dollar collapsed early last year; the peso lost nearly three-fourths of its value by late June, and sovereign bond spreads spiked to more than 7,000 basis points. By early 2002, the banking system had become effectively insolvent as a result of the plunging peso, the weak economy, and the government's default on debt that the banks held mostly involuntarily. Confronted with this situation, the government forced the conversion of the banks' dollar-denominated assets and liabilities to pesos and also mandated the rescheduling of a large share of deposits. As a result of these and other measures, confidence in the banking system, already shaken, was further impaired. Financial and economic conditions eventually stabilized in the second half of the year, but there are no signs yet of a sustained recovery. The government also defaulted on obligations to multilateral creditors in late 2002 and early 2003. In January, Argentina and the International Monetary Fund reached agreement on a \$6.6 billion short-term program that will go to meeting Argentina's payments to the IMF at least through the elections expected in the spring and also to clearing its overdue obligations to the multilateral development banks.

Venezuela experienced extreme economic and political turmoil over the past year. In February 2002 the central bank abandoned the bolivar's crawling peg to the dollar, and the bolivar depreciated sharply. Opponents of President Hugo Chavez mounted a short-lived coup in April and declared a national strike in early December. The strike brought the already-weak economy to a standstill, and output in the key oil industry plummeted. The strike abated in early February in all sectors but oil. In response to the strike, Chavez increased his control of the state-owned oil company and oil production began rising in early 2003, but it was still well below pre-strike levels. With the exchange rate plunging in late January, the government suspended currency trading for two weeks before establishing a fixed exchange rate regime and some restrictions on foreign currency transactions.

One of the few bright spots in Latin America last year was the Mexican economy. Boosted by the U.S. recovery, growth was moderate for the year as a whole despite some late slowing. However, financial conditions deteriorated somewhat after midyear as market participants reevaluated the strength of the North American recovery. Mexican stock prices slid about 25 percent between April and September, and sovereign bond spreads widened nearly 200 basis points to around 430 basis points over the same period. Nevertheless, the Mexican economy did not appear to be much affected by spillovers from the problems elsewhere in Latin America; bond spreads dropped sharply between October and the end of the year to around 300 basis points, a level considerably lower than elsewhere in the region. The peso depreciated about 12 percent against the dollar over the course of last year. The decline fueled an increase in twelve-month inflation to more than 5½ percent by year-end. The acceleration put inflation above the government target rate of 4½ percent and well above the ambitious 3 percent target set for 2003. In response to increasing inflation, the Bank of Mexico has tightened monetary policy four times since September 2002. The peso has continued to depreciate in early 2003, and bond spreads have moved back up a bit.

The Asian emerging-market economies generally performed well in 2002, although there were significant differences within the region. Outside of China, the strongest growth was recorded in South Korea, which benefited in the first half of the year from both an upturn in global demand for high-tech products and a surge in domestic demand, particularly consumption. However, consumer confidence deteriorated at the end of the year as tensions over North Korea intensified; the uneasy situation, as well as the substantial existing consumer debt burden, pose significant risks to growth in consumption this year. The Korean won appreciated sharply against the dollar between April and midyear in response to improving economic conditions; it then dropped back in late summer and early fall as perceptions about the strength of the global recovery were adjusted downward. However, the won turned back up against the dollar late last year.

The performance of the ASEAN-5 economies—Indonesia, Malaysia, the Philippines, Singapore, and Thailand—also was generally robust in 2002, although the overall softening in global demand in the second half of the year was evident there as well. The second-half slowing in production was particularly pronounced in Singapore, which is heavily dependent on exports of high-technology products. Taiwan, another high-technology producer, also showed a significant deceleration in output between the first and second halves of the year. Both of these economies experienced some mild deflation in 2002, although prices turned up toward the end of the year.

Although the Hong Kong economy did not show as much improvement as most other emerging Asian economies in the first half of last year, it recorded very strong growth in the third quarter. Nevertheless, prices continued to fall for the fourth consecutive year. The mainland Chinese economy, which again outperformed the rest of the region in 2002, enjoyed surging investment by the government and by foreign investors as well as robust export growth. The Chinese economy continued to experience mild deflation last year. □

Announcements

FEDERAL OPEN MARKET COMMITTEE DIRECTIVE

The Federal Open Market Committee decided on January 29, 2003, to keep its target for the federal funds rate unchanged at 1¼ percent.

Oil price premiums and other aspects of geopolitical risks have reportedly fostered continued restraint on spending and hiring by businesses. However, the Committee believes that as those risks lift, as most analysts expect, the accommodative stance of monetary policy, coupled with ongoing growth in productivity, will provide support to an improving economic climate over time.

In these circumstances, the Committee believes that, against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the risks are balanced with respect to the prospects for both goals for the foreseeable future.

Voting for the FOMC monetary policy action were Alan Greenspan, Chairman; William J. McDonough, Vice Chairman; Ben S. Bernanke; Susan S. Bies; J. Alfred Broaddus, Jr.; Roger W. Ferguson, Jr.; Edward M. Gramlich; Jack Guynn; Donald L. Kohn; Michael H. Moskow; Mark W. Olson; and Robert T. Parry.

STATEMENT BY CHAIRMAN GREENSPAN ON THE RETIREMENT OF WILLIAM J. MCDONOUGH, PRESIDENT OF THE FEDERAL RESERVE BANK OF NEW YORK

I will greatly miss Bill McDonough's counsel and advice. After a decade of exemplary service to the Federal Reserve System, his retirement will leave a pronounced void.

ADOPTION OF FINAL RULE IMPLEMENTING SARBANES–OXLEY ACT

The Federal Reserve Board on January 31, 2003, announced the adoption of a final rule implementing several of the reporting, disclosure, and corporate governance requirements of the Sarbanes–Oxley Act of 2002 for those state member banks that have a class of securities registered under the Securities Exchange Act of 1934.

The final rule, like the interim rule it replaces, requires such state member banks to comply with any rules adopted by the Securities and Exchange Commission under designated sections of the Sarbanes–Oxley Act.

REVISION AND INTERPRETATION OF REGULATION K

The Federal Reserve Board on January 6, 2003, approved revisions to Subpart D of Regulation K, governing international banking operations.

The final rule reduces the regulatory burden on banking institutions engaged in international lending by simplifying the requirements concerning accounting for fees on international loans to make the regulation consistent with generally accepted accounting principles (GAAP).

The final rule will become effective thirty days after publication in the *Federal Register*, which is expected shortly.

The Federal Reserve Board on February 7, 2003, issued an interpretation concerning securities underwriting by banking organizations that are subject to the Bank Holding Company Act.

The interpretation clarifies that a banking organization that wishes to engage in underwriting securities that are to be distributed in the United States must be either a financial holding company or have authority to engage in underwriting activity under section 4(c)(8) of the Bank Holding Company Act.

REAUTHORIZATION OF THE NATIONAL FLOOD INSURANCE PROGRAM

The Federal Reserve Board on January 14, 2003, informed state member banks of the reauthorization of the National Flood Insurance Program (NFIP) by the Congress, retroactive to December 31, 2002.

The authority of the Federal Emergency Management Agency (FEMA) to issue flood insurance policies expired on December 31, 2002, after the Congress adjourned without extending FEMA's issuance authority. On December 20, 2002, the federal financial institution regulatory agencies jointly issued interim guidance to assist borrowers and lenders in dealing with questions about what to do during the lapse.

On January 13, 2003, President Bush signed the National Flood Insurance Program Reauthorization Act into law. The act extends the authorization of the NFIP to December 31, 2003.

CHANGES TO INCREASE EFFICIENCY IN FEDERAL RESERVE BANK CHECK SERVICES

The Federal Reserve Banks, collectively the nation's largest processor of checks, announced on February 6, 2003, changes to their back office check-processing operations intended to improve operating efficiency while maintaining high-quality check services to depository institutions nationwide.

Reflecting the ongoing shift in consumer and business preferences from checks to electronic payments, the Reserve Banks will reduce their check service operating costs through a combination of streamlining their check-management structure, reducing staff, decreasing the number of check-processing locations, and increasing processing capacity in other locations.

"The Federal Reserve Banks are committed to remaining a leader in providing payment services, including check processing. Adjusting our operations to respond to changes in the marketplace will position the Banks to continue to fulfill this role," said Cathy Minehan, President and Chief Executive Officer of the Federal Reserve Bank of Boston and Chair of the Reserve Banks' Financial Services Policy Committee.

Even though check payments remain the most popular form of noncash retail payment, they make up only 60 percent of all noncash retail payments today compared with 85 percent in 1979. Recent Federal Reserve studies suggest that roughly 40 billion checks were written in the United States in 2002, down from about 50 billion in 1995. The Reserve Banks handle about 17 billion of these checks annually, and this volume is expected to decline as well.

The changes reflect the changing market environment and will enable the Reserve Banks to continue to meet the requirements of the Monetary Control Act of 1980. That act requires the Reserve Banks to set prices to recover, over the long run, their total costs of providing payment services to depository institutions, including the imputed costs they would have incurred and imputed profits they would have expected to earn had the services been provided by a private business firm.

The changes, approved by the Reserve Banks' Conference of Presidents, are expected to reduce operating costs for check services about $60 million in 2005 and about $300 million over the next five years. The changes also are consistent with a decision reached after a 1998 Federal Reserve study of the payments system that the Reserve Banks would remain a provider of check services.

"Nationwide, consumers and businesses have made a significant shift in how they make payments, substituting electronic payments for checks. This development is good news for the nation's payments system, and the Federal Reserve has strongly supported this shift," Minehan said. "But declining check volumes are requiring the Reserve Banks to make changes in their check operations to address the challenges posed by the changing market. The changes we are announcing today will help us meet these challenges."

Reserve Banks will continue to provide check services on a nationwide basis and are working to maintain deposit times and availability as close to current service levels as possible for depository institutions in the affected markets. In addition, new check-imaging and check-adjustments technology should enable the Reserve Banks to provide new services and help maintain the high quality of Reserve Bank check services offered to the nation's depository institutions.

With the changes, Reserve Bank check processing will be performed at 32 sites, down from 45. Additionally, the Reserve Banks will streamline their check-adjustment functions, now being handled in 43 locations, to 12 of their current locations nationwide. (The term "check adjustments" refers to the part of the check-processing operation in which check-processing errors are resolved.) Of the 13 offices that will no longer process checks (see table 1), the 5 regional sites that process only checks will close. The volume from these 13 offices will be handled by 9 offices (see table 2).

1. Offices that will no longer process checks

Pittsburgh, Pa.	Peoria, Ill.[1]
Richmond, Va.	Little Rock, Ark.
Charleston, W.Va.[1]	Louisville, Ky.
Columbia, S.C.[1]	Omaha, Nebr.
Miami, Fla.	El Paso, Tex.
Indianapolis, Ind.[1]	San Antonio, Tex.
Milwaukee, Wis.[1]	

1. These offices will close.

2. Offices that will expand check-processing capacity

Cleveland, Ohio	Chicago, Ill.
Cincinnati, Ohio	Des Moines, Iowa
Baltimore, Md.	Memphis, Tenn.
Charlotte, N.C.	Dallas, Tex.
Jacksonville, Fla.	

As a result of these changes, the Reserve Banks will reduce their overall check staff by slightly more than 400 positions, representing about 8 percent of their current check service positions. In the offices where check processing will be eliminated, almost 1,300 positions will be affected. At this time, however, the number of involuntary separations is unclear. Some staff reductions will occur through attrition, and there will be some opportunities for reassignment. In addition, the Reserve Banks estimate that they will add about 900 positions at the offices that will continue processing checks.

The Reserve Banks will offer a variety of programs to assist affected staff. These programs include separation packages, enhanced pension benefits for some longer-service staff nearing retirement, extended medical coverage, and career transition assistance. The changes are projected to begin in some offices in the second half of this year and to continue through 2004, with an expected completion at all offices by the end of that year.

According to Minehan,

> One of the missions of the Federal Reserve System is to foster the efficiency, accessibility, and integrity of the nation's payments system. We believe that the changes we are announcing are essential because they will provide the Reserve Banks greater flexibility to manage check operations in an environment of declining volumes. We regret that this decision will affect a portion of the Fed's check-processing management and staff, but we have a range of programs in place to help ease the transition for affected staff members.

From 1992 to 2001, the Reserve Banks earned an average annual after-tax return on equity for all priced payment services of 12.2 percent. In 2002, however, mainly because of declining check volumes, the Reserve Banks' after-tax return on equity for all priced payment services declined, to 4.2 percent. In 2003, the Reserve Banks expect to post an after-tax loss reflecting the up-front costs associated with the changes. The Reserve Banks project that these changes will position check services to return to full cost recovery by 2005.

For more information on the affected banks, see the announcement at http://www.federalreserve.gov/boarddocs/press/other/2003/20030206/default.htm.

Interagency Guidance on Credit Card Account Management and Loss Allowance Practices

Under the auspices of the Federal Financial Institutions Examination Council, the Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision issued on January 8, 2003, guidance governing account-management and loss allowance practices for credit card lending.

The guidance applies to all banks and thrifts. The agencies developed the guidance in response to recent examinations that disclosed a number of inappropriate account-management, risk-management, and loss allowance practices.

The agencies' objective in issuing the guidance is to assist financial institutions in conducting credit card lending activities in a safe and sound manner, while meeting the needs of their customers. The guidance outlines the supervisory agencies' expectations for prudent risk management, income recognition, and loss allowance practices. The agencies carefully reviewed and considered the comments received from individuals, institutions, community groups, and trade associations after publication of a draft of the guidance on July 22. In response to the comments, the agencies made changes to address the following issues:

- Clarify documentation expectations for line increase programs.
- Clarify expectations for over-limit practices.
- Provide guidance for minimum payments and negative amortization.
- Revise the repayment period for workout accounts.

The agencies recognize that some institutions may require additional time to implement changes in policies, practices, and systems in order to achieve full consistency with the credit card guidance. Those institutions should work with their primary federal regulator to ensure implementation of needed changes as promptly as possible.

With respect to income recognition and loss allowance practices for credit card lending, the guidance reflects generally accepted accounting principles (GAAP), existing interagency policies on loss allowances, and current Call Report and Thrift Financial Report instructions. The agencies expect continued and ongoing compliance with GAAP and these reporting instructions.

Interagency Guidance on Identifying Information Security Risks

The Federal Financial Institutions Examination Council (FFIEC) on January 29, 2003, issued revised guidance for examiners and financial institutions to use in identifying information security risks and evaluating the adequacy of controls and applicable risk-management practices of financial institutions.

The safety and soundness of the federal financial industry and the privacy of customer information depend on the security practices of banks, thrift institutions, and credit unions. The Information Security booklet describes how an institution should protect and secure the systems and facilities that process and maintain information. The booklet calls for financial institutions and technology service providers (TSPs) to maintain effective security programs, tailored to the complexity of their operations.

This guidance is the first in a series of updates to the *1996 FFIEC Information Systems (IS) Examination Handbook.* These updates will address significant changes in technology since 1996 and incorporate a risk-based examination approach.

The FFIEC currently plans to issue the updates in separate booklets that will ultimately replace all chapters of the 1996 handbook and make up the new *FFIEC Information Technology (IT) Examination Handbook.* In addition to the booklet on information security, future booklets will address business continuity planning, supervision of technology service providers, electronic banking, IT audit, payment systems, outsourcing, IT management, computer operations, and systems development and acquisition.

The FFIEC agencies plan to distribute these booklets electronically to financial institutions and TSPs. The documents will be available on the Internet through the FFIEC's InfoBase application. InfoBase will include each booklet in Adobe Acrobat PDF file format, as well as an on-line version with links to various resource materials, and an orientation to the handbook update process.

The electronic version of the Information Security booklet is available at www.ffiec.gov/guides.htm.

The FFIEC is composed of the five federal financial regulators: the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision.

Testing Reveals No Anthrax on Board Mail Sample

The Federal Reserve Board on January 15, 2003, received results from further testing conducted by the State of North Carolina, under the guidance of the Centers for Disease Control (CDC). It showed no anthrax bacteria present on a sample from a piece of mail that earlier had tested presumptively positive for the bacteria in a private laboratory.

The most recent tests conducted are considered definitive by CDC standards. The sample will be sent to the CDC in Atlanta for additional testing and identification.

Release of Minutes of Discount Rate Meetings

The Federal Reserve Board on February 7, 2003, released the minutes of its discount rate meetings from November 18, 2002, to December 9, 2002.

Enforcement Actions

The Federal Reserve Board on January 23, 2003, announced the issuance of an order of assessment of a civil money penalty against The Bank of Yellville, Yellville, Arkansas, a state member bank.

The Bank of Yellville, without admitting to any allegations, consented to the issuance of the order in connection with its alleged violations of the Board's regulations implementing the National Flood Insurance Act.

The order requires The Bank of Yellville to pay a civil money penalty of $1,750, which will be remitted to the Federal Emergency Management Agency for deposit into the National Flood Mitigation Fund.

The Federal Reserve Board on January 23, 2003, announced the issuance of an order of assessment of a civil money penalty against the Central State Bank, Calera, Alabama, a state member bank.

The Central State Bank, without admitting to any allegations, consented to the issuance of the order in connection with its alleged violations of the Board's regulations implementing the National Flood Insurance Act.

The order requires the Central State Bank to pay a civil money penalty of $2,000, which will be remitted to the Federal Emergency Management Agency for deposit into the National Flood Mitigation Fund.

The Federal Reserve Board on January 23, 2003, announced the issuance of an order of assessment of a civil money penalty against the La Salle State Bank, La Salle, Illinois, a state member bank.

The La Salle State Bank, without admitting to any allegations, consented to the issuance of the order in connection with its alleged violations of the Board's regulations implementing the National Flood Insurance Act.

The order requires the La Salle State Bank to pay a civil money penalty of $3,150, which will be remitted to the Federal Emergency Management Agency for deposit into the National Flood Mitigation Fund.

The Federal Reserve Board on January 23, 2003, announced the issuance of an order of assessment of a civil money penalty against the Simmons First Bank of Russellville, Russellville, Arkansas, a state member bank.

The Simmons First Bank of Russellville, without admitting to any allegations, consented to the issuance of the order in connection with its alleged violations of the Board's regulations implementing the National Flood Insurance Act.

The order requires the Simmons First Bank of Russellville to pay a civil money penalty of $1,500, which will be remitted to the Federal Emergency Management Agency for deposit into the National Flood Mitigation Fund.

The Federal Reserve Board on February 5, 2003, announced the execution of a written agreement by and between Premier Financial Bancorp, Inc., Huntington, West Virginia, and the Federal Reserve Bank of Cleveland.

BOARD STAFF CHANGES

The Board of Governors has approved the promotion of Stephanie Martin to associate general counsel in the Monetary and Reserve Bank Affairs Section of the Legal Division.

The section provides legal advice in support of the Board's monetary policy, financial markets, and payment systems activities. Ms. Martin joined the Legal Division in 1987 after receiving her J.D. from Harvard Law School. She was appointed to the official staff in April 2001.

The Board of Governors has approved the appointment of Willene A. Johnson as an adviser in the Division of International Finance. Ms. Johnson will work on issues related to financial markets in emerging-market economies.

Ms. Johnson served as U.S. Executive Director to the African Development Bank in 2000–2001. She worked at the Federal Reserve Bank of New York from 1982 to 2000 in a variety of positions in the international area. When she left the Bank in 2000, Ms. Johnson was Vice President and Senior Officer for Equal Employment Opportunity. Ms. Johnson has a B.A. from Radcliffe College and a Ph.D. in economics from Columbia University.

The Board of Governors has approved the following changes of assignments in the Division of International Finance. Dale Henderson will assume the position of Senior Adviser. Jon Faust, Assistant Director, will have direct oversight responsibility of the Trade and Financial Studies Section. Mr. Faust will relinquish his position as chief, Trade and Financial Studies Section.

Michael Leahy, Assistant Director, will have oversight responsibility of the Financial Markets Section and the International Banking Section. Mr. Leahy will relinquish his position as chief, Financial Markets Section.

NEW BOOKLET AVAILABLE ON IDENTITY THEFT

The Federal Reserve Board on January 16, 2003, announced the availability of a new brochure designed to help consumers protect themselves against identity theft.

"Identity Theft" was developed by the Federal Reserve Bank of Boston and complements the Bank's 2001 issuance of the video, "Identity Theft: Protect Yourself." Addressed to consumers, the booklet describes the dangers posed by identity thieves, what people can do to protect themselves, and what they should do if they discover that their identities have been stolen.

Identity theft is one of the fastest-growing crimes in the United States, and the FBI estimates that 500,000 to 700,000 Americans are now victimized every year. When one person's identification, which can include name, social security number, or bank and credit account numbers, is used by another to open new accounts, take out loans, or apply for new credit cards, the damage can take months to repair.

The "Identity Theft" brochure describes some common sense precautions that consumers should take to protect personal information, shows how to monitor for signs of identity theft, and offers a guide for consumers whose identities have been stolen. The brochure also has useful contact information for the national credit bureaus, federal agencies that can provide help, and nonprofit organizations that advise consumers and businesses.

The brochure is available, free of charge, from the Federal Reserve Bank of Boston. To order a copy, consumers may call 1-800-409-1333 or write to the address below:

Identity Theft Brochure
Public and Community Affairs Department
Federal Reserve Bank of Boston
P.O. Box 2076
Boston, MA 02016-2076

The publication is also available on line, at the Bank's public web site: http://www.bos.frb.org/consumer/identity/index.htm.

Publication of the December 2002 Update to the *Bank Holding Company Supervision Manual*

The December 2002 update to the *Bank Holding Company Supervision Manual*, Supplement No. 23, has been published and is now available. The *Manual* comprises the Federal Reserve System's regulatory, supervisory, and inspection guidance for bank holding companies. The new supplement includes the following subjects:

1. *Capital Adequacy*. The revised sections on the assessment of capital adequacy include various rule changes, clarifying interpretations, an advisory, and other supervisory guidance. They include

a. A change to Regulation Y (12 CFR 225, appendix A) that was approved by the Board on November 8, 2001 (effective January 1, 2002) and issued in a joint interagency press release dated November 29, 2001. The revised rule addresses the risk-based capital treatment for recourse obligations, residual interests (except credit-enhancing I/Os), direct-credit substitutes, and senior subordinated securities in asset securitizations that expose banking organizations (including bank holding companies) primarily to credit risk. New standards are added for the treatment of residual interests, as well as a concentration limit for credit-enhancing I/O strips. Credit ratings from rating agencies and certain limited alternative-credit-rating approaches are used to match more closely the risk-based capital requirement for these banking organizations to their relative risk of loss for certain positions in asset securitizations.

b. A change to Regulation Y that was approved by the Board on January 8, 2002 (effective April 1, 2002). This revised rule established special minimum risk-based capital requirements for equity investments in nonfinancial companies. The requirements impose a series of marginal capital charges on authorized covered equity investments that increase with the level of a bank's overall exposure to equity investments relative to its tier 1 capital. The highest marginal capital charge requires a 25 percent deduction from tier 1 capital for authorized covered investments that aggregate more than 25 percent of a bank holding company's tier 1 capital. (See SR letter 02-4.)

c. The Board's approval of a limited risk-based capital change to Regulation Y on March 27, 2002, effective July 1, 2002. (See the Federal Reserve's joint press release of April 9, 2002, and its attachment.) The change lowered, from 100 percent to 20 percent, the risk weight that is applied to certain securities claims on, or guaranteed by, a qualifying securities firm in the United States and in other countries that are members of the Organization for Economic Cooperation and Development.

d. The May 17, 2002, interagency advisory on the risk-based capital treatment of accrued interest receivables (AIR) related to credit card securitizations. The AIR asset typically represents a subordinated retained interest in the transferred assets. The asset therefore meets the definition of a "residual interest" that requires dollar-for-dollar capital, even if the amount exceeds the fully equivalent risk-based capital charge on the transferred assets under the November 2001 Regulation Y amendment. When accounting under FAS 140, "Accounting for Transfers and Servicing of Financial Assets and the Extinguishment of Liabilities," for the securitization and sale of credit card receivables, and in computing the gain or loss on sale, a banking organization (seller) should report the AIR asset on the date of transfer, at adjusted cost, based on its relative fair (market) value. (See SR letters 02-12 and 02-22.)

e. The joint September 5, 2002, interagency interpretive guidance discussing the appropriate applications of the November 2001, joint final rule on the treatment of recourse obligations, direct-credit substitutes, and residual interests in asset securitizations. The guidance addresses the risk-based capital treatment for (1) split or partially rated instruments, (2) nonqualification of corporate bonds or other securities for the ratings-based approach, (3) spread accounts that function as credit-enhancing interest-only strips, (4) audits of internal credit risk rating systems, and (5) cleanup calls. (See SR letter 02-16.)

f. The Federal Reserve's March 23, 2002, supervisory guidance on derivative contracts hedging trust preferred stock as to the inclusion of such trust preferred stock in tier 1 capital. In order for an issuing bank holding company to include the stock in tier 1 capital, it must have the ability to defer payments for at least 20 consecutive quarters without giving rise to an event of default. Such a deferral feature, which typically is cumulative in trust preferred stock, is essential in a tier 1 instrument because it allows the issuer to conserve its cash resources at a time when its financial condition is deteriorating. Issues of trust preferred stock may not be included in tier 1 capital if they are covered by a derivative contract that defeats the cash-conserving purpose of the deferral mechanism on the trust preferred stock. (See SR letter 02-10.)

g. The revised Regulation Y (12 CFR 225, appendix D) that was approved by the Board on November 8, 2001 (effective January 1, 2002), which amended the tier 1 leverage measure of the capital adequacy guidelines for bank holding companies for agreements involving recourse, direct-credit substitutes, and residual interests. Also included is the Regulation Y revision for nonfinancial equity investments, approved by the Board on January 7, 2002 (effective April 1, 2002). (See the January 8, 2002, joint interagency press release and SR letter 02-4.)

2. Asset Securitization. This revised section addresses the following issues:

a. *The asset securitization process and credit enhancements.* The guidance is expanded and also includes a general discussion of the November 2001 changes to the risk-based capital rule for bank holding companies in Regulation Y. The revised rule provides for a multilevel, ratings-based approach for agreements involving recourse, direct credit substitutes, and residual interests.

b. *Implicit recourse provided to asset securitizations.* The interagency guidance, issued May 23, 2002, on implicit recourse is addressed. Implicit recourse occurs when a banking organization (including a bank holding company) provides post-sale credit support beyond its contractual obligation to one or more of its securitizations. Implicit recourse demonstrates that the securitizing banking organization is re-assuming risk associated with the securitized asset—risk that it initially transferred to the marketplace. Illustrative examples are provided and several supervisory actions are discussed that the Federal Reserve may take upon a determination that a banking organization has provided implicit recourse. (See SR letter 02-15.)

c. *Covenants in asset-securitization contracts that are linked to supervisory thresholds or adverse supervisory actions that are triggers for early amortization events or the transfer of servicing.* An interagency advisory, dated May 23, 2002, discusses these covenants, which are considered unsafe and unsound banking practices that undermine the objective of supervisory actions. A banking organization's board of directors and senior management are encouraged to amend, modify, or remove these types of covenants in existing transactions. Such covenants could create or exacerbate any liquidity and earnings problems for a banking organization, possibly leading to a further deterioration in its financial condition. (See SR letter 02-14.)

3. *BHC surveillance program.* The discussion on the Federal Reserve System's surveillance program is amended so that it applies only to those bank holding companies that have $1 billion or more in consolidated assets. The section recognizes the separate surveillance program for BHCs with consolidated assets of less than $1 billion. (See SR letter 02-01.)

4. *International-country risk.* The country risk section is substantially revised to include the February 22, 2002, interagency supervisory and examination guidance on an effective country-risk management process for banking organizations (including bank holding companies). Country risk is the risk that economic, social, or political conditions in a foreign country might adversely affect an organization's financial condition, primarily through impaired credit quality or transfer risk (a subset of country risk). The examiner's responsibilities are discussed with regard to ensuring that a banking organization's management of country risks is appropriately addressed during the bank holding company inspection process. Inspection objectives and procedures are included. (See SR letter 02-5.)

5. *Formal corrective actions.* Various statutory provisions are discussed in a revised section on formal corrective actions, including actions that must be taken by the Federal Reserve. Also discussed are the Federal Reserve's supervisory concerns and guidance that focus on the FDIC's regulations on indemnification agreements and payments. (See SR letter 02-17.)

6. *Allowance for loan and lease losses (ALLL).* A new section contains supervisory guidance on ALLL methodologies and documentation practices. (See the July 2, 2001, FFIEC policy statement.) Although this policy statement, by its terms, applies only to federally insured depository institutions, the Federal Reserve believes the guidance it contains is broadly applicable to bank holding companies. A banking organization's board of directors is responsible for ensuring that controls are in place to determine the appropriate level of the ALLL. The banking organization should maintain and support the ALLL with documentation that is consistent with its stated policies and procedures, generally accepted accounting principles (GAAP), and applicable supervisory guidance. The ALLL methodology must be a thorough, disciplined, and consistently applied process that incorporates management's current judgment about the credit quality of the loan portfolio. (See SR letter 01-17.)

7. *Supplemental subprime-lending interagency guidance.* The subprime-lending section was revised to include the January 2001 guidance that is directed primarily to banking organizations that have subprime-lending programs that equal or exceed 25 percent of tier 1 regulatory capital. Banking organizations are expected to recognize that the elevated levels of credit and other risks arising from these activities require more intensive risk management and, often, additional capital. Questions and answers pertaining to the January 2001 guidance are included in an appendix. Revised inspection objectives and procedures are provided. (See SR letter 01-4.)

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

DISCONTINUANCE OF STATISTICAL TABLE 3.21

Publication of table 3.21, "Claims on Foreign Countries Held by U.S. and Foreign Offices of U.S. Banks," will be discontinued in the *Federal Reserve Bulletin* after the March 2003 issue. Table 3.21 was originally published as a more timely report of a geographic breakdown of assets of foreign branches than the report released by the Federal Financial Institutions Examination Council (FFIEC), FFIEC 009 Country Exposure Report, which once lagged five months. Currently, the Country Exposure Report from FFIEC is being published with a quarter lag and has data that are more complete on country risk exposure of U.S. banks. The data are available on the FFIEC's web site: http://www.ffiec.gov/e16.htm, or may be obtained from Publications Fulfillment, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551, or call 202-452-3244 or 3245.

Revision to the Money Stock Data

Measures of the money stock and components were revised in January of this year to incorporate the results of the annual seasonal factor review. Data in table 1.10 and table 1.21 in the statistical appendix to the *Federal Reserve Bulletin* reflect these changes beginning with the March 2003 issue.

Seasonally adjusted measures of the money stock and components incorporate revised seasonal factors produced from not-seasonally-adjusted data through December 2002. Monthly seasonal factors were estimated using the X-12-ARIMA procedure. The revisions to seasonal factors raised M2 and M3 growth rates on average in the first half of 2002 while lowering them in the second half of the year.

Historical data, updated each week, are available through the Federal Reserve's web site (http://www.federalreserve.gov/releases/) with the H.6 statistical release. Current and historical data are also on the Economic Bulletin Board of the U.S. Department of Commerce. For paid electronic access to the Economic Bulletin Board, call STAT-USA at 1-800-782-8872 or 202-482-1986.

1. Monthly seasonal factors used to construct M1, January 2002–March 2004

Year and month	Currency	Nonbank travelers checks	Demand deposits	Other checkable deposits[1]	
				Total	At banks
2002—January	.9961	1.0103	1.0129	1.0160	1.0423
February	.9985	1.0133	.9725	.9837	.9915
March	1.0006	1.0158	.9956	1.0099	1.0048
April	.9997	1.0190	1.0130	1.0439	1.0400
May	1.0009	1.0112	.9782	1.0014	.9969
June	1.0022	.9802	.9876	1.0008	.9887
July	1.0034	.9571	.9961	.9892	.9852
August	1.0007	.9684	.9910	.9799	.9756
September	.9971	.9890	.9908	.9802	.9755
October	.9959	1.0042	.9854	.9877	.9909
November	.9993	1.0214	1.0071	.9885	.9822
December	1.0052	1.0173	1.0689	1.0216	1.0292
2003—January	.9966	1.0095	1.0161	1.0156	1.0433
February	.9985	1.0127	.9722	.9830	.9909
March	.9995	1.0155	.9962	1.0099	1.0038
April	1.0002	1.0186	1.0123	1.0428	1.0374
May	1.0011	1.0103	.9764	1.0003	.9956
June	1.0019	.9792	.9885	.9995	.9869
July	1.0038	.9573	.9920	.9897	.9864
August	1.0019	.9701	.9970	.9799	.9761
September	.9968	.9889	.9866	.9805	.9771
October	.9963	1.0024	.9865	.9867	.9913
November	.9985	1.0213	1.0096	.9903	.9817
December	1.0049	1.0164	1.0671	1.0233	1.0308
2004—January	.9966	1.0097	1.0160	1.0167	1.0439
February	.9987	1.0130	.9756	.9832	.9911
March	.9990	1.0151	.9926	1.0099	1.0030

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

2. Monthly seasonal factors used to construct M2 and M3, January 2002–March 2004

Year and month	Savings and MMDA deposits[1]	Small-denomination time deposits[1]	Large-denomination time deposits[1]	Money market mutual funds: In M2	Money market mutual funds: In M3 only	RPs	Eurodollars
2002—January	.9964	1.0008	.9935	1.0090	1.0309	1.0071	1.0040
February	.9951	1.0003	.9963	1.0130	1.0303	1.0232	1.0181
March	1.0061	.9987	.9982	1.0206	1.0197	1.0115	1.0201
April	1.0112	.9981	.9992	1.0226	.9974	.9903	1.0178
May	.9951	.9984	1.0086	.9871	.9957	1.0140	1.0123
June	.9978	.9981	1.0069	.9852	.9884	1.0176	.9953
July	.9944	.9991	.9999	.9886	.9813	1.0024	.9849
August	.9964	1.0004	.9968	.9944	.9828	.9936	.9827
September	.9983	1.0011	1.0004	.9909	.9671	.9731	.9865
October	.9978	1.0016	1.0031	.9936	.9799	.9712	.9842
November	1.0065	1.0024	1.0031	.9958	1.0033	.9894	.9975
December	1.0061	1.0011	.9976	1.0016	1.0225	1.0038	1.0027
2003—January	.9978	1.0003	.9917	1.0086	1.0311	1.0077	1.0039
February	.9948	.9998	.9945	1.0123	1.0318	1.0235	1.0157
March	1.0053	.9986	.9969	1.0189	1.0186	1.0123	1.0174
April	1.0115	.9983	.9979	1.0211	.9975	.9923	1.0148
May	.9950	.9988	1.0084	.9863	.9947	1.0144	1.0079
June	.9954	.9988	1.0066	.9849	.9888	1.0178	.9933
July	.9930	.9996	.9998	.9902	.9812	1.0030	.9862
August	.9963	1.0007	.9985	.9959	.9824	.9930	.9852
September	.9980	1.0010	1.0014	.9913	.9681	.9711	.9899
October	.9987	1.0013	1.0062	.9942	.9810	.9710	.9893
November	1.0073	1.0018	1.0045	.9969	1.0032	.9887	1.0007
December	1.0079	1.0008	.9972	1.0016	1.0216	1.0031	1.0035
2004—January	.9993	.9999	.9903	1.0078	1.0316	1.0083	1.0035
February	.9946	.9995	.9931	1.0117	1.0325	1.0240	1.0125
March	1.0040	.9988	.9961	1.0177	1.0184	1.0131	1.0138

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

3. Weekly seasonal factors used to construct M1, December 2, 2002–April 5, 2004

Week ending	Currency	Nonbank travelers checks	Demand deposits	Other checkable deposits[1]: Total	Other checkable deposits[1]: At banks
2002—December 2	1.0005	1.0266	1.1175	1.0340	1.0298
9	1.0007	1.0227	.9782	.9929	.9704
16	1.0017	1.0189	1.0358	.9877	.9825
23	1.0098	1.0150	1.0839	1.0328	1.0560
30	1.0101	1.0113	1.1586	1.0670	1.1094
2003—January 6	1.0039	1.0075	1.0589	1.0414	1.0473
13	.9977	1.0085	1.0102	1.0073	1.0094
20	.9958	1.0096	1.0057	1.0134	1.0512
27	.9929	1.0106	.9984	1.0094	1.0680
February 3	.9942	1.0117	1.0165	1.0107	1.0402
10	.9992	1.0122	.9393	.9705	.9736
17	1.0005	1.0127	.9738	.9662	.9746
24	.9976	1.0132	.9762	.9856	.9994
March 3	.9985	1.0136	.9871	1.0087	.9983
10	1.0011	1.0145	.9408	.9910	.9654
17	.9992	1.0153	.9869	.9929	.9795
24	.9978	1.0161	.9981	1.0159	1.0268
31	.9987	1.0169	1.0641	1.0405	1.0493
April 7	1.0036	1.0175	.9650	1.0364	1.0029
14	1.0024	1.0182	.9991	1.0258	1.0119
21	.9993	1.0188	1.0401	1.0597	1.0624
28	.9975	1.0195	1.0424	1.0536	1.0794
May 5	1.0013	1.0201	.9776	1.0144	.9927
12	1.0019	1.0152	.9314	.9807	.9694
19	.9996	1.0103	.9722	.9895	.9904
26	1.0014	1.0055	.9867	1.0012	1.0134
June 2	.9998	1.0007	1.0460	1.0310	1.0213
9	1.0029	.9913	.9381	.9889	.9503
16	1.0017	.9822	.9748	.9823	.9557
23	1.0010	.9732	.9816	.9982	1.0017
30	1.0016	.9644	1.0443	1.0211	1.0335
July 7	1.0083	.9618	.9669	.9920	.9654
14	1.0044	.9592	.9632	.9696	.9619
21	1.0033	.9566	.9990	.9867	.9909
28	1.0015	.9541	1.0351	1.0034	1.0254

3.—Continued

Week ending	Currency	Nonbank travelers checks	Demand deposits	Other checkable deposits[1]	
				Total	At banks
August 4	1.0043	.9515	.9698	.9982	.9765
11	1.0047	.9601	.9298	.9539	.9358
18	1.0014	.9690	.9869	.9627	.9579
25	.9976	.9779	1.0257	.9833	1.0005
September 1	1.0005	.9871	1.0846	1.0176	1.0208
8	1.0009	.9878	.9445	.9788	.9616
15	.9977	.9886	.9554	.9638	.9478
22	.9950	.9893	.9767	.9723	.9751
29	.9935	.9900	1.0595	1.0001	1.0179
October 6	.9978	.9908	.9331	.9799	.9693
13	.9987	.9969	.9609	.9576	.9577
20	.9964	1.0032	.9927	.9837	.9912
27	.9941	1.0095	1.0366	1.0049	1.0289
November 3	.9948	1.0159	1.0239	1.0244	1.0160
10	.9993	1.0183	.9257	.9629	.9417
17	.9974	1.0208	.9795	.9602	.9523
24	.9971	1.0232	1.0216	.9943	1.0020
December 1	1.0007	1.0257	1.1196	1.0355	1.0241
8	1.0012	1.0221	.9773	.9963	.9703
15	1.0027	1.0185	1.0159	.9789	.9771
22	1.0084	1.0149	1.0921	1.0304	1.0523
29	1.0096	1.0113	1.1688	1.0733	1.1078
2004—January 5	1.0046	1.0077	1.0701	1.0539	1.0722
12	.9979	1.0087	1.0015	1.0086	1.0112
19	.9954	1.0097	.9995	1.0090	1.0401
26	.9922	1.0107	1.0042	1.0078	1.0612
February 2	.9928	1.0117	1.0332	1.0178	1.0466
9	.9991	1.0123	.9524	.9799	.9876
16	1.0003	1.0128	.9692	.9620	.9757
23	.9985	1.0134	.9684	.9796	.9863
March 1	.9979	1.0140	.9974	1.0056	1.0020
8	1.0018	1.0144	.9488	.9960	.9755
15	.9998	1.0148	.9781	.9870	.9682
22	.9985	1.0153	.9894	1.0076	1.0078
29	.9974	1.0157	1.0465	1.0377	1.0487
April 5	1.0010	1.0162	.9827	1.0378	1.0294

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

4. Weekly seasonal factors used to construct M2 and M3, December 2, 2002–April 5, 2004

Week ending	Savings and MMDA deposits[1]	Small-denomination time deposits[1]	Large-denomination time deposits[1]	Money market mutual funds		RPs	Eurodollars
				In M2	In M3 only		
2002—December 2	.9972	1.0021	.9969	.9990	1.0139	.9890	1.0035
9	1.0192	1.0018	.9973	1.0030	1.0252	1.0040	.9937
16	1.0198	1.0013	1.0027	1.0046	1.0361	1.0064	.9970
23	.9989	1.0006	1.0002	1.0026	1.0238	1.0052	.9983
30	.9869	1.0005	.9942	.9984	1.0117	1.0054	1.0200
2003—January 6	1.0196	1.0016	.9917	.9933	.9907	.9926	1.0148
13	1.0133	1.0009	.9955	1.0113	1.0331	1.0062	.9995
20	.9979	1.0001	.9915	1.0144	1.0455	1.0076	1.0010
27	.9754	.9991	.9885	1.0130	1.0491	1.0145	1.0032
February 3	.9814	.9995	.9915	1.0097	1.0319	1.0213	1.0014
10	1.0029	.9999	.9961	1.0123	1.0350	1.0290	1.0083
17	.9994	1.0000	.9958	1.0122	1.0333	1.0263	1.0187
24	.9880	.9997	.9923	1.0134	1.0337	1.0178	1.0241
March 3	.9950	.9994	.9951	1.0122	1.0204	1.0210	1.0194
10	1.0149	.9989	.9982	1.0184	1.0261	1.0232	1.0082
17	1.0113	.9987	.9935	1.0186	1.0211	1.0170	1.0109
24	.9956	.9984	.9946	1.0208	1.0193	1.0138	1.0229
31	.9968	.9983	1.0021	1.0205	1.0070	.9914	1.0268
April 7	1.0313	.9991	1.0038	1.0261	.9966	.9869	1.0163
14	1.0296	.9985	.9998	1.0326	1.0075	.9922	1.0087
21	1.0140	.9979	.9935	1.0249	.9939	.9874	1.0110
28	.9846	.9976	.9942	1.0097	.9950	.9985	1.0245

4.—Continued

Week ending		Savings and MMDA deposits[1]	Small-denomination time deposits[1]	Large-denomination time deposits[1]	Money market mutual funds		RPs	Eurodollars
					In M2	In M3 only		
May	5	1.0035	.9983	.9981	.9900	.9865	1.0077	1.0111
	12	1.0060	.9988	1.0045	.9879	.9965	1.0150	.9992
	19	.9953	.9988	1.0113	.9853	.9974	1.0079	1.0053
	26	.9802	.9990	1.0126	.9854	1.0003	1.0175	1.0136
June	2	.9842	.9990	1.0144	.9833	.9889	1.0252	1.0123
	9	1.0099	.9991	1.0067	.9859	.9969	1.0264	.9979
	16	1.0075	.9988	1.0055	.9872	.9949	1.0212	.9882
	23	.9848	.9985	1.0108	.9857	.9868	1.0120	.9848
	30	.9776	.9989	1.0011	.9814	.9767	1.0097	.9966
July	7	1.0105	.9998	.9981	.9830	.9718	1.0008	.9915
	14	1.0044	.9995	.9995	.9912	.9855	1.0001	.9807
	21	.9908	.9995	.9998	.9923	.9848	1.0027	.9861
	28	.9766	.9996	1.0014	.9935	.9859	1.0065	.9879
August	4	1.0024	1.0001	1.0011	.9919	.9734	1.0071	.9834
	11	1.0066	1.0005	1.0005	.9962	.9830	1.0100	.9763
	18	.9984	1.0007	.9974	.9968	.9827	.9896	.9774
	25	.9834	1.0008	.9957	.9982	.9891	.9815	.9870
September	1	.9819	1.0011	.9990	.9945	.9794	.9814	1.0041
	8	1.0137	1.0014	1.0020	.9926	.9686	.9790	.9821
	15	1.0129	1.0011	1.0018	.9946	.9743	.9739	.9892
	22	.9914	1.0007	.9986	.9913	.9675	.9721	.9893
	29	.9752	1.0008	1.0026	.9868	.9612	.9604	.9982
October	6	1.0103	1.0020	1.0081	.9862	.9629	.9545	.9829
	13	1.0070	1.0018	1.0107	.9943	.9824	.9661	.9867
	20	1.0006	1.0013	1.0040	.9984	.9847	.9717	.9830
	27	.9834	1.0005	1.0029	.9973	.9909	.9801	.9980
November	3	.9952	1.0010	1.0048	.9933	.9814	.9868	.9989
	10	1.0164	1.0017	1.0078	.9952	.9953	.9963	.9942
	17	1.0163	1.0019	1.0070	.9955	1.0045	.9854	.9992
	24	.9987	1.0020	1.0046	1.0002	1.0119	.9845	1.0048
December	1	.9988	1.0019	.9975	.9985	1.0117	.9894	1.0060
	8	1.0194	1.0015	.9967	1.0035	1.0209	1.0032	.9977
	15	1.0171	1.0009	1.0007	1.0052	1.0327	1.0063	.9998
	22	1.0064	1.0002	.9995	1.0024	1.0214	1.0050	1.0006
	29	.9938	1.0002	.9938	.9981	1.0183	1.0038	1.0131
2004—January	5	1.0203	1.0006	.9902	.9931	1.0018	.9903	1.0116
	12	1.0132	1.0005	.9944	1.0068	1.0296	1.0051	1.0001
	19	.9996	1.0001	.9915	1.0135	1.0411	1.0086	1.0007
	26	.9784	.9994	.9861	1.0130	1.0459	1.0150	1.0045
February	2	.9804	.9991	.9886	1.0089	1.0311	1.0212	1.0030
	9	1.0009	.9995	.9928	1.0112	1.0324	1.0297	.9997
	16	.9968	.9997	.9947	1.0113	1.0329	1.0283	1.0148
	23	.9895	.9995	.9926	1.0129	1.0359	1.0176	1.0175
March	1	.9940	.9993	.9939	1.0123	1.0286	1.0206	1.0222
	8	1.0131	.9990	.9979	1.0160	1.0244	1.0221	.9981
	15	1.0125	.9988	.9942	1.0175	1.0243	1.0187	1.0097
	22	1.0022	.9986	.9923	1.0192	1.0187	1.0148	1.0153
	29	.9921	.9984	.9984	1.0176	1.0107	1.0032	1.0304
April	5	1.0210	.9991	1.0023	1.0221	.9966	.9882	1.0150

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

Legal Developments

FINAL RULE—AMENDMENT TO REGULATION A

The Board of Governors is amending 12 C.F.R. Part 201, its Regulation A and D (Extensions of Credit by Federal Reserve Banks). The Board is publishing final amendments to Regulation A to reflect its approval of the initial interest rates for extensions of primary and secondary credit. The amendments also correct a typographical error. These amendments supersede the text of one section of the final rule that the Board approved on October 31, 2002, and published in the *Federal Register* on January 9, 2003. The new primary and secondary credit rates do not indicate a change in the stance of monetary policy.

Effective January 9, 2003, 12 C.F.R. Part 201 is amended as follows:

Part 201—Extensions of Credit by Federal Reserve Banks (Regulation A)

1. The authority citation for Part 201 is revised to read as follows:

Authority: 12 U.S.C. 248(i)–(j), 343 *et seq.*, 347a, 347b, 347c, 348 *et seq.*, 357, 374, 374a, and 461.

2. Section 201.51(a) through (c) are revised to read as follows:

Section 201.51—Interest rates applicable to credit extended by a Federal Reserve Bank.

(a) *Primary credit.* The interest rates for primary credit provided to depository institutions under section 201.4(a) are:

Federal Reserve Bank	Rate	Effective
Boston	2.25	January 9, 2003
New York	2.25	January 9, 2003
Philadelphia	2.25	January 9, 2003
Cleveland	2.25	January 9, 2003
Richmond	2.25	January 9, 2003
Atlanta	2.25	January 9, 2003
Chicago	2.25	January 9, 2003
St. Louis	2.25	January 9, 2003
Minneapolis	2.25	January 9, 2003
Kansas City	2.25	January 9, 2003
Dallas	2.25	January 9, 2003
San Francisco	2.25	January 9, 2003

(b) *Secondary credit.* The interest rates for secondary credit provided to depository institutions under secion 201.4(b) are:

Federal Reserve Bank	Rate	Effective
Boston	2.75	January 9, 2003
New York	2.75	January 9, 2003
Philadelphia	2.75	January 9, 2003
Cleveland	2.75	January 9, 2003
Richmond	2.75	January 9, 2003
Atlanta	2.75	January 9, 2003
Chicago	2.75	January 9, 2003
St. Louis	2.75	January 9, 2003
Minneapolis	2.75	January 9, 2003
Kansas City	2.75	January 9, 2003
Dallas	2.75	January 9, 2003
San Francisco	2.75	January 9, 2003

(c) *Seasonal credit.* The rate for seasonal credit extended to depository institutions under section 201.4(c) is a flexible rate that takes into account rates on market sources of funds.

FINAL RULE—AMENDMENT TO REGULATION H

The Board of Governors is amending 12 C.F.R. Part 208, its Regulation H (Reporting and Disclosure Requirements for State Member Banks with Securities Registered Under the Securities Exchange Act of 1934). The final rule reflects the amendments made to section 12(i) of the Securities Exchange Act of 1934 by the Sarbanes–Oxley Act of 2002. These amendments vest the Board with the authority to administer and enforce several of the enhanced reporting, disclosure and corporate governance obligations imposed by the Sarbanes–Oxley Act with respect to state member banks that have a class of securities registered under the Securities Exchange Act of 1934.

Effective April 1, 2003, 12 C.F.R. Part 208 is amended as follows:

Part 208—Membership of State Banking Institutions in the Federal Reserve System (Regulation H)

1. The authority citation for Part 208 continues to read as follows:

Authority: 12 U.S.C. 24, 24a, 36, 92a, 93a, 248(a), 248(c), 321–338a, 371d, 461, 481–486, 601, 611, 1814, 1816, 1818, 1820(d)(9), 1823(j), 1828(o), 1831, 1831o, 1831p-1, 1831r-1, 1831w, 1831x, 1835a, 1843(l), 1882, 2901–2907, 3105, 3310, 3331–3351, and 3906–3909; 15 U.S.C. 78b, 78l(b), 78l(g), 78l(i), 78o-4(c)(5), 78q, 78q-1, and 78w; 31 U.S.C. 5318; 42 U.S.C. 4012a, 4104a, 4104b, 4106, and 4128.

2. Section 208.36(a) is revised to read as follows:

Section 208.36—Reporting requirements for State member banks subject to the Securities Exchange Act of 1934.

(a) *Filing, disclosure and other requirements*—
  (1) *General.* Except as otherwise provided in this section, a member bank whose securities are subject to registration pursuant to section 12(b) or section 12(g) of the Securities Exchange Act of 1934 (the 1934 Act) (15 U.S.C. 78l(b) and (g)) shall comply with the rules, regulations and forms adopted by the Securities and Exchange Commission (Commission) pursuant to—
    (i) Sections 10A(m), 12, 13, 14(a), 14(c), 14(d), 14(f) and 16 of the 1934 Act (15 U.S.C. 78f(m), 78l, 78m, 78n(a), (c), (d) and (f), and 78p); and
    (ii) Sections 302, 303, 304, 306, 401(b), 404, 406 and 407 of the Sarbanes-Oxley Act of 2002 (codified at 15 U.S.C. 7241, 7242, 7243, 7244, 7261, 7262, 7264 and 7265).
  (2) *References to the Commission.* Any references to the "Securities and Exchange Commission" or the "Commission" in the rules, regulations and forms described in paragraph (a)(1) of this section shall with respect to securities issued by member banks be deemed to refer to the Board unless the context otherwise requires.

FINAL RULE—AMENDMENT TO REGULATION K

The Board of Governors is amending 12 C.F.R. Part 211, its Regulation K (International Banking Operations; International Lending Supervision). The amendments relate to international lending by simplifying the discussion concerning the accounting for fees on international loans to make the regulation consistent with generally accepted accounting principles (GAAP).

Effective February 7, 2003, 12 C.F.R. Part 211 is amended as follows:

Part 211—International Banking Operations (Regulation K)

1. The authority citation for Part 211 continues to read as follows:

Authority: 12 U.S.C. 221 *et seq.*, 1818, 1835a, 1841 *et seq.*, 3101 *et seq.*, 3109 *et seq.*

2. Sections 211.41 through 211.45 are revised to read as follows:

Section 211.41—Authority, purpose, and scope.

(a) *Authority.* This subpart is issued by the Board of Governors of the Federal Reserve System (Board) under the authority of the International Lending Supervision Act of 1983 (Pub. L. 98-181, title IX, 97 Stat. 1153) (International Lending Supervision Act); the Federal Reserve Act (12 U.S.C. 221 *et seq.*) (FRA), and the Bank Holding Company Act of 1956, as amended (12 U.S.C. 1841 *et seq.*) (BHC Act).
(b) *Purpose and scope.* This subpart is issued in furtherance of the purposes of the International Lending Supervision Act. It applies to State banks that are members of the Federal Reserve System (State member banks); corporations organized under section 25A of the FRA (12 U.S.C. 611 through 631) (Edge Corporations); corporations operating subject to an agreement with the Board under section 25 of the FRA (12 U.S.C. 601 through 604a) (Agreement Corporations); and bank holding companies (as defined in section 2 of the BHC Act (12 U.S.C. 1841(a)) but not including a bank holding company that is a foreign banking organization as defined in section 211.21(o).

Section 211.42—Definitions.

For the purposes of this subpart:

(a) *Administrative cost* means those costs which are specifically identified with negotiating, processing and consummating the loan. These costs include, but are not necessarily limited to: legal fees; costs of preparing and processing loan documents; and an allocable portion of salaries and related benefits of employees engaged in the international lending function. No portion of supervisory and administrative expenses or other indirect expenses such as occupancy and other similar overhead costs shall be included.
(b) *Banking institution* means a State member bank; bank holding company; Edge Corporation and Agreement Corporation engaged in banking. Banking institution does not include a foreign banking organization as defined in section 211.21(o).
(c) *Federal banking agencies* means the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.
(d) *International assets* means those assets required to be included in banking institutions' *Country Exposure Report* forms (FFIEC No. 009).
(e) *International loan* means a loan as defined in the instructions to the *Report of Condition and Income* for the respective banking institution (FFIEC Nos. 031 and 041) and made to a foreign government, or to an individual, a corporation, or other entity not a citizen of, resident in, or organized or incorporated in the United States.
(f) *Restructured international loan* means a loan that meets the following criteria:

(1) The borrower is unable to service the existing loan according to its terms and is a resident of a foreign country in which there is a generalized inability of public and private sector obligors to meet their external debt obligations on a timely basis because of a lack of, or restraints on the availability of, needed foreign exchange in the country; and
(2) The terms of the existing loan are amended to reduce stated interest or extend the schedule of payments; or
(3) A new loan is made to, or for the benefit of, the borrower, enabling the borrower to service or refinance the existing debt.

(g) *Transfer risk* means the possibility that an asset cannot be serviced in the currency of payment because of a lack of, or restraints on the availability of, needed foreign exchange in the country of the obligor.

Section 211.43—Allocated transfer risk reserve.

(a) *Establishment of Allocated Transfer Risk Reserve.* A banking institution shall establish an allocated transfer risk reserve (ATRR) for specified international assets when required by the Board in accordance with this section.

(b) *Procedures and standards*
 (1) *Joint agency determination.* At least annually, the Federal banking agencies shall determine jointly, based on the standards set forth in paragraph (b)(2) of this section, the following:
  (i) Which international assets subject to transfer risk warrant establishment of an ATRR;
  (ii) The amount of the ATRR for the specified assets; and
  (iii) Whether an ATRR established for specified assets may be reduced.
 (2) *Standards for requiring ATRR—*
  (i) *Evaluation of assets.* The Federal banking agencies shall apply the following criteria in determining whether an ATRR is required for particular international assets:
   (A) Whether the quality of a banking institution's assets has been impaired by a protracted inability of public or private obligors in a foreign country to make payments on their external indebtedness as indicated by such factors, among others, as whether:
    (*1*) Such obligors have failed to make full interest payments on external indebtedness; or
    (*2*) Such obligors have failed to comply with the terms of any restructured indebtedness; or
    (*3*) A foreign country has failed to comply with any International Monetary Fund or other suitable adjustment program; or
   (B) Whether no definite prospects exist for the orderly restoration of debt service.
  (ii) *Determination of amount of ATRR.*
   (A) In determining the amount of the ATRR, the Federal banking agencies shall consider:
    (*1*) The length of time the quality of the asset has been impaired;
    (*2*) Recent actions taken to restore debt service capability;
    (*3*) Prospects for restored asset quality; and
    (*4*) Such other factors as the Federal banking agencies may consider relevant to the quality of the asset.
   (B) The initial year's provision for the ATRR shall be ten percent of the principal amount of each specified international asset, or such greater or lesser percentage determined by the Federal banking agencies. Additional provision, if any, for the ATRR in subsequent years shall be fifteen percent of the principal amount of each specified international asset, or such greater or lesser percentage determined by the Federal banking agencies.
 (3) *Board notification.* Based on the joint agency determinations under paragraph (b)(1) of this section, the Board shall notify each banking institution holding assets subject to an ATRR:
  (i) Of the amount of the ATRR to be established by the institution for specified international assets; and
  (ii) That an ATRR established for specified assets may be reduced.

(c) *Accounting treatment of ATRR—*
 (1) *Charge to current income.* A banking institution shall establish an ATRR by a charge to current income and the amounts so charged shall not be included in the banking institution's capital or surplus.
 (2) *Separate accounting.* A banking institution shall account for an ATRR separately from the Allowance for Loan and Lease Losses, and shall deduct the ATRR from "gross loans and leases" to arrive at "net loans and leases." The ATRR must be established for each asset subject to the ATRR in the percentage amount specified.
 (3) *Consolidation.* A banking institution shall establish an ATRR, as required, on a consolidated basis. For banks, consolidation should be in accordance with the procedures and tests of significance set forth in the instructions for preparation of *Consolidated Reports of Condition and Income* (FFIEC 031 and 041). For bank holding companies, the consolidation shall be in accordance with the principles set forth in the "Instructions to Consolidated Financial Statements for Bank Holding Companies" (Form F.R. Y-9C). Edge and

Agreement corporations engaged in banking shall report in accordance with instructions for preparation of the Report of Condition for Edge and Agreement Corporations (Form F.R. 2886b).

(4) *Alternative accounting treatment.* A banking institution need not establish an ATRR if it writes down in the period in which the ATRR is required, or has written down in prior periods, the value of the specified international assets in the requisite amount for each such asset. For purposes of this paragraph, international assets may be written down by a charge to the Allowance for Loan and Lease Losses or a reduction in the principal amount of the asset by application of interest payments or other collections on the asset; provided, that only those international assets that may be charged to the Allowance for Loan and Lease Losses pursuant to generally accepted accounting principles may be written down by a charge to the Allowance for Loan and Lease Losses. However, the Allowance for Loan and Lease Losses must be replenished in such amount necessary to restore it to a level which adequately provides for the estimated losses inherent in the banking institution's loan portfolio.

(5) *Reduction of ATRR.* A banking institution may reduce an ATRR when notified by the Board or, at any time, by writing down such amount of the international asset for which the ATRR was established.

Section 211.44—Reporting and disclosure of international assets.

(a) *Requirements.*

(1) Pursuant to section 907(a) of the International Lending Supervision Act of 1983 (Title IX, Pub. L. 98-181, 97 Stat. 1153) (ILSA), a banking institution shall submit to the Board, at least quarterly, information regarding the amounts and composition of its holdings of international assets.

(2) Pursuant to section 907(b) of ILSA, a banking institution shall submit to the Board information regarding concentrations in its holdings of international assets that are material in relation to total assets and to capital of the institution, such information to be made publicly available by the Board on request.

(b) *Procedures.* The format, content and reporting and filing dates of the reports required under paragraph (a) of this section shall be determined jointly by the Federal banking agencies. The requirements to be prescribed by the Federal banking agencies may include changes to existing reporting forms (such as the Country Exposure Report, form FFIEC No. 009) or such other requirements as the Federal banking agencies deem appropriate. The Federal banking agencies also may determine to exempt from the requirements of paragraph (a) of this section banking institutions that, in the Federal banking agencies' judgment, have *de minimis* holdings of international assets.

(c) *Reservation of authority.* Nothing contained in this rule shall preclude the Board from requiring from a banking institution such additional or more frequent information on the institution's holding of international assets as the Board may consider necessary.

Section 211.45—Accounting for fees on international loans.

(a) *Restrictions on fees for restructured international loans.* No banking institution shall charge, in connection with the restructuring of an international loan, any fee exceeding the administrative cost of the restructuring unless it amortizes the amount of the fee exceeding the administrative cost over the effective life of the loan.

(b) *Accounting treatment.* Subject to paragraph (a) of this section, banking institutions shall account for fees on international loans in accordance with generally accepted accepted accounting principles.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Royal Bank of Canada
Montreal, Canada

RBC Centura Banks, Inc., and
RBC Centura Bank,
Rocky Mount, North Carolina

Order Approving the Acquisition of a Bank Holding Company, Merger of Depository Institutions, and Establishment of Branches

Royal Bank of Canada ("RBC"), a foreign banking organization subject to the provisions of the Bank Holding Company Act ("BHC Act"), and its wholly owned subsidiary, RBC Centura Banks, Inc. ("RBC Centura"), have requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Admiralty Bancorp, Inc. ("Admiralty") and its wholly owned subsidiary, Admiralty Bank, both in Palm Beach Gardens, Florida.[1] RBC Centura Bank ("RBC Bank"), RBC Centura's wholly owned subsidiary, has also requested the Board's approval under

1. RBC is treated as a financial holding company in accordance with sections 225.90 and 225.91 of Regulation Y (12 C.F.R. 225.90–225.91). Through its subsidiaries and affiliates, RBC engages in a variety of nonbanking activities, including investment banking, asset management, and mortgage lending.

section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) ("Bank Merger Act") to merge with Admiralty Bank, with RBC Bank as the surviving entity.[2] In addition, RBC Bank proposes to retain and operate branches at the main and branch offices of Admiralty Bank.[3]

Notice of the proposal, affording interested persons an opportunity to comment, has been published in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. §262.3(b)) in the *Federal Register* (67 *Federal Register* 63,661 and 63,662 (2002)) and locally. As required by the BHC Act and the Bank Merger Act, reports on the competitive effects of the merger were requested from the U.S. Attorney General and relevant banking agencies. The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3 of the BHC Act, the Bank Merger Act, and the statutory provisions that govern the retention and operation of interstate branches.

RBC, with total assets of $225.4 billion, is the largest banking organization in Canada.[4] RBC operates depository institutions in Florida, Georgia, North Carolina, South Carolina, and Virginia. RBC Centura's subsidiary commercial bank, RBC Bank, controls deposits of $20.8 million in Florida, representing less than 1 percent of total deposits of insured depository institutions in the state ("state deposits").[5] Admiralty's subsidiary commercial bank, Admiralty Bank, controls deposits of $527.0 million in Florida, representing less than 1 percent of state deposits. On consummation of the proposal, RBC Bank would become the 35th largest depository institution in Florida, controlling deposits of approximately $547.8 million, representing less than 1 percent of state deposits.

Interstate Analysis

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company if certain conditions are met. For purposes of the BHC Act, the home state of RBC Centura is North Carolina, and RBC Centura proposes to acquire a depository institution in Florida.[6] Based on a review of all the facts of record, including a review of relevant state statutes, the Board finds that all conditions for an interstate acquisition enumerated in section 3(d) are met in this case.[7] In light of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Financial, Managerial, and Supervisory Considerations

The BHC Act and the Bank Merger Act require the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in a proposal and certain other supervisory factors. In assessing the financial and managerial strength of RBC and its subsidiaries, the Board has reviewed information provided by RBC, confidential supervisory and examination information, and publicly reported and other financial information.[8] RBC's capital levels exceed the minimum levels that would be required under the Basel Capital Accord, and its capital levels are considered equivalent to the capital levels that would be required of a U.S. banking organization. Based on all the facts of record, the Board concludes that the financial and managerial resources and future prospects of the organizations involved in the proposal are consistent with approval.[9]

2. The transaction would be effected through a series of steps. Admiralty would merge with a newly created, wholly owned subsidiary of RBC, with Admiralty surviving. Admiralty then would merge with and into RBC Bank. Immediately thereafter, Admiralty Bank would merge with and into RBC Bank.

3. *See* 12 U.S.C. §§ 321 & 1831u. The Admiralty Bank branches to be acquired by RBC Bank are listed in the Appendix.

4. Asset and national ranking data for RBC are as of December 31, 2001, and are based on the exchange rate then available.

5. Deposit and state ranking data are as of June 30, 2002, and are adjusted to reflect mergers and acquisitions completed through November 6, 2002. In this context, depository institutions include commercial banks, savings banks, and savings associations.

6. 12 U.S.C. § 1841(o)(4)(C).

7. RBC Centura is adequately capitalized and adequately managed, as defined by applicable law. In addition, RBC Centura would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States on consummation of the proposal. *See* 12 U.S.C. § 1842(d)(1)(A) & (B), 1842(d)(2)(A) & (B). RBC Centura also would control less than 30 percent of the total deposits of insured depository institutions in Florida. Florida law prohibits the interstate acquisition of a Florida bank that has been in existence and continuously operating for three years or fewer. This transaction would meet the minimum age requirements imposed by Florida law. *See* Fla. Stat. Ann. § 658.295(8).

8. The commenter alleged that an insurance company subsidiary of RBC, Liberty Life Insurance Co. of Greenville, South Carolina ("Liberty Life"), discriminated against African-American clients by charging them higher premiums than white clients for industrial life insurance policies issued between 1905 and 1967. On August 23, 2002, the Administrative Law Judge Division of the South Carolina Department of Insurance ("S.C. Insurance Department") upheld the S.C. Insurance Department's determination that Liberty Life had engaged in discriminatory pricing of its insurance premiums. RBC acquired Liberty Life in November 2000, and the S.C. Insurance Department's findings related to practices that occurred before RBC acquired Liberty Life. RBC currently has policies in place at Liberty Life designed to prevent discrimination in pricing based on race or other prohibited bases. Liberty Life has appealed the findings of the S.C. Insurance Department. Although the Board has only limited authority to address matters related to the insurance activities of regulated insurance companies, the Board will continue to monitor this matter.

9. The commenter suggests, based on a general news article about the ability of U.S. taxpayers to evade tax liability by using offshore international banking accounts, that the availability of RBC accounts in Guernsey, Channel Islands, reflects unfavorably on RBC's management. RBC has indicated that it maintains strict "source of funds" guidelines and "know your customer" rules and advises clients of RBC's international private banking group that they may be obligated to declare income in their home countries and may be liable for tax in those jurisdictions.

The commenter also submitted press accounts concerning a brokerage subsidiary, RBC Dain Rauscher Corp. ("Dain Rauscher"), discussing the decision by the Securities and Exchange Commission to settle regulatory charges brought against Dain Rauscher in its capacity as successor to Rauscher Pierce Refsnes, Inc. RBC acquired Dain

Section 3 of the BHC Act also provides that the Board may not approve an application involving a foreign banking organization unless it is "subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank's home country." [10] The home country supervisor of RBC is Canada's Office of the Superintendent of Financial Institutions ("OSFI"), which is responsible for the supervision and regulation of Canadian financial institutions.

In approving applications under the BHC Act, the Board previously has determined that Canadian banks, including RBC, were subject to comprehensive consolidated supervision by the OSFI.[11] In this case, the Board finds that the OSFI continues to supervise RBC in substantially the same manner as it supervised Canadian banks at the time of those previous determinations. Based on this finding and all the facts of record, the Board concludes that RBC continues to be subject to comprehensive supervision on a consolidated basis by its home country supervisor.

In addition, section 3 of the BHC Act requires the Board to determine that a foreign bank has provided adequate assurances that it will make available to the Board such information on its operations and activities and those of its affiliates that the Board deems appropriate to determine and enforce compliance with the BHC Act.[12] The Board has reviewed the restrictions on disclosure in relevant jurisdictions in which RBC operates and has communicated with relevant government authorities concerning access to information. In addition, RBC previously has committed to make available to the Board such information on the operations of RBC and its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act and other applicable federal law. RBC also previously has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary to enable RBC and its affiliates to make such information available to the Board. In light of these commitments, the Board concludes that RBC has provided adequate assurances of access to any appropriate information that the Board may request. Based on these and all the facts of record, the Board concludes that the supervisory factors it is required to consider are consistent with approval.

Competitive Considerations

As part of the Board's review under section 3 of the BHC Act and the Bank Merger Act, the Board has considered carefully the competitive effects of the proposal in light of all the facts of record. RBC and Admiralty compete directly in the Miami–Fort Lauderdale, Florida, banking market ("Miami banking market").[13] The Board has reviewed the competitive effects of the proposal in this banking market in light of all the facts of record, including the number of competitors that would remain in the market, the relative share of total deposits in depository institutions in the market ("market deposits")[14] controlled by RBC and Admiralty, the concentration level of market deposits and the increase in this level as measured by the Herfindahl–Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"), and other characteristics of the market.[15]

RBC operates an agency office in the Miami banking market that does not accept insured deposits, and Admiralty operates a branch in the market, which opened August 2001, and controls deposits of $30.7 million, representing less than 1 percent of market deposits. Consummation of this proposal would not result in an appreciable increase in the level of concentration of market deposits, and RBC Bank would become the 78th largest depository institution in the Miami banking market, with less than 1 percent of market deposits.

The Department of Justice has reviewed the proposal and advised the Board that consummation would not likely have a significantly adverse effect on competition in any relevant market. No banking agency has indicated that the proposal raises competitive issues.

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

Convenience and Needs Considerations

In acting on this proposal, the Board also must consider the convenience and needs of the communities to be served

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Rauscher in 2001, and the charges related to matters that occurred in 1993 and 1994. There are no facts of record to suggest that Dain Rauscher engaged in the conduct that gave rise to the regulatory action after RBC acquired it in 2001.

The commenter further requested that the Board consider media reports discussing litigation that arose from a total return swap agreement between RBC and Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., and the subsequent indictment of three former RBC employees for fraud. These matters also are in private litigation. The Board will monitor the various judicial proceedings and has supervisory authority under federal banking laws to require that RBC take appropriate action based on the court findings.

10. 12 U.S.C. § 1842(c)(3)(B). Under Regulation Y, the Board uses the standards enumerated in Regulation K to determine whether a foreign bank that has submitted an application under section 3 of the BHC Act is subject to consolidated home country supervision. *See* 12 C.F.R. 225.13(a)(4). Regulation K provides that a foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the bank, including its relationship to affiliates, to assess the bank's overall financial condition and its compliance with law and regulations. *See* 12 C.F.R. 211.24(c)(1).

11. *See Royal Bank of Canada*, 83 *Federal Reserve Bulletin* 442 (1997).

12. *See, e.g.*, 12 U.S.C. § 1842(c)(3)(A).

13. The Miami banking market is defined as Broward and Dade Counties, Florida.

14. Market share data are as of June 30, 2002, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. *See First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

15. *See* DOJ Guidelines, 49 *Federal Register* 26,823 (1984).

and take into account the records of performance of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. §2901 *et seq.*) ("CRA"). The CRA requires the federal supervisory agencies to encourage financial institutions to help meet the credit needs of local communities in which they operate, consistent with safe and sound operation, and requires the appropriate federal financial supervisory agency to take into account an institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansion proposals. The Board has considered carefully the convenience and needs factor and the CRA performance records of RBC Bank and Admiralty Bank in light of all the facts of record, including a public comment received on the effect of the proposal on the communities to be served by the combined organization.[16]

A. CRA Performance Evaluations

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of examinations by the appropriate federal supervisors of the CRA performance records of RBC Bank and Admiralty Bank. 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.[17]

RBC Bank received a "satisfactory" CRA rating at its most recent CRA performance evaluation, as of March 4, 2002, from the Federal Reserve Bank of Richmond.[18] Admiralty Bank also received a "satisfactory" CRA rating at its most recent CRA performance evaluation, as of July 6, 1998, from the Federal Reserve Bank of Atlanta. Examiners found no violations of the substantive provisions of fair lending and consumer protection laws at either institution and no evidence of prohibited discrimination or other illegal credit practices.

B. RBC Bank's CRA Performance Record

1. Lending Test

Examiners rated RBC Bank "high satisfactory" under the lending test for the review period in its most recent CRA performance evaluation based on the bank's lending activity, distribution of loans, and community development lending.[19] Examiners reported that RBC Bank served its assessment areas by offering a variety of credit products, including residential mortgage, home equity, consumer, small business, and commercial loans.

Examiners noted that RBC Bank originated a substantial majority of its loans, by number and dollar volume, to businesses and consumers in its assessment areas and was highly responsive to community credit needs. Examiners also found that RBC Bank was an active lender relative to its lending capacity and taking into account economic conditions in the bank's assessment areas (as evidenced by the bank's quarterly average loan-to-deposit ratio, which consistently exceeded that of all banks headquartered in metropolitan areas of North Carolina and of similar asset size). Examiners commended RBC Bank for its lending distribution by geographical and income levels, commenting favorably on the bank's small business and HMDA lending penetration in particular. Examiners also found that in most markets, small business and HMDA-reportable loans accounted for the majority of the bank's loan portfolio. During the review period, RBC Bank extended more than $2 billion in HMDA-reportable loans.

Examiners found that RBC Bank, in an effort to meet the needs of its local communities, offered and participated in assorted special loan programs to benefit LMI individuals and LMI areas or to promote economic development. Included among these loan programs were credit products offered through the Federal Housing Administration ("FHA"), Department of Veterans Affairs ("VA"), and Farm Service Housing and/or Rural Housing Service ("FSH/RHS").[20] During the review period, RBC Bank originated 1,069 FHA, VA, and FSH/RHS loans totaling $102.1 million. Examiners also found that RBC Bank offered "Affordable Housing Program" ("AHP") loans that provided as much as 100 percent financing and flexible underwriting terms to certain borrowers who did not meet the underwriting criteria necessary for the secondary market.[21] During the review period, RBC Bank originated 751 AHP loans, totaling $56.4 million, to eligible borrowers.

Examiners concluded that RBC Bank extended a high level of loans, approximately $22 million, for community development purposes. The loans were used primarily to provide housing for LMI individuals and to facilitate small business development. Examiners observed that 72.3 percent of the qualified loans were made in North Carolina.[22]

16. The commenter alleged, among other things, that RBC Bank and RBC Mortgage engaged in disparate treatment of minority and nonminority individuals in mortgage lending, based on data submitted under the Home Mortgage Disclosure Act, 12 U.S.C. §2801 *et seq.* ("HMDA").

17. *See Interagency Questions and Answers Regarding Community Reinvestment,* 66 *Federal Register* 36,620 and 36,639 (2001).

18. RBC and RBC Centura also control RBC Centura Card Bank, Atlanta, Georgia, a credit card bank that has not been examined for CRA performance since opening for business in July 2000.

19. The review period for RBC Bank's CRA evaluation was January 1, 2000, through December 31, 2001. During the review period, RBC Bank's assessment areas included 16 Metropolitan Statistical Areas ("MSAs") and 13 non-MSAs. Full scope reviews were conducted in ten of the bank's assessment areas that together accounted for a substantial portion of the bank's dollar volume.

20. Examiners also noted that RBC Bank continued to participate in the Community Investment Corporation of North Carolina, which is a statewide affordable housing loan consortium that provides long-term permanent financing for LMI multifamily housing developments.

21. The AHP offers home purchase loans to families whose incomes do not exceed 80 percent to 100 percent of the HUD median family income for the county of residence.

22. RBC Bank provided 33 community development loans totaling $15.8 million in North Carolina during the review period, including

Also, the bank entered a partnership with the Federal Home Loan Bank of Atlanta and various community groups to extend 208 loans to assist first-time homebuyers, develop multifamily low-income housing, and rehabilitate and rebuild low-income housing damaged by Hurricane Floyd. Examiners commended RBC Bank for its commitment to its local market areas and for its willingness to participate in flexible and somewhat complex credit transactions to benefit LMI borrowers and LMI areas.

Since its most recent performance evaluation, RBC Bank reported that it has provided and committed approximately $26.5 million in community development loans to finance the creation of affordable housing for the benefit of LMI families and LMI areas and for small business development in Virginia, Florida, Georgia, North Carolina, and South Carolina. The funding includes projects in partnership with the Virginia Housing Development Authority, the Self-Help Credit Union of North Carolina, Habitat for Humanity, the North Carolina Institute for Minority Economic Development, and the Florida Community Loan Fund.[23]

2. Investment Test

Examiners rated RBC Bank "high satisfactory" for its record of responding to community development needs through investments. Examiners noted that RBC Bank made significant investments in low-income housing tax credit limited partnerships, equity housing funds, and low-income mortgage pools. During the review period, RBC Bank committed to participate in qualified investments totaling $50.8 million and funded $27.2 million of that commitment. Examiners also noted that during the review period, RBC Bank supported various community development organizations, whose operations assist LMI individuals and areas or support small business development, through contributions of more than $341,000.

RBC Bank has represented that since its most recent performance evaluation, it has committed an additional $18.7 million in qualified investments for community development purposes. Such investments include a $25,000 donation to the Rocky Mount Habitat for Humanity; up to $8 million in low-income housing tax credit investments through the Community Affordable Housing Equity Corporation syndicate, which operates in Virginia, North Carolina, South Carolina, and Georgia; a purchase of $10 million in LMI mortgages throughout the bank's Atlanta assessment area; and a $200,000 grant to the East Lake Community Foundation to renovate Atlanta's East Lake neighborhood.

RBC Bank also stated that it has taken several other measures to provide economic and community support to projects and programs that assist LMI and minority populations. RBC Bank, along with other lenders, has coordinated an effort to organize and fund an eastern North Carolina regional economic development not-for-profit organization known as the Foundation for Renewal for Eastern North Carolina ("FOR ENC"). FOR ENC will establish a venture and incentive fund to provide monetary support for community development projects in the region. In addition, RBC Bank reported that its Community Development Manager and Compliance Manager have met with community organizations in Atlanta to evaluate and develop a CRA strategic plan for the Atlanta market. The plan resulted in the creation of production goals for LMI and minority mortgage customers. RBC Bank also represented that its commercial lending officers have established relationships with affordable housing developers in the Atlanta market.

3. Service Test

RBC Bank was rated "high satisfactory" at its most recent performance evaluation for its provision of retail banking and community development services. Examiners found that RBC Bank's delivery systems, branch locations, and hours of operation were readily accessible to all portions of its assessment areas. Examiners observed that approximately 19 percent of the bank's 242 branches were in LMI areas. In addition, examiners found that bank personnel provided support to community development organizations, which, in turn, offered community development services throughout the bank's assessment areas. One RBC Bank officer served on the advisory committee of the North Carolina Community College System's Small Business Center Network ("SBNC"), which operates 58 offices throughout North Carolina. The SBNC promotes microenterprise development through economic and workforce development programs. As previously noted, RBC Bank also is a majority owner of a small business investment corporation that provides capital and management assistance to qualifying small businesses.

C. Admiralty Bank's CRA Performance Record

As previously noted, Admiralty Bank received a satisfactory CRA rating at its most recent performance evaluation.[24] Examiners determined that Admiralty Bank's loan-to-deposit ratio was reasonable given the bank's size and assessment area credit needs. Examiners also found that the majority of consumer loans originated during the review period were made to individuals inside the bank's

one loan of 2.2 million in Greene County to build an LMI housing facility.

23. RBC Bank received a Bank Enterprise Award from the Department of the Treasury for a $5 million loan that the bank originated to the Self-Help Credit Union of North Carolina, a community development financial institution. RBC Bank donated the award of $550,000 to the credit union to provide financing for additional low-income housing in North Carolina.

24. The review period for Admiralty Bank's CRA evaluation was October 1996 through June 15, 1998. Admiralty Bank's assessment area included 28 census tracts in the northern part of the West Palm Beach-Boca Raton MSA. Examiners noted that although the bank's assessment area contains no low-income census tracts, the bank did not unreasonably exclude any LMI areas from the assessment area.

assessment area.[25] Examiners noted that Admiralty Bank's distribution of business and consumer loans inside the assessment area reflected effective loan penetration to businesses and individuals of different income levels.

Examiners found that Admiralty Bank is primarily a commercial lender with particular expertise in originating business loans guaranteed by the Small Business Administration ("SBA"). Approximately 88 percent of the loans originated by Admiralty Bank during the exam period were commercial loans. Although only 42 percent of the sample of business loans reviewed by examiners were originated to businesses in the bank's assessment area, examiners found that the availability of SBA loan products was sufficient to meet demand in and around the assessment area. Examiners noted that the loans originated to businesses outside the assessment area were almost all SBA loans and were distributed over an extended area of the southeast Florida region.

RBC Bank stated that it intends to apply its CRA compliance policies to Admiralty Bank after the merger. RBC Bank has represented that it intends to evaluate the Florida market that Admiralty Bank serves and to visit local organizations to evaluate community development opportunities. The resulting evaluation would become the basis for the RBC Bank plan for CRA compliance in the markets that Admiralty Bank now serves.

D. HMDA

RBC recently acquired Eagle Bancshares, Inc. and its thrift subsidiary, Tucker Federal Bank, both in Tucker, Georgia.[26] In evaluating that proposal, the Board considered comments filed by the commenter about RBC Bank's HMDA data that were substantially the same as the comments submitted in this case.[27] In considering this earlier proposal, the Board reviewed extensively RBC Bank's and RBC Mortgage's 2000 and 2001 HMDA data and assessed each institution's performance in lending to minority applicants and to applicants in LMI census tracts in eleven markets. In connection with RBC's current proposal, the Board reviewed its previous HMDA analysis and analyzed RBC's performance in additional markets.

The Board is concerned when the record of an institution indicates disparities in lending and believes that all banks are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending but also equal access to credit by creditworthy applicants regardless of their race, gender or national origin. 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.[28] HMDA data, therefore, have limitations that make them an inadequate basis, absent other information, for concluding that an institution has not assisted adequately in meeting its community's credit needs or has engaged in illegal lending discrimination.

Because of the limitations of HMDA data, the Board has considered these data carefully in light of other information, including examination reports that provide on-site evaluation of RBC Bank's compliance with fair lending laws and the overall lending and community development activities of RBC Bank.[29] The Board also has considered, and hereby adopts, the findings and explanations discussed in its review of these matters in the Tucker Federal Bank proposal.[30]

As noted, examiners found no evidence of prohibited discriminatory practices or of substantive violations of fair lending laws at RBC Bank's most recent performance evaluation. The Board also notes that the lower percentages of mortgage loans to African Americans and in predominantly minority census tracts by RBC Bank appear to reflect a lower percentage of applications received by the bank from these individuals and areas as compared with the aggregate. RBC Bank's approval rate for such loans approximated or exceeded that of the aggregate in all four markets reviewed.

As noted above, RBC Bank has in place a number of programs designed to help meet the credit needs of its

25. Examiners concluded that the 47 consumer loans originated by the Admiralty Bank since its previous performance evaluation constituted a significant volume of consumer loans for a bank its size.

26. *See Royal Bank of Canada*, 88 *Federal Reserve Bulletin* 385 (2002).

27. The commenter noted that RBC Bank's denial disparity ratios, which compare the denial rate for minority loan applicants with that for nonminority applicants—particularly for African-American applicants in the Rocky Mount, Greensboro, and Charlotte MSAs, all in North Carolina, and the Norfolk, Virginia MSA compared unfavorably with those of the HMDA-reporting lenders in the aggregate in those four MSAs. Aggregate data are based on all lenders reporting HMDA data in a particular market.

28. The data do not, for example, 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 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.

29. The commenter expressed concern about the apparent increase in the denial disparity ratios for African-American and Latino applicants to RBC Mortgage in the St. Louis, Missouri, MSA, and the apparent disparity in the Chicago, Illinois, MSA in originations of loans to African-American and nonminority applicants. In addition, the commenter questioned whether RBC Mortgage is complying with the requirements of HMDA. The commenter requested on-site examinations of and enforcement actions against RBC Bank and RBC Mortgage to address these HMDA-related issues.

RBC has provided information about the policies and procedures it has implemented to comply with fair lending laws and HMDA and to ensure accurate HMDA reporting. The Board notes that the Federal Reserve Bank of Richmond concluded an on-site review of RBC Bank's record of compliance with fair lending laws on March 4, 2002. The examiners' findings did not substantiate the commenter's allegations about the bank's lending practices. With respect to RBC Mortgage, the Board has forwarded the commenter's letter to the Department of Housing and Urban Development and the Federal Trade Commission, the agencies responsible for enforcing compliance with fair lending laws by nondepository institutions.

30. *See Royal Bank of Canada*, 88 *Federal Reserve Bulletin* 385 (2002).

communities and examiners found that RBC Bank has engaged in substantial lending throughout its assessment areas. The HMDA data also reflected overall improvements in the number of mortgage loans originated by the bank to African Americans, LMI individuals, and to individuals residing in predominantly minority and LMI census tracts during 2000 and 2001. In addition, the applicant has implemented a number of programs and made efforts to improve its outreach efforts to minorities and to LMI individuals and LMI areas.

E. Conclusion on Convenience and Needs Considerations

In reviewing the effect of the proposal on the convenience and needs of the communities to be served, the Board has considered carefully all the facts of record, including the comments received and the responses to the comments, evaluations of the performance of RBC Bank and Admiralty Bank under the CRA, the relevant HMDA data for RBC Bank and RBC Mortgage, other information provided by RBC Bank, and confidential supervisory information. The Board also has reviewed information submitted by RBC Bank concerning its CRA performance and its activities to help ensure compliance with fair lending laws since its last performance evaluation.

The record indicates that RBC Bank has performed adequately under the CRA. Based on all the facts of record, and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs of the communities to be served, including the CRA performance records of the institutions involved, are consistent with approval of the proposal.

Conclusion

Based on the foregoing, and all facts of record, the Board has determined that the applications should be, and hereby are, approved.[31] In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act, the Bank Merger Act, and the statutory provisions that govern the retention and operation of interstate branches.

The Board's approval is specifically conditioned on compliance by RBC, RBC Centura, and RBC Bank with all the commitments and representations made in connection with the applications. The Board's determination also is conditioned specifically on the Board's receiving access to information on the operations or activities of RBC and any of its affiliates that the Board determines to be appropriate to assess and enforce compliance by RBC and its affiliates with applicable federal statutes. These commitments, representations, and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decisions and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective January 13, 2003.

Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Gramlich, Bies, Olson, Bernanke, and Kohn.

ROBERT DEV. FRIERSON
Deputy Secretary of the Board

Appendix

Addresses of Main Office and Branches to be Acquired by RBC Bank

1. 4400 PGA Boulevard
   Palm Beach Gardens, FL 33410
2. 496 Central Parkway West
   Altamonte Springs, FL 32714
3. 1401 North Federal Highway
   Boca Raton, FL 33432
4. 4350 North Atlantic Avenue
   Cocoa Beach, FL 32931
5. 300 West Broward Boulevard
   Fort Lauderdale, FL 33312
6. 14235 U.S. Highway One
   Juno Beach, FL 33408
7. 620 West Indiantown Road
   Jupiter, FL 33458
8. 2 South Orange Avenue
   Orlando, FL 32801
9. 5811 South Orange Avenue
   Orlando, FL 32806
10. 6769 North Wickham Road, Suite B100
    Melbourne, FL 32940

31. The commenter also requested that the Board hold a public hearing or meeting on the proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. The Board has not received such a recommendation from the appropriate supervisory authority. In addition, the Bank Merger Act does not require the Board to hold a public hearing or meeting.

Under its rules, the Board may, in its discretion, hold a public meeting or hearing on an application to acquire a bank if a meeting or hearing is necessary or appropriate to clarify factual issues related to the application and to provide an opportunity for testimony. 12 C.F.R. 225.16(e). The Board has considered carefully the commenter's request in light of all the facts of record. In the Board's view, the public has had ample opportunity to submit comments on the proposal, and, in fact, the commenter has submitted written comments that the Board has considered carefully in acting on the proposal. The commenter's request fails to demonstrate why its written comments do not adequately present evidence in support of its position and fails to identify disputed issues of fact that are material to the Board's decision that would be clarified by a public meeting or hearing. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or warranted in this case. Accordingly, the request for a public meeting or hearing on the proposal is denied.

ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT

BBVA Bancomer, S.A. Mexico City, Mexico

Order Approving Establishment of an Agency

BBVA Bancomer, S.A.("Bank"), Mexico City, Mexico, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 7(d) of the IBA (12 U.S.C. §3105(d)) to establish an agency in Houston, Texas. The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish an agency in the United States.

Notice of the application, affording interested persons an opportunity to comment, has been published in a newspaper of general circulation in Houston, Texas (Houston Chronicle, August 5, 2002). The time for filing comments has expired, and all comments have been considered.

Bank, with total assets of approximately $41 billion, is the largest bank in Mexico.[1] Bank is a subsidiary of Grupo Financiero BBVA Bancomer, S.A. de C.V. ("Grupo"), also in Mexico City, a financial services holding company that owns 99.9 percent of Bank's shares. Grupo's ultimate parent is Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA"), Bilbao, Spain, which directly or indirectly owns approximately 55 percent and has voting control over an additional approximately 9 percent of the common shares of Grupo. No other shareholder controls more than 5 percent of the shares of Grupo. Bank and its subsidiaries represent more than 95 percent of Grupo's consolidated assets. BBVA, with assets of approximately $277 billion, is the second largest banking organization in Spain. BBVA provides a broad range of banking, financial, and other services throughout the world, and operates banking offices and subsidiaries in more than 24 countries.[2] BBVA is a qualifying foreign banking organization under Regulation K.

Bank currently operates state-licensed agencies in Los Angeles, California, and New York, New York. Bank and Grupo also operate several U.S. nonbanking subsidiaries, all headquartered in Houston, Texas.[3]

Bank seeks to establish the Houston agency to relocate and consolidate the existing operations of its Los Angeles and New York agencies. On the establishment of the proposed Houston agency, all operations, assets, and liabilities of Bank's existing U.S. agencies would be transferred to the Houston agency. The proposed Houston agency would continue the business of the existing agencies, which includes deposit accounts for non-U.S. persons, corporate loans and letters of credit, and other banking services for international businesses and non-U.S. persons.

In order to approve an application by a foreign bank to establish an agency in the United States, the IBA and Regulation K require the Board to determine that the foreign bank applicant engages directly in the business of banking outside the United States and has furnished to the Board the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. §3105(d)(2); 12 C.F.R. 211.24).[4] The Board may also take into account additional standards as set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)–(4); 12 C.F.R. 211.24(c)(2)–(3)).

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

With respect to supervision by home country authorities, the Federal Reserve previously has determined, in connection with an application involving another bank in Mexico, that bank was subject to home country supervision on a consolidated basis.[5] Bank is supervised by the banking regulatory authorities in Mexico on substantially the same terms and conditions as that other bank. With respect to Bank's parent, BBVA, the Federal Reserve also previously has determined that other Spanish banks are subject to comprehensive supervision on a consolidated basis in connection with their applications to establish U.S. operations.[6] BBVA is subject to supervision by the banking regulatory authorities in Spain on substantially the same terms and conditions as those other banks. Based on all the facts of record, it has been determined that Bank and BBVA are subject to comprehensive supervision on a consolidated basis by their home country supervisors.

The Board has also taken into account the additional standards set forth in section 7 of the IBA and Reg-

1. Asset data are as of September 30, 2002.

2. In the United States, BBVA's banking operations include a subsidiary bank, Banco Bilbao Vizcaya Argentaria Puerto Rico, San Juan, Puerto Rico; a branch in New York, New York; and an agency in Miami, Florida. BBVA also has several U.S. nonbanking subsidiaries.

3. These subsidiaries engage in money transmission, brokerage, foreign exchange activities, and related services and support.

4. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors:

(i) Ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;
(ii) Obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;
(iii) Obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;
(iv) Receive from the bank financial reports that are consolidated on a worldwide basis or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis;
(v) Evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. These are indicia of comprehensive, consolidated supervision. No single factor is essential, and other elements may inform the Board's determination.

5. *See Grupo Financiero Banamex Accival,* 82 *Federal Reserve Bulletin* 1047 (1996).

6. *See Caixa de Aforros de Vigo,* 88 *Federal Reserve Bulletin* 132 (2002); *Caja de Ahorros y Monte de Piedad de Madrid,* 87 *Federal Reserve Bulletin* 785 (2001).

ulation K (*see* 12 U.S.C. §3105(d)(3)–(4); 12 C.F.R. 211.24(c)(2)–(3)). The home country supervisors of Bank and BBVA have no objection to the establishment of the proposed agency.

Mexico's risk-based capital standards are consistent with those established by the Basel Capital Accord. Bank's capital is in excess of the minimum levels that would be required by the Basel Capital Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Bank also are considered consistent with approval, and Bank appears to have the experience and capacity to support the proposed agency. In addition, Bank has established controls and procedures for the proposed agency to ensure compliance with U.S. law, as well as controls and procedures for its worldwide operations generally.

Mexico is a member of the Financial Action Task Force and subscribes to its recommendations on measures to combat money laundering. In accordance with these recommendations, Mexico has enacted laws and created legislative and regulatory standards to deter money laundering. Money laundering is a criminal offense in Mexico, and financial institutions are required to establish internal policies, procedures, and systems for the detection and prevention of money laundering throughout their worldwide operations. Bank has policies and procedures to comply with these laws and regulations that are monitored by governmental entities responsible for anti-money laundering compliance.

With respect to access to information about Bank's operations, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank and BBVA operate and has communicated with relevant government authorities regarding access to information. Bank and its ultimate parent have committed to make available to the Board such information on the operations of Bank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited by law or otherwise, Bank and its ultimate parent have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure of such information. In light of these commitments and other facts of record, and subject to the condition described below, it has been determined that Bank has provided adequate assurances of access to any necessary information that the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank and BBVA, as well as the terms and conditions set forth in this order, Bank's application to establish an agency in Houston, Texas, is hereby approved.[7] Should any restrictions on access to information on the operations or activities of Bank and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Bank and BBVA with the commitments made in connection with this application and with the conditions in this order.[8] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with this decision and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank and its affiliates.

By order, approved pursuant to authority delegated by the Board, effective January 29, 2003.

JENNIFER J. JOHSON
Secretary of the Board

7. Approved by the Director of the Division of Banking Supervision and Regulation, with the concurrence of the General Counsel, pursuant to authority delegated by the Board.

8. The Board's authority to approve the establishment of the proposed agency parallels the continuing authority of the State of Texas to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of Texas Department of Banking to license the proposed agency of Bank in accordance with any terms or conditions that it may impose.

Applications Approved Under Bank Holding Company Act By Federal Reserve Banks

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

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Community Bancshares of West Georgia, Inc., Villa Rica, Georgia	Community Bank of West Georgia, Villa Rica, Georgia	Atlanta	January 2, 2003
FEB Bancshares, Inc., Neshkoro, Wisconsin	Golden Sands Bankshares, Inc., Neshkoro, Wisconsin Farmers Exchange Bank, Neshkoro, Wisconsin	Chicago	January 9, 2003
First Merchants Corporation, Muncie, Indiana	CNBC Bancorp, Columbus, Ohio Commerce National Bank, Columbus, Ohio	Chicago	January 6, 2003
First Olathe Bancshares, Inc., Overland Park, Kansas	Bannister Bancshares, Inc., Kansas City, Missouri	Kansas City	January 8, 2003
F T Bancshares, Inc., Aurelia, Iowa	Aurelia F T & S Bankshares, Inc., Aurelia, Iowa The First Trust & Savings Bank, Marcus, Iowa	Chicago	January 9, 2003
MB Financial, Inc., Chicago, Illinois	South Holland Bancorp, Inc., South Holland, Illinois South Holland Trust and Savings Bank, South Holland, Illinois	Chicago	January 9, 2003
Olmsted Holding Corporation, Byron, Minnesota	Colmsted National Bank, Rochester, Minnesota	Minneapolis	January 14, 2003
Tropical Bancshares of Florida, Inc., Englewood, Florida	Englewood Bank, Englewood, Florida	Atlanta	January 3, 2003

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
FNB Southeast, Reidsville, North Carolina	Guaranty Bank, Charlottesville, Virginia	Richmond	January 3, 2003

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.

Sedgwick v. United States, No. 02-5378 (D.C. Circuit, filed November 26, 2002). Appeal of the dismissal of appellant's claim for a declaratory judgment under the Federal Tort Claims Act and the Constitution regarding the banking agencies' alleged failure to intervene on his behalf in civil litigation involving a regulated institution.

Albrecht v. Board of Governors, No. 02-5325 (D.C. Cir., filed October 18, 2002). Appeal of district court order dismissing challenge to the method of funding of the retirement plan for certain Board employees.

Caesar v. United States, No. 02-0612 (EGS) (D.D.C.), removed on April 1, 2002 from No. 02-1502 (D.C. Superior Court, originally filed March 1, 2002). Action seeking damages for personal injury.

Community Bank & Trust v. United States, No. 01-571C (Ct. Fed, Cl., filed October 3, 2001). Action challenging on constitutional grounds the failure to pay interest on reserve accounts held at Federal Reserve Banks.

Artis v. Greenspan, No. 01-CV-0400 (EGS) (D.D.C., complaint filed February 22, 2001). Employment discrimination action. On August 15, 2001, the district court consolidated the action with *Artis v. Greenspan,* No. 99-CV-2073 (EGS) (D.D.C., filed August 3, 1999), also an employment discrimination action.

Fraternal Order of Police v. Board of Governors, No. 1:98CV03116 (WBB)(D.D.C., filed December 22, 1998). Declaratory judgment action challenging Board regulation on labor–management relations at Reserve Banks.

Financial and Business Statistics

INTERNATIONAL STATISTICS

Summary Statistics

Reported by Banks in the United States

Reported by Nonbanking Business Enterprises in the United States

Securities Holdings and Transactions

Interest and Exchange Rates

Guide to Tables

Symbols and Abbreviations

c	Corrected
e	Estimated
n.a.	Not available
n.e.c.	Not elsewhere classified
p	Preliminary
r	Revised (Notation appears in column heading when about half the figures in the column have been revised from the most recently published table.)
*	Amount insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is in millions)
0	Calculated to be zero
. . .	Cell not applicable
ABS	Asset-backed security
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
CRA	Community Reinvestment Act of 1977
FAMC	Federal Agricultural Mortgage Corporation
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
FSA	Farm Service Agency
FSLIC	Federal Savings and Loan Insurance Corporation
G-7	Group of Seven
G-10	Group of Ten
GDP	Gross domestic product
GNMA	Government National Mortgage Association
GSE	Government-sponsored enterprise
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IOs	Interest only, stripped, mortgage-backed securities
IPCs	Individuals, partnerships, and corporations
IRA	Individual retirement account
MMDA	Money market deposit account
MSA	Metropolitan statistical area
NAICS	North American Industry Classification System
NOW	Negotiable order of withdrawal
OCDs	Other checkable deposits
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PMI	Private mortgage insurance
POs	Principal only, stripped, mortgage-backed securities
REIT	Real estate investment trust
REMICs	Real estate mortgage investment conduits
RHS	Rural Housing Service
RP	Repurchase agreement
RTC	Resolution Trust Corporation
SCO	Securitized credit obligation
SDR	Special drawing right
SIC	Standard Industrial Classification
TIIS	Treasury inflation-indexed securities
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 U.S. Treasury.

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

1.10 RESERVES AND MONEY STOCK MEASURES

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	2002				2002				
	Q1[r]	Q2[r]	Q3[r]	Q4	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.
Reserves of depository institutions[2]									
1 Total	−9.7	−15.9	−.9	−1.5	11.3	−23.3	−10.9	19.8	15.4
2 Required	−9.2	−14.9	−3.6	−4.0	3.5	−19.3	−13.7	18.5	4.0
3 Nonborrowed	−9.3	−16.5	−2.4	−.7	7.1	−20.4	−8.3	15.9	21.3
4 Monetary base[3]	8.9	7.3	6.9	5.2	4.9	3.0	5.2	6.0	7.7
Concepts of money[4]									
5 M1	5.7	−.6	3.1	4.8	−11.1	6.3	11.5	−.5	8.1
6 M2	6.7	4.1	9.2	6.9	8.3	5.6	8.0	7.7	2.7
7 M3	5.8	4.1	7.7	7.3	10.2	6.2	.6	16.9	7.2
Nontransaction components									
8 In M2[5]	7.0	5.4	10.8	7.5	13.6	5.4	7.1	9.9	1.3
9 In M3 only[6]	3.8	4.2	4.5	8.2	14.3	7.5	−15.4	37.1	16.8
Time and savings deposits									
Commercial banks									
10 Savings, including MMDAs	20.4	15.1	20.1	16.9	28.7	16.7	14.3	20.9	3.6
11 Small time[7]	−16.1	−6.3	−6.3	−10.2	−8.5	−12.0	−10.3	−9.3	−11.1
12 Large time[8,9]	5.2	12.4	3.7	−3.4	.0	−3.4	10.7	−12.2	−31.4
Thrift institutions									
13 Savings, including MMDAs	31.0	24.0	20.4	20.9	21.7	21.5	22.9	14.6	22.2
14 Small time[7]	−12.3	−16.6	−11.7	−7.8	−7.8	−9.4	−7.9	−7.5	−5.6
15 Large time[8]	1.5	−8.1	−3.1	10.2	15.1	2.1	8.5	15.9	14.6
Money market mutual funds									
16 Retail	−7.8	−9.2	4.7	−5.0	−1.0	−13.0	−3.5	.9	−9.1
17 Institution-only	3.4	3.9	−.8	1.8	−.9	−8.3	−41.4	68.6	25.2
Repurchase agreements and eurodollars									
18 Repurchase agreements[10]	3.0	−.7	27.5	45.0	86.6	67.8	−4.8	55.3	77.7
19 Eurodollars[10]	3.6	−4.7	.2	12.4	21.6	21.2	9.8	8.0	1.7

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 is as follows:

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

M2: M1 plus (1) savings (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds. Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds.

Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

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

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						
	2002			2002						
	Oct.	Nov.	Dec.	Nov. 13	Nov. 20	Nov. 27	Dec. 4	Dec. 11	Dec. 18	Dec. 25
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	659,702	666,517	690,026	666,349	666,072	669,023	672,622	670,747	692,554	703,577
U.S. government securities[2]										
2 Bought outright—System account[3]	609,157	608,689	621,818	608,480	608,053	609,235	609,586	609,905	626,469	629,400
3 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
Federal agency obligations										
4 Bought outright	10	10	10	10	10	10	10	10	10	10
5 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
6 Repurchase agreements[4]	11,242	19,308	29,476	16,821	20,929	23,036	25,857	22,000	28,179	34,321
7 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
8 Adjustment credit	13	213	42	242	310	3	2	164	6	13
9 Seasonal credit	120	61	46	66	60	54	54	46	49	46
10 Special Liquidity Facility credit	0	0	0	0	0	0	0	0	0	0
11 Extended credit	0	0	0	0	0	0	0	0	0	0
12 Float	363	104	604	649	−310	15	266	1,472	−161	1,078
13 Other Federal Reserve assets	38,797	38,133	38,029	40,081	37,020	36,671	36,847	37,150	38,003	38,708
14 Gold stock	11,042	11,042	11,043	11,042	11,042	11,042	11,042	11,043	11,043	11,043
15 Special drawing rights certificate account	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
16 Treasury currency outstanding	34,349	34,424[r]	34,539	34,407[r]	34,428[r]	34,450[r]	34,472	34,503	34,535	34,566
ABSORBING RESERVE FUNDS										
17 Currency in circulation	662,719	668,237[r]	678,660	668,079[r]	667,813[r]	669,935[r]	674,544	674,339	675,482	681,523
18 Reverse repurchase agreements[5]	0	0	13,291	0	0	0	0	0	18,202	20,908
19 Treasury cash holdings	389	387	370	386	387	384	377	376	370	361
Deposits, other than reserve balances, with Federal Reserve Banks										
20 Treasury	4,873	5,024	4,891	5,013	4,868	5,016	4,664	4,107	5,959	4,678
21 Foreign	164	118	134	77	147	125	127	138	148	114
22 Service-related balances and adjustments	10,266	10,483	10,808	10,328	10,461[r]	10,625	10,684	10,554	10,899	11,181
23 Other	223	228	242	236	250	180	228	208	210	212
24 Other Federal Reserve liabilities and capital	19,530	19,765	20,061	20,012	19,791	19,483	19,571	19,799	20,203	20,441
25 Reserve balances with Federal Reserve Banks[6]	9,128	9,943	9,781	9,867	10,025[r]	10,968	10,139	8,973	8,858	11,969

Factor	End-of-month figures			Wednesday figures						
	Oct.	Nov.	Dec.	Nov. 13	Nov. 20	Nov. 27	Dec. 4	Dec. 11	Dec. 18	Dec. 25
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	662,905	674,241	708,078	673,934	662,991	676,116	666,887	679,720	698,549	708,372
U.S. government securities[2]										
2 Bought outright—System account[3]	607,865	608,985	629,406	608,984	606,396	609,614	610,876	608,947	629,397	629,402
3 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
Federal agency obligations										
4 Bought outright	10	10	10	10	10	10	10	10	10	10
5 Held under repurchase agreements	0	0	0	0	0	0	0	0	0	0
6 Repurchase agreements[4]	16,500	28,500	39,500	21,000	19,250	29,000	18,000	30,750	30,000	37,250
7 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
8 Adjustment credit	0	2	9	2	1	6	2	1,076	2	9
9 Seasonal credit	80	57	31	65	56	54	49	45	43	50
10 Special Liquidity Facility credit	0	0	0	0	0	0	0	0	0	0
11 Extended credit	0	0	0	0	0	0	0	0	0	0
12 Float	−695	−334	418	3,624	752	599	1,081	1,498	895	2,693
13 Other Federal Reserve assets	39,144	37,022	38,703	40,249	36,527	36,833	36,867	37,394	38,202	38,958
14 Gold stock	11,042	11,042	11,043	11,042	11,042	11,042	11,043	11,043	11,043	11,043
15 Special drawing rights certificate account	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
16 Treasury currency outstanding	34,385	34,472[r]	34,597	34,407[r]	34,428[r]	34,450[r]	34,472	34,503	34,535	34,566
ABSORBING RESERVE FUNDS										
17 Currency in circulation	663,370	673,853[r]	687,518	669,444[r]	668,869[r]	674,314[r]	675,400	675,548	678,744	685,083
18 Reverse repurchase agreements[5]	0	0	21,091	0	0	0	0	0	21,905	20,396
19 Treasury cash holdings	397	377	367	387	386	377	377	372	360	367
Deposits, other than reserve balances, with Federal Reserve Banks										
20 Treasury	5,878	4,928	4,420	4,592	4,519	5,082	3,504	5,506	6,595	4,662
21 Foreign	89	78	136	76	72	224	153	139	172	139
22 Service-related balances and adjustments	10,423	10,684[r]	10,648	10,328	10,461[r]	10,625	10,684	10,554	10,899	11,181
23 Other	233	253	1,152	238	231	184	207	201	213	203
24 Other Federal Reserve liabilities and capital	19,720	19,616	18,977	19,693	19,307	19,435	19,452	19,786	19,907	20,670
25 Reserve balances with Federal Reserve Banks[6]	10,422	12,167[r]	11,608	16,825	6,818[r]	13,566	4,823	15,360	7,532	13,482

1. Amounts of cash held as reserves are shown in table 1.12, line 2.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.
4. Cash value of agreements, which are collateralized by U.S. Treasury and federal agency securities.
5. Cash value of agreements, which are collateralized by U.S. Treasury securities.
6. 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									
	2000	2001	2002	2002						
	Dec.	Dec.	Dec.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 Reserve balances with Reserve Banks[2]	7,022	9,053	9,873	7,923	8,099	8,520	8,731	8,836	9,695[r]	9,873
2 *Total vault cash*[3]	*45,245*	*43,919*	*43,334*	*41,655*	*42,718*	*42,892*	*42,231*	*42,933*	*42,144*[r]	*43,334*
3 Applied vault cash[4]	31,451	32,024	30,300	30,694	31,313	31,335	30,176	29,849	29,446	30,300
4 Surplus vault cash[5]	13,794	11,895	13,033	10,961	11,406	11,557	12,055	13,084	12,698[r]	13,033
5 Total reserves[6]	38,473	41,077	40,173	38,617	39,412	39,854	38,907	38,685	39,141[r]	40,173
6 Required reserves	37,046	39,428	38,176	37,378	38,038	38,217	37,431	37,134	37,525	38,176
7 Excess reserve balances at Reserve Banks[7]	1,427	1,649	1,997	1,238	1,374	1,637	1,476	1,550	1,616	1,997
8 Total borrowing at Reserve Banks	210	67	80	142	191	333	229	143	272	80
9 Adjustment	99	34	35	6	16	148	60	23	211	35
10 Seasonal	111	33	45	136	176	185	169	120	60	45
11 Extended credit[8]	0	0	0	0	0	0	0	0	0	0
	Biweekly averages of daily figures for two-week periods ending on dates indicated									
	2002									2003
	Sept. 4	Sept. 18	Oct. 2	Oct. 16	Oct. 30	Nov. 13	Nov. 27	Dec. 11[r]	Dec. 25	Jan. 8
1 Reserve balances with Reserve Banks[2]	10,024	7,666	9,543	7,935	9,634	8,864	10,497	9,559	10,408	9,200
2 Total vault cash[3]	41,632	41,581	43,190	43,452	42,465[r]	41,720[r]	42,605[r]	41,827	43,740	45,148
3 Applied vault cash[4]	30,698	28,528	31,925	28,939	30,573	28,302	30,514	29,419	30,292	31,935
4 Surplus vault cash[5]	10,935	13,053	11,265	14,513	11,892[r]	13,418[r]	12,092[r]	12,408	13,448	13,213
5 Total reserves[6]	40,722	36,194	41,468	36,874	40,207	37,166	41,010	38,978	40,700	41,135
6 Required reserves	38,436	35,225	39,670	35,337	38,688	35,492	39,441	37,394	38,225	39,495
7 Excess reserve balances at Reserve Banks[7]	2,286	969	1,797	1,537	1,519	1,674	1,569	1,583	2,475	1,640
8 Total borrowing at Reserve Banks	626	167	170	155	111	366	214	133	57	36
9 Adjustment	438	4	1	25	4	299	157	83	10	8
10 Seasonal	188	163	170	130	107	67	57	50	48	29
11 Extended credit[8]	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Data are not break-adjusted or seasonally adjusted.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.
3. Vault cash eligible to satisfy reserve requirements. It includes only vault cash held by those banks and thrift institutions that are not exempt from reserve requirements. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements.
4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. 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	Primary credit[1]			Secondary credit[2]			Seasonal credit[3]		
	On 2/14/03	Effective date	Previous rate	On 2/14/03	Effective date	Previous rate	On 2/14/03	Effective date	Previous rate
Boston	2.25	1/9/03	n/a	2.75	1/9/03	n/a	1.25	1/9/03	1.30
New York	▲	▲	▲	▲	▲	▲	▲	▲	▲
Philadelphia									
Cleveland									
Richmond									
Atlanta									
Chicago									
St. Louis									
Minneapolis									
Kansas City									
Dallas	▼	▼	▼	▼	▼	▼	▼	▼	▼
San Francisco	2.25	1/9/03	n/a	2.75	1/9/03	n/a	1.25	1/9/03	1.30

Range of rates for primary credit

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Jan. 9, 2003 (beginning of program)	2.25	2.25						

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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1995	5.25	5.25	2000—Feb. 2	5.00–5.25	5.25	2001—June 27	3.25–3.50	3.25
			4	5.25	5.25	29	3.25	3.25
1996—Jan. 31	5.00–5.25	5.00	Mar. 21	5.25–5.50	5.50	Aug. 21	3.00–3.25	3.00
Feb. 3	5.00	5.00	23	5.50	5.50	23	3.00	3.00
			May 16	5.50–6.00	5.50	Sept. 17	2.50–3.00	2.50
1998—Oct. 15	4.75–5.00	4.75	19	6.00	6.00	18	2.50	2.50
16	4.75	4.75				Oct. 2	2.00–2.50	2.00
Nov. 17	4.50–4.75	4.50	2001—Jan. 3	5.75–6.00	5.75	4	2.00	2.00
19	4.50	4.50	4	5.50–5.75	5.50	Nov. 6	1.50–2.00	1.50
			5	5.50	5.50	8	1.50	1.50
1999—Aug. 24	4.50–4.75	4.75	31	5.00–5.50	5.00	Dec. 11	1.25–1.50	1.25
26	4.75	4.75	Feb. 1	5.00	5.00	13	1.25	1.25
Nov. 16	4.75–5.00	4.75	Mar. 20	4.50–5.00	4.50			
18	5.00	5.00	21	4.50	4.50	2002—Nov. 6	0.75–1.25	0.75
			Apr. 18	4.00–4.50	4.00	7	0.75	0.75
			20	4.00	4.00			
			2001—May 15	3.50–4.00	3.50	In effect Jan. 8, 2003	0.75	0.75
			17	3.50	3.50	(end of program)		

1. Available for very short terms as a backup source of liquidity to depository institutions that are in generally sound financial condition in the judgment of the lending Federal Reserve Bank.

2. Available in appropriate circumstances to depository institutions that do not qualify for primary credit.

3. 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.

4. Was available until January 8, 2003, to help depository institutions meet temporary needs for funds that could not be met through reasonable alternative sources. For earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, and *1941–1970*; and the *Statistical Digest, 1970–1979, 1980–1989*, and *1990–1995*. See also the Board's Statistics: Releases and Historical Data web pages (http://www.federalreserve.gov/releases/H15/data.htm).

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[2]		
1 $0 million–$6 million[3]	0	12/26/02
2 More than $6 million–$42.1 million[4]	3	12/26/02
3 More than $42.1 million[5]	10	12/26/02
4 Nonpersonal time deposits[6]	0	12/27/90
5 Eurocurrency liabilities[7]	0	12/27/90

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

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

3. Under the Garn–St Germain Depository Institutions Act of 1982, the Board adjusts the amount of reservable liabilities subject to a zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is made in the event of a decrease. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement. Effective with the reserve maintenance period beginning December 26, 2002, for depository institutions that report weekly, and with the period beginning January 16, 2003, for institutions that report quarterly, the exemption was raised from $5.7 million to $6.0 million.

4. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 of each year. Effective with the reserve maintenance period beginning December 26, 2002, for depository institutions that report weekly, and with the period beginning January 16, 2003, for institutions that report quarterly, the amount was increased from $41.3 million to $42.1 million.

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

6. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1.5 years was reduced from 3 percent to 1.5 percent for the maintenance period that began December 13, 1990, and to zero for the maintenance period that began December 27, 1990. For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1.5 years was reduced from 3 percent to zero on January 17, 1991.

The reserve requirement on nonpersonal time deposits with an original maturity of 1.5 years or more has been zero since October 6, 1983.

7. 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 1.5 years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1999	2000	2001	2002						
				May	June	July	Aug.	Sept.	Oct.	Nov.
U.S. TREASURY SECURITIES[2]										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	0	8,676	15,503	3,524	3,656	4,838	529	750	0	250
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	464,218	477,904	542,736	70,978	53,015	45,828	63,083	53,314	62,947	51.394
4 For new bills	464.218	477,904	542,736	70,978	53.015	45.828	63,083	53.314	62.947	51,394
5 Redemptions	0	24.522	10,095	0	0	0	0	0	0	0
Others within one year										
6 Gross purchases	11,895	8,809	15.663	2,826	0	1,104	445	1.286	0	0
7 Gross sales	0	0	0	0	0	0	0	0	0	0
8 Maturity shifts	50,590	62,025	70,336	6.714	0	11,052	8,987	11.174	6,143	3,688
9 Exchanges	−53,315	−54,656	−72,004	−9.031	0	−14,183	−5,040	−15.189	−5,435	−1,419
10 Redemptions	1,429	3,779	16,802	0	0	0	0	0	0	0
One to five years										
11 Gross purchases	19,731	14,482	22,814	1.439	0	1,755	1,921	0	0	0
12 Gross sales	0	0	0	0	0	0	0	0	0	0
13 Maturity shifts	−44,032	−52,068	−45,211	−1,620	0	−11,052	−629	−11,174	−6,143	−2,380
14 Exchanges	42,604	46,177	64,519	8,639	0	13,283	3,396	15,189	5,435	1.308
Five to ten years										
15 Gross purchases	4,303	5,871	6,003	259	542	577	690	51	0	0
16 Gross sales	0	0	0	0	0	0	0	0	0	0
17 Maturity shifts	−5,841	−6,801	−21,063	−5,094	0	0	−6,714	0	0	722
18 Exchanges	7,578	6.585	6,063	391	0	900	1,645	0	0	111
More than ten years										
19 Gross purchases	9,428	5.833	8,531	0	0	63	80	0	0	0
20 Gross sales	0	0	0	0	0	0	0	0	0	0
21 Maturity shifts	−717	−3,155	−4,062	0	0	0	−1.645	0	0	−2,030
22 Exchanges	3,133	1,894	1,423	0	0	0	0	0	0	0
All maturities										
23 Gross purchases	45,357	43,670	68,513	8,048	4.198	8,336	3.665	2,087	0	250
24 Gross sales	0	0	0	0	0	0	0	0	0	0
25 Redemptions	1,429	28,301	26.897	0	0	0	0	0	0	0
Matched transactions										
26 Gross purchases	4,413,430	4,415,905	4,722,667	466.807	447,555	513,400	495,729	449.250	429,029	378,381
27 Gross sales	4,431,685	4.397,835	4,724,743	469.046	448,330	511.902	497,031	449,986	425.399	377,535
Repurchase agreements										
28 Gross purchases	281,599	0	0	0	0	0	0	0	0	0
29 Gross sales	301,273	0	0	0	0	0	0	0	0	0
30 Net change in U.S. Treasury securities	5,999	33,439	39,540	5.810	3,423	9,834	2,363	1,351	3.630	1,096
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	157	51	120	0	0	0	0	0	0	0
Repurchase agreements										
34 Gross purchases	360,069	0	0	0	0	0	0	0	0	0
35 Gross sales	370.772	0	0	0	0	0	0	0	0	0
36 Net change in federal agency obligations	−10,859	−51	−120	0	0	0	0	0	0	0
Reverse repurchase agreements										
37 Gross purchases	0	0	0	0	0	0	0	0	0	0
38 Gross sales	0	0	0	0	0	0	0	0	0	0
Repurchase agreements										
39 Gross purchases	304,989	890,236	1,497,713	106,426	98,850	68,750	84,000	93,500	72,000	113,501
40 Gross sales	164,349	987.501	1.490,838	109,926	94,850	81.250	80,500	94.750	77,250	101,501
41 Net change in triparty obligations	140,640	−97,265	6.875	−3.500	4,000	−12,500	3,500	−1,250	−5.250	12,000
42 **Total net change in System Open Market Account**	**135,780**	**−63,877**	**46,295**	**2,310**	**7,423**	**−2,666**	**5,863**	**101**	**−1,620**	**13,096**

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. Transactions include the rollover of inflation compensation into new securities.

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

Millions of dollars

Account	Wednesday 2002					End of month 2002		
	Nov. 27	Dec. 4	Dec. 11	Dec. 18	Dec. 25	Oct.	Nov.	Dec.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,038	11,039	11,039	11,039	11,039	11,038	11,038	11,039
2 Special drawing rights certificate account	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
3 Coin	1,049	1,028	1,032	1,035	1,011	1,091	1,051	988
Loans								
4 To depository institutions	60	52	1,121	45	59	80	59	40
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Triparty obligations								
7 Repurchase agreements[2]	29,000	18,000	30,750	30,000	37,250	16,500	28,500	39,500
Federal agency obligations[3]								
8 Bought outright	10	10	10	10	10	10	10	10
9 Held under repurchase agreements	0	0	0	0	0	0	0	0
10 **Total U.S. Treasury securities**[3]	**609,614**	**610,876**	**608,947**	**629,397**	**629,402**	**607,865**	**608,985**	**629,406**
11 Bought outright[4]	609,614	610,876	608,947	629,397	629,402	607,865	608,985	629,406
12 Bills	207,568	208,172	206,238	226,682	226,682	205,840	206,937	226,682
13 Notes	297,339	297,881	297,884	297,887	297,890	295,908	297,340	297,893
14 Bonds	104,707	104,823	104,825	104,828	104,830	106,117	104,708	104,832
15 Held under repurchase agreements	0	0	0	0	0	0	0	0
16 **Total loans and securities**	**638,684**	**628,938**	**640,828**	**659,452**	**666,721**	**624,456**	**637,554**	**668,956**
17 Items in process of collection	8,118	9,589	10,116	8,800	13,239	6,256	5,147	10,291
18 Bank premises	1,530	1,530	1,532	1,534	1,540	1,527	1,529	1,543
Other assets								
19 Denominated in foreign currencies[5]	16,160	16,091	16,252	16,551	16,655	16,091	16,161	16,913
20 All other[6]	19,162	19,231	19,627	19,990	20,702	21,553	19,340	20,118
21 **Total assets**	**697,941**	**689,645**	**702,625**	**720,601**	**733,107**	**684,212**	**694,021**	**732,048**
LIABILITIES								
22 Federal Reserve notes	641,286	642,328	642,444	645,599	651,891	630,469	640,806	654,272
23 Reverse repurchase agreements[7]	0	0	0	21,905	20,396	0	0	21,091
24 **Total deposits**	**29,463**	**19,535**	**31,871**	**24,923**	**29,704**	**27,077**	**28,236**	**28,249**
25 Depository institutions	23,972	15,670	26,025	17,943	24,701	20,878	22,978	22,541
26 U.S. Treasury—General account	5,082	3,504	5,506	6,595	4,662	5,878	4,928	4,420
27 Foreign—Official accounts	224	153	139	172	139	89	78	136
28 Other	184	207	201	213	203	233	253	1,152
29 Deferred credit items	7,757	8,329	8,523	8,266	10,447	6,946	5,364	9,459
30 Other liabilities and accrued dividends[8]	2,427	2,425	2,451	2,418	2,461	2,479	2,443	2,217
31 **Total liabilities**	**680,933**	**672,618**	**685,290**	**703,111**	**714,898**	**666,971**	**676,848**	**715,288**
CAPITAL ACCOUNTS								
32 Capital paid in	8,349	8,353	8,359	8,376	8,382	8,278	8,349	8,380
33 Surplus	7,312	7,312	7,312	7,312	7,312	7,312	7,312	8,380
34 Other capital accounts	1,348	1,362	1,664	1,802	2,516	1,652	1,513	0
35 **Total liabilities and capital accounts**	**697,941**	**689,645**	**702,625**	**720,601**	**733,107**	**684,212**	**694,021**	**732,048**
MEMO								
36 Marketable U.S. government and federal agency securities held in custody for foreign official and international accounts	831,289	833,276	839,532	847,705	848,468	812,239	832,089	855,053
	Federal Reserve note statement							
37 Federal Reserve notes outstanding (issued to Banks)	757,885	759,934	762,428	762,435	760,778	752,063	757,793	759,255
38 LESS: Held by Federal Reserve Banks	116,599	117,606	119,984	116,836	108,887	121,595	116,988	104,983
39 Federal Reserve notes, net	641,286	642,328	642,444	645,599	651,891	630,469	640,806	654,272
Collateral held against notes, net								
40 Gold certificate account	11,038	11,039	11,039	11,039	11,039	11,038	11,038	11,039
41 Special drawing rights certificate account	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
42 Other eligible assets	0	204	0	0	0	0	0	0
43 U.S. Treasury and agency securities	628,048	628,886	629,205	632,361	638,652	617,231	627,567	641,034
44 **Total collateral**	**641,286**	**642,328**	**642,444**	**645,599**	**651,891**	**630,469**	**640,806**	**654,272**

1. Some of the data in this table also appear in the Board's H.4.1 (503) weekly statistical release. For ordering address, see inside front cover.
2. Cash value of agreements, which are collateralized by U.S. Treasury and federal agency securities.
3. Face value of the securities.
4. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities. Excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
5. Valued monthly at market exchange rates.
6. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.
7. Cash value of agreements, which are collateralized by U.S. Treasury securities.
8. 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 2002					End of month 2002		
	Nov. 27	Dec. 4	Dec. 11	Dec. 18	Dec. 25	Oct.	Nov.	Dec.
1 **Total loans**	**60**	**52**	**1,121**	**45**	**59**	**80**	**59**	**40**
2 Within fifteen days[1]	56	30	1,089	43	57	62	44	35
3 Sixteen days to ninety days	4	22	32	3	2	18	15	5
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 **Total U.S. Treasury securities**[2]	**609,614**	**610,876**	**608,947**	**629,397**	**629,402**	**607,865**	**608,985**	**629,406**
6 Within fifteen days[1]	25,646	21,260	19,955	47,253	33,670	6,607	12,306	27,444
7 Sixteen days to ninety days	135,245	142,625	141,835	134,262	146,846	129,715	147,874	154,225
8 Ninety-one days to one year	142,115	139,936	140,097	140,816	141,815	162,163	142,194	141,840
9 One year to five years	173,805	173,934	173,935	173,935	173,936	176,182	173,805	172,758
10 Five years to ten years	52,974	53,290	53,293	53,295	53,298	51,458	52,975	53,300
11 More than ten years	79,829	79,831	79,833	79,836	79,838	81,739	79,830	79,840
12 **Total federal agency obligations**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**
13 Within fifteen days[1]	0	0	0	0	0	0	0	0
14 Sixteen days to ninety days	0	0	0	0	0	0	0	0
15 Ninety-one days to one year	0	0	0	10	10	0	0	10
16 One year to five years	10	10	10	0	0	10	10	0
17 Five years to ten years	0	0	0	0	0	0	0	0
18 More than ten years	0	0	0	0	0	0	0	0

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

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

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

Billions of dollars, averages of daily figures

Item	1999 Dec.	2000 Dec.	2001 Dec.	2002 Dec.	2002							
					May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	41.82	38.54	41.22	40.07	39.16	39.31	39.68	40.05	39.28	38.92	39.56	40.07
2 Nonborrowed reserves[4]	41.50	38.33	41.15	39.99	39.05	39.17	39.49	39.72	39.05	38.78	39.29	39.99
3 Nonborrowed reserves plus extended credit[5]	41.50	38.33	41.15	39.99	39.05	39.17	39.49	39.72	39.05	38.78	39.29	39.99
4 Required reserves	40.53	37.11	39.57	38.07	37.90	38.08	38.31	38.42	37.80	37.37	37.95	38.07
5 Monetary base[6]	593.73[r]	584.96[r]	635.78[r]	682.01	657.64[r]	662.02[r]	666.91[r]	669.66[r]	671.35[r]	674.28[r]	677.63[r]	682.01
	Not seasonally adjusted											
6 Total reserves[7]	41.89	38.53	41.20	40.03	40.23	38.54	39.32	39.74	38.78	38.54	38.98	40.03
7 Nonborrowed reserves	41.57	38.32	41.13	39.95	40.11	38.40	39.13	39.41	38.55	38.40	38.71	39.95
8 Nonborrowed reserves plus extended credit[5]	41.57	38.32	41.13	39.95	40.11	38.40	39.13	39.41	38.55	38.40	38.71	39.95
9 Required reserves[8]	40.59	37.10	39.55	38.03	38.96	37.30	37.94	38.10	37.31	36.99	37.37	38.03
10 Monetary base[9]	600.72	590.06	639.91	686.17	657.98	662.87	668.76	669.32	669.72	671.49	676.66[r]	686.17
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	41.65	38.47	41.08	40.17	40.29	38.62	39.41	39.85	38.91	38.69	39.14	40.17
12 Nonborrowed reserves	41.33	38.26	41.01	40.09	40.18	38.47	39.22	39.52	38.68	38.54	38.87	40.09
13 Nonborrowed reserves plus extended credit[5]	41.33	38.26	41.01	40.09	40.18	38.47	39.22	39.52	38.68	38.54	38.87	40.09
14 Required reserves	40.36	37.05	39.43	38.18	39.03	37.38	38.04	38.22	37.43	37.13	37.53	38.18
15 Monetary base[12]	608.02	596.98	648.74	697.09	668.12	673.01	678.98	679.55	679.96	681.83	687.23[r]	697.09
16 Excess reserves[13]	1.30	1.43	1.65	2.00	1.26	1.24	1.37	1.64	1.48	1.55	1.62	2.00
17 Borrowings from the Federal Reserve	.32	.21	.07	.08	.11	.14	.19	.33	.23	.14	.27	.08

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data starting in 1959 and estimates of the effect on required reserves of changes in reserve requirements are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.
2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10.)
3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).
4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).
5. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.
6. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.
7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).
8. To adjust required reserves for discontinuities that are due to regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).
9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.
10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with regulatory changes in reserve requirements.
11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.
12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since February 1984, currency and vault cash figures have been measured over the computation periods ending on Mondays.
13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

1.21 MONEY STOCK MEASURES[1]

Billions of dollars, averages of daily figures

Item	1999 Dec.	2000 Dec.	2001 Dec.	2002 Dec.	2002 Sept.[r]	2002 Oct.[r]	2002 Nov.[r]	2002 Dec.
	Seasonally adjusted							
Measures[2]								
1 M1	1,121.9[r]	1,084.9[r]	1,173.4[r]	1,211.5	1,192.5	1,203.9	1,203.4	1,211.5
2 M2	4,648.0[r]	4,926.9[r]	5,440.6[r]	5,791.8	5,703.5	5,741.7	5,778.6	5,791.8
3 M3	6,528.6[r]	7,090.5[r]	7,993.5[r]	8,505.7	8,333.5	8,338.0	8,455.3	8,505.7
M1 components								
4 Currency[3]	517.5[r]	531.0[r]	581.4[r]	627.0	617.8	620.5	623.3	627.0
5 Travelers checks[4]	8.3	8.0	7.8	7.5	7.9	7.7	7.5	7.5
6 Demand deposits[5]	352.2[r]	306.7[r]	325.6[r]	296.5	292.0	299.3	294.1	296.5
7 Other checkable deposits[6]	244.0[r]	239.2[r]	258.8[r]	280.5	274.7	276.4	278.7	280.5
Nontransaction components								
8 In M2[7]	3,526.0[r]	3,842.0[r]	4,267.1[r]	4,580.3	4,511.0	4,537.8	4,575.2	4,580.3
9 In M3 only[8]	1,880.6[r]	2,163.6[r]	2,552.9[r]	2,714.0	2,630.0	2,596.3	2,676.6	2,714.0
Commercial banks								
10 Savings deposits, including MMDAs	1,288.8[r]	1,422.3[r]	1,734.5[r]	2,047.3	1,982.7	2,006.3	2,041.2	2,047.3
11 Small time deposits[9]	634.7[r]	698.8[r]	634.2[r]	580.9	596.0	590.9	586.3	580.9
12 Large time deposits[10,11]	650.2[r]	717.4[r]	670.8[r]	685.1	704.4	710.7	703.5	685.1
Thrift institutions								
13 Savings deposits, including MMDAs	449.6[r]	451.7[r]	569.0[r]	711.0	676.8	689.7	698.1	711.0
14 Small time deposits[9]	320.3[r]	344.4[r]	338.7[r]	299.0	304.3	302.3	300.4	299.0
15 Large time deposits[10]	91.0[r]	102.9	114.9[r]	116.4	112.7	113.5	115.0	116.4
Money market mutual funds								
16 Retail	832.7[r]	924.8[r]	990.7[r]	942.0	951.3	948.5	949.2	942.0
17 Institution-only	634.4[r]	788.2[r]	1,189.7[r]	1,232.9	1,183.0	1,142.2	1,207.5	1,232.9
Repurchase agreements and eurodollars								
18 Repurchase agreements[12]	335.7[r]	363.5[r]	375.0[r]	468.6	422.4	420.7	440.1	468.6
19 Eurodollars[12]	169.2[r]	191.5[r]	202.5[r]	210.9	207.5	209.2	210.6	210.9
	Not seasonally adjusted							
Measures[2]								
20 M1	1,148.3	1,112.3	1,203.5	1,241.4	1,182.5	1,193.6	1,202.0	1,241.4
21 M2	4,675.0	4,962.3	5,483.5	5,841.1	5,681.3	5,720.9	5,793.1	5,841.1
22 M3	6,571.1	7,145.0	8,065.2	8,583.2	8,258.6	8,281.4	8,471.0	8,583.2
M1 components								
23 Currency[3]	521.5	535.2	584.9	630.3	616.1	617.9	622.8	630.3
24 Travelers checks[4]	8.4	8.1	7.9	7.7	7.8	7.7	7.6	7.7
25 Demand deposits[5]	371.8	326.5	347.6	316.9	289.3	294.9	296.2	316.9
26 Other checkable deposits[6]	246.6	242.5	263.2	286.6	269.3	273.0	275.4	286.6
Nontransaction components								
27 In M2[7]	3,526.7	3,849.9	4,280.0	4,599.7	4,498.8	4,527.3	4,591.1	4,599.7
28 In M3 only[8]	1,896.2	2,182.8	2,581.7	2,742.1	2,577.2	2,560.5	2,677.9	2,742.1
Commercial banks								
29 Savings deposits, including MMDAs	1,288.8	1,426.9	1,742.3	2,059.9	1,979.4	2,002.0	2,054.4	2,059.9
30 Small time deposits[9]	635.7	700.0	635.2	581.6	596.6	591.9	587.7	581.6
31 Large time deposits[10,11]	651.7	717.6	669.7	683.4	704.7	712.9	705.7	683.4
Thrift institutions								
32 Savings deposits, including MMDAs	449.6	453.1	571.5	715.4	675.6	688.2	702.6	715.4
33 Small time deposits[9]	320.8	345.0	339.2	299.3	304.6	302.8	301.1	299.3
34 Large time deposits[10]	91.2	103.0	114.7	116.1	112.7	113.9	115.3	116.1
Money market mutual funds								
35 Retail	832.0	925.0	991.8	943.5	942.6	942.5	945.2	943.5
36 Institution-only	648.2	805.6	1,217.7	1,260.7	1,144.1	1,119.2	1,211.4	1,260.7
Repurchase agreements and eurodollars								
37 Repurchase agreements[12]	334.7	364.2	376.5	470.4	411.1	408.6	435.5	470.4
38 Eurodollars[12]	170.4	192.4	203.0	211.5	204.7	205.8	210.0	211.5

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 is as follows:

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

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

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

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			
	2001	2002							2002			
	Dec.	June[r]	July	Aug.	Sept.[r]	Oct.[r]	Nov.[r]	Dec.	Dec. 4	Dec. 11	Dec. 18	Dec. 25
	Seasonally adjusted											
Assets												
1 Bank credit	5,451.0	5,540.8	5,591.5[r]	5,673.2[r]	5,730.4	5,759.7	5,837.4	5,885.8	5,839.7	5,905.9	5,896.6	5,912.8
2 Securities in bank credit	1,496.8	1,562.5	1,594.6[r]	1,632.9[r]	1,643.5	1,643.1	1,688.0	1,714.3	1,679.2	1,719.4	1,696.7	1,725.4
3 U.S. government securities	856.2[r]	909.3	918.9[r]	946.3[r]	962.9	972.4	1,001.4	1,012.3	1,006.4	1,025.7	997.8	1,010.3
4 Other securities	640.6[r]	653.3	675.8[r]	686.6[r]	680.6	670.7	686.6	702.1	672.8	693.7	698.9	715.1
5 Loans and leases in bank credit[2]	3,954.2	3,978.3	3,996.9[r]	4,040.2[r]	4,086.9	4,116.6	4,149.4	4,171.4	4,160.5	4,186.5	4,200.0	4,187.3
6 Commercial and industrial	1,031.4[r]	993.5	981.9[r]	981.8[r]	975.1	969.9	967.3	965.0	969.4	967.4	965.5	966.2
7 Real estate	1,784.5	1,838.4	1,869.2	1,900.7	1,935.0	1,967.4	2,000.1	2,020.6	2,012.3	2,030.0	2,021.4	2,017.0
8 Revolving home equity	155.5	186.1	192.9	197.7	200.9	204.9	207.7	212.4	209.7	211.1	213.1	212.8
9 Other	1,628.9	1,652.4	1,676.3	1,703.0	1,734.2	1,762.6	1,792.3	1,808.2	1,802.6	1,818.9	1,808.3	1,804.3
10 Consumer	557.9[r]	568.8	564.7	574.8	582.8	584.8	585.6	587.0	584.7	587.0	589.2	588.0
11 Security[3]	146.8[r]	170.2	178.1[r]	176.7[r]	181.4	183.1	186.7	191.6	185.4	193.6	212.4	202.6
12 Other loans and leases	433.7[r]	407.4	403.0[r]	406.3	412.6	411.3	409.7	407.2	408.6	408.4	411.5	413.5
13 Interbank loans	293.1	282.4	288.6	305.6	318.3	326.8	328.3	331.5	319.9	327.8	334.6	346.2
14 Cash assets[4]	297.5	306.7	309.4	318.1	317.2	318.7	315.0	317.5	300.0	326.6	316.5	333.2
15 Other assets[5]	486.3	475.6	484.0	499.5	498.7	512.0	517.8	517.9	508.2	530.0	507.4	517.2
16 **Total assets**[6]	**6,454.5**	**6,529.9**	**6,598.2**[r]	**6,721.4**[r]	**6,789.6**	**6,841.8**	**6,922.9**	**6,976.9**	**6,892.2**	**7,014.5**	**6,978.9**	**7,033.4**
Liabilities												
17 Deposits	4,239.8	4,377.4	4,414.0	4,460.5	4,473.4	4,482.9	4,500.1	4,483.8	4,492.8	4,478.2	4,473.1	4,508.9
18 Transaction	640.9	597.4	612.2	599.1	584.0	611.4	606.2	613.8	579.7	587.7	611.2	650.0
19 Nontransaction	3,598.9	3,780.0	3,801.8	3,861.4	3,889.4	3,871.5	3,894.0	3,870.0	3,913.0	3,890.6	3,861.9	3,858.9
20 Large time	981.2	1,036.1	1,048.1	1,049.2	1,043.2	1,019.9	1,002.5	978.5	994.7	981.7	984.1	979.3
21 Other	2,617.8	2,743.9	2,753.7	2,812.2	2,846.2	2,851.6	2,891.5	2,891.5	2,918.3	2,908.8	2,877.8	2,879.6
22 Borrowings	1,245.5	1,232.3	1,231.7	1,292.7	1,322.2	1,332.6	1,364.4	1,396.9	1,343.3	1,426.4	1,408.9	1,410.5
23 From banks in the U.S.	402.9[r]	380.2	386.1[r]	405.0[r]	416.3	415.2	421.0	416.1	414.5	423.4	414.1	416.0
24 From others	842.6[r]	852.1	845.6[r]	887.7[r]	905.9	917.3	943.5	980.8	928.8	1,003.0	994.8	994.5
25 Net due to related foreign offices	150.1	89.6	99.2	94.1	100.3	119.5	122.4	150.6	135.6	163.9	151.0	146.7
26 Other liabilities	360.8	378.4	408.0	430.4	435.4	440.0	444.4	453.4	431.3	446.6	453.7	466.3
27 **Total liabilities**	**5,996.3**	**6,077.7**	**6,152.9**	**6,277.7**	**6,331.4**	**6,375.0**	**6,431.4**	**6,484.7**	**6,403.0**	**6,515.1**	**6,486.8**	**6,532.4**
28 Residual (assets less liabilities)[7]	458.2	452.2	445.3[r]	443.7[r]	458.2	466.8	491.5	492.1	489.1	499.3	492.1	500.9
	Not seasonally adjusted											
Assets												
29 Bank credit	5,483.8	5,535.3	5,564.9[r]	5,650.7[r]	5,723.5	5,763.7	5,854.0	5,922.6	5,865.0	5,933.0	5,936.2	5,950.7
30 Securities in bank credit	1,504.1	1,558.4	1,580.5[r]	1,624.3[r]	1,639.7	1,642.4	1,692.2	1,723.3	1,690.9	1,728.6	1,704.9	1,729.9
31 U.S. government securities	861.1[r]	906.5	910.6[r]	940.0[r]	959.4	968.6	1,002.3	1,018.0	1,014.3	1,032.6	1,004.5	1,013.3
32 Other securities	643.1[r]	651.9	669.9[r]	684.3[r]	680.3	673.8	690.0	705.3	676.6	695.9	700.4	716.6
33 Loans and leases in bank credit[2]	3,979.7	3,976.9	3,984.4[r]	4,026.5[r]	4,083.8	4,121.3	4,161.8	4,199.3	4,174.1	4,204.5	4,231.3	4,220.8
34 Commercial and industrial	1,031.1[r]	995.7	980.9[r]	976.3[r]	973.0	971.2	968.6	964.8	968.0	961.9	964.7	968.4
35 Real estate	1,788.8	1,839.4	1,868.5	1,901.8	1,937.2	1,969.6	2,005.1	2,025.4	2,016.9	2,036.8	2,024.8	2,022.4
36 Revolving home equity	155.7	186.3	192.7	197.8	201.9	205.4	208.5	212.5	210.1	211.3	213.3	213.0
37 Other	1,633.1	1,653.1	1,675.8	1,704.0	1,735.3	1,764.1	1,796.7	1,812.9	1,806.8	1,825.5	1,811.5	1,809.5
38 Consumer	567.4[r]	564.6	558.9[r]	571.3	582.3	585.4	588.2	597.1	589.1	593.2	599.8	602.8
39 Credit cards and related plans	232.0	221.0	215.3	224.4	231.2	232.2	232.0	239.2	233.1	236.4	241.8	243.8
40 Other	335.4[r]	343.6	343.6[r]	346.9	351.1	353.2	356.2	357.9	356.0	356.8	358.1	359.0
41 Security[3]	153.2[r]	169.2	173.5[r]	172.2[r]	179.6	185.5	190.3	200.5	189.2	204.4	226.0	209.1
42 Other loans and leases	439.2[r]	408.0	402.6[r]	404.9[r]	411.8	409.6	409.5	411.5	410.9	408.1	415.8	418.1
43 Interbank loans	299.4	284.5	282.8	299.2	310.5	321.5	332.2	338.4	333.3	335.8	347.1	341.3
44 Cash assets[4]	317.3	299.0	300.2	303.8	314.1	321.0	325.0	338.1	312.2	324.8	339.3	348.9
45 Other assets[5]	489.4	473.9	482.8	496.8	501.2	510.8	519.0	521.3	512.2	529.5	510.5	519.1
46 **Total assets**[6]	**6,516.3**	**6,517.0**	**6,555.5**[r]	**6,675.4**[r]	**6,774.0**	**6,841.9**	**6,954.4**	**7,044.5**	**6,946.6**	**7,046.8**	**7,056.7**	**7,084.1**
Liabilities												
47 Deposits	4,290.4	4,365.2	4,384.9	4,413.7	4,441.4	4,467.8	4,520.0	4,533.5	4,535.4	4,511.9	4,521.8	4,545.4
48 Transaction	669.5	594.4	604.7	583.8	577.8	606.2	611.8	641.4	591.9	588.5	637.0	676.8
49 Nontransaction	3,620.9	3,770.8	3,780.1	3,829.9	3,863.6	3,861.6	3,908.2	3,892.1	3,943.5	3,923.4	3,884.9	3,868.6
50 Large time	995.5	1,033.8	1,037.1	1,033.5	1,028.6	1,013.8	1,009.4	992.4	1,006.0	996.5	998.1	995.5
51 Other	2,625.4	2,737.0	2,743.0	2,796.4	2,834.9	2,847.8	2,898.8	2,899.8	2,937.5	2,926.9	2,886.7	2,873.2
52 Borrowings	1,245.4	1,231.3	1,221.7	1,272.6	1,319.6	1,334.5	1,367.6	1,396.5	1,346.7	1,413.3	1,415.7	1,408.4
53 From banks in the U.S.	404.5[r]	377.7	382.1[r]	399.8[r]	409.5	413.5	418.2	417.5	414.6	421.3	417.6	417.6
54 From others	840.9[r]	853.6	839.7[r]	872.8[r]	910.1	921.0	949.5	979.0	932.1	992.0	998.1	990.8
55 Net due to related foreign offices	156.9	85.7	90.0	91.1	100.9	118.9	126.0	157.0	137.3	168.6	155.6	157.1
56 Other liabilities	366.4	375.5	399.1	427.6	435.5	440.1	450.0	460.5	434.4	452.4	459.1	477.3
57 **Total liabilities**	**6,059.1**	**6,057.7**	**6,095.7**	**6,205.0**	**6,297.5**	**6,361.3**	**6,463.6**	**6,547.6**	**6,453.7**	**6,546.2**	**6,552.2**	**6,588.2**
58 Residual (assets less liabilities)[7]	457.2	459.3	459.8[r]	470.4[r]	476.6	480.6	490.7	496.9	492.9	500.6	504.5	495.9

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			
	2001	2002							2002			
	Dec.	June[r]	July	Aug.	Sept.[r]	Oct.[r]	Nov.[r]	Dec.	Dec. 4	Dec. 11	Dec. 18	Dec. 25
	Seasonally adjusted											
Assets												
1 Bank credit	4,854.8	4,935.2	4,977.2[r]	5,052.2[r]	5,111.7	5,145.6	5,216.6	5,251.1	5,221.9	5,254.6	5,253.8	5,270.1
2 Securities in bank credit	1,255.2	1,324.2	1,353.4[r]	1,383.0[r]	1,396.0	1,398.0	1,439.0	1,450.5	1,433.4	1,451.9	1,432.2	1,457.9
3 U.S. government securities	774.1[r]	833.2	842.4[r]	864.4[r]	876.2	883.6	908.6	911.1	915.2	918.5	896.5	908.9
4 Other securities	481.1[r]	491.1	511.0[r]	518.5[r]	519.8	514.4	530.4	539.4	518.2	533.4	535.7	549.0
5 Loans and leases in bank credit[2]	3,599.6	3,610.9	3,623.8[r]	3,669.3	3,715.7	3,747.6	3,777.6	3,800.6	3,788.5	3,802.7	3,821.6	3,812.2
6 Commercial and industrial	836.1[r]	800.4	790.7[r]	791.9[r]	789.6	788.6	788.2	786.8	788.4	786.7	787.4	788.0
7 Real estate	1,766.7	1,820.0	1,850.4	1,881.8	1,916.0	1,947.9	1,980.3	2,001.2	1,993.1	2,010.4	2,001.9	1,997.6
8 Revolving home equity	155.5	186.1	192.9	197.7	200.9	204.9	207.7	212.4	209.7	211.1	213.1	212.8
9 Other	1,611.2	1,633.9	1,657.5	1,684.2[r]	1,715.1	1,743.0	1,772.5	1,788.8	1,783.4	1,799.3	1,788.8	1,784.9
10 Consumer	557.9[r]	568.8	564.7	574.8	582.8	584.8	585.6	587.0	584.7	587.0	589.2	588.0
11 Security[3]	71.9[r]	84.7	87.2[r]	86.2[r]	86.7	86.0	81.5	81.4	79.0	76.3	94.7	86.6
12 Other loans and leases	367.0[r]	337.1	330.8[r]	334.7	340.6	340.3	341.9	344.1	343.4	342.2	348.4	351.9
13 Interbank loans	272.5	262.2	271.1	287.1	296.6	301.9	301.8	299.7	293.2	291.1	303.8	313.4
14 Cash assets[4]	258.2	261.2	263.4	271.6	271.2	273.3	274.1	275.0	259.8	286.3	268.9	289.3
15 Other assets[5]	456.8	447.8	454.5	470.5	470.2	476.9	479.8	476.1	470.6	485.7	468.4	475.2
16 **Total assets[6]**	**5,769.3**	**5,831.1**	**5,891.4[r]**	**6,006.9[r]**	**6,075.1**	**6,122.8**	**6,197.0**	**6,226.5**	**6,170.2**	**6,242.1**	**6,219.0**	**6,272.4**
Liabilities												
17 Deposits	3,799.3	3,872.2	3,915.2	3,965.5	3,987.4	4,016.6	4,051.6	4,060.1	4,049.8	4,046.3	4,048.2	4,090.1
18 Transaction	629.7	587.1	602.3	589.1	573.9	601.6	596.7	604.3	570.6	578.7	601.9	640.6
19 Nontransaction	3,169.6	3,285.1	3,312.8	3,376.4	3,413.5	3,415.0	3,454.9	3,455.7	3,479.2	3,467.7	3,446.3	3,449.5
20 Large time	554.3	543.8	562.3	569.9	573.3	571.3	571.7	570.8	567.6	567.6	573.3	575.1
21 Other	2,615.3	2,741.3	2,750.5	2,806.5	2,840.3	2,843.7	2,883.2	2,885.0	2,911.5	2,900.1	2,873.0	2,874.4
22 Borrowings	1,047.1	1,039.4	1,030.4	1,078.9	1,098.2	1,098.8	1,109.9	1,113.4	1,088.6	1,136.2	1,121.3	1,116.0
23 From banks in the U.S.	379.0[r]	358.8	365.3[r]	383.4[r]	393.6	392.1	395.5	386.2	385.0	397.8	383.8	383.8
24 From others	668.2[r]	680.5	665.1[r]	695.5[r]	704.6	706.7	714.5	727.2	703.5	738.4	737.5	732.2
25 Net due to related foreign offices	192.5	175.7	181.0	179.7	184.1	191.9	196.8	211.4	208.6	215.2	205.6	208.4
26 Other liabilities	278.8	292.9	317.1	333.6	342.7	340.3	345.3	353.5	332.5	344.9	352.7	369.1
27 **Total liabilities**	**5,317.7**	**5,380.2**	**5,443.7**	**5,557.7**	**5,612.4**	**5,647.5**	**5,703.6**	**5,738.3**	**5,679.5**	**5,742.7**	**5,727.8**	**5,783.7**
28 Residual (assets less liabilities)[7]	451.6	450.9	447.7[r]	449.2[r]	462.8	475.2	493.3	488.1	490.7	499.4	491.2	488.7
	Not seasonally adjusted											
Assets												
29 Bank credit	4,880.1	4,932.7	4,956.6[r]	5,036.0[r]	5,108.2	5,149.6	5,230.4	5,278.9	5,244.2	5,273.3	5,283.9	5,299.1
30 Securities in bank credit	1,262.5	1,320.1	1,339.3[r]	1,374.3[r]	1,392.3	1,397.3	1,443.2	1,459.5	1,445.1	1,461.1	1,440.4	1,462.4
31 U.S. government securities	779.0[r]	830.4	834.1[r]	858.1[r]	872.7	879.8	909.4	916.8	923.1	925.4	903.2	911.9
32 Other securities	483.6[r]	489.7	505.2[r]	516.1[r]	519.6	517.6	533.8	542.7	522.0	535.6	537.2	550.5
33 Loans and leases in bank credit[2]	3,617.6[r]	3,612.6	3,617.3	3,661.7	3,715.9	3,752.3	3,787.2	3,819.4	3,799.1	3,812.2	3,843.5	3,836.7
34 Commercial and industrial	834.1[r]	803.7	791.0[r]	788.0[r]	787.6	789.2	788.0	785.1	786.3	781.4	785.4	787.6
35 Real estate	1,771.1	1,821.0	1,849.8	1,883.0	1,918.1	1,950.1	1,985.3	2,006.0	1,997.7	2,017.2	2,005.3	2,003.0
36 Revolving home equity	155.7	186.3	192.7	197.8	201.9	205.4	208.5	212.5	210.1	211.3	213.3	213.0
37 Other	1,615.4	1,634.7	1,657.0	1,685.2	1,716.2	1,744.6	1,776.8	1,793.5	1,787.6	1,805.9	1,792.0	1,790.1
38 Consumer	567.4[r]	564.6	558.9[r]	571.3	582.3	585.4	588.2	597.1	589.1	593.2	599.8	602.8
39 Credit cards and related plans	232.0	221.0	215.3	224.4	231.2	232.2	232.0	239.2	233.1	236.4	241.8	243.8
40 Other	335.4[r]	343.6	343.6[r]	346.9	351.1	353.2	356.2	357.9	356.0	356.8	358.1	359.0
41 Security[3]	74.3[r]	85.2	85.9[r]	85.0[r]	87.7	88.3	83.9	84.4	81.2	79.3	101.7	88.9
42 Other loans and leases	370.7[r]	338.0	331.8[r]	334.5	340.2	339.4	341.7	346.7	344.8	341.1	351.2	354.2
43 Interbank loans	278.8	264.2	265.3	280.7	288.8	296.5	305.6	306.6	306.5	299.1	316.3	308.4
44 Cash assets[4]	275.5	255.5	256.1	258.7	268.0	274.8	281.6	293.0	269.5	282.7	288.7	302.0
45 Other assets[5]	459.2	447.2	454.4	468.3	472.2	476.3	481.3	478.4	473.7	483.4	470.5	476.3
46 **Total assets[6]**	**5,820.4**	**5,824.4**	**5,857.7[r]**	**5,968.9[r]**	**6,062.3**	**6,122.5**	**6,223.4**	**6,281.3**	**6,218.2**	**6,262.6**	**6,283.3**	**6,310.2**
Liabilities												
47 Deposits	3,837.6	3,861.8	3,895.0	3,933.0	3,967.4	4,008.9	4,067.8	4,098.1	4,085.7	4,069.7	4,085.9	4,110.6
48 Transaction	657.6	584.3	594.9	574.0	567.6	596.3	602.2	631.2	582.5	579.2	626.9	666.5
49 Nontransaction	3,180.0	3,277.5	3,300.1	3,359.1	3,399.8	3,412.5	3,465.7	3,466.9	3,503.2	3,490.5	3,459.1	3,444.1
50 Large time	557.2	543.0	560.2	568.3	570.7	572.5	575.3	573.8	572.6	572.5	577.3	576.3
51 Other	2,622.8	2,734.4	2,739.9	2,790.8	2,829.1	2,840.1	2,890.4	2,893.1	2,930.7	2,918.0	2,881.8	2,867.8
52 Borrowings	1,047.0	1,038.4	1,020.4	1,058.8	1,095.6	1,100.8	1,113.1	1,113.0	1,092.0	1,123.1	1,128.1	1,113.9
53 From banks in the U.S.	380.5[r]	356.3	361.3[r]	378.2[r]	386.8	390.4	392.7	387.7	385.2	395.7	387.4	385.4
54 From others	666.5[r]	682.1	659.1[r]	680.6[r]	708.8	710.4	720.5	725.3	706.8	727.4	740.7	728.5
55 Net due to related foreign offices	196.4	174.5	175.8	178.7	183.6	192.5	201.5	215.6	212.1	219.9	208.9	214.1
56 Other liabilities	283.2	291.4	310.4	332.0	342.2	341.2	351.7	359.1	336.9	350.7	357.2	377.1
57 **Total liabilities**	**5,364.3**	**5,366.1**	**5,401.7**	**5,502.6**	**5,588.8**	**5,643.3**	**5,734.1**	**5,785.8**	**5,726.7**	**5,763.3**	**5,780.2**	**5,815.7**
58 Residual (assets less liabilities)[7]	456.2[r]	458.4	456.0[r]	466.3[r]	473.5	479.2	489.3	495.5	491.5	499.3	503.1	494.5

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			
	2001	2002							2002			
	Dec.[r]	June[r]	July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.	Dec. 4	Dec. 11	Dec 18	Dec. 25
	Seasonally adjusted											
Assets												
1 Bank credit	2,662.3	2,642.0	2,675.0	2,724.4	2,762.5	2,775.6	2,828.5	2,855.6	2,827.8	2,857.1	2,852.8	2,876.7
2 Securities in bank credit	636.1	684.0	713.6	736.9	745.8	743.7	780.1	787.9	769.8	790.4	769.7	798.1
3 U.S government securities	378.9	400.3	411.1	427.7	432.1	435.4	455.6	455.6	458.4	463.7	442.5	455.1
4 Trading account	33.9	42.4	43.1	48.0	42.6	37.8	48.1	44.5	47.6	47.6	41.7	42.5
5 Investment account	345.0	357.9	368.0	379.6	389.5	397.6	407.5	411.1	410.8	416.1	400.8	412.6
6 Other securities	257.2	283.7	302.5	309.3	313.7	308.3	324.5	332.4	311.4	326.7	327.2	343.0
7 Trading account	130.0	148.3	168.8	174.5	172.7	161.5	171.8	176.2	158.0	170.7	171.2	184.7
8 Investment account	127.2	135.4	133.7	134.8	141.0	146.7	152.7	156.2	153.4	156.0	156.1	158.4
9 State and local government	27.3	27.3	28.3	28.0	28.4	28.7	29.1	29.4	29.0	29.3	29.5	29.7
10 Other	99.9	108.0	105.5	106.8	112.6	118.0	123.6	126.8	124.4	126.7	126.6	128.6
11 *Loans and leases in bank credit*[2]	2,026.2	1,958.0	1,961.4	1,987.5	2,016.6	2,031.9	2,048.4	2,067.6	2,058.0	2,066.7	2,083.1	2,078.6
12 Commercial and industrial	536.4	500.1	488.7	487.7	484.2	482.5	480.9	478.8	480.6	479.4	479.7	479.9
13 Bankers acceptances	.0	.0	.0	.0	.0	.0	.0	.0	n.a.	n.a.	n.a.	n.a.
14 Other	536.4	500.1	488.7	487.7	484.2	482.5	480.9	478.8	480.6	479.4	479.7	479.9
15 Real estate	864.9	862.0	882.1	901.1	922.0	941.5	965.0	983.9	976.0	989.5	980.3	983.1
16 Revolving home equity	98.4	116.9	121.6	124.6	126.8	129.5	131.7	135.7	133.3	134.6	136.1	135.9
17 Other	766.5	745.2	760.5	776.6	795.2	811.9	833.2	848.3	842.7	854.9	844.2	847.2
18 Consumer	292.5	282.2	282.2	289.2	296.0	296.5	295.2	295.0	294.2	294.6	295.4	296.0
19 Security[3]	64.0	77.2	79.4	78.2	78.5	77.6	73.2	73.0	70.7	68.0	86.3	77.9
20 Federal funds sold to and repurchase agreements with broker–dealers	48.6	64.7	66.4	66.3	67.9	66.8	62.0	62.0	60.3	56.7	75.8	66.0
21 Other	15.5	12.5	13.0	11.9	10.5	10.8	11.3	11.0	10.4	11.3	10.6	11.9
22 State and local government	15.0	13.0	12.8	12.9	13.0	12.9	12.1	11.8	12.0	11.8	11.8	11.7
23 Agricultural	9.9	9 1	9.0	8.2	8.2	8.1	8.1	8.1	8.1	8.1	8.1	8.1
24 Federal funds sold to and repurchase agreements with others	28.9	17 6	13.7	16.6	19.8	19.2	18.5	22.4	19.6	19.6	26.2	26.9
25 All other loans	80.5	70.0	67.1	67.5	69.2	69.4	72.4	72.8	74.0	73.4	73.2	73.3
26 Lease-financing receivables	134.2	126.8	126.3	126.1	125.9	124.2	123.0	121.8	122.7	122.3	122.1	121.7
27 Interbank loans	171.9	163.5	165.0	176.5	182.0	181 7	180.3	178.7	174.9	172.5	182.5	186.8
28 Federal funds sold to and repurchase agreements with commercial banks	102.0	77.2	77.2	86.8	89.2	84.0	87.3	85.3	83.2	79.3	90.7	86.7
29 Other	69.9	86.2	87.7	89.7	92.9	97.7	93.0	93.4	91.7	93.2	91.8	100.1
30 Cash assets[4]	149.0	143.2	142.5	146.9	144.4	144.1	145.0	146.4	134.4	154.0	142.7	156.5
31 Other assets[5]	326.5	306.5	314.1	325.2	323.1	331.8	331.7	326.2	320.4	334.1	326.9	324.4
32 **Total assets**[6]	**3,267.4**	**3,211.0**	**3,252.6**	**3,329.8**	**3,369.0**	**3,390.2**	**3,442.3**	**3,463.8**	**3,414.4**	**3,474.5**	**3,461.6**	**3,501.3**
Liabilities												
33 Deposits	1,816.6	1,817.8	1,847.1	1,872.9	1,883.6	1,899.9	1,924.4	1,936.3	1,926.8	1,924.4	1,930.7	1,960.2
34 Transaction	326.3	286.8	292.3	282.4	268.4	286.9	282.6	288.4	268.6	271.9	289.8	310.0
35 Nontransaction	1,490.3	1,531.1	1,554.9	1,590.5	1,615.2	1,612.9	1,641.8	1,647.9	1,658.2	1,652.5	1,640.9	1,650.2
36 Large time	250.2	244.3	261.5	268.3	270.8	266.4	265.3	261.8	260.2	258.3	263.8	266.1
37 Other	1,240.1	1,286.7	1,293.4	1,322.1	1,344.4	1,346.6	1,376.5	1,386.2	1,398.0	1,394.2	1,377.1	1,384.2
38 Borrowings	719.0	699.5	685.7	720.6	724.0	721.7	733.5	724.9	706.8	752.8	731.5	719.3
39 From banks in the U.S.	264.7	237.9	240.3	251.3	258.0	257.8	264.2	246.2	249.8	262.2	241.5	236.4
40 From others	454.3	461.6	445.4	469.3	466.0	463.9	469.3	478.7	457.0	490.6	490.0	483.0
41 Net due to related foreign offices	182.3	164.0	171.2	171.2	175.4	179.5	185.5	199.0	196.4	202.3	193.1	195.5
42 Other liabilities	226.0	228.6	253.0	267.3	274.5	271 3	274.4	283.1	262.4	272.5	282.1	299.6
43 **Total liabilities**	**2,943.9**	**2,909.9**	**2,957.0**	**3,032.0**	**3,057.5**	**3,072.3**	**3,117.8**	**3,143.3**	**3,092.3**	**3,152.0**	**3,137.3**	**3,174.6**
44 Residual (assets less liabilities)[7]	323.5	301.1	295.6	297.8	311.6	317 9	324.5	320.5	322.1	322.5	324.3	326.7

Footnotes appear on p. A21.

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

C. Large domestically chartered commercial banks—Continued

Billions of dollars

Account	Monthly averages								Wednesday figures			
	2001	2002							2002			
	Dec.[r]	June[r]	July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.	Dec. 4	Dec. 11	Dec. 18	Dec. 25
	Not seasonally adjusted											
Assets												
45 Bank credit	2,675.4	2,642.1	2,659.7	2,711.1	2,756.9	2,774.3	2,836.6	2,870.0	2,844.3	2,865.5	2,869.7	2,884.4
46 Securities in bank credit	641.0	680.3	701.6	730.6	743.1	744.2	784.5	794.1	781.0	797.0	775.0	797.8
47 U.S. government securities	381.3	398.0	404.9	423.7	429.7	432.8	456.6	458.4	465.8	468.0	446.2	453.3
48 Trading account	34.1	42.2	42.4	47.6	42.4	37.6	48.2	44.8	48.4	48.0	42.0	42.3
49 Investment account	347.2	355.9	362.5	376.1	387.3	395.2	408.4	413.7	417.4	420.0	404.2	411.0
50 Mortgage-backed securities	280.5	277.6	287.5	304.7	308.2	313.1	324.6	317.0	332.5	328.0	304.0	308.2
51 Other	66.7	78.2	75.0	71.4	79.1	82.2	83.8	96.6	84.9	92.0	100.3	102.7
52 One year or less	17.6	14.9	18.7	17.4	19.9	21.8	23.2	24.1	22.2	22.1	26.6	27.6
53 One to five years	36.2	50.0	43.7	42.2	46.3	49.9	47.1	56.2	46.8	54.0	57.8	58.7
54 More than five years	12.9	13.3	12.7	11.8	12.9	10.4	13.5	16.3	15.8	15.9	15.9	16.5
55 Other securities	259.7	282.3	296.7	306.9	313.4	311.4	327.9	335.7	315.2	328.9	328.8	344.5
56 Trading account	131.2	147.5	165.5	173.1	172.6	163.2	173.6	177.9	159.9	171.8	172.0	185.5
57 Investment account	128.5	134.7	131.2	133.8	140.9	148.2	154.3	157.8	155.3	157.1	156.8	159.1
58 State and local government	27.6	27.2	27.7	27.8	28.4	29.0	29.4	29.7	29.4	29.5	29.6	29.9
59 Other	100.9	107.5	103.5	105.9	112.5	119.2	124.9	128.1	125.9	127.6	127.2	129.2
60 Loans and leases in bank credit[2]	2,034.4	1,961.8	1,958.1	1,980.5	2,013.8	2,030.1	2,052.1	2,075.9	2,063.3	2,068.6	2,094.7	2,086.6
61 Commercial and industrial	534.3	501.3	488.4	485.3	483.8	483.2	481.7	477.0	479.7	475.0	477.8	478.3
62 Bankers acceptances	.0	.0	.0	.0	.0	.0	.0	.0	n.a.	n.a.	n.a.	n.a.
63 Other	534.3	501.3	488.4	485.3	483.8	483.2	481.7	477.0	479.7	475.0	477.8	478.3
64 Real estate	866.7	863.9	882.4	901.6	922.4	940.3	966.9	985.8	979.2	993.7	981.7	983.1
65 Revolving home equity	98.1	117.3	121.9	124.9	127.3	129.5	131.9	135.2	133.3	134.3	135.8	135.3
66 Other	453.4	435.2	448.8	464.5	482.2	495.3	518.7	534.7	529.8	543.4	529.7	532.4
67 Commercial	315.2	311.4	311.7	312.2	312.9	315.5	316.4	315.9	316.1	315.9	316.1	315.5
68 Consumer	295.5	282.1	280.3	287.0	293.5	293.6	293.9	298.2	294.5	295.6	298.3	300.8
69 Credit cards and related plans	127.3	111.8	110.0	114.2	117.9	116.4	114.0	116.9	114.1	114.7	116.8	119.2
70 Other	168.2	170.2	170.4	172.8	175.6	177.2	180.0	181.3	180.3	180.9	181.5	181.6
71 Security[3]	66.2	77.9	78.3	77.1	79.7	80.0	75.3	75.9	72.4	70.6	93.1	80.4
72 Federal funds sold to and repurchase agreements with broker–dealers	50.2	65.3	65.5	65.3	69.0	68.8	63.7	64.5	61.7	58.9	81.7	68.1
73 Other	16.0	12.6	12.8	11.7	10.7	11.1	11.6	11.4	10.7	11.7	11.4	12.3
74 State and local government	15.0	13.0	12.8	12.9	13.0	12.9	12.1	11.8	12.0	11.8	11.8	11.7
75 Agricultural	9.8	9.3	9.2	8.2	8.2	8.0	8.0	8.1	8.0	8.0	8.0	8.0
76 Federal funds sold to and repurchase agreements with others	29.8	17.6	13.7	16.6	19.8	19.2	18.5	22.4	19.6	19.6	26.2	26.9
77 All other loans	82.4	70.4	67.3	67.0	69.4	69.3	72.9	74.5	75.4	72.1	75.7	75.2
78 Lease-financing receivables	134.7	126.4	125.6	124.8	124.0	123.6	122.7	122.2	122.5	122.2	122.1	122.2
79 Interbank loans	175.7	168.5	164.0	172.0	177.0	177.3	182.1	182.9	179.7	173.1	191.8	185.7
80 Federal funds sold to and repurchase agreements with commercial banks	104.2	79.5	76.8	84.6	86.8	82.0	88.2	87.3	85.5	79.6	95.3	86.2
81 Other	71.5	89.0	87.2	87.4	90.2	95.3	93.9	95.5	94.2	93.5	96.4	99.5
82 Cash assets[4]	160.1	139.1	137.1	137.9	141.6	145.1	148.0	157.2	138.6	151.4	155.7	164.7
83 Other assets[5]	328.8	305.9	313.9	323.0	325.1	331.1	333.1	328.5	323.6	331.8	328.9	325.4
84 **Total assets**[6]	**3,297.6**	**3,211.6**	**3,230.9**	**3,300.5**	**3,357.5**	**3,385.1**	**3,456.5**	**3,495.4**	**3,442.7**	**3,478.4**	**3,502.6**	**3,517.2**
Liabilities												
85 Deposits	1,834.3	1,816.3	1,839.1	1,856.4	1,874.8	1,896.8	1,933.4	1,952.5	1,944.0	1,930.2	1,948.1	1,963.3
86 Transaction	344.3	285.2	287.3	271.0	264.0	283.0	285.5	304.9	274.5	270.5	306.5	326.3
87 Nontransaction	1,490.0	1,531.1	1,551.8	1,585.5	1,610.9	1,613.9	1,647.9	1,647.6	1,669.4	1,659.8	1,641.6	1,637.0
88 Large time	253.1	243.6	259.4	266.7	268.3	267.6	268.9	264.8	265.1	263.3	267.8	267.2
89 Other	1,236.9	1,287.6	1,292.4	1,318.8	1,342.6	1,346.3	1,379.0	1,382.8	1,404.3	1,396.5	1,373.8	1,369.7
90 Borrowings	718.8	698.5	675.7	700.6	721.4	723.6	736.6	724.5	710.2	739.7	738.3	717.2
91 From banks in the U.S.	266.3	235.4	236.3	246.1	251.1	256.0	261.3	247.7	249.9	260.1	245.1	238.0
92 From nonbanks in the U.S.	452.5	463.1	439.4	454.4	470.3	467.6	475.3	476.9	460.3	479.6	493.2	479.3
93 Net due to related foreign offices	186.3	162.8	166.0	170.2	175.0	180.2	190.2	203.2	199.9	206.9	196.4	201.1
94 Other liabilities	230.4	227.0	246.4	265.7	274.0	272.2	280.8	288.7	266.8	278.2	286.6	307.5
95 **Total liabilities**	**2,969.9**	**2,904.6**	**2,927.1**	**2,992.9**	**3,045.2**	**3,072.8**	**3,141.1**	**3,169.0**	**3,120.8**	**3,155.1**	**3,169.4**	**3,189.2**
96 Residual (assets less liabilities)[7]	327.7	307.0	303.8	307.6	312.3	312.3	315.4	326.4	321.8	323.3	333.3	328.0

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			
	2001	2002							2002			
	Dec.[r]	June[r]	July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.	Dec. 4	Dec. 11	Dec. 18	Dec. 25
	Seasonally adjusted											
Assets												
1 Bank credit	2,192.5	2,293.2	2,302.3	2,327.8	2,349.2	2,370.0	2,388.0	2,395.5	2,394.1	2,397.5	2,401.0	2,393.4
2 Securities in bank credit	619.1	640.3	639 9	646.0	650.2	654.4	658.8	662.6	663.6	661.5	662.5	659.8
3 U.S. government securities	395.2	432.9	431.4	436.8	444.1	448.2	452.9	455.6	456.8	454.8	454.0	453.8
4 Other securities	223.9	207.4	208.5	209.2	206.1	206.2	205.9	207.0	206.8	206.7	208.4	206.0
5 Loans and leases in bank credit[2]	1,573.5	1,653.0	1,662.4	1,681.8	1,699.0	1,715.6	1,729.2	1,732.9	1,730.4	1,736.0	1,738.5	1,733.6
6 Commercial and industrial	299.7	300.3	302.0	304.2	305.5	306.1	307.4	308.0	307.7	307.4	307.7	308.1
7 Real estate	901.8	958.0	968.3	980.7	994.0	1,006.4	1,015.3	1,017.3	1,017.1	1,020.9	1,021.6	1,014.5
8 Revolving home equity	57.2	69.2	71.3	73.1	74.1	75.3	76.0	76.7	76.4	76.5	77.0	76.8
9 Other	844.7	888.8	897.0	907.6	919.9	931.1	939.3	940.6	940.7	944.5	944.6	937.7
10 Consumer	265.4	286.6	282.6	285.6	286.8	288.3	290.4	292.0	290.5	292.5	293.9	292.0
11 Security[3]	7.9	7.5	7.7	8.0	8.2	8.4	8.3	8.4	8.2	8.3	8.4	8.7
12 Other loans and leases	98.6	100.6	101.9	103.3	104.6	106.4	107.8	107.2	106.9	107.0	107.0	110.3
13 Interbank loans	100.6	98.7	106.1	110.6	114.6	120.2	121.5	120.9	118.3	118.7	121.3	126.5
14 Cash assets[4]	109.2	118.0	120.9	124.7	126.9	129.2	129.1	128.7	125.4	132.3	126.2	132.8
15 Other assets[5]	130.4	141.3	140.5	145.2	147.1	145.1	148.1	149.9	150.1	151.6	141.6	150.8
16 **Total assets[6]**	**2,501.9**	**2,620.1**	**2,638.8**	**2,677.1**	**2,706.1**	**2,732.6**	**2,754.7**	**2,762.6**	**2,755.8**	**2,767.6**	**2,757.4**	**2,771.1**
Liabilities												
17 Deposits	1,982.7	2,054.3	2,068.1	2,092.6	2,103.8	2,116.7	2,127.2	2,123.8	2,123.0	2,122.0	2,117.5	2,129.9
18 Transaction	303.4	300.3	310.1	306.7	305.5	314.7	314.2	315.9	302.0	306.8	312.1	330.6
19 Nontransaction	1,679.3	1,754.1	1,758.0	1,785.9	1,798.3	1,802.0	1,813.1	1,807.8	1,821.0	1,815.2	1,805.4	1,799.3
20 Large time	304.1	299.5	300.8	301.6	302.4	304.9	306.4	309.0	307.5	309.3	309.5	309.0
21 Other	1,375.2	1,454.6	1,457.2	1,484.3	1,495.9	1,497.1	1,506.7	1,498.8	1,513.5	1,505.9	1,495.9	1,490.2
22 Borrowings	328.1	339.9	344.7	358.3	374.2	377.2	376.5	388.5	381.8	383.4	389.8	396.7
23 From banks in the U.S	114.2	121.0	125.0	132.1	135.6	134.3	131.3	140.0	135.3	135.6	142.3	147.5
24 From others	213.9	219.0	219.7	226.2	238.6	242.8	245.2	248.5	246.5	247.8	247.5	249.2
25 Net due to related foreign offices	10.1	11.7	9.8	8.5	8.6	12.3	11.3	12.4	12.2	13.0	12.6	13.0
26 Other liabilities	52.8	64.4	64.1	66.3	68.2	69.0	70.9	70.4	70.2	72.4	70.6	69.6
27 **Total liabilities**	**2,373.8**	**2,470.3**	**2,486.7**	**2,525.7**	**2,554.9**	**2,575.2**	**2,585.9**	**2,595.0**	**2,587.2**	**2,590.7**	**2,590.5**	**2,609.1**
28 Residual (assets less liabilities)[7]	128.1	149.8	152.1	151.4	151.2	157.4	168.8	167.6	168.6	176.9	166.9	162.0
	Not seasonally adjusted											
Assets												
29 Bank credit	2,204.7	2,290.6	2,297.0	2,324.9	2,351.2	2,375.4	2,393.8	2,408.9	2,399.9	2,407.7	2,414.2	2,414.6
30 Securities in bank credit	621.5	639.8	637.7	643.7	649.2	653.2	658.7	665.4	664.1	664.1	665.4	664.6
31 U.S. government securities	397.6	432.4	429.2	434.4	443.0	447.0	452.8	458.4	457.3	457.4	457.0	458.6
32 Other securities	223.9	207.4	208.5	209.2	206.1	206.2	205.9	207.0	206.8	206.7	208.4	206.0
33 Loans and leases in bank credit[2]	1,583.2	1,650.8	1,659.2	1,681.2	1,702.1	1,722.2	1,735.1	1,743.5	1,735.8	1,743.7	1,748.7	1,750.1
34 Commercial and industrial	299.8	302.4	302.6	302.7	303.8	306.0	306.3	308.1	306.6	306.4	307.6	309.4
35 Real estate	904.4	957 1	967.4	981.3	995.7	1,009.7	1,018.4	1,020.2	1,018.5	1,023.5	1,023.6	1,019.9
36 Revolving home equity	57.6	69.0	70.9	72.9	74.6	75.9	76.6	77.3	76.8	77.0	77.5	77.7
37 Other	846.8	888.1	896.5	908.5	921.1	933.8	941.8	942.9	941 7	946.5	946.1	942.2
38 Consumer	271.9	282.6	278.5	284.3	288.8	291.8	294.3	298.9	294.7	297.6	301.5	302.0
39 Credit cards and related plans	104.8	109.2	105.3	110.2	113.3	115.8	118.1	122.3	119.0	121.7	125.0	124.7
40 Other	167.2	173.4	173.2	174.1	175.5	176.0	176.2	176.6	175.7	175.9	176.5	177.3
41 Security[3]	8.1	7.3	7.6	7.9	8.0	8.3	8.6	8.6	8.8	8.8	8.6	8.5
42 Other loans and leases	99.0	101.4	103.2	104.9	105.8	106.4	107.4	107.7	107.3	107.3	107.4	110.3
43 Interbank loans	103.1	95.7	101.3	108.7	111.8	119.2	123.6	123.7	126.8	126.0	124.5	122.7
44 Cash assets[4]	115.5	116.4	119.0	120.9	126.4	129.7	133.7	135.8	130.9	131.3	133.0	137.2
45 Other assets[5]	130.4	141.3	140.5	145.2	147.1	145.1	148.1	149.9	150.1	151.6	141.6	150.8
46 **Total assets[6]**	**2,522.9**	**2,612.8**	**2,626.7**	**2,668.4**	**2,704.8**	**2,737.4**	**2,767.0**	**2,786.0**	**2,775.6**	**2,784.2**	**2,780.7**	**2,793.0**
Liabilities												
47 Deposits	2,003.3	2,045.5	2,055.9	2,076.6	2,092.6	2,112.0	2,134.4	2,145.5	2,141.7	2,139.5	2,137.8	2,147.3
48 Transaction	313.3	299.1	307.6	303.0	303.6	313.4	316.6	326.3	307.9	308.8	320.4	340.2
49 Nontransaction	1,690.0	1,746.4	1,748.3	1,773.6	1,789.0	1,798.7	1,817.8	1,819.3	1,833.8	1,830.7	1,817.4	1,807.1
50 Large time	304.1	299.5	300.8	301.6	302.4	304.9	306.4	309.0	307.5	309.3	309.5	309.0
51 Other	1,385.9	1,446.9	1,447.5	1,472.0	1,486.5	1,493.8	1,511.3	1,510.3	1,526.3	1,521.5	1,507.9	1,498.1
52 Borrowings	328.1	339.9	344.7	358.3	374.2	377.2	376.5	388.5	381.8	383.4	389.8	396.7
53 From banks in the U.S.	114.2	121.0	125.0	132.1	135.6	134.3	131.3	140.0	135.3	135.6	142.3	147.5
54 From others	213.9	219.0	219.7	226.2	238.6	242.8	245.2	248.5	246.5	247.8	247.5	249.2
55 Net due to related foreign offices	10.1	11.7	9.8	8.5	8.6	12.3	11.3	12.4	12.2	13.0	12.6	13.0
56 Other liabilities	52.8	64.4	64.1	66.3	68.2	69.0	70.9	70.4	70.2	72.4	70.6	69.6
57 **Total liabilities**	**2,394.4**	**2,461.4**	**2,474.5**	**2,509.6**	**2,543.6**	**2,570.5**	**2,593.0**	**2,616.8**	**2,605.9**	**2,608.2**	**2,610.8**	**2,626.5**
58 Residual (assets less liabilities)[7]	128.5	151.4	152.2	158.7	161.2	166.9	173.9	169.1	169.7	175.9	169.8	166.5

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			
	2001	2002							2002			
	Dec.	June	July	Aug.	Sept.[r]	Oct.[r]	Nov.[r]	Dec.	Dec. 4	Dec. 11	Dec. 18	Dec. 25
	Seasonally adjusted											
Assets												
1 Bank credit	596.2	605.6	614.3[r]	620.9[r]	618.7	614.1	620.8	634.6	617.8	651.3	642.9	642.6
2 Securities in bank credit	241.6	238.3	241.2	250.0	247.4	245.0	249.0	263.8	245.8	267.5	264.5	267.5
3 U.S. government securities	82.1	76.1	76.4	81.8	86.7	88.8	92.8	101.1	91.2	107.2	101.3	101.4
4 Other securities	159.5	162.2	164.8	168.1	160.8	156.2	156.2	162.7	154.6	160.3	163.2	166.1
5 Loans and leases in bank credit[2]	354.6	367.3	373.1[r]	370.9[r]	371.3	369.0	371.8	370.8	372.0	383.8	378.4	375.1
6 Commercial and industrial	195.3	193.1	191.2	189.9	185.5	181.4	179.1	178.2	181.0	180.7	178.1	178.2
7 Real estate	17.7	18.4	18.8	18.8	19.0	19.5	19.8	19.4	19.2	19.6	19.5	19.4
8 Security[3]	74.8	85.6[r]	91.0[r]	90.5[r]	94.8	97.1	105.1	110.2	106.5	117.3	117.7	116.0
9 Other loans and leases	66.7	70.3	72.1	71.7	72.0	71.0	67.8	63.1	65.3	66.2	63.2	61.5
10 Interbank loans	20.6	20.2	17.5	18.5	21.7	24.9	26.6	31.8	26.7	36.7	30.9	32.9
11 Cash assets[4]	39.3	45.5	46.0	46.5	46.0	45.4	40.9	42.5	40.2	40.4	47.6	43.9
12 Other assets[5]	29.4	27.8	29.4	29.0	28.5	35.1	38.0	41.9	37.7	44.4	39.0	42.0
13 **Total assets**[6]	**685.2**	**698.8**	**706.9**[r]	**714.5**[r]	**714.5**	**719.1**	**725.9**	**750.4**	**722.0**	**772.3**	**759.9**	**761.0**
Liabilities												
14 Deposits	440.5	505.2	498.9	495.1	486.0	466.3	448.5	423.7	443.0	431.9	424.9	418.9
15 Transaction	11.2	10.3	9.9	10.1	10.1	9.8	9.5	9.5	9.1	9.0	9.3	9.5
16 Nontransaction	429.3	494.9	489.0	485.0	475.9	456.5	439.1	414.2	433.8	422.9	415.6	409.4
17 Borrowings	198.4	192.9	201.3	213.8	224.0	233.8	254.5	283.5	254.7	290.2	287.6	294.5
18 From banks in the U.S.	24.0	21.3	20.8	21.6	22.7	23.1	25.5	29.9	29.4	25.6	30.3	32.1
19 From others	174.4	171.6	180.5	192.1	201.3	210.6	229.0	253.7	225.3	264.6	257.3	262.3
20 Net due to related foreign offices	-42.3	-86.1	-81.8	-85.6	-83.7	-72.4	-74.4	-60.7	-73.0	-51.3	-54.6	-61.7
21 Other liabilities	82.0	85.5	90.9	96.8	92.7	99.7	99.1	99.8	98.8	101.7	101.1	97.1
22 **Total liabilities**	**678.6**	**697.5**	**709.3**	**720.0**	**719.1**	**727.5**	**727.7**	**746.4**	**723.5**	**772.4**	**759.0**	**748.7**
23 Residual (assets less liabilities)[7]	6.6	1.3	-2.4[r]	-5.5[r]	-4.6	-8.4	-1.8	4.0	-1.5	-.1	.9	12.3
	Not seasonally adjusted											
Assets												
24 Bank credit	603.7	602.6	608.2[r]	614.7[r]	615.4	614.0	623.6	643.7	620.8	659.8	652.3	651.7
25 Securities in bank credit	241.6	238.3	241.2	250.0	247.4	245.0	249.0	263.8	245.8	267.5	264.5	267.5
26 U.S. government securities	82.1	76.1	76.4	81.8	86.7	88.8	92.8	101.1	91.2	107.2	101.3	101.4
27 Trading account	13.3	10.4	10.7	13.0	15.2	18.6	20.2	30.6	19.1	35.2	30.2	31.9
28 Investment account	68.9	65.7	65.8	68.8	71.5	70.2	72.7	70.6	72.0	72.0	71.1	69.5
29 Other securities	159.5	162.2	164.8	168.1	160.8	156.2	156.2	162.7	154.6	160.3	163.2	166.1
30 Trading account	105.0	103.5	108.4	109.8	103.9	100.5	99.3	99.3	95.4	98.5	99.4	99.3
31 Investment account	54.5	58.7	56.4	58.4	56.9	55.8	56.9	63.3	59.2	61.8	63.8	66.8
32 Loans and leases in bank credit[2]	362.1	364.3	367.0[r]	364.8[r]	367.9	369.0	374.6	379.9	375.0	392.3	387.8	384.1
33 Commercial and industrial	197.0	191.9	189.9	188.3	185.4	182.0	180.6	179.7	181.7	180.5	179.4	180.8
34 Real estate	17.7	18.4	18.8	18.8	19.0	19.5	19.8	19.4	19.2	19.6	19.5	19.4
35 Security[3]	78.8	84.0	87.5[r]	87.2[r]	91.9	97.2	106.4	116.0	108.0	125.1	124.3	120.1
36 Other loans and leases	68.5	70.0	70.8	70.4	71.6	70.2	67.8	64.8	66.1	67.1	64.7	63.9
37 Interbank loans	20.6	20.2	17.5	18.5	21.7	24.9	26.6	31.8	26.7	36.7	30.9	32.9
38 Cash assets[4]	41.7	43.5	44.1	45.1	46.1	46.3	43.3	45.1	42.8	42.1	50.7	46.9
39 Other assets[5]	30.2	26.6	28.3	28.6	29.0	34.5	37.8	43.0	38.5	46.1	40.0	42.8
40 **Total assets**[6]	**695.9**	**692.6**	**697.8**[r]	**706.5**[r]	**711.7**	**719.4**	**730.9**	**763.2**	**728.4**	**784.2**	**773.4**	**773.9**
Liabilities												
41 Deposits	452.8	503.4	489.8	480.6	474.0	458.9	452.1	435.4	449.7	442.2	435.9	434.8
42 Transaction	11.9	10.1	9.8	9.8	10.3	9.9	9.6	10.2	9.4	9.3	10.1	10.2
43 Nontransaction	440.9	493.3	480.0	470.8	463.7	449.0	442.5	425.3	440.3	433.0	425.8	424.6
44 Borrowings	198.4	192.9	201.3	213.8	224.0	233.8	254.5	283.5	254.7	290.2	287.6	294.5
45 From banks in the U.S.	24.0	21.3	20.8	21.6	22.7	23.1	25.5	29.9	29.4	25.6	30.3	32.1
46 From others	174.4	171.6	180.5	192.1	201.3	210.6	229.0	253.7	225.3	264.6	257.3	262.3
47 Net due to related foreign offices	-39.6	-88.8	-85.8	-87.6	-82.7	-73.7	-75.4	-58.6	-74.9	-51.3	-53.4	-57.0
48 Other liabilities	83.2	84.1	88.7	95.6	93.4	98.9	98.4	101.4	97.5	101.7	101.9	100.2
49 **Total liabilities**	**694.9**	**691.6**	**694.0**	**702.4**	**708.6**	**718.0**	**729.5**	**761.8**	**727.0**	**782.9**	**772.1**	**772.5**
50 Residual (assets less liabilities)[7]	1.0	1.0	3.8[r]	4.1[r]	3.1	1.4	1.4	1.4	1.4	1.4	1.4	1.4

Footnotes appear on p. A21.

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

F. Memo items

Billions of dollars

Account	Monthly averages								Wednesday figures			
	2001	2002							2002			
	Dec.	June[r]	July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.	Dec. 4	Dec. 11	Dec. 18	Dec. 25
	Not seasonally adjusted											
MEMO												
Large domestically chartered banks, adjusted for mergers												
1 Revaluation gains on off-balance-sheet items[8]	80.6	92.9	105.8	112.3	119.1	110.9	117.1	124.4	106.5	120.7	118.8	130.9
2 Revaluation losses on off-balance-sheet items[8]	68.4	75.7	89.7	94.2	100.5	94.2	100.8	105.6	89.7	101.2	101.0	112.7
3 Mortgage-backed securities[9]	311.5[r]	313.0	320.4	338.5	343.9	355.2	370.4	363.1	378.4	374.4	350.5	354.4
4 Pass-through	209.2[r]	224.9	236.7	253.7	255.0	261.7	274.6	265.6	277.7	275.3	254.5	258.6
5 CMO, REMIC, and other	102.2	88.0	83.7	84.8	88.9	93.5	95.8	97.4	100.7	99.1	96.0	95.8
6 Net unrealized gains (losses) on available-for-sale securities[10]	4.6	6.7	8.3	9.1	11.5	12.5	11.8	11.0	10.1	10.9	10.8	11.2
7 Off-shore credit to U.S. residents[11]	19.1	19.6	19.1	19.0	19.0	18.4	18.5	18.7	18.6	18.7	19.1	18.7
8 Securitized consumer loans[12]	140.5[r]	140.0	144.1	141.5	140.6	142.7	146.8	148.3	148.6	148.5	148.6	147.8
9 Credit cards and related plans	129.4[r]	126.9	128.1	125.5	125.0	127.5	131.4	133.2	133.4	133.4	133.5	132.8
10 Other	11.2	13.1	16.0	16.0	15.6	15.2	15.3	15.0	15.2	15.1	15.0	15.0
11 Securitized business loans[12]	19.7	16.9	17.1	17.8	17.7	17.5	17.1	16.9	17.0	17.0	16.9	16.8
Small domestically chartered commercial banks, adjusted for mergers												
12 Mortgage-backed securities[9]	275.1[r]	298.8	297.1	298.7	304.2	307.0	308.9	311.0	311.0	311.2	309.8	310.6
13 Securitized consumer loans[12]	206.1[r]	207.3	203.0	202.1	199.9	198.3	198.7	201.2	198.1	198.5	200.2	203.0
14 Credit cards and related plans	197.7[r]	200.3	199.4	199.0	195.9	189.3	189.8	192.5	189.3	189.7	191.2	194.4
15 Other	8.4	7.0	3.6	3.1	3.9	8.9	8.9	8.7	8.8	8.8	8.9	8.6
Foreign-related institutions												
16 Revaluation gains on off-balance-sheet items[8]	60.7	55.2	61.5	65.1	62.5	61.9	63.2	64.1	60.8	62.9	63.7	64.4
17 Revaluation losses on off-balance-sheet items[8]	54.2	49.3	57.4	64.8	61.5	60.2	60.4	59.8	58.1	59.2	59.2	59.5
18 Securitized business loans[12]	12.9	9.9	9.4	9.1	8.1	7.6	7.3	6.9	7.1	7.0	7.0	6.8

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.

12. Total amount outstanding.

1.32 COMMERCIAL PAPER OUTSTANDING

Millions of dollars, seasonally adjusted, end of period

Item	Year ending December					2002					
	1997	1998	1999	2000	2001	June	July	Aug.	Sept.	Oct.	Nov.
1 **All issuers**	**966,699**	**1,163,303**	**1,403,023**	**1,615,341**	**1,438,764**	**1,327,569**	**1,345,922**	**1,375,414**	**1,338,119**	**1,350,182**	**1,351,428**
Financial companies[1]											
2 Dealer-placed paper, total[2]	513,307	614,142	786,643	973,060	989,364	986,489	959,798	863,215	856,037	973,150	982,239
3 Directly placed paper, total[3]	252,536	322,030	337,240	298,848	224,553	169,193	206,942	343,733	322,729	219,581	211,574
4 Nonfinancial companies[4]	200,857	227,132	279,140	343,433	224,847	171,887	179,182	168,466	159,353	157,451	157,615

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.

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
2000—Jan. 1	8.50	2000	9.23	2001—Jan.	9.05	2002—Jan.	4.75
Feb. 3	8.75	2001	6.91	Feb.	8.50	Feb.	4.75
Mar. 22	9.00	2002	4.67	Mar	8.32	Mar.	4.75
May 17	9.50			Apr	7.80	Apr.	4.75
		2000—Jan.	8.50	May	7.24	May	4.75
2001—Jan. 4	9.00	Feb.	8.73	June	6.98	June	4.75
Feb. 1	8.50	Mar.	8.83	July	6.75	July	4.75
Mar. 21	8.00	Apr.	9.00	Aug.	6.67	Aug.	4.75
Apr. 19	7.50	May	9.24	Sept.	6.28	Sept.	4.75
May 16	7.00	June	9.50	Oct.	5.53	Oct.	4.75
June 28	6.75	July	9.50	Nov.	5.10	Nov.	4.35
Aug. 22	6.50	Aug.	9.50	Dec.	4.84	Dec.	4.25
Sept. 18	6.00	Sept.	9.50				
Oct. 3	5.50	Oct.	9.50			2003—Jan.	4.25
Nov. 7	5.00	Nov.	9.50				
Dec. 12	4.75	Dec.	9.50				
2002—Nov. 7	4.25						

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	2000	2001	2002	2002				2002, week ending				
				Sept.	Oct.	Nov.	Dec.	Nov. 29	Dec. 6	Dec. 13	Dec. 20	Dec 27
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	6.24	3.88	1.67	1.75	1.75	1.34	1.24	1.27	1.24	1.23	1.27	1.23
2 Discount window primary credit[2,4]	n.a.	n.a.	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Commercial paper[3,5,6]												
Nonfinancial												
3 1-month	6.27	3.78	1.67	1.73	1.72	1.34	1.31	1.30	1.29	1.32	1.32	1.33
4 2-month	6.29	3.68	1.67	1.72	1.70	1.35	1.32	1.33	1.33	1.30	1.32	1.32
5 3-month	6.31	3.65	1.69	1.72	1.70	1.36	1.31	1.33	1.31	1.31	1.32	1.31
Financial												
6 1-month	6.28	3.80	1.68	1.74	1.73	1.34	1.31	1.25	1.32	1.32	1.30	1.31
7 2-month	6.30	3.71	1.69	1.74	1.72	1.37	1.32	1.33	1.33	1.31	1.32	1.32
8 3-month	6.33	3.65	1.70	1.74	1.71	1.37	1.32	1.34	1.33	1.32	1.32	1.32
Certificates of deposit, secondary market[3,7]												
9 1-month	6.35	3.84	1.72	1.78	1.77	1.39	1.37	1.35	1.37	1.37	1.37	1.37
10 3-month	6.46	3.71	1.73	1.76	1.73	1.39	1.34	1.36	1.36	1.34	1.34	1.35
11 6-month	6.59	3.66	1.81	1.74	1.69	1.40	1.36	1.39	1.39	1.36	1.36	1.35
12 Eurodollar deposits, 3-month[3,8]	6.45	3.70	1.73	1.75	1.73	1.39	1.35	1.37	1.36	1.35	1.34	1.34
U.S. Treasury bills												
Secondary market[3,5]												
13 4-week	n.a.	2.43	1.60	1.65	1.60	1.24	1.18	1.24	1.22	1.20	1.18	1.11
14 3-month	5.82	3.40	1.61	1.63	1.58	1.23	1.19	1.21	1.20	1.19	1.20	1.16
15 6-month	5.90	3.34	1.68	1.60	1.56	1.27	1.24	1.27	1.27	1.25	1.24	1.23
U.S. TREASURY NOTES AND BONDS												
Constant maturities[9]												
16 1-year	6.11	3.49	2.00	1.72	1.65	1.49	1.45	1.55	1.53	1.47	1.43	1.41
17 2-year	6.26	3.83	2.64	2.00	1.91	1.92	1.84	2.07	2.01	1.87	1.83	1.71
18 3-year	6.22	4.09	3.10	2.32	2.25	2.32	2.23	2.50	2.44	2.27	2.23	2.08
19 5-year	6.16	4.56	3.82	2.94	2.95	3.05	3.03	3.26	3.24	3.06	3.02	2.89
20 7-year	6.20	4.88	4.30	3.50	3.54	3.64	3.63	3.84	3.84	3.65	3.63	3.47
21 10-year	6.03	5.02	4.61	3.87	3.94	4.05	4.03	4.19	4.17	4.04	4.05	3.92
22 20-year	6.23	5.63	5.43	4.87	5.00	5.04	5.01	5.14	5.13	5.01	5.04	4.91
Treasury long-term average[10,11]												
23 25 years and above	n.a.	n.a	5.41	4.90	5.07	5.10	5.06	5.18	5.16	5.04	5.10	4.99
STATE AND LOCAL NOTES AND BONDS												
Moody's series[12]												
24 Aaa	5.58	4.99	4.87	4.58	4.66	4.77	4.70	4.88	4.83	4.70	4.65	4.63
25 Baa	6.19	5.75	5.64	5.31	5.47	5.62	5.57	5.75	5.68	5.57	5.52	5.50
26 *Bond Buyer* series[13]	5.71	5.15	5.04	4.74	4.88	4.95	4.85	5.00	4.94	4.83	4.82	4.79
CORPORATE BONDS												
27 Seasoned issues, all industries[14]	7.98	7.49	7.10	6.73	6.93	6.88	6.77	6.91	6.87	6.77	6.79	6.70
Rating group												
28 Aaa[15]	7.62	7.08	6.49	6.15	6.32	6.31	6.21	6.37	6.33	6.20	6.23	6.14
29 Aa	7.83	7.26	6.93	6.63	6.73	6.71	6.63	6.76	6.73	6.65	6.64	6.56
30 A	8.11	7.67	7.18	6.76	6.95	6.89	6.80	6.90	6.88	6.80	6.83	6.73
31 Baa	8.37	7.95	7.80	7.40	7.73	7.62	7.45	7.60	7.55	7.45	7.45	7.38
MEMO												
Dividend–price ratio[16]												
32 Common stocks	1.15	1.32	1.61	1.80	1.86	1.73	1.77	1.69	1.73	1.75	1.79	1.79

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

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days, ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year or bank interest.
4. The rate charged for primary credit under an amendment to the Board's Regulation A, which became effective January 9, 2003. This rate replaces that for adjustment credit, which was discontinued after January 8, 2003. For further information, see: http://www.federalreserve.gov/boarddocs/press/bcreg/2002/20021031 2/default.htm. The rate is that reported for the Federal Reserve Bank of New York. Historical series for the rate on adjustment credit is available at: http://www.federalreserve.gov/releases.gov/releases/h15/data.htm.
5. Quoted on a discount basis.
6. Interest rates interpolated from data on certain commercial paper trades settled by the Depository Trust Company. The trades represent sales of commercial paper by dealers or direct issuers to investors (that is, the offer side). See the Board's Commercial Paper web pages (http://www.federalreserve.gov/releases/cp) for more information.
7. An average of dealer offering rates on nationally traded certificates of deposit.
8. Bid rates for eurodollar deposits collected around 9:30 a.m. Eastern time. Data are for indication purposes only.
9. Yields on actively traded issues adjusted to constant maturities.
10. Based on the unweighted average of the bid yields for all Treasury fixed-coupon securities with remaining terms to maturity of 25 years and over.
11. A factor for adjusting the daily long-term average in order to estimate a 30-year rate can be found at http://www.treas.gov/offices/domestic-finance/debt-management/interest-rate/ltcompositeindex.html.
12. General obligation bonds based on Thursday figures; Moody's Investors Service.
13. 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 Moody's A1 rating. Based on Thursday figures.
14. Daily figures are averages of Aaa, Aa, A, and Baa yields from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
15. *Effective December 7, 2001, the Moody's Aaa yield includes yields only for industrial* firms. Prior to December 7, 2001, the Aaa yield represented both utilities and industrial.
16. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

SOURCE: U.S. Department of the Treasury.

1.36 STOCK MARKET Selected Statistics

Indicator	2000	2001	2002	2002								
				Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	6,806.46[r]	6,407.95[r]	5,571.46	6,212.88[r]	6,087.85[r]	5,755.89[r]	5,139.94[r]	5,200.62[r]	4,980.65[r]	4,862.70[r]	5,104.89[r]	5,075.76
2 Industrial	809.40	749.46	656.44	732.71	718.12	677.58	603.04	611.34	589.14	574.45	597.75	593.15
3 Transportation	414.73	444.45	430.63	470.00	459.55	449.42	416.07	409.96	388.19	383.41	405.03	401.39
4 Utility	478.99	377.72	260.50	300.57	287.10	265.21	230.21	225.52	210.76	207.83	229.41	236.71
5 Finance	552.48	596.61	554.88	610.24	603.15	577.05	524.01	533.60	506.05	494.06	523.50	519.72
6 Standard & Poor's Corporation (1941–43 = 10)[1]	1,427.22	1,194.18	993.94	1,112.03	1,079.27	1,014.05	903.59	912.55	867.81	854.63	909.93	899.18
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	922.22	879.08	860.11	915.09	935.10	911.59	840.76	843.89	852.03	807.38	820.62	823.77
Volume of trading (thousands of shares)												
8 New York Stock Exchange	1,026,867	1,216,529	1,411,689	1,280,714	1,215,786	1,539,282	1,848,962	1,317,105	1,370,143	1,619,896	1,427,254	1,210,332
9 American Stock Exchange	51,437	68,074	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a.
	Customer financing (millions of dollars, end-of-period balances)											
10 Margin credit at broker–dealers[3]	**198,790**	**150,450**	**134,380**	**150,940**	**150,860**	**146,270**	**136,160**	**132,800**	**130,210**	**130,570**	**133,060**	**134,380**
Free credit balances at brokers[4]												
11 Margin accounts[5]	100,680	101,640	95,690	92,140	92,950	95,830	98,080	95,400	98,630	96,620	91,240	95,690
12 Cash accounts	84,400	78,040	73,340	68,540	66,120	68,280	68,860	63,700	67,550	66,780	67,380	73,340
	Margin requirements (percent of market value and effective date)[6]											
	Mar. 11, 1968		June 8, 1968		May 6, 1970		Dec. 6, 1971		Nov. 24, 1972		Jan. 3, 1974	
13 Margin stocks	70		80		65		55		65		50	
14 Convertible bonds	50		60		50		50		50		50	
15 Short sales	70		80		65		55		65		50	

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

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

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	2000	2001				2002			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	**5,803.5**	**5,800.6**	**5,753.9**	**5,834.5**	**5,970.3**	**6,032.4**	**6,153.3**	**6,255.4**	**6,433.0**
2 Public debt securities	5,662.2	5,773.7	5,726.8	5,807.5	5,943.4	6,006.0	6,126.5	6,228.2	6,405.7
3 Held by public	3,527.4	3,434.4	3,274.2	3,338.7	3,393.8	3,443.7	3,463.5	3,552.6	3,647.4
4 Held by agencies	2,248.7	2,339.4	2,452.6	2,468.8	2,549.7	2,562.4	2,662.9	2,675.6	2,758.3
5 Agency securities	27.4	26.8	27.1	27.0	26.8	26.4	26.8	27.2	27.3
6 Held by public	27.3	26.8	27.1	27.0	26.8	26.4	26.8	27.2	27.3
7 Held by agencies	.1	.1	0	.0	.0	.0	.0	.0	.0
8 **Debt subject to statutory limit**	**5,580.5**	**5,692.5**	**5,645.0**	**5,732.6**	**5,871.4**	**5,935.1**	**6,058.3**	**6,161.4**	**6,359.4**
9 Public debt securities	5,580.2	5,692.3	5,644.8	5,732.4	5,871.2	5,935.0	6,058.1	6,161.1	6,359.1
10 Other debt[1]	.2	.2	.2	.2	.3	.2	.2	.3	.3
MEMO									
11 Statutory debt limit	5,950.0	5,950.0	5,950.0	5,950.0	5,950.0	5,950.0	6,400.0	6,400.0	6,400.0

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 *Monthly Treasury Statement.*

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

Billions of dollars, end of period

Type and holder	1999	2000	2001	2002	2002			
					Q1	Q2	Q3	Q4
1 **Total gross public debt**	**5,776.1**	**5,662.2**	**5,943.4**	**6,405.7**	**6,006.0**	**6,126.5**	**6,228.2**	**6,405.7**
By type								
2 Interest-bearing	5,766.1	5,618.1	5,930.8	6,391.4	5,962.2	6,087.0	6,216.3	6,391.4
3 Marketable	3,281.0	2,966.9	2,982.9	3,205.1	3,003.3	3,024.8	3,136.6	3,205.1
4 Bills	737.1	646.9	811.3	888.8	834.4	822.5	868.3	888.8
5 Notes	1,784.5	1,557.3	1,413.9	1,580.8	1,411.7	1,446.9	1,521.5	1,580.8
6 Bonds	643.7	626.5	602.7	588.7	596.7	592.9	592.9	588.7
7 Inflation-indexed notes and bonds[1]	100.7	121.2	140.1	146.9	145.6	147.5	138.9	146.9
8 Nonmarketable[2]	2,485.1	2,651.2	2,947.9	3,186.3	2,958.9	3,062.2	3,079.6	3,186.3
9 State and local government series	165.7	151.0	146.3	153.4	141.1	142.8	144.3	153.4
10 Foreign issues[3]	31.3	27.2	15.4	11.2	14.6	13.3	12.5	11.2
11 Government	31.3	27.2	15.4	11.2	14.6	13.3	12.5	11.2
12 Public	0	0	.0	.0	.0	.0	.0	.0
13 Savings bonds and notes	179.4	176.9	181.5	184.8	183.6	184.8	185.6	184.8
14 Government account series[4]	2,078.7	2,266.1	2,574.8	2,806.9	2,589.7	2,691.4	2,707.3	2,806.9
15 Non-interest-bearing	10.0	44.2	12.7	14.3	43.8	39.5	12.0	14.3
By holder[5]								
16 U.S. Treasury and other federal agencies and trust funds	2,064.2	2,270.1	2,572.2	n.a.	2,581.4	2,686.0	2,701.3	n.a.
17 Federal Reserve Banks[6]	478.0	511.7	551.7	629.4	575.4	590.7	604.2	629.4
18 Private investors	3,233.9	2,880.4	2,819.5	n.a.	2,849.2	2,849.8	2,924.8	n.a.
19 Depository institutions	248.7	201.5	181.5	n.a.	187.6	204.4	210.5	n.a.
20 Mutual funds	228.6	220.8	257.5	n.a.	264.9	250.0	252.4	n.a.
21 Insurance companies	123.4	110.2	105.7	n.a.	108.4	110.3	115.4	n.a
22 State and local treasuries[7]	266.8	236.2	256.5	n.a.	261.2	271.7	269.4	n.a.
Individuals								
23 Savings bonds	186.4	184.8	190.3	n.a.	191.9	192.7	193.3	n.a.
24 Pension funds	321.0	304.1	281.6	n.a.	293.3	286.0	283.4	n.a.
25 Private	109.8	108.4	104.2	n.a.	106.3	108.8	110.9	n.a.
26 State and Local	211.2	195.7	177.4	n.a.	187.0	177.2	172.5	n.a.
27 Foreign and international[8]	1,268.7	1,034.2	1,053.1	n.a	1,055.7	1,071.3	1,133.7	n.a
28 Other miscellaneous investors[7,9]	589.9	587.7	494.1	n.a.	487.7	451.9	n.a.	n.a.

1. The U.S Treasury first issued inflation-indexed securities during the first quarter of 1997

2. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.

3. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.

4. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.

5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

6. U.S. Treasury securities bought outright by Federal Reserve Banks, see *Bulletin* table 1.18.

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. Includes nonmarketable foreign series Treasury securities and Treasury deposit funds. Excludes Treasury securities held under repurchase agreements in custody accounts at the Federal Reserve Bank of New York.

9 Includes individuals, government-sponsored enterprises, brokers and dealers, bank personal trusts and estates, corporate and noncorporate businesses, and other investors.

SOURCES. Data by type of security, U.S. Treasury Department, *Monthly Statement of the Public Debt of the United States*; data by holder, Federal Reserve Board of Governors, *Flow of Funds Accounts of the United States* and U.S. Treasury Department, *Treasury Bulletin*, unless otherwise noted.

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

Millions of dollars, daily averages

	Item	2002			2002, week ending								
		Sept.	Oct.	Nov.	Oct. 30	Nov. 6	Nov. 13	Nov. 20	Nov. 27	Dec. 4	Dec. 11	Dec. 18	Dec. 25
	By type of security												
1	U.S. Treasury bills	46,861	44,804	48,070	47,376	48,003	54,630	43,156	48,074	46,650	49,102	43,060	37,679
	Treasury coupon securities by maturity												
2	Three years or less	133,211	133,181	141,467	144,196	136,338	156,502	117,133	159,943	131,140	112,904	97,605	102,826
3	More than three but less than or equal to six years	106,075	114,643	118,430	109,668	143,887	121,503	122,395	95,173	100,771	107,472	87,610	56,505
4	More than six but less than or equal to eleven years	83,783	99,139	98,012	92,675	115,775	118,456	90,931	78,117	80,059	82,733	65,588	47,865
5	More than eleven	22,090	21,405	20,833	20,452	20,685	26,370	21,121	16,598	19,019	19,169	17,393	12,380
6	Inflation-indexed[2]	2,439	4,122	2,603	3,737	3,410	2,408	2,531	2,325	1,914	3,274	2,536	2,265
	Federal agency and government-sponsored enterprises												
7	Discount notes	49,573	50,271	51,785	48,678	54,698	55,383	52,351	45,143	56,129	51,714	59,092	50,202
	Coupon securities by maturity												
8	Three years or less	11,389	11,841	12,727	14,536	13,776	15,684	12,861	10,072	9,312	10,000	9,062	9,828
9	More than three years but less than or equal to six years	10,317	9,301	8,893	6,829	7,877	8,577	11,565	8,094	4,847	12,860	5,563	3,664
10	More than six years but less than or equal to eleven years	7,337	6,776	7,383	4,228	6,523	5,178	9,563	7,661	7,349	7,235	6,205	6,820
11	More than eleven years	1,147	1,325	1,219	831	1,202	1,378	1,031	1,377	801	1,313	676	808
12	Mortgage-backed	186,023	191,937	194,006	131,645	164,887	287,422	211,256	131,296	164,112	250,141	155,212	99,579
	Corporate securities												
13	One year or less	106,097	101,115	111,148	95,235	110,984	119,849	120,220	101,266	81,049	106,654	125,831	100,301
14	More than one year	18,433	16,294	22,421	17,405	22,812	19,890	22,993	24,053	19,955	18,201	21,111	13,047
	By type of counterparty												
	With interdealer broker												
15	U.S. Treasury	184,949	197,089	205,144	194,377	228,772	228,274	186,794	192,175	174,715	178,506	148,043	113,090
16	Federal agency and government-sponsored enterprises	10,217	10,473	10,018	11,031	11,172	10,763	10,705	8,175	8,204	9,903	7,078	7,097
17	Mortgage-backed	58,896	55,734	49,075	42,141	43,165	71,907	52,025	34,248	40,764	52,998	40,057	26,086
18	Corporate	373	387	431	431	394	307	562	428	432	620	665	278
	With other												
19	U.S. Treasury	209,510	220,204	224,271	223,726	239,325	251,594	210,472	208,055	204,838	196,146	165,749	146,429
20	Federal agency and government-sponsored enterprises	69,548	69,041	71,989	64,073	72,904	75,437	76,666	64,172	70,234	73,219	73,521	64,226
21	Mortgage-backed	127,127	136,203	144,931	89,504	121,722	215,515	159,231	97,048	123,348	197,143	115,155	73,494
22	Corporate	124,156	117,022	133,138	112,208	133,403	139,431	142,651	124,892	100,572	124,235	146,277	113,070

NOTE. Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 4, 2001. Current weekly data may be found at the Federal Reserve Bank of New York web site (http:www.newyorkfed.org/pihome/statistics) under the Primary Dealer heading.

1. The figures represent purchases and sales in the market by the primary U.S. government securities dealers reporting to the Federal Reserve Bank of New York. Outright transactions include all U.S. government, federal agency, government-sponsored enterprise, mortgage-backed, and corporate securities scheduled for immediate and forward delivery, as well as all U.S. government securities traded on a when-issued basis between the announcement and issue date. Data do not include transactions under repurchase and reverse repurchase (resale) agreements. Averages are based on the number of trading days in the week.

2. Outright Treasury inflation-indexed securities (TIIS) transactions are reported at principal value, excluding accrued interest, where principal value reflects the original issuance par amount (unadjusted for inflation) times the price times the index ratio.

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

Millions of dollars

Item, by type of security	2002			2002, week ending							
	Sept.	Oct.	Nov.	Oct. 30	Nov. 6	Nov. 13	Nov. 20	Nov. 27	Dec. 4	Dec. 11	Dec. 18
	Net outright positions[2]										
1 U.S. Treasury bills	8,379	12,301	21,827[r]	19,761	16,287	25,352	25,046	17,755	26,670	34,712	27,956
Treasury coupon securities by maturity											
2 Three years or less	−17,680	−25,208	−25,283[r]	−19,784	−19,378	−27,268	−27,545	−26,591	−24,130	−20,421	−23,106
3 More than three years but less than or equal to six years	−35,388	−35,886	−30,766[r]	−41,066	−31,991	−28,074	−31,684	−30,518	−33,030	−36,338	−33,501
4 More than six but less than or equal to eleven years	−15,420	−13,591	−15,248[r]	−11,316	−12,125	−11,665	−17,696	−16,389	−21,479	−20,545	−20,125
5 More than eleven	9,083	6,885	1,106[r]	4,297	1,489	1,131	1,607	573	361	1,301	913
6 Inflation-indexed	1,239	2,260	1,402[r]	566	228	720	927	1,812	5,495	5,052	4,580
Federal agency and government-sponsored enterprises											
7 Discount notes	49,345	51,159	51,259[r]	52,944	46,402	57,549	46,692	51,953	55,329	53,229	55,175
Coupon securities, by maturity											
8 Three years or less	14,031	16,704	16,344[r]	17,635	15,400	16,319	17,292	16,435	15,867	18,822	18,444
9 More than three years but less than or equal to six years	1,826	785	−407[r]	−320	−1,764	−1,279	−307	878	1,107	713	1,169
10 More than six but less than or equal to eleven years	2,242	2,717	1,556[r]	2,217	690	1,793	2,954	961	861	2,231	3,754
11 More than eleven	2,303	2,252	2,994	2,482	2,898	3,074	3,309	2,745	2,847	2,766	2,892
12 Mortgage-backed	16,667	15,565	8,176	8,997	13,629	2,417	11,891	7,051	4,669	6,865	15,637
Corporate securities											
13 One year or less	23,363	24,010	21,645	24,644	21,861	27,588	22,072	16,470	18,420	26,089	30,252
14 More than one year	48,908	51,861	50,912[r]	48,561	52,254	46,335	52,631	51,796	52,832	55,056	55,274
	Financing[3]										
Securities in, U.S. Treasury											
15 Overnight and continuing	627,852	619,723	614,961	589,729	638,874	623,270	649,316	545,752	629,076	643,349	586,712
16 Term	904,116	905,616	937,618[r]	954,104	939,740	975,976	880,865	962,001	919,406	965,753	1,010,804
Federal agency and government-sponsored enterprises											
17 Overnight and continuing	156,069	157,351	145,420	156,398	152,871	160,910	144,090	124,797	145,595	144,826	142,661
18 Term	306,858	314,993	315,176	321,660	313,358	327,393	307,624	314,905	308,558	313,885	315,348
Mortgage-backed securities											
19 Overnight and continuing	44,642	41,613	48,995	42,430	60,626	55,376	48,869	36,532	40,216	42,235	29,626
20 Term	278,235	280,317	277,966	283,536	264,648	275,969	281,206	286,387	282,049	288,335	284,767
Corporate securities											
21 Overnight and continuing	50,351	49,081	49,184	48,740	48,855	49,599	51,008	48,027	47,322	48,783	47,420
22 Term	25,606	26,306	26,247	26,681	26,499	26,621	26,175	25,680	26,366	25,567	24,042
MEMO											
Reverse repurchase agreements											
23 Overnight and continuing	477,054	465,644	456,710	450,481	495,162	478,104	479,639	376,716	463,040	482,234	420,215
24 Term	1,363,411	1,366,558	1,404,106	1,419,579	1,390,367	1,451,324	1,348,935	1,433,237	1,382,172	1,439,232	1,478,663
Securities out, U.S. Treasury											
25 Overnight and continuing	596,372	565,825	573,787	540,078	578,135	580,756	616,134	507,121	605,574	616,166	585,059
26 Term	829,047	837,262	875,065	889,161	882,193	913,939	814,690	908,160	833,761	896,457	921,011
Federal agency and government-sponsored enterprises											
27 Overnight and continuing	279,838	292,282	276,128	303,501	283,435	300,538	272,542	244,436	286,870	287,362	275,938
28 Term	237,666	235,801	245,811	236,777	235,654	249,153	239,956	259,896	239,120	245,639	254,196
Mortgage-backed securities											
29 Overnight and continuing	303,749	319,058	316,240	306,332	311,270	310,033	335,515	316,211	295,757	304,599	307,090
30 Term	176,871	172,948	170,818	170,392	158,121	158,107	189,453	180,315	160,232	171,289	186,603
Corporate securities											
31 Overnight and continuing	127,796	132,186	133,692	135,430	132,565	137,006	135,343	131,552	129,358	135,864	139,661
32 Term	19,734	23,097	20,946	24,791	22,574	20,808	20,297	21,592	18,015	17,976	16,746
MEMO											
Repurchase agreements											
33 Overnight and continuing	1,150,894	1,147,149	1,139,287	1,122,791	1,148,750	1,170,074	1,193,299	1,038,786	1,156,998	1,178,292	1,144,365
34 Term	1,231,403	1,232,858	1,279,914	1,283,897	1,262,433	1,305,156	1,234,632	1,339,821	1,221,855	1,301,205	1,348,686

NOTE. Major changes in the report form filed by primary dealers included a break in many series as of the week ending July 4, 2001. Current weekly data may be found at the Federal Reserve Bank of New York web site (http://www.newyorkfed.org/pihome/statistics) under the Primary Dealer heading.

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. Net outright positions include all U.S. government, federal agency, government-sponsored enterprise, mortgage-backed, and corporate securities scheduled for immediate and forward delivery, as well as U.S. government securities traded on a when-issued basis between the announcement and issue date.

3. Figures cover financing U.S. government, federal agency, government-sponsored enterprise, mortgage-backed, and corporate securities. Financing transactions for Treasury inflation-indexed securities (TIIS) are reported in actual funds paid or received, except for pledged securities. TIIS that are issued as pledged securities are reported at par value, which is the value of the security at original issuance (unadjusted for inflation).

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1998	1999	2000	2001	2002				
					June	July	Aug.	Sept	Oct.
1 **Federal and federally sponsored agencies**	**1,296,477**	**1,616,492**	**1,851,632**	**2,121,057**	**2,161,580**	**2,213,366**	**2,226,713**	n.a.	n.a.
2 Federal agencies	26,502	26,376	25,666	276	223	223	164	304	318
3 Defense Department[1]	6	6	6	6	6	6	6	6	6
4 Export–Import Bank[2,3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Federal Housing Administration[4]	205	126	255	26,828	26,826	26,541	26,274	27,170	26,725
6 Government National Mortgage Association certificates of participation[5]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Postal Service[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Tennessee Valley Authority	26,496	26,370	25,660	270	217	217	158	298	312
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]	1,269,975	1,590,116	1,825,966	2,120,781	2,207,212	2,213,143	2,226,549	n.a.	n.a.
11 Federal Home Loan Banks	382,131	529,005	594,404	623,740	643,102	651,253	659,258	668,703	679,209
12 Federal Home Loan Mortgage Corporation	287,396	360,711	426,899	565,071	601,363	604,853	603,135	623,267	625,328
13 Federal National Mortgage Association	460,291	547,619	642,700	763,500	789,000	784,020	789,900	800,300	804,800
14 Farm Credit Banks[8]	63,488	68,883	74,181	76,673	80,951	81,265	81,658	82,741	n.a.
15 Student Loan Marketing Association[9]	35,399	41,988	45,375	48,350	49,600	48,500	49,500	50,800	n.a.
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	n.a.
17 Farm Credit Financial Assistance Corporation[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	n.a.
18 Resolution Funding Corporation[12]	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	n.a.
MEMO									
19 **Federal Financing Bank debt[13]**	**44,129**	**42,152**	**40,575**	**39,096**	**37,091**	**37,830**	**42,825**	**39,604**	**37,084**
Lending to federal and federally sponsored agencies									
20 Export–Import Bank[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
21 Postal Service[6]	n.a.	n.a.	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	n.a.	n.a.	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	9,500	6,665	5,275	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
26 Rural Electrification Administration	14,091	14,085	13,126	13,876	14,301	14,338	13,599	14,029	14,058
27 Other	20,538	21,402	22,174	25,220	22,790	23,492	29,226	25,575	23,026

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 Agriculture 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	1999	2000	2001	2002							
				May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 **All issues, new and refunding**[1]	**215,427**	**180,403**	**288,601[r]**	**33,813[r]**	**38,916[r]**	**27,993[r]**	**31,879[r]**	**27,379[r]**	**42,670[r]**	**35,965[r]**	**27,391**
By type of issue											
2 General obligation	73,308	64,475	100,519	10,446	16,166	10,130	10,226	9,562	16,075	8,159	7,909
3 Revenue	142,120	115,928	170,047	22,413	20,149	15,642	18,692	17,751	24,074	24,942	18,961
By type of issuer											
4 State	16,376	19,944	30,099	1,531	3,718	3,404	3,472	2,442	4,199	2,109	1,670
5 Special district or statutory authority[2]	152,418	111,695	179,427	23,866	27,283	16,007	20,144	19,105	29,273	25,422	19,629
6 Municipality, county, or township	46,634	39,273	61,040	7,461	5,315	6,361	5,302	5,767	6,678	5,570	5,570
7 **Issues for new capital**	**161,065**	**154,257**	**199,134[r]**	**21,101[r]**	**24,624[r]**	**19,766[r]**	**20,972[r]**	**15,126[r]**	**28,685[r]**	**25,331[r]**	**19,991**
By use of proceeds											
8 Education	36,563	38,665	50,054	6,027	7,060	4,205	3,968	3,529	5,209	3,743	5,292
9 Transportation	17,394	19,730	21,411	1,795	3,351	3,251	4,413	1,398	1,476	1,250	1,060
10 Utilities and conservation	15,098	11,917	21,917	1,785	1,087	1,660	2,806	2,038	6,922	8,379	2,031
11 Social welfare	n.a.	n.a.	n.a.	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Industrial aid	9,099	7,122	6,607	614	631	760	283	574	1,225	821	796
13 Other purposes	47,896	47,309	55,733	6,962	7,653	5,893	6,537	5,597	6,996	7,189	4,992

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	1999	2000	2001[r]	2002							
				Apr.	May	June	July	Aug.	Sept.	Oct.	Nov
1 **All issues**[1]	**1,105,535**	**1,079,727**	**1,541,821**	**116,952**	**123,894**	**149,753**	**68,426**	**97,665**	**135,176**	**93,439**	**119,659**
2 **Bonds**[2]	**973,967**	**944,810**	**1,413,267**	**106,416**	**114,932**	**133,217**	**63,912**	**93,659**	**127,881**	**85,606**	**109,726**
By type of offering											
3 Sold in the United States	851,352	822,012	1,356,879	101,427	105,070	121,491	60,549	90,215	123,449	81,409	104,112
4 Sold abroad	122,615	122,798	56,389	4,989	9,862	11,725	3,362	3,444	4,432	4,197	5,614
MEMO											
5 Private placements, domestic	24,703	18,370	8,734	0	4,506	3,068	0	0	65	0	3,525
By industry group											
6 Nonfinancial	302,256	258,804	459,560	35,741	19,804	27,693	7,624	14,960	19,988	14,906	22,029
7 Financial	671,711	686,006	953,707	70,675	95,128	105,524	56,288	78,699	107,893	70,700	87,697
8 **Stocks**[3]	**254,540[r]**	**311,941[r]**	**230,632**	**10,536**	**8,962**	**16,536**	**4,514**	**4,006**	**7,295**	**7,833**	**9,933**
By type of offering											
9 Public	131,568	134,917	128,554	10,536	8,962	16,536	4,514	4,006	7,295	7,833	9,933
10 Private placement[4]	122,972[r]	177,024[r]	102,078	n.a.	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
11 Nonfinancial	110,284	118,369	77,577	7,834	6,633	11,608	1,833	539	2,754	3,731	4,533
12 Financial	21,284	16,548	50,977	2,702	2,329	4,928	2,681	3,467	4,541	4,102	5,400

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data include 144(a) offerings.
3. Monthly data cover only public offerings.
4. Data for private placements are not available at a monthly frequency.

SOURCE. Securities Data Company and the Board of Governors of the Federal Reserve System.

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

Millions of dollars

Item	2001	2002	2002 May	June	July	Aug.	Sept.	Oct.	Nov.r	Dec.
1 **Sales of own shares**[2]	**1,806,474**	**1,827,331**	**154,987**	**138,520**	**170,946**	**151,136**	**125,408**	**164,959**	**137,914**	**135,669**
2 Redemptions of own shares	1,677,266	1,703,269	138,052	144,153	200,148	136,210	126,760	167,039	122,125	135,811
3 Net sales[3]	129,208	124,062	16,935	–5,633	–29,202	14,926	–1,352	–2.080	15,789	–142
4 **Assets**[4]	**4,689,624**	**4,119,237**	**4,693,928**	**4,434,603**	**4,124,186**	**4,170,641**	**3,899,858**	**4,059,765**	**4,249,351**	**4,119,237**
5 Cash[5]	219,620	209,104	243,755	208,390	199,586	220,425	199,778	204,019	219,213	209,104
6 Other	4,470,004	3,910,133	4,450,173	4,226,213	3,924,600	3,950.216	3,700,080	3.855.746	4.030,138	3,910,133

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

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

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1999	2000	2001	2001 Q1	2001 Q2	2001 Q3	2001 Q4	2002 Q1	2002 Q2	2002 Q3
Assets										
1 Accounts receivable, gross[2]	845.4	958.7	948.3	954.5	988.8	967.8	948.3	930.0	941.9r	945.4
2 Consumer	304.4	328.0	340.1	319.3	324.6	329.3	340.1	329.8	332.0r	334.5
3 Business	395.1	458.4	447.0	459.1	481.9	451.1	447.0	443.0	449.4	445.5
4 Real estate	145.8	172.3	161.3	176.1	182.3	187.4	161.3	157.2	160.5	165.3
5 Less: Reserves for unearned income	61.4	69.7	60.6	69.9	61.5	60.8	60.6	59.5	58.5	58.0
6 Reserves for losses	14.7	16.7	21.0	17.2	17.4	18.0	21.0	21.5	21.6	22.1
7 Accounts receivable, net	769.3	872.3	866.7	867.3	909.8	889.0	866.7	849.0	861.9r	865.4
8 All other	406.6	461.5	523.4	474.8	458.9	478.7	523.4	515.2	530.6	556.7
9 **Total assets**	**1,175.9**	**1,333.7**	**1,390.1**	**1,342.1**	**1,368.7**	**1,367.7**	**1,390.1**	**1,364.2**	**1,392.5**	**1,422.1**
Liabilities and Capital										
10 Bank loans	35.4	35.9	50.8	41.6	45.3	44.5	50.8	49.4	56.9	74.9
11 Commercial paper	230.4	238.8	158.6	180.9	181.6	171.0	158.6	137.0	130.8	143.1
Debt										
12 Owed to parent	87.8	102.5	99.2	97.2	93.4	91.7	99.2	82.6	83.3	82.9
13 Not elsewhere classified	429.9	502.2	567.4	533.8	542.1	555.8	567.4	574.4	597.2	584.9
14 All other liabilities	237.8	301.8	325.5	325.2	336.3	327.6	325.5	329.1	331.5	341.9
15 Capital, surplus, and undivided profits	154.5	152.5	188.6	163.5	170.0	177.2	188.6	191.7	192.9	194.6
16 **Total liabilities and capital**	**1,175.9**	**1,333.7**	**1,390.1**	**1,342.1**	**1,368.7**	**1,367.7**	**1,390.1**	**1,364.2**	**1,392.5**	**1,422.3**

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

1.52 DOMESTIC FINANCE COMPANIES Owned and Managed Receivables[1]

Billions of dollars, amounts outstanding

Type of credit	1999	2000	2001	2002 June[r]	2002 July	2002 Aug.[r]	2002 Sept.	2002 Oct.[r]	2002 Nov.
	Seasonally adjusted								
1 **Total**	**1,031.2**	**1,187.0**	**1,248.5**	**1,258.3**	**1,269.0**	**1,269.1**	**1,269.5**	**1,267.2**	**1,269.2**
2 Consumer	410.2	465.2	514.6	525.0	528.1	522.8	522.2	517.2	514.4
3 Real estate	174.0[r]	198.9[r]	207.7[r]	203.1	206.7[r]	209.6	207.9[r]	211.6	213.9
4 Business	446.9	522.8	526.2	530.2	534.2[r]	536.7	539.4	538.4	540.8
	Not seasonally adjusted								
5 **Total**	**1,036.4**	**1,192.2**	**1,253.7**	**1,264.4**	**1,264.2**	**1,261.1**	**1,262.2**	**1,262.0**	**1,263.3**
6 Consumer	412.7	468.3	518.1	524.9	528.6[r]	525.0	524.3	518.9	517.7
7 Motor vehicle loans	129.2	141.6	173.9	170.3	172.5[r]	170.3	176.5[r]	169.9	160.3
8 Motor vehicle leases	102.9	108.2	103.5	96.4	94.9	90.5	88.5	86.7	85.2
9 Revolving[2]	32.5	37.6	31.5	32.1	36.6	36.5	37.3	37.4	37.2
10 Other[3]	39.8	40.7	31.1	33.2	33.0	33.0	32.3	31.3	31.4
Securitized assets[4]									
11 Motor vehicle loans	73.1	97.1	131.9	142.4	141.9[r]	144.4	138.9[r]	144.1	153.5
12 Motor vehicle leases	9.7	6.6	6.8	6.2	6.1	6.0	6.0[r]	5.9	5.8
13 Revolving	6.7	19.6	25.0	29.2	28.9[r]	29.9	30.5[r]	29.2	30.2
14 Other	18.8	17.1	14.3	15.0	14.7	14.4	14.4[r]	14.4	14.2
15 Real estate	174.0	198.9	207.7	203.1	206.7	209.6	207.9[r]	211.6	213.9
16 One- to four-family	108.2	130.6	120.1	121.8	125.7	128.7	126.5	130.5	132.8
17 Other	37.6	41.7	41.2	38.7	38.7	38.8	39.0	38.8	39.0
Securitized real estate assets[4]									
18 One- to four-family	28.0	24.7	40.7	40.9	40.6[r]	40.4	40.1[r]	40.1	39.9
19 Other	.2	1.9	5.7	1.7	1.7[r]	1.7	2.2[r]	2.2	2.2
20 Business	449.6	525.0	527.9	536.5	529.0[r]	526.4	530.0	531.5	531.7
21 Motor vehicles	69.4	75.5	54.0	59.9	56.7	56.0	56.9	57.4	60.3
22 Retail loans	21.1	18.3	16.1	17.0	17.5	17.2	17.6	18.1	17.7
23 Wholesale loans[5]	34.8	39.7	20.3	25.8	22.3	22.2	23.3	23.5	26.7
24 Leases	13.6	17.6	17.6	17.1	16.9	16.6	15.9	15.9	15.9
25 Equipment	238.7	283.5	289.4	288.0	286.0	287.5	289.2	287.2	286.0
26 Loans	64.5	70.2	77.8	78.9	80.0	81.4	82.8	80.9	80.2
27 Leases	174.2	213.3	211.6	209.2	206.1	206.1	206.4	206.4	205.8
28 Other business receivables[6]	87.0	99.4	103.5	101.5	102.8	99.8	99.4	96.7	95.3
Securitized assets[4]									
29 Motor vehicles	31.5	37.8	50.1	45.5	41.5[r]	41.0	43.8[r]	47.0	47.0
30 Retail loans	2.9	3.2	5.1	2.4	2.3[r]	2.2	2.2[r]	1.9	1.9
31 Wholesale loans	26.4	32.5	42.5	40.8	36.9[r]	36.5	39.3[r]	42.8	42.8
32 Leases	2.1	2.2	2.5	2.3	2.3[r]	2.3	2.3[r]	2.3	2.3
33 Equipment	14.6	23.1	23.2	21.7	21.6[r]	22.0	21.6[r]	23.9	23.9
34 Loans	7.9	15.5	16.4	15.0	15.0[r]	15.4	14.8[r]	17.2	17.2
35 Leases	6.7	7.6	6.8	6.7	6.7[r]	6.6	6.7[r]	6.7	6.7
36 Other business receivables[6]	8.4	5.6	7.7	19.9	20.3[r]	20.1	19.1[r]	19.2	19.1

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	2000	2001	2002	2002 June	July	Aug.	Sept.	Oct.	Nov.	Dec.
				Terms and yields in primary and secondary markets						
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	234.5	245.0	261.1	268.2	268.2	267.5	266.7	258.7	256.7	266.9
2 Amount of loan (thousands of dollars)	177.0	184.2	197.0	201.1	201.6	199.1	201.1	195.0	193.3	205.1
3 Loan-to-price ratio (percent)	77.4	77.3	77.8	77.1	77.5	77.3	77.6	77.7	77.4	79.0
4 Maturity (years)	29.2	28.8	28.9	29.0	29.1	29.0	29.1	28.8	28.4	28.7
5 Fees and charges (percent of loan amount)[2]	.70	.67	.62	.56	.62	.59	.60	.63	.61	.64
Yield (percent per year)										
6 Contract rate[1]	7.41	6.90	6.35	6.38	6.28	6.17	6.09	6.00	5.99	5.95
7 Effective rate[1,3]	7.52	7.00	6.44	6.47	6.37	6.26	6.17	6.09	6.08	6.04
8 Contract rate (HUD series)[4]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (section 203)[5]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 GNMA securities[6]	7.57	6.36	5.81	6.03	5.82	5.53	5.15	5.31	5.29	5.17
				Activity in secondary markets						
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	610,122	707,015	790,800	740,744	743,025	746,101	751,423	751,347	760,759	790,800
12 FHA/VA insured	61,539	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Conventional	548,583	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 Mortgage transactions purchased (during period)	154,231	270,384	370,641	16,310	17,586	23,123	33,518	32,853	47,807	67,891
Mortgage commitments (during period)										
15 Issued[7]	163,689	304,084	247,809	24,700	29,786	42,555	58,055	n.a.	n.a.	n.a.
16 To sell[8]	11,786	7,586	9,072	2,535	62	1,292	1,016	n.a.	n.a.	n.a.
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	385,693	491,719	568,173	518,816	521,137	525,795	530,694	536,389	549,380	568,173
18 FHA/VA insured	3,332	3,506	n.a.	3,649	3,413	4,195	4,634	n.a.	n.a.	n.a.
19 Conventional	382,361	488,213	n.a.	515,167	517,724	521,600	526,060	n.a.	n.a.	n.a.
Mortgage transactions (during period)										
20 Purchases	174,043	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
21 Sales	166,901	389,611	547,046	30,767	29,335	34,937	46,369	60,516	62,354	73,184
22 Mortgage commitments contracted (during period)[9]	169,231	417,434	n.a.	32,468	34,827	44,401	57,793	n.a.	n.a.	n.a.

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 the Federal National Mortgage Association exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1998	1999	2000	2001 Q3	2001 Q4	2002 Q1	2002 Q2	2002 Q3p
1 **All holders**	**5,715,556**	**6,320,690**	**6,885,547**	**7,407,530**	**7,589,968**	**7,754,015**	**7,971,417**	**8,209,266**
By type of property								
2 One- to four-family residences	4,365,968	4,790,601	5,203,899	5,600,651	5,732,907	5,871,331	6,043,139	6,242,661
3 Multifamily residences	331,602	369,251	406,530	440,753	454,715	462,579	474,170	482,851
4 Nonfarm, nonresidential	921,482	1,057,874	1,166,261	1,251,517	1,286,011	1,301,988	1,333,680	1,360,371
5 Farm	96,504	102,964	108,858	114,610	116,336	118,116	120,428	123,383
By type of holder								
6 Major financial institutions	2,194,591	2,394,271	2,618,969	2,734,217	2,791,076	2,789,654	2,861,044	2,981,095
7 Commercial banks[2]	1,336,996	1,495,420	1,660,054	1,736,631	1,789,819	1,800,362	1,873,203	1,961,908
8 One- to four-family	797,004	879,576	965,635	987,682	1,023,851	1,018,478	1,070,522	1,143,938
9 Multifamily	54,632	67,665	77,803	83,949	84,851	86,719	90,743	90,929
10 Nonfarm, nonresidential	456,323	516,333	582,577	629,624	645,619	659,187	674,972	689,288
11 Farm	29,037	31,846	34,039	35,375	35,498	35,978	36,966	37,753
12 Savings institutions[3]	643,955	668,064	722,974	758,344	758,236	745,998	742,732	773,689
13 One- to four-family	533,501	548,222	594,221	620,392	620,579	605,171	599,402	625,424
14 Multifamily	57,037	59,309	61,258	64,405	64,592	65,199	66,009	68,668
15 Nonfarm, nonresidential	53,002	60,063	66,965	72,977	72,534	75,077	76,768	79,036
16 Farm	414	470	529	569	531	551	552	560
17 Life insurance companies	213,640	230,787	235,941	239,243	243,021	243,293	245,109	245,498
18 One- to four-family	6,590	5,934	4,903	5,091	4,931	4,938	5,188	5,197
19 Multifamily	31,522	32,818	33,681	33,885	35,631	35,671	35,844	35,900
20 Nonfarm, nonresidential	164,004	179,048	183,757	186,469	188,376	188,599	189,988	190,287
21 Farm	11,524	12,987	13,600	13,798	14,083	14,085	14,089	14,114
22 Federal and related agencies	291,961	320,054	344,225	363,001	376,999	385,027	396,091	412,014
23 Government National Mortgage Association	7	7	6	9	8	8	8	8
24 One- to four-family	7	7	6	9	8	8	8	8
25 Multifamily	0	0	0	0	0	0	0	0
26 Farmers Home Administration[4]	40,851	73,871	73,323	72,118	72,452	72,362	71,970	72,030
27 One- to four-family	16,895	16,506	16,372	15,916	15,824	15,665	15,273	15,139
28 Multifamily	11,739	11,741	11,733	11,710	11,712	11,707	11,692	11,686
29 Nonfarm, nonresidential	7,705	41,355	41,070	40,470	40,965	41,134	41,188	41,439
30 Farm	4,513	4,268	4,148	4,023	3,952	3,855	3,817	3,766
31 Federal Housing Admin. and Dept. of Veterans Affairs	3,674	3,712	3,507	3,155	3,290	3,361	3,473	2,973
32 One- to four-family	1,849	1,851	1,308	1,251	1,260	1,255	1,254	1,252
33 Multifamily	1,825	1,861	2,199	1,904	2,031	2,105	2,218	1,721
34 Resolution Trust Corporation	0	0	0	0	0	0	0	0
35 One- to four-family	0	0	0	0	0	0	0	0
36 Multifamily	0	0	0	0	0	0	0	0
37 Nonfarm, nonresidential	0	0	0	0	0	0	0	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	361	152	45	26	13	7	22	13
40 One- to four-family	58	25	7	4	2	1	4	2
41 Multifamily	70	29	9	5	3	1	4	2
42 Nonfarm, nonresidential	233	98	29	17	8	4	14	8
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	156,023	149,422	155,626	165,687	169,908	176,051	180,491	184,191
45 One- to four-family	147,594	141,195	144,150	151,786	155,060	160,300	164,038	167,006
46 Multifamily	8,429	8,227	11,476	13,901	14,848	15,751	16,453	17,185
47 Federal Land Banks	32,983	34,187	36,326	39,722	40,885	41,981	42,951	44,782
48 One- to four-family	1,941	2,012	2,137	2,337	2,406	2,470	2,527	2,635
49 Farm	31,042	32,175	34,189	37,385	38,479	39,511	40,424	42,147
50 Federal Home Loan Mortgage Corporation	57,085	56,676	59,240	59,638	62,792	59,624	58,872	60,934
51 One- to four-family	49,106	44,321	42,871	39,217	40,309	35,955	34,062	34,616
52 Multifamily	7,979	12,355	16,369	20,421	22,483	23,669	24,810	26,318
53 Mortgage pools or trusts[5]	2,581,297	2,948,245	3,231,415	3,583,240	3,715,692	3,868,993	3,988,381	4,075,446
54 Government National Mortgage Association	537,446	582,263	611,553	603,186	591,368	587,204	583,791	567,631
55 One- to four-family	522,498	565,189	592,624	581,796	569,460	564,108	559,595	542,453
56 Multifamily	14,948	17,074	18,929	21,391	21,908	23,096	24,196	25,178
57 Federal Home Loan Mortgage Corporation	646,459	749,081	822,310	927,490	948,409	1,012,478	1,053,261	1,058,176
58 One- to four-family	643,465	744,619	816,602	921,709	940,933	1,005,136	1,045,981	1,050,899
59 Multifamily	2,994	4,462	5,708	5,781	7,476	7,342	7,280	7,277
60 Federal National Mortgage Association	834,517	960,883	1,057,750	1,228,131	1,290,351	1,355,404	1,404,594	1,458,945
61 One- to four-family	804,204	924,941	1,016,398	1,177,995	1,238,125	1,301,374	1,349,442	1,402,929
62 Multifamily	30,313	35,942	41,352	50,136	52,226	54,030	55,152	56,016
63 Farmers Home Administration[4]	1	0	0	0	0	0	0	0
64 One- to four-family	0	0	0	0	0	0	0	0
65 Multifamily	0	0	0	0	0	0	0	0
66 Nonfarm, nonresidential	0	0	0	0	0	0	0	0
67 Farm	1	0	0	0	0	0	0	0
68 Private mortgage conduits	562,874	656,018	739,802	824,433	885,564	913,907	946,735	990,694
69 One- to four-family[6]	405,153	455,021	499,834	550,200	591,200	616,300	638,300	671,200
70 Multifamily	33,784	42,293	48,786	53,627	57,009	57,535	59,491	61,239
71 Nonfarm, nonresidential	123,937	158,704	191,182	220,606	237,355	240,072	248,944	258,256
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[7]	647,708	658,120	690,939	727,071	706,201	710,341	725,902	740,711
74 One- to four-family	435,137	459,385	490,900	522,793	501,465	508,679	519,364	532,988
75 Multifamily	76,320	75,244	77,006	79,464	79,791	79,612	80,153	80,623
76 Nonfarm, nonresidential	116,277	102,274	100,681	101,354	101,154	97,915	101,807	102,057
77 Farm	19,974	21,217	22,352	23,460	23,792	24,135	24,579	25,043

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	1999	2000	2001	2002 June	2002 July	2002 Aug.	2002 Sept.	2002 Oct.	2002 Nov.
	Seasonally adjusted								
1 **Total**	**1,416,316**	**1,560,634**	**1,667,928**	**1,707,452**	**1,714,828[r]**	**1,717,799**	**1,722,549**	**1,724,064[r]**	**1,721,859**
2 Revolving	597,669	666,607	699,875	712,126	715,795[r]	719,483	721,274	723,695[r]	722,122
3 Nonrevolving[2]	818,647	894,027	968,053	995,326	999,033	998,317	1,001,274	1,000,369[r]	999,737
	Not seasonally adjusted								
4 **Total**	**1,446,127**	**1,593,116**	**1,701,856**	**1,700,282[r]**	**1,705,621**	**1,719,577**	**1,720,643**	**1,723,788[r]**	**1,729,920**
By major holder									
5 Commercial banks	499,758	541,470	558,421	554,864	557,285	572,446	575,732	578,554	582,837
6 Finance companies	201,549	219,848	236,559	235,640	242,088	239,857	246,072	238,642[r]	228,787
7 Credit unions	167,921	184,434	189,570	191,618	194,060	195,559	196,059	197,213[r]	197,280
8 Savings institutions	61,527	64,557	69,070	68,451	67,370	66,289	65,243	65,243	65,243
9 Nonfinancial business	80,311	82,662	67,955	53,010	51,296	52,101	49,170	49,120	50,901
10 Pools of securitized assets[3]	435,061	500,145	580,281	596,700	593,522	593,326	588,366	595,016	604,872
By major type of credit[4]									
11 Revolving	621,914	693,020	727,297	709,469	709,018	716,233	715,990	717,119[r]	721,650
12 Commercial banks	189,352	218,063	224,878	215,765	214,092	224,698	226,197	226,023	228,484
13 Finance companies	32,483	37,627	31,538	32,131	36,570	36,529	37,280	37,424[r]	37,158
14 Credit unions	20,641	22,226	22,265	20,988	21,206	21,505	21,388	21,229[r]	21,356
15 Savings institutions	15,838	16,560	17,767	17,795	16,751	15,707	14,696	14,696	14,696
16 Nonfinancial business	42,783	42,430	29,790	17,859	16,467	16,747	14,129	14,100	15,298
17 Pools of securitized assets[3]	320,817	356,114	401,059	404,930	403,933	401,048	402,299	403,646	404,658
18 Nonrevolving	824,213	900,095	974,559	990,814	996,603	1,003,344	1,004,653	1,006,669[r]	1,008,270
19 Commercial banks	310,406	323,407	333,543	339,099	343,193	347,748	349,535	352,531	354,353
20 Finance companies	169,066	182,221	205,021	203,509	205,518	203,329	208,792	201,218	191,629
21 Credit unions	147,280	162,208	167,305	170,630	172,854	174,054	174,671	175,984[r]	175,924
22 Savings institutions	45,689	47,997	51,303	50,656	50,619	50,582	50,547	50,547	50,547
23 Nonfinancial business	37,528	40,232	38,165	35,150	34,829	35,354	35,041	35,020	35,603
24 Pools of securitized assets[3]	114,244	144,031	179,222	191,770	189,590	192,277	186,067	191,370	200,214

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

1.56 TERMS OF CONSUMER CREDIT[1]

Percent per year except as noted

Item	1999	2000	2001	2002 May	2002 June	2002 July	2002 Aug.	2002 Sept.	2002 Oct.	2002 Nov.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	8.44	9.34	8.50	7.74	n.a.	n.a.	5.95	n.a.	n.a.	5.67
2 24-month personal	13.39	13.90	13.22	12.57	n.a.	n.a.	11.28	n.a.	n.a.	10.78
Credit card plan										
3 All accounts	15.21	15.71	14.89	13.55	n.a.	n.a.	13.37	n.a.	n.a.	13.13
4 Accounts assessed interest	14.81	14.91	14.44	13.34	n.a.	n.a.	13.26	n.a.	n.a.	12.78
Auto finance companies										
5 New car	6.66	6.61	5.65	6.15	6.25	3.58	2.17	2.29	2.79	3.41
6 Used car	12.60	13.55	12.18	10.90	10.71	10.59	10.46	10.44	10.67	10.70
OTHER TERMS[3]										
Maturity (months)										
7 New car	52.7	54.9	55.1	57.3	58.6	58.9	59.2	58.4	57.2	57.2
8 Used car	55.9	57.0	57.5	57.8	57.7	57.8	57.6	57.5	57.3	n.a.
Loan-to-value ratio										
9 New car	92	92	91	92	91	95	97	97	96	95
10 Used car	99	99	100	101	100	100	100	100	100	n.a.
Amount financed (dollars)										
11 New car	19,880	20,923	22,822	23,324	23,436	25,089	26,455	26,331	26,232	26,104
12 Used car	13,642	14,058	14,416	14,700	14,631	14,701	14,679	14,801	14,645	n.a.

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	1996	1997	1998	1999	2000	2001				2002		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**733.3**	**804.4**	**1,042.4**	**1,057.5**	**853.9**	**949.1**	**1,032.4**	**1,276.8**	**1,213.7**	**927.3**	**1,613.7**	**1,329.4**
By sector and instrument												
2 Federal government	144.9	23.1	−52.6	−71.2	−295.9	−59.3	−215.8	209.3	43.4	39.8	526.0	265.7
3 Treasury securities	146.6	23.2	−54.6	−71.0	−294.9	−57.0	−216.9	209.7	44.2	41.6	524.2	264.2
4 Budget agency securities and mortgages	−1.6	−.1	2.0	−.2	−1.0	−2.2	1.1	−.4	−.7	−1.8	1.8	1.6
5 Nonfederal	588.3	781.3	1,095.0	1,128.7	1,149.8	1,008.4	1,248.2	1,067.4	1,170.2	887.5	1,087.7	1,063.7
By instrument												
6 Commercial paper	−.9	13.7	24.4	37.4	48.1	−199.2	−133.4	−66.1	45.5	−155.7	−93.0	−28.7
7 Municipal securities and loans	2.6	71.4	96.8	68.2	35.3	102.9	107.3	70.0	190.1	70.3	181.2	152.8
8 Corporate bonds	116.3	150.5	218.7	229.9	171.1	399.5	419.5	187.9	323.5	233.8	207.0	−23.4
9 Bank loans n.e.c.	70.4	106.4	108.2	82.8	101.7	−19.5	−121.0	−24.4	−164.5	−18.8	−192.8	−125.1
10 Other loans and advances	28.7	59.5	82.1	46.0	95.0	32.5	132.3	59.4	−107.3	−20.6	77.2	84.0
11 Mortgages	280.1	322.3	489.8	564.9	559.6	547.7	767.5	770.0	732.9	696.8	831.8	944.0
12 Home	241.7	258.3	387.7	424.6	413.7	423.4	607.8	559.3	530.6	601.1	657.4	786.2
13 Multifamily residential	9.8	7.3	23.4	35.7	35.2	37.6	40.8	56.5	56.5	29.2	44.3	35.8
14 Commercial	25.8	53.5	72.2	98.8	104.2	82.3	107.0	147.1	139.0	59.6	121.0	109.5
15 Farm	2.7	3.1	6.5	5.8	6.5	4.3	11.9	7.0	6.8	6.9	9.1	12.4
16 Consumer credit	91.3	57.5	75.0	99.5	139.0	144.5	76.0	70.6	149.9	81.7	76.4	60.1
By borrowing sector												
17 Household	339.8	332.7	454.8	498.0	541.3	506.5	650.6	661.3	623.3	702.6	679.8	770.7
18 Nonfinancial business	255.3	392.5	559.9	578.4	581.4	405.7	495.1	349.6	389.2	122.6	239.5	153.2
19 Corporate	183.1	291.6	392.1	390.5	399.8	237.7	313.5	191.3	239.8	7.1	98.3	10.7
20 Nonfarm noncorporate	67.3	94.7	159.7	182.4	170.7	162.2	170.1	153.8	141.1	110.3	132.7	128.9
21 Farm	4.9	6.2	8.0	5.5	10.9	5.7	11.5	4.4	8.3	5.3	8.5	13.5
22 State and local government	−6.8	56.1	80.3	52.3	27.2	96.3	102.5	56.6	157.7	62.3	168.4	139.9
23 Foreign net borrowing in United States	88.4	71.8	43.2	25.2	65.7	−8.5	−50.5	−106.7	16.0	75.3	15.0	−36.8
24 Commercial paper	11.3	3.7	7.8	16.3	31.7	−33.8	−3.8	−25.2	5.9	64.8	36.3	3.8
25 Bonds	67.0	61.4	34.9	14.1	23.9	21.4	−15.8	−83.9	29.7	−2.3	−41.0	−27.6
26 Bank loans n.e.c.	9.1	8.5	6.6	.5	11.4	14.3	−31.4	4.2	−16.3	13.9	22.0	−11.7
27 Other loans and advances	1.0	−1.8	−6.0	−5.7	−1.3	−10.4	.5	−1.8	−3.3	−1.2	−2.3	−1.3
28 **Total domestic plus foreign**	**821.7**	**876.2**	**1,085.6**	**1,082.6**	**919.6**	**940.6**	**981.9**	**1,170.1**	**1,229.6**	**1,002.6**	**1,628.8**	**1,292.6**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**550.1**	**662.2**	**1,087.2**	**1,073.3**	**809.0**	**915.8**	**828.2**	**1,118.6**	**979.1**	**860.8**	**866.3**	**855.9**
By instrument												
30 Federal government-related	231.4	212.9	470.9	592.0	433.5	432.6	674.6	818.4	591.8	691.1	487.9	425.6
31 Government-sponsored enterprise securities	90.4	98.4	278.3	318.2	234.1	262.3	268.3	326.2	306.5	191.3	141.7	253.2
32 Mortgage pool securities	141.0	114.6	192.6	273.8	199.4	170.3	406.2	492.2	285.3	499.8	346.2	172.4
33 Loans from U.S. government	.0	.0	.0	.0	0	.0	.0	.0	.0	0	.0	.0
34 Private	318.7	449.3	616.3	481.3	375.5	483.3	153.7	300.2	387.3	169.7	378.4	430.3
35 Open market paper	92.2	166.7	161.0	176.2	127.7	−83.8	−77.9	−72.2	−13.6	−178.3	−109.1	84.3
36 Corporate bonds	178.1	218.9	310.2	207.1	199.3	459.7	223.2	313.9	375.3	345.1	431.9	194.7
37 Bank loans n.e.c.	12.6	13.3	30.1	−14.2	−.2	24.3	10.8	1.6	18.3	.2	31.9	82.2
38 Other loans and advances	27.9	35.6	90.2	107.1	42.5	90.6	−18.7	58.8	8.9	−3.9	16.7	71.9
39 Mortgages	7.9	14.9	24.8	5.1	6.2	−7.5	16.2	−1.9	−1.6	6.6	7.0	−2.7
By borrowing sector												
40 Commercial banking	13.0	46.1	72.9	67.2	60.0	138.1	−10.5	39.7	44.1	24.3	13.3	111.3
41 Savings institutions	25.5	19.7	52.2	48.0	27.3	55.5	3.4	39.4	−68.6	−33.1	−12.1	−10.2
42 Credit unions	.1	.1	.6	2.2	.0	−.6	.8	1.5	4.4	2.4	2.0	1.0
43 Life insurance companies	1.1	.2	.7	.7	−.7	−2.4	.1	3.5	1.4	2.4	1.2	.7
44 Government-sponsored enterprises	90.4	98.4	278.3	318.2	234.1	262.3	268.3	326.2	306.5	191.3	141.7	253.2
45 Federally related mortgage pools	141.0	114.6	192.6	273.8	199.4	170.3	406.2	492.2	285.3	499.8	346.2	172.4
46 Issuers of asset-backed securities (ABSs)	150.8	202.2	321.4	212.3	189.7	320.5	205.9	318.9	432.6	254.5	237.7	203.0
47 Finance companies	50.6	57.8	57.1	70.3	81.2	−54.0	36.8	41.8	−25.3	−31.2	80.2	106.4
48 Mortgage companies	4.1	−4.6	1.6	.2	.1	.7	.6	.8	.6	.8	.7	.7
49 Real estate investment trusts (REITs)	11.9	39.6	62.7	6.3	2.7	−6.1	10.5	−2.4	7.8	7.4	25.3	18.4
50 Brokers and dealers	−2.0	8.1	7.2	−17.2	15.6	−23.7	35.6	12.6	−18.9	−15.7	17.5	15.0
51 Funding corporations	63.8	79.9	40.0	91.5	−.4	55.3	−129.6	−155.7	9.1	−42.2	12.4	−16.2

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

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1996	1997	1998	1999	2000	2001				2002		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
	All sectors											
52 **Total net borrowing, all sectors**	**1,371.7**	**1,538.5**	**2,172.8**	**2,155.9**	**1,728.6**	**1,856.5**	**1,810.1**	**2,288.7**	**2,208.7**	**1,863.4**	**2,495.1**	**2,148.5**
53 Open market paper	102.6	184.1	193.1	229.9	207.6	−316.8	−215.1	−163.5	37.8	−269.2	−165.8	59.4
54 U.S. government securities	376.3	236.0	418.3	520.7	137.6	373.3	458.8	1,027.8	635.2	730.9	1,013.9	691.4
55 Municipal securities	2.6	71.4	96.8	68.2	35.3	102.9	107.3	70.0	190.1	70.3	181.2	152.8
56 Corporate and foreign bonds	361.3	430.8	563.7	451.2	394.3	880.6	626.9	417.9	728.4	576.6	597.9	143.7
57 Bank loans n.e.c.	92.1	128.2	145.0	69.0	112.8	19.2	−141.6	−18.6	−162.4	−4.6	−139.0	−54.7
58 Other loans and advances	57.7	93.2	166.3	147.4	136.2	112.7	114.2	116.5	−101.8	−25.7	91.5	154.6
59 Mortgages	287.9	337.2	514.6	570.0	565.9	540.2	783.7	768.0	731.3	703.4	838.8	941.2
60 Consumer credit	91.3	57.5	75.0	99.5	139.0	144.5	76.0	70.6	149.9	81.7	76.4	60.1
	Funds raised through mutual funds and corporate equities											
61 **Total net issues**	**233.4**	**181.8**	**114.4**	**158.1**	**194.6**	**230.8**	**407.2**	**133.4**	**375.5**	**438.3**	**284.0**	**−90.2**
62 Corporate equities	−4.2	−83.3	−165.1	−33.1	−40.4	114.8	133.6	−27.0	119.6	51.4	183.9	−133.1
63 Nonfinancial corporations	−69.5	−114.4	−267.0	−143.5	−159.7	−25.0	−70.7	−126.6	−25.0	−8.7	18.5	−139.0
64 Foreign shares purchased by U.S. residents	82.8	57.6	101.3	114.3	103.6	86.1	222.9	43.5	74.7	−5.9	80.9	−68.2
65 Financial corporations	−17.6	−26.5	.6	−4.0	15.7	53.7	−18.5	56.1	69.9	65.9	84.5	74.1
66 Mutual fund shares	237.6	265.1	279.5	191.2	235.0	116.0	273.5	160.4	255.9	386.9	100.0	42.9

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F4. 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	1996	1997	1998	1999	2000	2001				2002		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**1,371.7**	**1,538.5**	**2,172.8**	**2,155.9**	**1,728.6**	**1,856.5**	**1,810.1**	**2,288.7**	**2,208.7**	**1,863.4**	**2,495.1**	**2,148.5**
2 Domestic nonfederal nonfinancial sectors	108.2	29.8	255.2	253.1	-100.1	-115.9	-165.2	1.1	16.4	167.8	257.4	-233.8
3 Household	148.1	39.8	123.4	243.4	-103.1	-135.5	-174.4	-5.6	-33.8	115.9	207.0	-250.3
4 Nonfinancial corporate business	-10.2	-12.7	-16.0	-15.6	5.0	-22.5	-24.6	-34.1	5.8	49.7	4.5	.8
5 Nonfarm noncorporate business	4.0	2.6	13.3	-3.0	-1.2	3.2	.3	3.3	2.0	3.3	3.3	-2.2
6 State and local governments	-33.7	.1	134.5	28.4	-.8	38.9	33.5	37.4	42.4	-1.1	42.5	17.8
7 Federal government	-7.2	5.1	13.5	5.8	7.3	4.4	9.4	3.3	7.0	4.7	8.9	7.3
8 Rest of the world	379.6	259.6	172.5	139.7	225.9	325.7	254.9	269.2	432.5	171.8	566.1	561.7
9 Financial sectors	891.2	1,244.0	1,731.6	1,757.3	1,595.4	1,642.3	1,711.1	2,015.1	1,752.8	1,519.1	1,662.7	1,813.3
10 Monetary authority	12.3	38.3	21.1	25.7	33.7	39.0	26.9	8.4	85.1	81.6	43.4	67.3
11 Commercial banking	187.5	324.3	305.6	312.2	357.9	130.4	107.8	267.9	314.6	188.9	384.3	623.5
12 U.S.-chartered banks	119.6	274.9	312.1	318.6	339.5	92.3	156.5	242.5	275.0	168.2	343.8	599.6
13 Foreign banking offices in United States	63.3	40.2	-11.6	-17.0	23.9	34.5	-50.1	21.1	-7.8	2.1	33.7	21.5
14 Bank holding companies	3.9	5.4	-.9	6.2	-12.2	7.3	-2.8	-1.4	13.6	12.0	1.9	-1.6
15 Banks in U.S.-affiliated areas	.7	3.7	6.0	4.4	6.7	-3.6	4.2	5.7	33.9	6.6	4.9	4.0
16 Savings institutions	19.9	-4.7	36.2	67.7	56.2	46.8	55.8	-4.7	73.1	12.3	-23.5	80.7
17 Credit unions	25.5	16.8	18.9	27.5	28.0	34.9	9.6	61.1	60.5	58.3	41.1	39.9
18 Bank personal trusts and estates	-7.7	-25.0	-12.8	27.8	.8	4.0	5.5	4.9	8.9	11.3	11.4	4.9
19 Life insurance companies	69.6	104.8	76.9	53.5	57.9	111.8	143.6	186.9	81.3	260.6	175.1	229.1
20 Other insurance companies	22.5	25.2	5.8	-3.0	-8.7	2.1	.1	5.1	28.5	36.7	35.4	35.3
21 Private pension funds	-4.1	47.6	-23.4	17.0	33.4	20.7	44.7	10.4	5.3	27.4	45.9	35.5
22 State and local government retirement funds	35.8	67.1	72.1	46.9	54.6	-70.7	77.0	-74.2	-2.7	70.5	-54.5	-33.0
23 Money market mutual funds	88.8	87.5	244.0	182.0	143.0	326.4	210.0	339.3	108.4	-296.8	-122.3	-42.1
24 Mutual funds	48.9	80.9	127.3	48.4	21.0	93.0	169.1	102.7	139.3	243.3	42.0	164.8
25 Closed-end funds	5.2	-2.8	5.2	8.2	-6.3	-6.9	-4.9	24.4	14.8	20.9	2.2	11.6
26 Government-sponsored enterprises	97.1	106.3	314.0	291.3	256.4	329.2	297.2	274.3	335.3	236.7	129.0	174.8
27 Federally related mortgage pools	141.0	114.6	192.6	273.8	199.4	170.3	406.2	492.2	285.3	499.8	346.2	172.4
28 Asset-backed securities issuers (ABSs)	120.5	163.8	281.7	194.1	159.9	292.5	177.6	293.4	409.9	230.3	215.5	180.4
29 Finance companies	18.9	23.1	77.3	97.0	108.0	8.9	112.1	-43.1	-100.5	-28.2	39.6	79.1
30 Mortgage companies	8.2	-9.1	3.2	.3	.2	1.4	1.1	1.7	1.2	1.6	1.4	1.5
31 Real estate investment trusts (REITs)	4.4	20.2	-5.1	-2.6	-6.3	4.0	1.1	7.8	14.0	26.3	31.8	25.0
32 Brokers and dealers	-15.7	14.9	6.8	-34.7	68.9	242.3	53.4	184.5	-110.5	-219.5	403.0	-191.4
33 Funding corporations	12.6	50.4	-15.8	124.0	37.4	-137.9	-182.9	-128.0	1.0	56.8	-84.3	139.1
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 **Net flows through credit markets**	**1,371.7**	**1,538.5**	**2,172.8**	**2,155.9**	**1,728.6**	**1,856.5**	**1,810.1**	**2,288.7**	**2,208.7**	**1,863.4**	**2,495.1**	**2,148.5**
Other financial sources												
35 Official foreign exchange	-6.3	.7	6.6	-8.7	-.4	-1.5	4.7	13.7	.2	-3.0	12.9	5.6
36 Special drawing rights certificates	-.5	-.5	.0	-3.0	-4.0	.0	.0	.0	.0	.0	.0	.0
37 Treasury currency	.5	.5	.6	1.0	2.4	-1.1	1.1	.0	.0	.0	.0	.0
38 Foreign deposits	85.9	107.7	6.5	61.0	135.1	228.3	-175.9	41.5	17.9	-59.1	89.3	40.0
39 Net interbank transactions	-51.6	-19.7	-31.8	15.0	15.1	-141.8	-25.4	-1.1	41.5	-1.2	-149.3	48.7
40 Checkable deposits and currency	15.7	41.2	47.3	151.2	-71.4	164.1	155.2	212.1	278.9	3.2	285.9	284.6
41 Small time and savings deposits	97.2	97.1	152.4	45.1	188.8	266.9	242.1	230.3	329.7	259.7	249.0	325.6
42 Large time deposits	114.0	122.5	91.8	131.1	116.2	133.9	43.0	19.5	77.8	270.0	34.9	28.1
43 Money market fund shares	145.4	155.9	287.2	249.1	233.3	578.4	370.0	386.1	379.8	-315.7	103.4	-192.6
44 Security repurchase agreements	41.4	120.9	91.3	169.8	113.2	-94.3	114.0	215.6	-139.1	-55.8	252.8	-135.9
45 Corporate equities	-4.2	-83.3	-165.1	-33.1	-40.4	114.8	133.6	-27.0	119.6	51.4	183.9	-133.1
46 Mutual fund shares	237.6	265.1	279.5	191.2	235.0	116.0	273.5	160.4	255.9	386.9	100.0	42.9
47 Trade payables	123.3	139.8	106.4	268.6	170.2	186.4	-119.6	-47.3	-96.5	217.9	67.0	148.1
48 Security credit	52.4	111.0	103.2	104.4	146.1	-91.1	-73.9	561.3	-383.7	-190.7	-129.4	-118.2
49 Life insurance reserves	44.5	59.3	48.0	50.8	50.2	62.3	52.2	74.7	119.6	93.9	92.2	117.4
50 Pension fund reserves	148.3	201.4	217.4	181.8	209.0	295.9	209.1	180.3	150.8	134.1	145.5	263.4
51 Taxes payable	19.5	22.3	19.6	23.2	21.7	4.3	14.8	104.9	-67.0	20.4	62.4	-60.4
52 Investment in bank personal trusts	-5.1	-53.0	-46.1	-8.1	56.6	27.1	31.9	31.7	35.2	26.5	26.8	20.7
53 Noncorporate proprietors' equity	5.5	-40.7	-57.8	-38.7	-10.2	-19.7	-26.4	-44.6	-1.8	-13.2	-51.8	-75.9
54 Miscellaneous	522.4	493.8	956.9	1,053.8	1,164.9	748.6	867.3	857.0	190.9	132.6	523.3	752.1
55 **Total financial sources**	**2,957.8**	**3,280.5**	**4,286.6**	**4,761.4**	**4,460.0**	**4,434.1**	**3,901.5**	**5,258.0**	**3,518.4**	**2,821.3**	**4,394.0**	**3,509.7**
Liabilities not identified as assets (–)												
56 Treasury currency	-.4	-.2	-.1	-.7	-1.2	-3.6	-.5	-1.4	.0	-2.4	-.7	-1.3
57 Foreign deposits	59.4	106.2	-8.5	42.6	55.9	182.1	-166.8	54.5	-28.7	-36.6	130.9	9.7
58 Net interbank liabilities	-3.3	-19.9	3.8	.1	20.4	21.8	17.0	7.4	22.6	39.4	-9.3	12.2
59 Security repurchase agreements	2.4	63.2	57.7	35.7	118.6	-277.2	124.6	110.4	-166.8	-17.3	115.9	-349.8
60 Taxes payable	23.1	28.0	19.7	11.7	26.2	24.9	3.1	25.4	22.8	31.1	-30.3	74.6
61 Miscellaneous	-177.4	-248.3	-158.9	-290.4	-398.0	-253.8	-538.9	84.5	-197.6	-396.0	-86.9	152.8
Floats not included in assets (–)												
62 Federal government checkable deposits	.5	-2.7	2.6	-7.4	9.0	64.9	64.7	-23.0	-91.1	190.3	185.7	28.0
63 Other checkable deposits	-4.0	-3.9	-3.1	-.8	1.7	3.6	3.9	5.0	5.7	6.1	7.1	7.6
64 Trade credit	-25.7	-25.5	-43.3	2.8	26.1	48.1	28.6	-49.3	37.8	3.1	-72.7	-1.6
65 **Total identified to sectors as assets**	**3,083.5**	**3,383.6**	**4,416.7**	**4,967.7**	**4,601.5**	**4,623.2**	**4,365.7**	**5,044.4**	**3,913.8**	**3,003.6**	**4,154.3**	**3,577.6**

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

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1997	1998	1999	2000	2001				2002		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**15,243.1**	**16,285.5**	**17,377.6**	**18,250.6**	**18,498.8**	**18,673.4**	**18,988.9**	**19,369.2**	**19,601.0**	**19,915.4**	**20,257.3**
By sector and instrument											
2 Federal government	3,804.8	3,752.2	3,681.0	3,385.1	3,408.8	3,251.4	3,320.0	3,379.5	3,430.3	3,451.4	3,540.8
3 Treasury securities	3,778.3	3,723.7	3,652.7	3,357.8	3,382.0	3,224.3	3,293.0	3,352.7	3,404.0	3,424.6	3,513.6
4 Budget agency securities and mortgages	26.5	28.5	28.3	27.3	26.8	27.0	27.0	26.8	26.3	26.8	27.2
5 Nonfederal	11,438.3	12,533.3	13,696.7	14,865.5	15,090.1	15,422.0	15,669.0	15,989.7	16,170.7	16,464.1	16,716.4
By instrument											
6 Commercial paper	168.6	193.0	230.3	278.4	253.2	223.3	201.3	190.1	167.5	148.4	142.2
7 Municipal securities and loans	1,367.5	1,464.3	1,532.5	1,567.8	1,597.5	1,629.8	1,635.3	1,685.4	1,707.5	1,758.2	1,783.8
8 Corporate bonds	1,610.9	1,829.6	2,059.5	2,230.6	2,330.4	2,435.3	2,482.3	2,563.2	2,621.6	2,673.4	2,667.5
9 Bank loans n.e.c.	1,040.4	1,148.6	1,231.4	1,333.1	1,320.7	1,293.6	1,285.1	1,251.4	1,237.3	1,192.1	1,159.1
10 Other loans and advances	825.1	907.2	953.5	1,059.6	1,073.6	1,103.6	1,110.1	1,088.8	1,089.2	1,105.6	1,118.2
11 Mortgages	5,154.3	5,644.1	6,243.4	6,803.0	6,929.3	7,128.2	7,324.4	7,507.6	7,670.4	7,886.0	8,125.1
12 Home	3,978.3	4,366.0	4,790.6	5,204.3	5,299.4	5,458.4	5,602.1	5,734.6	5,873.4	6,045.4	6,245.2
13 Multifamily residential	284.6	308.0	343.9	379.2	388.6	398.8	412.9	427.0	434.3	445.4	454.4
14 Commercial	801.4	873.6	1,006.5	1,110.7	1,131.3	1,158.0	1,194.8	1,229.6	1,244.5	1,274.7	1,302.1
15 Farm	90.0	96.6	102.3	108.9	110.0	113.0	114.6	116.3	118.1	120.4	123.4
16 Consumer credit	1,271.6	1,346.6	1,446.1	1,593.1	1,585.3	1,608.1	1,630.5	1,703.3	1,677.2	1,700.3	1,720.6
By borrowing sector											
17 Households	5,556.9	6,011.8	6,510.0	7,070.4	7,139.3	7,315.1	7,486.9	7,680.8	7,794.2	7,979.0	8,178.3
18 Nonfinancial business	4,761.9	5,321.7	5,934.5	6,515.9	6,643.3	6,769.0	6,841.4	6,926.4	6,973.7	7,035.5	7,065.5
19 Corporate	3,382.0	3,774.1	4,199.0	4,598.9	4,686.1	4,763.7	4,798.1	4,845.1	4,865.2	4,889.0	4,885.2
20 Nonfarm noncorporate	1,224.0	1,383.7	1,566.1	1,736.8	1,777.5	1,820.1	1,857.4	1,893.6	1,921.3	1,954.6	1,985.6
21 Farm	155.9	163.9	169.4	180.2	179.7	185.2	185.9	187.7	187.1	191.8	194.7
22 State and local government	1,119.5	1,199.8	1,252.1	1,279.3	1,307.5	1,337.8	1,340.6	1,382.5	1,402.8	1,449.6	1,472.6
23 **Foreign credit market debt held in United States**	**607.9**	**651.3**	**676.7**	**742.3**	**740.4**	**726.1**	**701.7**	**704.9**	**724.2**	**725.6**	**719.1**
24 Commercial paper	65.1	72.9	89.2	120.9	112.8	110.1	106.3	106.7	123.6	130.2	134.0
25 Bonds	427.7	462.6	476.7	500.6	505.9	502.0	481.0	488.4	487.9	477.6	470.7
26 Bank loans n.e.c.	52.1	58.7	59.2	70.5	74.1	66.2	67.3	63.2	66.7	72.2	69.3
27 Other loans and advances	63.0	57.1	51.6	50.3	47.5	47.7	47.0	46.6	46.0	45.5	45.0
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**15,851.0**	**16,936.8**	**18,054.3**	**18,993.0**	**19,239.2**	**19,399.4**	**19,690.6**	**20,074.1**	**20,325.2**	**20,641.0**	**20,976.3**
	Financial sectors										
29 **Total credit market debt owed by financial sectors**	**5,458.0**	**6,545.2**	**7,618.5**	**8,439.5**	**8,647.8**	**8,851.0**	**9,121.3**	**9,397.2**	**9,591.4**	**9,803.4**	**10,007.3**
By instrument											
30 Federal government-related	2,821.1	3,292.0	3,884.0	4,317.4	4,422.9	4,591.6	4,796.2	4,944.1	5,116.9	5,238.9	5,345.3
31 Government-sponsored enterprise securities	995.3	1,273.6	1,591.7	1,825.8	1,888.7	1,955.8	2,037.4	2,114.0	2,161.8	2,197.2	2,260.5
32 Mortgage pool securities	1,825.8	2,018.4	2,292.2	2,491.6	2,534.2	2,635.7	2,758.8	2,830.1	2,955.1	3,041.6	3,084.8
33 Loans from U.S. government	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	2,636.9	3,253.2	3,734.6	4,122.0	4,224.8	4,259.4	4,325.2	4,453.1	4,474.5	4,564.5	4,662.0
35 Open market paper	745.7	906.7	1,082.9	1,210.7	1,180.8	1,144.5	1,110.2	1,148.8	1,090.9	1,046.9	1,049.5
36 Corporate bonds	1,568.6	1,878.7	2,085.9	2,297.2	2,414.8	2,478.7	2,562.9	2,640.2	2,730.3	2,845.8	2,901.2
37 Bank loans n.e.c.	77.3	107.5	93.2	93.0	97.3	100.4	100.2	106.8	105.1	113.5	133.2
38 Other loans and advances	198.5	288.7	395.8	438.3	450.9	450.7	467.2	473.2	462.4	470.8	491.2
39 Mortgages	46.8	71.6	76.7	82.9	81.1	85.1	84.6	84.2	85.9	87.6	86.9
By borrowing sector											
40 Commercial banks	140.6	188.6	230.0	266.7	273.8	274.7	281.4	296.0	295.8	310.4	331.6
41 Bank holding companies	168.6	193.5	219.3	242.5	266.5	269.0	272.7	266.1	269.0	264.2	271.4
42 Savings institutions	160.3	212.4	260.4	287.7	295.1	294.4	305.6	295.1	280.5	275.3	274.5
43 Credit unions	.6	1.1	3.4	3.4	3.2	3.5	3.8	4.9	5.5	6.0	6.3
44 Life insurance companies	1.8	2.5	3.2	2.5	1.9	1.9	2.8	3.1	3.7	4.0	4.2
45 Government-sponsored enterprises	995.3	1,273.6	1,591.7	1,825.8	1,888.7	1,955.8	2,037.4	2,114.0	2,161.8	2,197.2	2,260.5
46 Federally related mortgage pools	1,825.8	2,018.4	2,292.2	2,491.6	2,534.2	2,635.7	2,758.8	2,830.1	2,955.1	3,041.6	3,084.8
47 Issuers of asset-backed securities (ABSs)	1,076.6	1,398.0	1,610.3	1,812.0	1,884.5	1,937.3	2,020.3	2,131.4	2,187.3	2,248.2	2,302.3
48 Brokers and dealers	35.3	42.5	25.3	40.9	35.0	43.9	47.1	42.3	38.4	42.8	46.6
49 Finance companies	568.3	625.5	695.7	776.9	756.2	769.0	771.2	776.7	760.8	784.9	802.9
50 Mortgage companies	16.0	17.7	17.8	17.9	18.1	18.2	18.5	18.6	18.8	19.0	19.2
51 Real estate investment trusts (REITs)	96.1	158.8	165.1	167.8	166.2	168.9	168.3	170.2	172.1	178.4	183.0
52 Funding corporations	372.6	412.6	504.0	503.7	524.3	478.6	433.6	448.4	442.6	431.3	420.1
	All sectors										
53 **Total credit market debt, domestic and foreign**	**21,309.1**	**23,482.0**	**25,672.8**	**27,432.4**	**27,886.9**	**28,250.4**	**28,811.9**	**29,471.4**	**29,916.6**	**30,444.4**	**30,983.6**
54 Open market paper	979.4	1,172.6	1,402.4	1,610.0	1,546.8	1,477.9	1,417.8	1,445.6	1,382.0	1,325.5	1,325.7
55 U.S. government securities	6,625.9	7,044.2	7,564.9	7,702.5	7,831.7	7,842.9	8,116.2	8,323.6	8,547.2	8,690.2	8,886.1
56 Municipal securities	1,367.5	1,464.3	1,532.5	1,567.8	1,597.5	1,629.8	1,635.3	1,685.4	1,707.5	1,758.2	1,783.8
57 Corporate and foreign bonds	3,607.2	4,170.9	4,622.0	5,028.3	5,251.1	5,416.0	5,526.2	5,691.8	5,839.7	5,996.7	6,039.4
58 Bank loans n.e.c.	1,169.8	1,314.8	1,383.8	1,496.6	1,492.1	1,460.2	1,452.6	1,421.4	1,409.1	1,377.8	1,361.6
59 Other loans and advances	1,086.5	1,253.0	1,400.9	1,548.2	1,572.0	1,602.0	1,624.4	1,608.6	1,597.6	1,622.0	1,654.4
60 Mortgages	5,201.1	5,715.7	6,320.1	6,886.0	7,010.3	7,213.3	7,409.0	7,591.8	7,756.2	7,973.6	8,212.0
61 Consumer credit	1,271.6	1,346.6	1,446.1	1,593.1	1,585.3	1,608.1	1,630.5	1,703.3	1,677.2	1,700.3	1,720.6

1. Data in this table 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	1997	1998	1999	2000	2001				2002		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**21,309.1**	**23,482.0**	**25,672.8**	**27,432.4**	**27,886.9**	**28,250.4**	**28,811.9**	**29,471.4**	**29,916.6**	**30,444.4**	**30,983.6**
2 Domestic nonfederal nonfinancial sectors	3,110.2	3,357.4	3,671.5	3,542.8	3,488.1	3,426.6	3,409.2	3,463.3	3,476.0	3,519.6	3,447.7
3 Household	2,193.5	2,308.9	2,613.2	2,481.5	2,440.5	2,370.4	2,354.6	2,380.6	2,401.4	2,425.1	2,351.3
4 Nonfinancial corporate business	257.5	241.5	226.0	231.0	206.2	203.0	195.0	212.2	202.7	207.8	209.8
5 Nonfarm noncorporate business	54.2	67.5	64.4	63.2	64.0	64.1	64.9	65.4	66.2	67.1	66.5
6 State and local governments	605.0	739.4	767.8	767.0	777.4	789.1	794.6	805.1	805.6	819.7	820.1
7 Federal government	205.4	219.0	258.0	265.3	266.4	268.7	269.6	271.3	272.5	274.7	276.5
8 Rest of the world	2,097.7	2,278.2	2,354.6	2,621.1	2,706.0	2,766.8	2,837.5	2,954.4	3,000.6	3,139.1	3,283.3
9 Financial sectors	15,895.8	17,627.4	19,388.8	21,003.3	21,426.4	21,788.2	22,295.7	22,782.4	23,167.5	23,511.0	23,976.0
10 Monetary authority	431.4	452.5	478.1	511.8	523.9	535.1	534.1	551.7	575.4	590.7	604.2
11 Commercial banking	4,031.9	4,336.1	4,648.3	5,006.3	5,013.8	5,041.5	5,100.6	5,210.5	5,231.3	5,328.3	5,476.1
12 U.S.-chartered banks	3,450.7	3,761.4	4,080.0	4,419.5	4,420.8	4,463.5	4,513.5	4,610.1	4,629.3	4,719.7	4,858.3
13 Foreign banking offices in United States	516.1	504.5	487.4	511.3	516.6	501.3	509.3	510.7	507.7	512.6	521.2
14 Bank holding companies	27.4	26.5	32.7	20.5	22.3	21.6	21.3	24.7	27.7	28.1	27.7
15 Banks in U.S.-affiliated areas	37.8	43.8	48.3	55.0	54.1	55.1	56.5	65.0	66.6	67.9	68.8
16 Savings institutions	928.5	964.7	1,032.4	1,088.6	1,100.5	1,116.1	1,118.1	1,131.4	1,134.7	1,130.9	1,153.9
17 Credit unions	305.3	324.2	351.7	379.7	387.0	392.4	408.4	421.2	434.3	447.7	458.5
18 Bank personal trusts and estates	207.0	194.1	222.0	222.8	223.8	225.2	226.4	228.6	231.4	234.3	235.5
19 Life insurance companies	1,751.1	1,828.0	1,886.0	1,943.9	1,969.6	2,004.8	2,054.8	2,074.8	2,136.9	2,180.1	2,241.0
20 Other insurance companies	515.3	521.1	518.2	509.4	510.0	510.0	511.3	518.4	527.6	536.4	545.3
21 Private pension funds	674.6	651.2	668.2	701.6	706.8	718.0	720.6	721.9	728.7	740.2	749.1
22 State and local government retirement funds	632.5	704.6	751.4	806.0	788.3	807.6	789.0	788.4	806.0	792.4	784.1
23 Money market mutual funds	721.9	965.9	1,147.8	1,290.9	1,404.2	1,414.3	1,494.9	1,536.9	1,496.4	1,419.3	1,405.7
24 Mutual funds	901.1	1,028.4	1,076.8	1,097.8	1,113.9	1,160.3	1,188.2	1,223.8	1,276.8	1,291.6	1,335.0
25 Closed-end funds	93.3	98.5	106.8	100.5	98.7	97.5	103.6	107.3	112.5	113.1	116.0
26 Government-sponsored enterprises	938.3	1,252.3	1,543.5	1,807.1	1,877.7	1,956.1	2,026.1	2,114.3	2,163.8	2,199.9	2,245.5
27 Federally related mortgage pools	1,825.8	2,018.4	2,292.2	2,491.6	2,534.2	2,635.7	2,758.8	2,830.1	2,955.1	3,041.6	3,084.8
28 Asset-backed securities (ABSs) issuers	937.7	1,219.4	1,413.6	1,585.4	1,650.9	1,696.6	1,773.3	1,878.7	1,928.5	1,983.9	2,032.4
29 Finance companies	568.2	645.5	742.5	850.5	848.0	878.5	859.5	844.8	832.4	845.6	856.9
30 Mortgage companies	32.1	35.3	35.6	35.9	36.2	36.5	36.9	37.2	37.6	38.0	38.3
31 Real estate investment trusts (REITs)	50.6	45.5	42.9	36.6	37.6	37.9	39.8	43.3	49.9	57.9	64.1
32 Brokers and dealers	182.6	189.4	154.7	223.6	317.7	288.4	366.4	316.0	299.6	352.7	339.6
33 Funding corporations	166.7	152.3	276.0	313.4	283.7	235.7	184.9	203.0	208.6	186.6	206.3
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
34 **Total credit market debt**	**21,309.1**	**23,482.0**	**25,672.8**	**27,432.4**	**27,886.9**	**28,250.4**	**28,811.9**	**29,471.4**	**29,916.6**	**30,444.4**	**30,983.6**
Other liabilities											
35 Official foreign exchange	48.9	60.1	50.1	46.1	42.8	43.4	49.0	46.8	45.7	52.0	53.1
36 Special drawing rights certificates	9.2	9.2	6.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
37 Treasury currency	19.3	19.9	20.9	23.2	22.9	23.2	23.2	23.2	23.2	23.2	23.2
38 Foreign deposits	618.5	642.3	703.6	824.5	881.6	837.6	848.0	908.9	894.1	916.5	926.5
39 Net interbank liabilities	219.4	189.4	202.4	221.2	156.7	158.7	166.5	187.7	157.6	130.9	146.8
40 Checkable deposits and currency	1,286.1	1,333.3	1,484.5	1,413.1	1,404.9	1,448.4	1,485.1	1,601.4	1,567.2	1,640.0	1,698.0
41 Small time and savings deposits	2,474.2	2,626.5	2,671.6	2,860.4	2,962.7	2,992.4	3,047.6	3,127.6	3,229.6	3,257.6	3,338.5
42 Large time deposits	713.4	805.3	936.4	1,052.6	1,077.0	1,087.3	1,094.2	1,121.1	1,178.9	1,188.7	1,197.7
43 Money market fund shares	1,042.5	1,329.7	1,578.8	1,812.1	1,994.7	2,014.7	2,115.4	2,240.7	2,202.6	2,150.3	2,105.9
44 Security repurchase agreements	822.4	913.8	1,083.6	1,196.8	1,187.4	1,206.6	1,253.9	1,233.6	1,220.4	1,273.7	1,233.1
45 Mutual fund shares	2,989.4	3,613.1	4,538.5	4,434.6	3,990.4	4,259.5	3,753.1	4,135.5	4,247.0	3,926.6	3,418.9
46 Security credit	469.1	572.2	676.6	822.7	799.3	781.5	919.9	825.9	778.0	746.2	714.7
47 Life insurance reserves	665.0	718.3	783.9	819.1	823.0	840.3	844.0	880.0	904.2	915.2	928.3
48 Pension fund reserves	7,323.4	8,208.4	9,065.3	9,069.0	8,584.0	8,862.6	8,281.0	8,694.0	8,822.2	8,328.1	7,737.4
49 Trade payables	1,967.4	2,073.8	2,342.4	2,512.6	2,536.4	2,498.4	2,502.4	2,493.4	2,526.0	2,533.2	2,587.8
50 Taxes payable	151.1	170.7	193.9	215.6	223.3	222.5	251.4	229.9	241.3	252.9	240.3
51 Investment in bank personal trusts	942.5	1,001.0	1,130.4	1,095.8	1,007.9	1,063.3	955.4	1,025.3	1,035.2	970.1	888.2
52 Miscellaneous	6,733.1	7,633.7	8,500.3	9,427.9	9,862.5	10,140.3	10,545.9	10,091.1	10,104.6	10,369.1	10,882.0
53 **Total liabilities**	**49,803.8**	**55,402.6**	**61,642.2**	**65,281.9**	**65,446.6**	**66,733.3**	**66,950.1**	**68,339.8**	**69,096.5**	**69,120.9**	**69,106.2**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	21.1	21.6	21.4	21.6	21.4	21.5	22.0	21.8	21.9	22.7	22.8
55 Corporate equities	13,301.7	15,577.3	19,581.2	17,611.9	15,347.5	16,281.6	13,673.4	15,245.5	15,264.1	13,363.0	10,960.1
56 Household equity in noncorporate business	4,052.7	4,285.7	4,544.3	4,765.8	4,807.7	4,823.5	4,865.8	4,824.9	4,845.0	4,906.5	4,947.4
Liabilities not identified as assets (–)											
57 Treasury currency	–6.3	–6.4	–7.1	–8.5	–9.4	–9.5	–9.8	–9.8	–10.4	–10.6	–10.9
58 Foreign deposits	535.0	542.8	585.7	627.4	673.0	631.3	644.9	694.1	685.0	717.7	720.1
59 Net interbank transactions	–32.2	–26.5	–28.5	–4.3	1.1	3.8	4.5	11.1	21.8	18.3	16.2
60 Security repurchase agreements	172.9	230.6	266.4	385.0	341.4	376.2	396.6	346.3	355.6	390.2	292.4
61 Taxes payable	104.2	121.2	121.9	127.7	111.9	131.7	148.6	100.0	92.3	150.7	113.5
62 Miscellaneous	–1,376.7	–1,956.2	–2,436.0	–2,968.9	–2,919.9	–2,862.5	–2,692.6	–3,203.2	–3,178.9	–3,223.2	–3,030.3
Floats not included in assets (–)											
63 Federal government checkable deposits	–8.1	–3.9	–9.8	–2.3	–2.8	–4.8	–5.9	–14.1	32.4	61.3	72.2
64 Other checkable deposits	26.2	23.1	22.3	24.0	21.1	25.5	19.2	28.6	26.3	31.4	25.8
65 Trade credit	128.1	84.8	91.7	117.7	84.6	63.8	48.7	134.0	87.8	40.3	39.2
66 **Totals identified to sectors as assets**	**67,636.1**	**76,277.7**	**87,182.4**	**89,383.3**	**87,322.3**	**89,504.4**	**86,957.2**	**90,345.2**	**91,115.7**	**89,237.0**	**86,798.1**

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.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	2002				2002				2002			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Output (1997=100)				Capacity (percent of 1997 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**109.3**	**110.5**	**111.4**	**110.7**	**145.4**	**145.9**	**146.2**	**146.6**	**75.1**	**75.7**	**76.2**	**75.5**
2 Manufacturing	110.5	111.4	112.3	111.6	150.5	150.9	151.1	151.4	73.4	73.9	74.3	73.8
3 Manufacturing (NAICS)	110.8	111.8	112.6	111.9	151.8	152.2	152.5	152.8	73.0	73.5	73.8	73.2
4 Durable manufacturing	119.7	121.2	122.3	121.8	171.5	172.5	173.4	174.2	69.8	70.2	70.5	69.9
5 Primary metal	84.9	85.6	85.9	88.0	112.7	112.0	111.4	110.8	75.3	76.4	77.1	79.4
6 Fabricated metal products	98.0	99.1	99.5	99.4	139.0	139.3	139.4	139.6	70.5	71.2	71.3	71.2
7 Machinery	87.5	88.6	88.7	87.0	129.9	129.9	129.9	129.9	67.3	68.2	68.3	67.0
8 Computer and electronic products	216.2	219.6	222.6	223.6	344.0	350.1	355.4	360.3	62.9	62.7	62.6	62.1
9 Electrical equipment, appliances, and components	97.6	98.3	97.7	98.2	129.6	129.1	128.6	128.2	75.3	76.1	75.9	76.6
10 Motor vehicles and parts	112.8	116.8	121.7	119.8	144.9	145.9	147.1	148.4	77.9	80.0	82.7	80.7
11 Aerospace and miscellaneous transportation equipment	90.8	87.6	85.9	85.7	145.7	145.5	145.3	145.1	62.3	60.2	59.1	59.1
12 Nondurable manufacturing	99.1	99.7	100.1	99.2	127.9	127.7	127.5	127.3	77.5	78.1	78.5	77.9
13 Food, beverage, and tobacco products	100.8	100.8	100.1	99.2	125.9	125.8	125.7	125.6	80.1	80.2	79.7	79.0
14 Textile and product mills	82.1	83.3	82.9	82.2	112.8	112.3	111.7	111.1	72.8	74.2	74.2	74.0
15 Paper	91.7	94.2	95.7	95.4	114.5	114.2	114.0	113.8	80.1	82.5	84.0	83.9
16 Petroleum and coal products	103.3	103.3	102.3	102.0	114.7	114.9	115.2	115.7	90.1	89.9	88.7	88.2
17 Chemical	104.9	105.3	106.4	105.1	141.0	141.2	141.2	141.3	74.4	74.6	75.3	74.3
18 Plastics and rubber products	103.6	106.6	107.3	105.6	134.8	134.2	133.6	132.9	76.9	79.4	80.4	79.4
19 Other manufacturing (non-NAICS)	105.2	104.6	106.0	106.5	131.1	130.3	129.5	128.7	80.3	80.3	81.8	82.7
20 Mining	94.0	93.4	93.5	93.3	110.3	110.2	110.1	110.2	85.2	84.8	84.9	84.7
21 Electric and gas utilities	105.6	110.2	112.5	110.9	123.5	125.5	127.6	129.7	85.5	87.8	88.2	85.5
MEMOS												
22 Computers, communications equipment, and semiconductors	282.2	290.3	295.5	298.6	456.8	466.7	475.3	483.3	61.8	62.2	62.2	61.8
23 Total excluding computers, communications equipment, and semiconductors	99.6	100.6	101.3	100.6	130.3	130.4	130.5	130.6	76.5	77.1	77.6	77.0
24 Manufacturing excluding computers, communications equipment, and semiconductors	99.2	99.9	100.5	99.9	132.7	132.6	132.6	132.6	74.8	75.3	75.8	75.3

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]—Continued

Seasonally adjusted

Series	1973	1975	Previous cycle[3]		Latest cycle[4]		2001	2002					
	High	Low	High	Low	High	Low	Dec.	July	Aug.	Sept.[r]	Oct.[r]	Nov.[r]	Dec.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**88.8**	**74.0**	**86.6**	**70.8**	**85.1**	**78.6**	**74.6**	**76.4**	**76.1**	**76.0**	**75.6**	**75.6**	**75.4**
2 Manufacturing	88.0	71.6	86.3	68.6	85.5	77.2	73.0	74.3	74.3	74.1	73.8	73.8	73.6
3 Manufacturing (NAICS)	88.1	71.4	86.3	67.9	85.5	77.0	72.5	74.0	73.9	73.6	73.3	73.3	73.1
4 Durable manufacturing	88.9	69.6	87.0	63.1	84.5	73.4	69.6	70.6	70.8	70.2	69.9	70.2	69.7
5 Primary metal	100.9	68.9	91.3	47.2	95.3	75.2	69.0	76.2	78.7	76.5	79.1	78.9	80.2
6 Fabricated metal products	91.8	69.6	83.1	61.7	80.1	71.0	70.3	71.5	71.2	71.2	71.7	71.1	70.8
7 Machinery	94.2	74.2	92.8	58.3	84.7	72.9	66.1	68.0	68.8	67.9	66.9	66.9	67.2
8 Computer and electronic products	87.0	66.9	89.8	77.3	81.5	76.4	63.6	62.6	62.7	62.5	62.2	62.0	62.0
9 Electrical equipment, appliances, and components	99.3	68.5	91.9	64.4	87.5	75.0	75.7	76.4	76.2	75.1	75.8	77.0	76.9
10 Motor vehicles and parts	95.3	55.3	96.2	45.2	90.0	56.6	77.7	83.2	82.9	82.1	80.0	83.1	79.0
11 Aerospace and miscellaneous transportation equipment	75.0	66.3	84.6	69.8	88.9	81.9	64.0	59.0	59.4	59.0	59.2	58.8	59.2
12 Nondurable manufacturing	87.5	72.5	85.7	75.6	86.9	81.8	76.5	78.7	78.4	78.4	78.0	77.8	77.9
13 Food, beverage, and tobacco products	85.9	78.0	84.3	80.2	85.5	81.3	79.1	80.0	79.6	79.5	79.6	78.8	78.6
14 Textile and product mills	89.8	62.8	90.1	72.3	91.1	77.1	71.5	75.0	73.9	73.8	73.5	74.1	74.3
15 Paper	97.4	74.7	95.6	81.3	94.0	85.4	79.7	83.5	84.0	84.4	83.9	83.7	84.1
16 Petroleum and coal products	93.2	81.0	92.3	71.1	88.9	82.5	87.6	89.5	89.2	87.6	86.3	88.4	89.8
17 Chemical	85.0	68.9	83.0	67.9	85.6	80.8	73.6	75.7	75.2	75.1	74.4	74.2	74.5
18 Plastics and rubber products	96.3	61.6	90.5	70.5	91.2	77.1	75.8	80.3	80.3	80.4	79.9	79.2	79.0
19 Other manufacturing (non-NAICS)	85.7	75.7	88.1	85.7	90.2	79.1	81.4	80.9	81.7	82.8	82.7	82.3	83.2
20 Mining	93.6	87.6	94.2	78.6	85.6	83.3	86.1	85.7	85.3	83.8	83.9	84.4	85.8
21 Electric and gas utilities	96.2	82.7	87.9	77.2	92.6	84.2	83.5	89.6	86.5	88.4	86.3	85.9	84.4
MEMOS													
22 Computers, communications equipment, and semiconductors	84.5	63.1	89.9	75.6	80.4	74.6	62.5	62.1	62.4	62.0	61.9	61.7	61.7
23 Total excluding computers, communications equipment, and semiconductors	89.1	74.3	86.6	70.5	85.5	78.8	75.8	77.9	77.6	77.5	77.0	77.1	76.9
24 Manufacturing excluding computers communications equipment, and semiconductors	88.3	71.9	86.3	68.1	86.1	77.3	74.2	75.9	75.9	75.7	75.4	75.4	75.2

Note. The statistics in the G.17 release cover output, capacity, and capacity utilization in the industrial sector, which the Federal Reserve defines are manufacturing, mining, and electric and gas utilities. Manufacturing consists of those industries included in the North American Industry Classification System, or NAICS, manufacturing plus those industries—logging and newspaper, periodical, book and directory publishing—that have traditionally been considered manufacturing and included in the industrial sector.

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. The data are also available on the Board's web site http://www.federalreserve.gov/releases/g17. The latest historical revision of the industrial production index and the capacity utilization rates was released in December 2002. The recent annual revision will be described in an upcoming issue of the *Bulletin*.

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

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

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1992 proportion	2002 avg.	2001 Dec.	2002 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.[r]	Oct.[r]	Nov.[r]	Dec.[p]
			Index (1997=100)												
MAJOR MARKETS															
1 **Total IP**	**100.0**	**110.5**	**108.3**	**109.0**	**109.2**	**109.6**	**110.1**	**110.4**	**110.8**	**111.6**	**111.3**	**111.2**	**110.7**	**110.8**	**110.6**
Market groups															
2 Final products and nonindustrial supplies	60.8	109.4	108.0	108.3	108.5	108.9	109.1	109.3	109.6	110.1	109.8	109.8	109.2	109.3	108.9
3 Consumer goods	29.0	107.6	105.7	106.2	106.7	107.4	107.5	107.3	107.8	108.5	107.8	107.9	107.1	107.7	107.1
4 Durable	5.8	117.3	114.0	114.2	115.3	115.7	116.5	117.2	118.6	120.0	119.3	118.7	116.9	120.7	118.1
5 Automotive products	2.5	125.4	120.5	120.2	121.3	121.7	123.8	124.2	127.4	130.6	130.6	129.3	125.9	132.2	126.5
6 Home electronics	0.4	142.3	149.9	154.3	153.1	150.2	139.9	143.8	135.3	137.0	135.4	142.6	138.5	140.9	141.4
7 Appliances, furniture, carpeting	1.3	106.8	104.9	105.7	107.9	108.1	108.2	109.1	107.5	106.9	104.5	104.6	104.8	106.7	107.7
8 Miscellaneous goods	1.6	98.5	96.4	96.4	97.1	98.2	98.1	98.9	100.2	99.2	98.3	97.8	98.3	98.3	99.0
9 Nondurable	23.2	104.2	102.7	103.3	103.6	104.4	104.4	103.9	104.1	104.6	103.8	104.2	103.7	103.4	103.3
10 Non-energy	20.2	102.7	102.7	103.0	103.0	103.5	102.8	102.2	102.8	102.8	102.4	102.6	102.3	101.7	101.6
11 Foods and tobacco	10.4	99.7	98.9	99.6	100.2	100.8	100.4	100.0	100.2	99.8	99.2	99.1	99.3	98.3	97.9
12 Clothing	2.4	72.4	73.4	73.0	72.7	74.4	72.7	72.9	72.9	73.2	71.3	72.1	70.2	71.0	70.3
13 Chemical products	4.6	119.3	120.5	120.7	119.9	120.1	118.5	116.8	118.3	119.5	119.0	119.5	118.4	118.5	118.6
14 Paper products	2.9	108.1	109.0	107.8	106.6	107.2	106.0	106.2	107.2	107.1	108.4	109.8	109.8	109.0	109.6
15 Energy	3.0	111.7	102.8	105.0	107.1	109.4	112.8	112.5	110.9	114.0	111.6	112.8	110.7	112.2	112.3
16 Business equipment	13.2	107.4	108.6	108.8	108.1	107.8	107.7	108.0	108.0	107.3	108.1	106.9	106.2	106.0	105.5
17 Transit	2.5	81.2	89.5	87.5	86.9	84.8	83.2	82.0	81.1	80.2	81.1	79.7	78.1	77.4	74.6
18 Information processing	5.4	153.7	155.0	155.3	154.3	155.5	154.7	154.9	154.9	153.5	153.7	152.1	152.9	152.1	152.3
19 Industrial and other	5.3	91.7	90.0	91.1	90.5	90.3	91.1	91.9	92.2	92.0	92.9	92.0	91.3	91.5	91.7
20 Defense and space equipment	3.4	101.3	100.3	99.6	99.7	99.8	99.9	100.6	101.2	101.2	101.9	102.0	102.6	102.1	103.3
21 Construction supplies	5.4	104.0	102.5	102.6	103.1	104.0	104.0	104.6	104.5	104.4	104.8	104.5	104.2	103.5	102.9
22 Business supplies	9.1	122.0	119.0	119.2	119.4	119.7	120.7	121.5	121.8	123.2	122.6	123.6	123.2	122.8	122.9
23 Materials	39.2	112.3	108.8	110.0	110.2	110.7	111.6	112.2	112.6	113.8	113.6	113.4	112.9	113.0	113.2
24 Non-energy	29.6	115.9	112.1	113.4	113.7	114.0	115.0	115.8	116.4	117.2	117.4	117.2	116.9	117.0	117.0
25 Durable	20.7	128.2	123.5	124.9	125.6	125.8	127.1	127.8	128.6	129.4	130.0	129.5	129.6	130.1	129.6
26 Consumer parts	4.0	110.9	106.2	107.6	109.2	109.2	110.8	110.1	110.4	113.4	112.3	112.4	111.9	114.6	111.8
27 Equipment parts	7.5	182.8	176.7	178.1	177.6	177.6	179.8	182.3	183.6	184.2	186.3	185.7	185.3	185.6	186.6
28 Other	9.2	97.2	93.9	95.1	95.9	96.0	96.7	97.2	97.9	97.7	98.3	97.7	98.2	97.7	97.8
29 Nondurable	8.9	97.1	94.3	95.5	95.4	95.9	96.5	97.3	97.6	98.4	98.2	98.3	97.5	97.1	97.6
30 Textile	1.1	77.9	75.6	76.2	76.3	77.7	77.8	78.2	78.5	79.6	77.8	78.4	78.1	77.7	77.9
31 Paper	1.8	94.8	92.1	93.4	92.6	91.9	93.3	94.8	93.6	95.8	96.1	96.7	96.9	96.2	96.8
32 Chemical	4.0	99.4	94.6	97.0	97.2	98.8	99.6	100.4	100.6	101.3	100.7	100.2	99.0	98.5	99.3
33 Energy	9.6	98.6	96.2	97.1	97.1	97.9	98.6	98.5	98.6	101.0	99.3	99.1	98.2	98.6	99.1
SPECIAL AGGREGATES															
34 Total excluding computers, communication equipment, and semiconductors	94.7	100.6	98.7	99.3	99.6	99.9	100.3	100.5	100.8	101.5	101.2	101.2	100.6	100.7	100.5
35 Total excluding motor vehicles and parts	94.3	110.1	108.1	108.8	108.9	109.4	109.7	110.1	110.3	110.8	110.5	110.5	110.1	109.9	110.1
	Gross value (billions of 1996 dollars, annual rates)														
36 **Final products and nonindustrial supplies**	**100.0**	**2,793.6**	**2,756.7**	**2,764.9**	**2,774.9**	**2,787.1**	**2,796.7**	**2,802.2**	**2,809.9**	**2,828.0**	**2,821.5**	**2,817.8**	**2,794.7**	**2,812.1**	**2,794.0**
37 Final products	77.2	2,018.6	1,993.4	2,001.1	2,006.4	2,013.9	2,020.7	2,021.4	2,028.7	2,042.2	2,038.1	2,031.4	2,011.5	2,031.1	2,016.3
38 Consumer goods	51.9	1,384.6	1,358.7	1,365.3	1,371.5	1,380.1	1,386.3	1,384.8	1,390.2	1,404.1	1,395.9	1,394.3	1,379.1	1,398.4	1,387.4
39 Equipment total	25.3	624.9	628.6	629.2	627.5	625.4	625.3	628.1	629.9	627.9	633.6	627.7	623.6	621.8	618.4
40 Nonindustrial supplies	22.8	774.9	763.2	763.7	768.5	773.2	776.1	780.9	781.3	785.9	783.5	786.6	783.7	781.0	777.8

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

Monthly data seasonally adjusted

Group	NAICS code[2]	1992 proportion	2002 avg.	2001 Dec.	2002 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.[r]	Oct.[r]	Nov.[r]	Dec.[p]
				Index (1997=100)												
INDUSTRY GROUPS																
41 Manufacturing		85.4	111.5	109.6	110.3	110.4	110.7	111.0	111.4	111.9	112.3	112.4	112.1	111.6	111.7	111.5
42 Manufacturing (NAICS)	.	79.1	111.8	109.8	110.6	110.8	111.0	111.4	111.9	112.2	112.7	112.8	112.4	111.9	112.1	111.8
43 Durable manufacturing	.	43.0	121.2	118.9	119.6	119.8	119.8	120.5	121.2	121.8	122.2	122.7	122.0	121.6	122.3	121.6
44 Wood products	321	1.5	100.5	99.9	100.6	99.9	101.7	100.8	101.0	102.2	101.9	102.5	100.7	99.4	97.7	96.5
45 Nonmetallic mineral products	327	2.0	107.9	105.7	106.0	106.4	106.6	107.4	107.7	106.6	107.7	108.5	109.8	109.1	109.4	108.6
46 Primary metal	331	2.7	86.0	78.2	84.3	85.3	85.1	84.6	85.9	86.2	85.0	87.6	85.0	87.9	87.4	88.7
47 Fabricated metal products	332	5.3	99.1	97.6	97.7	98.2	98.2	98.4	99.7	99.3	99.7	99.3	99.4	100.0	99.3	98.9
48 Machinery	333	5.7	88.0	85.9	87.2	87.3	88.0	88.3	88.5	88.9	88.4	89.4	88.2	86.8	86.9	87.3
49 Computer and electronic products	334	8.8	220.2	215.8	216.3	215.5	216.9	217.9	220.0	220.8	221.5	223.0	223.2	223.3	223.3	224.3
50 Electrical equipment, appliances, and components	335	2.5	98.0	98.3	98.4	97.7	96.8	97.2	98.9	98.7	98.4	98.0	96.5	97.3	98.7	98.5
51 Motor vehicles and parts	3361–3	5.7	117.2	112.0	111.8	113.4	113.3	115.9	115.8	118.6	122.1	122.0	121.1	118.3	123.4	117.6
52 Aerospace and miscellaneous transportation equipment	3364–9	4.5	87.7	93.4	92.1	90.9	89.5	88.3	87.6	86.9	85.7	86.3	85.7	86.0	85.4	85.9
53 Furniture and related products	337	1.5	101.7	101.3	101.9	102.6	101.7	101.8	101.5	101.6	101.4	100.5	101.4	100.9	101.9	101.9
54 Miscellaneous	339	2.8	109.6	107.7	108.2	107.8	107.4	109.6	110.2	110.7	110.6	110.2	109.1	109.5	108.7	110.1
55 Nondurable manufacturing	.	36.1	99.6	98.0	98.8	99.0	99.5	99.5	99.7	99.9	100.4	100.0	100.0	99.4	99.1	99.2
56 Food, beverage, and tobacco products	311,2	10.9	100.3	99.7	100.2	100.8	101.4	101.0	100.6	100.9	100.5	100.0	99.9	100.0	99.0	98.7
57 Textile and product mills	313,4	1.8	82.7	80.9	81.7	81.8	83.0	82.9	83.6	83.4	83.9	82.5	82.3	81.9	82.3	82.4
58 Apparel and leather	315,6	2.2	72.2	73.2	72.9	72.5	74.1	72.5	72.7	72.6	73.0	71.2	71.8	70.1	70.9	70.3
59 Paper	322	3.3	94.3	91.5	91.9	91.8	91.6	93.0	95.0	94.7	95.2	95.8	96.1	95.5	95.2	95.6
60 Printing and support	323	2.8	98.0	95.6	97.8	96.9	95.2	95.5	96.2	95.5	98.4	98.6	99.9	100.1	99.7	100.0
61 Petroleum and coal products	324	1.4	102.7	100.3	102.4	104.0	103.5	104.2	103.4	102.4	103.0	102.7	101.0	99.7	102.2	104.0
62 Chemical	325	10.3	105.4	103.7	104.9	104.6	105.2	105.1	105.0	105.7	106.9	106.2	106.1	105.1	104.8	105.3
63 Plastics and rubber products	326	3.4	106.0	102.5	102.5	103.3	105.1	105.7	106.7	107.4	107.5	107.3	107.2	106.4	105.4	104.9
64 Other manufacturing (non-NAICS)	1133,5111	4.3	105.7	107.1	105.8	104.9	105.0	104.1	104.2	105.5	105.0	105.8	107.1	106.7	106.0	106.9
65 Mining	21	6.6	93.7	95.1	94.4	94.2	93.6	93.4	93.4	93.5	94.4	93.9	92.2	92.4	93.0	94.6
66 Utilities	2211,2	10.1	110.0	102.2	103.7	105.2	108.0	110.6	110.1	110.1	113.7	110.4	113.3	111.3	111.3	110.0
67 Electric	2211	8.6	111.6	104.5	106.1	107.1	110.1	112.5	111.2	111.4	115.7	112.2	115.8	113.1	112.8	111.8
68 Natural gas	2212	1.6	97.0	89.9	90.9	95.0	96.9	100.2	104.4	103.2	102.7	100.8	99.9	101.6	103.6	100.2
69 Manufacturing excluding computers, communications equipment, and semiconductors		78.0	99.9	98.5	99.1	99.2	99.4	99.5	99.9	100.2	100.6	100.6	100.4	99.9	100.0	99.7
70 Manufacturing excluding motor vehicles and parts		77.6	111.0	109.4	110.2	110.2	110.5	110.5	111.0	111.3	111.4	111.5	111.3	111.1	110.7	111.0

Note. The statistics in the G.17 release cover output, capacity, and capacity utilization in the industrial sector, which the Federal Reserve defines are manufacturing, mining, and electric and gas utilities. Manufacturing consists of those industries included in the North American Industry Classification System, or NAICS, manufacturing plus those industries—logging and newspaper, periodical, book and directory publishing—that have traditionally been considered manufacturing and included in the industrial sector.

1. Data in this table appear in the Board's G.17 (419) monthly statistical release. The data are also available on the Board's web site http://www.federalreserve.gov/releases/g17. The latest historical revision of the industrial production index and the capacity utilization rates was released in December 2002. The recent annual revision will be described in an upcoming issue of the *Bulletin*.

2. North American Industry Classification System.

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted[1]

Item credits or debits	1999	2000	2001	2001		2002		
				Q3	Q4	Q1	Q2	Q3^p
1 Balance on current account	−292,856	−410,341	−393,371	−91,331	−95,086	−112,454	−127,611	−127,041
2 Balance on goods and services	−262,237	−378,681	−358,290	−79,778	−88,028	−95,492	−109,313	−110,861
3 Exports	957,146	1,064,239	998,022	242,325	232,930	233,252	244,540	249,409
4 Imports	−1,219,383	−1,442,920	−1,356,312	−322,103	−320,958	−328,744	−353,853	−360,270
5 Income, net	18,138	21,782	14,382	807	6,521	−946	−5,287	−2,959
6 Investment, net	23,877	27,651	20,539	2,345	8,102	682	−3,629	−1,375
7 Direct	75,009	88,862	102,595	23,908	28,602	22,069	18,795	18,821
8 Portfolio	−51,132	−61,211	−82,056	−21,563	−20,500	−21,387	−22,424	−20,196
9 Compensation of employees	−5,739	−5,869	−6,157	−1,538	−1,581	−1,628	−1,658	−1,584
10 Unilateral current transfers, net	−48,757	−53,442	−49,463	−12,360	−13,579	−16,016	−13,011	−13,221
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	2,750	−941	−486	77	143	133	42	172
12 Change in U.S. official reserve assets (increase, −)	8,747	−290	−4,911	−3,559	−199	390	−1,843	−1,416
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	10	−722	−630	−145	−140	−109	−107	−132
15 Reserve position in International Monetary Fund	5,484	2,308	−3,600	−3,242	83	652	−1,607	−1,136
16 Foreign currencies	3,253	−1,876	−681	−172	−142	−153	−129	−148
17 Change in U.S. private assets abroad (increase, −)	−489,066	−605,258	−365,565	28,460	−100,032	−26,441	−129,278	25,164
18 Bank-reported claims[2]	−76,263	−148,657	−128,705	69,576	−83,682	727	−68,655	46,419
19 Nonbank-reported claims	−95,466	−150,805	−14,358	−9,479	37,210	65	−16,693	−12,087
20 U.S. purchase of foreign securities, net	−128,436	−127,502	−94,662	10,087	−26,090	2,047	−9,675	18,295
21 U.S. direct investments abroad, net	−188,901	−178,294	−127,840	−41,724	−27,470	−29,280	−34,255	−27,463
22 Change in foreign official assets in United States (increase, +)	43,666	37,640	5,224	16,882	5,086	7,641	47,252	9,319
23 U.S. Treasury securities	12,177	−10,233	10,745	15,810	16,760	−582	15,193	1,424
24 Other U.S. government obligations	20,350	40,909	20,920	−216	7,630	7,296	6,548	10,885
25 Other U.S. government liabilities[2]	−2,740	−1,909	−1,882	89	−504	−790	54	999
26 Other U.S. liabilities reported by U.S. banks[2]	12,964	5,746	−30,278	−782	−20,507	991	24,531	−4,824
27 Other foreign official assets[3]	915	3,127	5,719	1,981	1,707	726	926	835
28 Change in foreign private assets in United States (increase, +)	698,813	978,346	747,582	1,007	245,711	105,855	157,055	139,191
29 U.S. bank-reported liabilities[4]	54,232	116,971	110,667	−45,567	85,598	−11,051	32,240	8,299
30 U.S. nonbank-reported liabilities	78,383	174,251	82,353	−25,154	1,170	32,345	21,056	15,961
31 Foreign private purchases of U.S. Treasury securities, net	−44,497	−76,965	−7,670	−15,470	27,229	−7,282	−5,124	54,691
32 U.S. currency flows	22,407	1,129	23,783	8,203	10,497	4,525	7,183	2,556
33 Foreign purchases of other U.S. securities, net	298,834	455,213	407,653	64,787	99,320	71,095	104,404	46,647
34 Foreign direct investments in United States, net	289,454	307,747	130,796	14,208	21,897	16,223	−2,704	11,037
35 Capital account transactions, net[5]	−3,340	837	826	206	205	208	200	223
36 Discrepancy	31,286	7	10,701	48,258	−55,828	24,668	54,183	−45,612
37 Due to seasonal adjustment	.	.	. .	−10,286	1,721	10,019	1,256	−14,063
38 Before seasonal adjustment	31,286	7	10,701	58,544	−57,549	14,649	52,927	−31,549
MEMO								
Changes in official assets								
39 U.S. official reserve assets (increase, −)	8,747	−290	−4,911	−3,559	−199	390	−1,843	−1,416
40 Foreign official assets in United States, excluding line 25 (increase, +)	46,406	39,549	7,106	16,793	5,590	8,431	47,198	8,320
41 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	1,621	12,000	−1,725	−4,081	3,382	−8,532	838	−1,299

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

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

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1999	2000	2001	2002 June	2002 July	2002 Aug.	2002 Sept.	2002 Oct.	2002 Nov.	2002 Dec.	2003 Jan.[p]
1 **Total**	**71,516**	**67,647**	**68,654**	**74,696**	**74,751**	**75,307**	**75,860**	**75,499**	**75,690**	**79,006**	**78,434**
2 Gold stock[1]	11,048	11,046	11,045	11,044	11,042	11,042	11,042	11,042	11,043	11,043	11,043
3 Special drawing rights[2,3]	10,336	10,539	10,774	11,645	11,575	11,752	11,710	11,700	11,855	12,166	11,298
4 Reserve position in International Monetary Fund[2]	17,950	14,824	17,854	19,841	19,863	20,043	20,857	20,586	20,480	21,979	21,953
5 Foreign currencies[4]	32,182	31,238	28,981	32,166	32,271	32,470	32,251	32,171	32,312	33,818	34,140

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	1999	2000	2001	2002 June	2002 July	2002 Aug.	2002 Sept.	2002 Oct.	2002 Nov.	2002 Dec.	2003 Jan.[p]
1 **Deposits**	**71**	**215**	**61**	**90**	**164**	**86**	**150**	**89**	**78**	**136**	**102**
Held in custody											
2 U.S. Treasury securities[2]	632,482	594,094	592,630	619,226	635,036	638,003	644,381	647,165	669,092	678,106	683,837
3 Earmarked gold[3]	9,933	9,451	9,099	9,077	9,071	9,064	9,057	9,050	9,045	9,045	9,045

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	1999	2000	2000		2001	2002			
		Mar.[6]	Mar.[6]	Dec.	Dec.	Aug.	Sept.	Oct.	Nov.[p]
1 **Total**[1]	**806,318**	**829,290**	**958,725**	**975,304**	**987,572**	**1,048,990**	**1,050,056**	**1,048,007**	**1,069,278**
By type									
2 Liabilities reported by banks in the United States[2]	138,847	136,577	136,577	144,593	123,429	138,281	143,028	136,639	138,082
3 U.S. Treasury bills and certificates[3]	156,177	164,781	164,781	153,010	161,719	188,805	185,187	188,474	190,111
U.S. Treasury bonds and notes									
4 Marketable	422,266	430,243	465,111	450,832	454,306	450,371	446,860	446,307	462,884
5 Nonmarketable[4]	6,111	5,734	5,734	5,348	3,411	3,040	3,058	3,078	3,097
6 U.S. securities other than U.S. Treasury securities[5]	82,917	91,955	186,522	221,521	244,707	268,493	271,923	273,509	275,104
By area									
7 Europe[1]	244,805	251,815	238,548	240,325	243,452	255,235	260,423	254,345	265,784
8 Canada	12,503	13,683	15,016	13,727	13,440	10,886	10,097	10,300	10,975
9 Latin America and Caribbean	73,518	77,195	70,884	70,442	71,103	62,026	62,227	64,289	63,000
10 Asia	463,703	474,269	612,116	626,017	635,180	693,752	690,902	692,351	701,158
11 Africa	7,523	7,979	13,504	14,690	15,167	15,257	14,514	15,524	15,253
12 Other countries	4,266	4,349	8,655	10,101	9,228	11,832	11,891	11,196	13,106

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 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.
6. Data in the two columns shown for this date reflect different benchmark bases for foreigners' holdings of selected U.S. long-term securities. Figures in the first column are comparable to those for earlier dates; figures in the second column are based in part on a benchmark survey as of end-March 2000 and are comparable to those shown for following dates.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the Treasury by banks (including Federal Reserve Banks) and securities dealers in the United States, and in periodic benchmark surveys 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	1998	1999	2000	2001	2002		
				Dec.	Mar.	June	Sept.
1 Banks' liabilities	101,125	88,537	77,779	79,363	74,955	89,892	81,761
2 Banks' claims	78,162	67,365	56,912	74,840	77,746	90,695	85,292
3 Deposits	45,985	34,426	23,315	44,094	46,778	51,933	44,638
4 Other claims	32,177	32,939	33,597	30,746	30,968	38,762	40,654
5 Claims of banks' domestic customers[2]	20,718	20,826	24,411	17,631	16,642	15,848	20,475

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	1999	2000	2001	2002 May[r]	2002 June[r]	2002 July[r]	2002 Aug.	2002 Sept.[r]	2002 Oct.[r]	2002 Nov.[p]
By Holder and Type of Liability										
1 **Total, all foreigners**	**1,408,740**	**1,511,410**	**1,655,348r**	**1,726,164**	**1,741,987**	**1,723,335**	**1,782,832r**	**1,769,232**	**1,861,732**	**1,795,330**
2 Banks' own liabilities	971,536	1,077,636	1,181,097r	1,219,532	1,198,735	1,178,576	1,224,916	1,218,213	1,305,746	1,241,875
3 Demand deposits	42,884	33,365	33,603	32,060	34,600	32,558	31,428	32,027	31,607	34,599
4 Time deposits[2]	163,620	187,883	155,466	136,664	130,682	124,167	125,270	120,348	127,915	125,270
5 Other[3]	155,853	171,401	199,737r	235,816	237,490	257,097	261,964	277,640	268,324	261,648
6 Own foreign offices[4]	609,179	684,987	792,291r	814,992	795,963	764,754	806,254	788,198	877,900	820,358
7 Banks' custodial liabilities[5]	437,204	433,774	474,251r	506,632	543,252	544,759	557,916r	551,019	555,986	553,455
8 U.S. Treasury bills and certificates[6]	185,676	177,846	188,051r	193,330	210,411	224,629	227,788r	225,163	223,996	226,303
9 Short-term agency securities[7]	n.a.	n.a.	65,534	77,706	86,015	71,211	73,724r	75,649	80,148	69,430
10 Other negotiable and readily transferable instruments[8]	132,617	145,840	91,147	97,316	97,950	106,697	110,171r	107,779	107,746	107,756
11 Other	118,911	110,088	129,519r	138,280	148,876	142,222	146,233r	142,428	144,096	149,966
12 Nonmonetary international and regional organizations[9]	15,276	12,542	10,830r	12,129	11,568	11,495	10,540	11,796	13,153	12,253
13 Banks' own liabilities	14,357	12,140	10,169	11,756	11,138	10,993	9,986	11,008	12,538	11,475
14 Demand deposits	98	41	35	14	32	15	34	52	61	42
15 Time deposits[2]	10,349	6,246	3,756	6,730	6,401	7,394	6,294	5,702	6,156	5,181
16 Other[3]	3,910	5,853	6,378	5,012	4,705	3,584	3,658	5,254	6,321	6,252
17 Banks' custodial liabilities[5]	919	402	661r	373	430	502	554	788	615	778
18 U.S. Treasury bills and certificates[6]	680	252	600r	328	407	481	532	764	597	760
19 Short-term agency securities[7]	n.a.	n.a.	40	18	0	0	0	0	0	0
20 Other negotiable and readily transferable instruments[8]	233	149	21	27	23	21	22	18	18	18
21 Other	6	1	0	0	0	0	0	6	0	0
22 Official institutions[10]	295,024	297,603	285,148	299,779	323,316	329,868	327,086r	328,215	325,113	328,193
23 Banks' own liabilities	97,615	96,989	83,828	86,419	92,989	93,572	89,340	96,513	91,468	93,144
24 Demand deposits	3,341	3,952	2,988	2,002	1,707	2,146	1,946	1,900	2,915	3,664
25 Time deposits[2]	28,942	35,573	19,467	15,531	14,568	13,475	14,405	13,275	13,902	12,753
26 Other[3]	65,332	57,464	61,373	68,886	76,714	77,951	72,989	81,338	74,651	76,727
27 Banks' custodial liabilities[5]	197,409	200,614	201,320	213,360	230,327	236,296	237,746r	231,702	233,645	235,049
28 U.S. Treasury bills and certificates[6]	156,177	153,010	161,719	162,034	175,686	187,997	188,805r	185,187	188,474	190,111
29 Short-term agency securities[7]	n.a.	n.a.	36,351	49,266	51,531	45,184	45,131r	44,082	42,767	42,479
30 Other negotiable and readily transferable instruments[8]	41,182	47,366	2,180	1,255	2,088	2,281	2,615r	1,489	1,624	1,658
31 Other	50	238	1,070	805	1,022	834	1,195	944	780	801
32 Banks[11]	900,379	972,932	1,071,890r	1,139,176	1,125,620	1,078,997	1,121,245r	1,108,102	1,214,241	1,149,792
33 Banks' own liabilities	728,492	821,306	914,488r	941,574	914,078	875,065	911,686	901,654	998,917	936,391
34 Unaffiliated foreign banks	119,313	136,319	122,197r	126,582	118,115	110,311	105,432	113,456	121,017	116,033
35 Demand deposits	17,583	15,522	13,091	12,875	14,620	12,790	11,804	11,391	10,989	12,193
36 Time deposits[2]	48,140	66,904	53,105	41,364	37,094	31,780	33,899	30,936	35,672	36,876
37 Other[3]	53,590	53,893	56,001r	72,343	66,401	65,741	59,729	71,129	74,356	66,964
38 Own foreign offices[4]	609,179	684,987	792,291r	814,992	795,963	764,754	806,254	788,198	877,900	820,358
39 Banks' custodial liabilities[5]	171,887	151,626	157,402r	197,602	211,542	203,932	209,559r	206,448	215,324	213,401
40 U.S. Treasury bills and certificates[6]	16,796	16,023	13,477	17,092	18,557	20,287	20,913r	20,509	19,680	18,887
41 Short-term agency securities[7]	n.a.	n.a.	7,831	9,325	14,629	5,176	6,132r	10,221	18,131	9,626
42 Other negotiable and readily transferable instruments[8]	45,695	36,036	33,102	54,661	52,454	60,104	61,428r	58,487	57,891	58,839
43 Other	109,396	99,567	102,992r	116,524	125,902	118,365	121,086r	117,231	119,622	126,049
44 Other foreigners	198,061	228,333	287,480r	275,080	281,483	302,975	323,961r	321,119	309,225	305,092
45 Banks' own liabilities	131,072	147,201	172,612r	179,783	180,530	198,946	213,904	209,038	202,823	200,865
46 Demand deposits	21,862	13,850	17,489	17,169	18,241	17,607	17,644	18,684	17,642	18,700
47 Time deposits[2]	76,189	79,160	79,138	73,039	72,619	71,518	70,672	70,435	72,185	70,460
48 Other[3]	33,021	54,191	75,985r	89,575	89,670	109,821	125,588	119,919	112,996	111,705
49 Banks' custodial liabilities[5]	66,989	81,132	114,868	95,297	100,953	104,029	110,057r	112,081	106,402	104,227
50 U.S. Treasury bills and certificates[6]	12,023	8,561	12,255	13,876	15,761	15,864	17,538r	18,703	15,245	16,545
51 Short-term agency securities[7]	n.a.	n.a.	21,312	19,097	19,855	20,851	22,461r	21,346	19,250	17,325
52 Other negotiable and readily transferable instruments[8]	45,507	62,289	55,844	41,373	43,385	44,291	46,106r	47,785	48,213	47,241
53 Other	9,459	10,282	25,457	20,951	21,952	23,023	23,952r	24,247	23,694	23,116
Memo										
54 Negotiable time certificates of deposits in custody for foreigners	30,345	34,217	20,440	24,337	28,943	29,399	29,847r	29,700	29,198	26,434
55 Repurchase agreements[7]	n.a.	n.a.	150,806	154,803	159,627	180,775	192,299	205,171	191,970	182,817

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 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. Data available beginning January 2001.
8. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
9. 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.
10. Foreign central banks, foreign central governments, and the Bank for International Settlements.
11. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

Payable in U.S. dollars

Millions of dollars, end of period

Item	1999	2000	2001	2002						
				May	June	July	Aug.	Sept.	Oct.	Nov.p
AREA OR COUNTRY										
56 **Total, all foreigners**	**1,408,740**	**1,511,410**	**1,655,348r**	**1,726,164r**	**1,741,987r**	**1,723,335r**	**1,782,832r**	**1,769,232r**	**1,861,732r**	**1,795,330**
57 **Foreign countries**	**1,393,464**	**1,498,867**	**1,644,518r**	**1,714,035r**	**1,730,419r**	**1,711,840r**	**1,772,290r**	**1,757,435r**	**1,848,579r**	**1,783,077**
58 Europe	441,810	446,788	521,331	548,440r	537,615r	533,760r	557,091r	577,947r	658,662r	615,692
59 Austria	2,789	2,692	2,922	3,096	3,563	2,862	3,537	3,081	3,053	2,439
60 Belgium[12]	44,692	33,399	6,557	6,723	6,066	6,462	6,270	8,389	7,420	8,020
61 Denmark	2,196	3,000	3,626	3,426r	3,387r	3,478r	4,061r	3,112r	3,004r	3,340
62 Finland	1,658	1,411	1,446	1,198	1,197	3,503	1,498	1,259	5,170	2,631
63 France	49,790	37,833	49,056	36,174	35,390	39,809	35,447	37,915	38,515r	40,646
64 Germany	24,753	35,519	22,375	26,799r	25,203r	27,832r	27,081r	31,334r	31,558r	32,053
65 Greece	3,748	2,011	2,307	2,700	3,570	2,815	2,677	2,612	3,357	3,353
66 Italy	6,775	5,072	6,354	4,606r	4,680r	3,900r	3,426r	3,439r	5,029r	5,566
67 Luxembourg[12]	n.a.	n.a.	16,894	23,589r	24,173r	24,294r	25,436r	25,750r	25,680r	27,720
68 Netherlands	8,143	7,047	12,411	8,612r	6,552r	6,012r	8,208r	7,650r	7,974r	8,638
69 Norway	1,327	2,305	3,727	7,681	11,164	14,540	10,047	17,747	18,895	14,681
70 Portugal	2,228	2,403	4,033	4,905	4,616	3,496	3,055	3,695	3,220	3,093
71 Russia	5,475	19,018	20,800	24,211	25,060	24,189	24,196	25,252	24,407	25,466
72 Spain	10,426	7,787	8,811	9,764	11,032	10,394	12,423	12,596	12,825	15,575
73 Sweden	4,652	6,497	3,375	5,677	4,176	4,815	5,709	4,137	4,857	3,859
74 Switzerland	63,485	74,635	66,403	114,780r	100,117r	85,613r	102,088r	105,386r	182,152r	141,123
75 Turkey	7,842	7,548	7,474	11,216	9,912r	10,701	12,393	12,790r	11,226	11,748
76 United Kingdom	172,687	167,757	204,396	173,076r	176,926r	176,397r	184,152r	183,756r	184,483r	181,921
77 Channel Islands and Isle of Man[13]	n.a.	n.a.	36,059	38,725r	38,881r	39,432r	38,215r	38,982r	40,070r	38,889
78 Yugoslavia[14]	286	276	309	273	267	279	276	280	316	332
79 Other Europe and other former U.S.S.R.[15]	28,858	30,578	41,996	41,209r	41,683r	42,937r	46,896r	48,785r	45,451r	44,599
80 Canada	34,214	30,982	27,251r	24,778r	24,452r	26,629r	24,887r	24,946r	26,570r	24,381
81 Latin America	117,495	120,041	118,025r	110,059r	106,035r	105,762r	106,466r	104,148r	106,888r	103,939
82 Argentina	18,633	19,451	10,704	11,703r	11,408r	11,362r	11,482r	11,223r	12,091r	11,643
83 Brazil	12,865	10,852	14,169	12,892	12,968	12,537	12,051	11,583	11,581r	10,275
84 Chile	7,008	5,892	4,939	6,643	6,121	6,394	5,798	5,494	5,827	5,363
85 Colombia	5,669	4,542	4,695	4,273	4,010	3,872	3,718	4,509	3,847	4,644
86 Ecuador	1,956	2,112	2,390	2,294	2,259	2,324	2,266	2,374	2,155	2,254
87 Guatemala	1,626	1,601	1,882	1,335	1,319	1,323	1,384	1,535	1,500	1,382
88 Mexico	30,717	32,166	39,871r	35,250	32,441r	33,301	34,916	32,486	34,665r	32,606
89 Panama	4,415	4,240	3,610	3,273	3,894	3,143	3,154	3,225	3,574r	3,659
90 Peru	1,142	1,427	1,359	1,270	1,417	1,502	1,353	1,369	1,300	1,361
91 Uruguay	2,386	3,003	3,172r	2,410	2,373	1,885	2,614	2,613	2,583	2,589
92 Venezuela	20,192	24,730	24,974	22,333	21,738	21,771	21,547	21,355	21,661	22,309
93 Other Latin America[16]	10,886	10,025	6,260	6,383	6,087	6,348	6,183	6,382	6,104r	5,854
94 Caribbean	461,200	573,337	665,797r	694,453r	701,778r	695,012r	735,460r	704,288r	721,354r	700,649
95 Bahamas	135,811	189,298	178,472r	172,138r	179,365r	160,425r	172,518r	166,477r	159,867r	146,043
96 Bermuda	7,874	9,636	10,539	13,984r	16,420r	20,436r	24,968r	24,692r	23,158r	25,764
97 British West Indies[17]	312,278	367,197	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
98 Cayman Islands[17]	n.a.	n.a.	458,848r	489,323r	484,453r	491,372r	509,570r	494,793r	519,782r	509,380
99 Cuba	75	90	88	93	96	92	99	92	92	94
100 Jamaica	520	794	1,182	996	924	931	948	932	856	827
101 Netherlands Antilles	4,047	5,428	3,264	3,307r	3,749r	3,940r	10,538r	4,381r	5,293r	5,476
102 Trinidad and Tobago	595	894	1,269	1,634	1,593	1,691	1,803	1,562	1,471	1,580
103 Other Caribbean[16]	n.a.	n.a.	12,135r	12,978r	15,178r	16,125r	15,016r	11,359r	10,835r	11,485
104 Asia	319,489	305,554	294,496	316,486r	339,418r	329,479r	325,959r	324,958r	313,912r	315,088
China										
105 Mainland	12,325	16,531	10,498	22,410	20,779	18,106	18,808	14,621	15,852	14,439
106 Taiwan	13,603	17,352	17,633	21,733	23,480	19,068	20,103	21,726	23,269	23,517
107 Hong Kong	27,701	26,462	26,494	32,076r	32,902r	34,485r	31,003r	31,663r	30,073r	32,291
108 India	7,367	4,530	3,708	4,980	7,061	7,370	7,240	7,488	7,182	7,489
109 Indonesia	6,567	8,514	12,383	12,623	13,871	13,589	13,805	13,098	12,316	12,895
110 Israel	7,488	8,053	7,870	8,965	8,954	9,757	7,952	11,619	9,105	8,870
111 Japan	159,075	150,415	155,314	162,464r	180,557r	177,329r	175,289r	171,091r	161,253r	162,114
112 Korea (South)	12,988	7,955	9,019	6,592	6,826	7,038	6,845	6,562	6,287	6,481
113 Philippines	3,268	2,316	1,772	1,544	1,754	2,080	1,572	2,064	1,589	1,452
114 Thailand	6,050	3,117	4,743	5,060	5,966	4,591	5,113	5,044	7,021	8,692
115 Middle Eastern oil-exporting countries[18]	21,314	23,763	20,035	16,894r	15,348r	14,233r	15,434r	15,992r	14,351r	11,473
116 Other	41,743	36,546	25,027	21,145r	21,920r	21,833r	22,795r	23,990r	25,614r	25,375
117 Africa	9,468	10,824	11,365	11,675r	11,839r	12,105r	12,098r	11,115r	11,905r	11,631
118 Egypt	2,022	2,621	2,778	3,605	3,672	3,411	3,179	2,538	2,545	2,484
119 Morocco	179	139	274	271r	346r	297r	307	329	335	255
120 South Africa	1,495	1,010	839	653r	655r	694r	747r	747r	662r	695
121 Congo (formerly Zaire)	14	4	4	7	n.a.	1	n.a.	86	n.a.	2
122 Oil-exporting countries[19]	2,914	4,052	4,377	3,561	3,522	3,757	3,940	3,670	4,635	4,983
123 Other	2,844	2,998	3,093	3,578	3,644	3,945	3,925	3,745	3,728	3,212
124 Other countries	9,788	11,341	6,253	8,144r	9,282r	9,093r	10,329r	10,033r	9,288r	11,697
125 Australia	8,377	10,070	5,599	6,503r	7,858r	7,506r	8,593r	7,917r	7,547r	9,330
126 New Zealand[20]	n.a.	n.a.	242	1,152r	1,061r	1,230r	1,321r	1,592r	1,257r	2,121
127 All other	1,411	1,271	412	489	363	357	415	524	484	246
128 Nonmonetary international and regional organizations	15,276	12,543	10,830r	12,129	11,568	11,495	10,542	11,797r	13,153	12,253
129 International[21]	12,876	11,270	9,331r	10,851	10,490	10,097	9,422	9,567r	11,725	10,582
130 Latin American regional[22]	1,150	740	480	644	342	386	402	394	561	478
131 Other regional[23]	1,250	533	935	550	645	894	643	1,766	789	1,120

12. Before January 2001, data for Belgium–Luxembourg were combined.
13. Before January 2001, these data were included in data reported for the United Kingdom.
14. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
15. Includes the Bank for International Settlements and the European Central Bank. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
16. Before January 2001, data for "Other Latin America" and "Other Caribbean" were combined in "Other Latin America and Caribbean."
17. Beginning January 2001, data for the Cayman Islands replaced data for the British West Indies.
18. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
19. Comprises Algeria, Gabon, Libya, and Nigeria.
20. Before January 2001, these data were included in "All other."
21. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.
22. Principally the Inter-American Development Bank.
23. 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	1999	2000	2001	2002						
					May	June	July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[p]
1	**Total, all foreigners**	**793,139**	**904,642**	**1,055,069[r]**	**1,089,443[r]**	**1,111,028[r]**	**1,048,304**	**1,086,297**	**1,064,643**	**1,136,002**	**1,096,183**
2	**Foreign countries**	**788,576**	**899,956**	**1,050,123[r]**	**1,084,669[r]**	**1,106,782[r]**	**1,043,668**	**1,082,050**	**1,062,005**	**1,133,302**	**1,092,865**
3	Europe	311,686	378,115	461,176[r]	511,308[r]	504,071[r]	464,450	483,076	470,315	543,149	490,654
4	Austria	2,643	2,926	4,981[r]	3,558	3,963	4,046	4,297	4,336	3,876	4,224
5	Belgium[2]	10,193	5,399	6,391[r]	4,019	5,197	7,126	5,140	4,689	5,590	5,784
6	Denmark	1,669	3,272	1,105	1,062	1,248	856	1,546	1,483	1,534	940
7	Finland	2,020	7,382	10,350	14,279	16,517	13,718	16,230	15,812	14,821	9,028
8	France	29,142	40,035	60,620[r]	58,156[r]	58,714[r]	59,052	51,798	51,083	47,065	54,089
9	Germany	29,205	36,834	29,902	29,033	28,891	26,156	26,072	23,344	21,101	22,103
10	Greece	806	646	330	354	330	393	438	408	388	331
11	Italy	8,496	7,629	4,205	4,050	4,378	5,568	4,442	4,942	3,984	3,945
12	Luxembourg[2]	n.a.	n.a.	1,267	3,552	3,547	3,526	3,067	2,847	2,818	3,224
13	Netherlands	11,810	17,043	15,908[r]	16,275[r]	16,421[r]	13,660	18,232	17,691	13,284	15,572
14	Norway	1,000	5,012	6,236[r]	8,288[r]	8,513[r]	9,420	10,578	11,036	11,848	11,464
15	Portugal	1,571	1,382	1,603	1,594	1,780	1,995	1,823	2,006	2,000	2,134
16	Russia	713	517	594	826	1,145	867	842	801	858	787
17	Spain	3,796	2,603	3,260	3,130	3,081	3,336	3,589	4,675	3,183	4,776
18	Sweden	3,264	9,226	12,544	13,348	13,814	14,932	14,618	13,970	15,366	15,239
19	Switzerland	79,158	82,085	87,333	137,532	119,244	87,969	106,281	103,920	184,039	134,425
20	Turkey	2,617	3,059	2,124	2,953	2,662	2,410	2,515	2,474	2,622	2,532
21	United Kingdom	115,971	144,938	201,183[r]	198,176[r]	203,608[r]	198,133	202,178	194,757	195,816	183,305
22	Channel Islands and Isle of Man[3]	n.a.	n.a.	4,478	3,835	4,246	4,962	5,076	5,926	7,281	11,466
23	Yugoslavia[4]	50	50	n.a.	1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24	Other Europe and other former U.S.S.R.[5]	7,562	8,077	6,762	7,287	6,772	6,325	4,314	4,115	5,675	5,286
25	Canada	37,206	39,837	54,421	57,451	60,591[r]	63,235	60,310	62,836	57,522	59,871
26	Latin America	74,040	76,561	69,762	65,501[r]	66,851	63,194	62,214	60,377	59,261	58,223
27	Argentina	10,894	11,519	10,763	9,234[r]	11,019	8,202	8,090	7,663	7,608	7,253
28	Brazil	16,987	20,567	19,434	18,797	19,019	18,512	17,945	17,266	16,863	15,871
29	Chile	6,607	5,815	5,317	4,950	4,874	4,949	4,960	5,118	5,142	5,328
30	Colombia	4,524	4,370	3,602	3,516	3,266	3,216	3,158	3,078	2,834	2,758
31	Ecuador	760	635	495	519	500	462	479	467	451	451
32	Guatemala	1,135	1,244	1,495	905	882	871	861	925	907	889
33	Mexico	17,899	17,415	16,522	16,449[r]	16,266	16,349	16,015	15,805	15,367	15,828
34	Panama	3,387	2,933	3,061	2,750[r]	2,599	2,466	2,433	1,959	2,021	1,961
35	Peru	2,529	2,807	2,185	1,923	1,833	1,748	1,649	1,599	1,504	1,484
36	Uruguay	801	673	447	357	324	314	527	345	319	292
37	Venezuela	3,494	3,518	3,077	3,353	3,337	3,306	3,291	3,301	3,389	3,231
38	Other Latin America[6]	5,023	5,065	3,364	2,748	2,932	2,799	2,806	2,851	2,856	2,877
39	Caribbean	281,128	319,403	370,945	360,258	374,959[r]	345,580	367,915	347,755	356,635	372,513
40	Bahamas	99,066	114,090	101,034	107,269	108,369	96,886	95,704	91,146	96,126	93,814
41	Bermuda	8,007	9,260	7,900	8,380	11,088	11,723	11,847	11,304	12,196	9,902
42	British West Indies[7]	167,189	189,289	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
43	Cayman Islands[7]	n.a.	n.a.	250,376	234,758	243,868[r]	225,681	248,107	234,435	236,096	257,502
44	Cuba	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
45	Jamaica	295	355	418	408	361	350	353	463	429	393
46	Netherlands Antilles	5,982	5,801	6,729	5,578	6,859	6,387	7,334	6,194	7,427	6,744
47	Trinidad and Tobago	589	608	931	834	862	881	877	916	920	910
48	Other Caribbean[6]	n.a.	n.a.	3,557	3,031	3,552[r]	3,672	3,693	3,297	3,441	3,248
49	Asia	75,143	77,829	85,882	83,214[r]	92,508[r]	99,551	100,484	112,440	109,359	104,181
	China										
50	Mainland	2,110	1,606	2,073	4,857	6,047	7,832	5,904	7,256	8,515	6,575
51	Taiwan	1,390	2,247	4,407	3,262[r]	6,531[r]	6,954	7,443	8,656	8,599	7,034
52	Hong Kong	5,903	6,669	9,995	5,350	5,596	6,614	6,531	8,481	5,778	6,849
53	India	1,738	2,178	1,348	1,414	1,462	1,083	1,293	1,258	999	921
54	Indonesia	1,776	1,914	1,752	1,564	1,571	1,553	1,457	1,426	1,390	1,360
55	Israel	1,875	2,729	4,396	3,747	3,411	4,647	4,952	5,067	4,710	3,836
56	Japan	28,641	34,974	34,125	32,949[r]	36,413[r]	35,947	37,559	45,058	42,252	47,071
57	Korea (South)	9,426	7,776	10,622	13,384[r]	14,990[r]	18,065	18,961	17,404	19,439	14,293
58	Philippines	1,410	1,784	2,587	1,332	1,995	1,857	1,593	2,134	1,843	1,555
59	Thailand	1,515	1,381	2,499	716	730	1,160	1,175	1,841	1,205	756
60	Middle Eastern oil-exporting countries[8]	14,267	9,346	7,882	9,555	9,061	8,960	8,975	8,619	9,253	8,251
61	Other	5,092	5,225	4,196	5,084	4,701	4,879	4,641	5,240	5,376	5,680
62	Africa	2,268	2,094	2,095	1,877	2,069	1,914	1,887	1,891	1,790	1,658
63	Egypt	258	201	416	337	418	405	324	332	326	428
64	Morocco	352	204	106	85	79	77	72	58	50	52
65	South Africa	622	309	710	559	649	545	601	576	554	435
66	Congo (formerly Zaire)	24	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
67	Oil-exporting countries[9]	276	471	167	247	232	227	247	303	261	225
68	Other	736	909	696	649	691	660	643	622	599	518
69	Other countries	7,105	6,117	5,842	5,060	5,733	5,744	6,164	6,391	5,586	5,765
70	Australia	6,824	5,868	5,455	4,633	5,272	5,345	5,616	5,589	5,088	5,303
71	New Zealand[10]	n.a.	n.a.	349	406	455	392	541	789	485	439
72	All other	281	249	38	21	6	7	7	13	13	23
73	Nonmonetary international and regional organizations[11]	4,563	4,686	4,946	4,774	4,246	4,636	4,247	2,638	2,700	3,318

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Before January 2001, combined data reported for Belgium–Luxembourg.
3. Before January 2001, data included in United Kingdom.
4. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
5. Includes the Bank for International Settlements and European Central Bank. Since December 1992, has included all parts of the former U.S.S.R. (except Russia) and Bosnia, Croatia, and Slovenia.
6. Before January 2001, "Other Latin America" and "Other Caribbean" were reported as combined "Other Latin America and Caribbean."
7. Beginning 2001, Cayman Islands replaced British West Indies in the data series.
8. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
9. Comprises Algeria, Gabon, Libya, and Nigeria.
10. Before January 2001, included in "All other."
11. 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	1999	2000	2001	2002						
				May	June[r]	July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[p]
1 **Total**	**944,937**	**1,095,869**	**1,254,863[r]**	.	**1,322,094**			**1,252,079**	.	.
2 Banks' claims	793,139	904,642	1,055,069[r]	1,089,443[r]	1,111,028	1,048,304	1,086,297	1,064,643	1,136,002	1,096,183
3 Foreign public borrowers	35,090	37,907	49,404[r]	49,441[r]	51,250	61,067	61,541	61,297	63,404	56,235
4 Own foreign offices[2]	529,682	630,137	749,124	782,253[r]	793,890	720,252	758,173	734,051	807,006	777,034
5 Unaffilliated foreign banks	97,186	95,243	100,367	89,279	92,152	91,946	86,225	94,274	94,610	98,792
6 Deposits	34,538	23,886	26,189	21,598	24,012	24,449	19,051	24,213	26,742	28,210
7 Other	62,648	71,357	74,178	67,681	68,140	67,497	67,174	70,061	67,868	70,582
8 All other foreigners	131,181	141,355	156,174[r]	168,470[r]	173,736	175,039	180,358	175,021	170,982	164,122
9 Claims of banks' domestic customers[3]	151,798	191,227	199,794		211,066			187,436		
10 Deposits	88,006	100,352	93,565		94,129			86,455		
11 Negotiable and readily transferable instruments[4]	51,161	78,147	90,412		104,532	.		88,648		
12 Outstanding collections and other claims	12,631	12,728	15,817	.	12,405	.	. .	12,333		
MEMO										
13 Customer liability on acceptances	4,553	4,257	2,588	. . .	2,356	. . .	. . .	2,353		. .
14 Banks' loans under resale agreements[5]	n.a.	n.a.	137,655	134,901	152,383	162,975	164,355	159,880	159,662	148,438
15 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[6]	31,125	53,153	60,745[r]	48,488	60,480	57,572	53,100	52,470	55,284	46,840

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 and bankers acceptances, and commercial paper
5. Data available beginning January 2001.
6. 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]	1998	1999	2000	2001	2002		
				Dec.	Mar.	June	Sept.[p]
1 **Total**	**250,418**	**267,082**	**274,009**	**305,326**	**307,305**	**316,596**	**330,137**
By borrower							
2 Maturity of one year or less	186,526	187,894	186,103	200,240	187,488	202,952	214,599
3 Foreign public borrowers	13,671	22,811	21,399	27,501	26,736	26,781	32,106
4 All other foreigners	172,855	165,083	164,704	172,739	160,752	176,171	182,493
5 Maturity of more than one year	63,892	79,188	87,906	105,086	119,817	113,644	115,538
6 Foreign public borrowers	9,839	12,013	15,838	21,324	28,167	23,939	28,751
7 All other foreigners	54,053	67,175	72,068	83,762	91,650	89,705	86,787
By area							
Maturity of one year or less							
8 Europe	68,679	80,842	142,464	83,233	79,182	82,220	86,522
9 Canada	10,968	7,859	8,323	10,072	7,733	8,069	6,357
10 Latin America and Caribbean	81,766	69,498	151,840	70,648	68,824	78,762	80,156
11 Asia	18,007	21,802	43,371	29,693	24,553	28,375	36,608
12 Africa	1,835	1,122	2,263	1,104	1,124	918	896
13 All other[3]	5,271	6,771	11,717	5,490	6,072	4,611	4,060
Maturity of more than one year							
14 Europe	14,923	22,951	57,770	34,230	43,284	39,208	38,571
15 Canada	3,140	3,192	3,174	3,633	3,623	3,480	4,146
16 Latin America and Caribbean	33,442	39,051	82,684	47,382	48,744	51,292	47,961
17 Asia	10,018	11,257	19,536	15,190	19,553	15,025	20,720
18 Africa	1,232	1,065	1,567	769	720	907	812
19 All other[3]	1,137	1,672	5,954	3,882	3,893	3,732	3,328

Note. Owing to changes in reporting requirements, this table will be discontinued in the third quarter of 2003 after publication of the end-December 2003 data
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	1998	1999	2000		2001				2002		
			Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.
1 **Total**	**1,051.6**	**945.5**	**954.4**	**1,027.3**	**1,141.1**	**1,137.0**	**1,282.1**	**912.9[r]**	**799.5**	**867.1[r]**	**851.2**
2 G-10 countries and Switzerland	217.7	243.4	280.3	300.7	334.6	336.3	290.7	404.4	324.1[r]	346.6[r]	316.3
3 Belgium and Luxembourg	10.7	14.3	13.0	14.2	15.2	13.0	14.3	19.1	16.4	17.0	18.1
4 France	18.4	29.0	29.0	29.6	30.0	35.8	34.4	39.1	34.1[r]	43.5[r]	34.5
5 Germany	30.9	38.7	37.6	45.1	45.0	51.4	40.9	42.9	49.2	52.0	48.9
6 Italy	11.5	18.1	18.6	21.3	20.3	23.6	22.6	20.9	19.0	20.3	15.9
7 Netherlands	7.8	12.3	17.5	18.4	22.1	18.6	20.7	19.3	23.7[r]	20.9	22.7
8 Sweden	2.3	3.0	4.3	3.6	4.7	4.7	5.1	5.3	5.5	6.2	5.9
9 Switzerland	8.5	10.3	10.9	13.2	13.7	13.3	12.8	12.4	13.5	14.0	12.7
10 United Kingdom	85.4	79.3	112.8	115.6	140.2	126.2	92.7	193.1	110.4[r]	117.8	101.9
11 Canada	16.8	16.3	18.5	16.7	15.4	21.3	20.3	19.1	16.9	18.3	18.7
12 Japan	25.4	22.1	18.1	23.0	28.0	28.3	26.8	33.1	35.3	36.7	36.9
13 Other industrialized countries	69.0	68.4	73.7	74.5	75.2	70.0	70.6	70.4[r]	69.9	78.4	80.7
14 Austria	1.4	3.5	3.5	4.1	3.8	3.6	4.4	4.8	5.1	5.7	6.5
15 Denmark	2.2	2.6	1.8	1.9	3.1	2.7	2.7	2.6	3.5	2.9	2.8
16 Finland	1.4	.9	2.8	1.5	1.4	1.2	1.3	1.1	2.1	1.5	1.6
17 Greece	5.9	6.0	6.4	8.3	4.1	3.6	3.6	3.2	3.3	3.7	4.1
18 Norway	3.2	3.3	8.5	8.3	10.2	7.9	6.2	8.1	9.0	10.6	12.7
19 Portugal	1.4	1.0	1.5	2.0	1.9	1.4	1.4	1.6	1.8	1.8	1.4
20 Spain	13.7	12.1	10.5	10.3	12.4	12.4	13.7	12.1	12.1	13.3	15.2
21 Turkey	4.8	4.8	5.6	5.9	5.0	4.5	4.1	3.9	5.3	4.3	4.0
22 Other Western Europe	10.4	6.8	8.3	6.5	7.1	6.9	7.2	8.3	8.4	9.0	7.6
23 South Africa	4.4	3.8	4.2	3.6	4.1	3.8	4.4	4.1	3.3	3.5	2.5
24 Australia	20.3	23.5	20.5	22.1	21.9	22.1	21.6	20.6	15.9	22.2	22.3
25 OPEC[2]	27.1	31.4	31.4	28.9	27.9	27.1	27.4	27.3	27.5	26.7	26.4
26 Ecuador	1.3	.8	.6	.6	.6	.6	.6	.6	.6	.6	.5
27 Venezuela	3.2	2.8	2.9	2.5	2.7	2.6	2.6	2.4	2.4	2.2	2.4
28 Indonesia	4.7	4.2	4.4	4.6	4.4	4.2	4.0	3.7	3.6	3.3	3.0
29 Middle East countries	17.0	23.1	22.4	20.3	19.7	19.3	19.9	20.3	20.6	20.2	20.1
30 African countries	1.0	.5	1.2	.8	.5	.4	.4	.3	.3	.4	.4
31 Non-OPEC developing countries	143.4	149.4	149.5	145.5	150.1	157.6	201.6	203.3	196.0[r]	195.1[r]	188.3
Latin America											
32 Argentina	23.1	23.2	21.4	21.4	20.9	19.8	19.2	19.2	12.8	12.3	9.0
33 Brazil	24.7	27.7	28.5	28.8	29.4	30.9	30.9	28.0	26.6	24.8	21.9
34 Chile	8.3	7.4	7.3	7.6	7.3	7.0	6.4	7.0	7.1	7.1	6.8
35 Colombia	3.2	2.5	2.4	2.4	2.4	2.4	2.5	2.5	2.4	2.4	2.2
36 Mexico	18.9	18.7	17.5	15.7	16.7	16.3	60.0	68.2	67.1	63.5	57.9
37 Peru	2.2	1.7	2.1	2.0	2.0	2.0	1.9	1.8	1.5	1.5	1.4
38 Other	5.4	5.9	6.2	6.3	8.6	8.3	8.1	8.9	7.9	7.4	7.2
Asia											
China											
39 Mainland	3.0	3.6	3.4	2.9	3.2	6.7	5.9	5.0	7.0	8.6	9.3
40 Taiwan	13.3	12.0	12.8	10.8	11.2	10.7	10.8	12.2	12.6	15.1[r]	17.3
41 India	5.5	7.7	5.8	9.1	6.5	11.8	14.1	6.9	6.3	5.9	5.6
42 Israel	1.1	1.8	1.1	2.7	2.2	2.0	3.2	3.7	2.4	2.4	3.9
43 Korea (South)	13.7	15.2	21.4	15.5	19.9	19.3	19.3	18.5	22.5[r]	24.6[r]	25.4
44 Malaysia	5.6	6.1	6.9	7.1	6.5	6.7	6.1	6.7	6.4	6.3	6.6
45 Philippines	5.1	6.2	4.7	5.1	5.2	5.4	5.2	5.6	5.4	5.3	5.3
46 Thailand	4.7	4.1	3.9	4.0	4.2	4.2	3.9	5.1	4.0	3.5	4.5
47 Other Asia	2.9	2.9	1.7	1.9	1.7	1.8	1.6	1.9	1.9	2.0	2.0
Africa											
48 Egypt	1.3	1.4	1.1	1.1	1.2	1.2	1.4	1.2	1.3	1.5	1.3
49 Morocco	.5	.4	.4	.3	.3	.3	.3	.1	.1	.1	.1
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	1.0	1.0	.8	.7	.7	.7	.8	.7	.7	.8	.7
52 Eastern Europe	5.5	5.2	9.0	10.1	9.5	9.5	10.2	10.1	10.6	11.9	12.8
53 Russia[4]	2.2	1.6	1.4	1.0	1.5	1.5	1.6	1.6	2.8	2.8	2.6
54 Other	3.3	3.6	7.6	9.1	8.0	8.0	8.5	8.5	7.9	9.0	10.2
55 Offshore banking centers	93.9	59.9	59.4	76.3	71.4	58.1	73.1	72.0	56.6	90.6	93.3
56 Bahamas	35.4	13.7	9.3	13.5	7.0	.0	1.1	7.5	7.5	10.9	5.5
57 Bermuda	4.6	8.0	6.3	9.0	7.9	5.7	7.6	7.6	8.1	12.7	11.8
58 Cayman Islands and other British West Indies	12.8	1.3	5.9	14.6	13.6	11.9	21.8	16.4	5.0	27.8	40.8
59 Netherlands Antilles	2.6	1.7	1.9	1.9	2.9	1.7	5.8	2.8	3.3	2.8	2.2
60 Panama[5]	3.9	3.9	2.5	3.2	3.8	3.4	3.5	3.2	3.3	3.2	3.0
61 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.2	.1
62 Hong Kong, China	23.3	21.0	20.6	18.7	21.5	22.3	17.9	18.9	15.7	16.5	18.7
63 Singapore	11.1	10.1	12.6	15.2	14.6	12.9	15.2	15.5	13.5	16.6	11.2
64 Other[6]	.2	.1	.1	.2	.1	.1	.0	.1	.0	.0	.0
65 Miscellaneous and unallocated[7]	495.1	387.9	351.1	391.2	472.4	478.6	608.7	125.4	114.8	117.8	133.4

NOTE. Publication of table 3.21, "Claims on Foreign Countries Held by U.S. and Foreign Offices of U.S. Banks," will be discontinued in the *Federal Reserve Bulletin* after the March 2003 issue. Table 3.21 was originally published as a more timely report of a geographic breakdown of assets of foreign branches than the report released by the Federal Financial Institutions Examination Council (FFIEC), FFIEC009 Country Exposure Report, which once lagged by five months. Currently, the Country Exposure Report from FFIEC is being published with a quarter lag and has more complete data on country risk exposure of U.S. banks. The data are available on FFIEC's web site, http://www.ffiec.gov/e16.htm, or can be obtained from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551, or call 202-452-3244 or 45.

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	1998	1999	2000	2001 June	2001 Sept.	2001 Dec.	2002 Mar.	2002 June	2002 Sept.[p]
1 **Total**	**46,570**	**53,044**	**73,904**	**68,028**	**53,526**	**66,718**	**74,280**	**70,179**	**68,366**
2 Payable in dollars	36,668	37,605	48,931	41,734	35,347	42,957	47,050	48,103	44,969
3 Payable in foreign currencies	9,902	15,415	24,973	26,294	18,179	23,761	27,230	22,076	23,397
By type									
4 Financial liabilities	19,255	27,980	47,419	41,908	27,502	41,034	45,833	42,365	40,879
5 Payable in dollars	10,371	13,883	25,246	17,655	11,415	18,763	20,367	21,892	18,775
6 Payable in foreign currencies	8,884	14,097	22,173	24,253	16,087	22,271	25,466	20,473	22,104
7 Commercial liabilities	27,315	25,064	26,485	26,120	26,024	25,684	28,447	27,814	27,487
8 Trade payables	10,978	12,857	14,293	13,127	11,740	11,820	14,872	13,959	13,712
9 Advance receipts and other liabilities	16,337	12,207	12,192	12,993	14,284	13,864	13,575	13,855	13,775
10 Payable in dollars	26,297	23,722	23,685	24,079	23,932	24,194	26,683	26,211	26,194
11 Payable in foreign currencies	1,018	1,318	2,800	2,041	2,092	1,490	1,764	1,603	1,293
By area or country									
Financial liabilities									
12 Europe	12,589	23,241	34,172	32,785	22,083	31,806	38,942	34,682	34,511
13 Belgium and Luxembourg	79	31	147	98	76	154	119	120	232
14 France	1,097	1,659	1,480	1,222	1,538	2,841	3,531	4,071	3,517
15 Germany	2,063	1,974	2,168	2,463	1,994	2,344	2,982	2,622	2,865
16 Netherlands	1,406	1,996	2,016	1,763	1,998	1,954	1,951	1,939	1,918
17 Switzerland	155	147	104	93	92	94	84	61	61
18 United Kingdom	5,980	16,521	26,362	25,363	14,819	22,852	28,180	23,859	23,125
19 Canada	693	284	411	628	436	955	942	946	457
20 Latin America and Caribbean	1,495	892	4,125	2,100	414	2,858	1,547	1,832	1,088
21 Bahamas	7	1	6	40	5	157	5	5	0
22 Bermuda	101	5	1,739	461	47	960	836	626	588
23 Brazil	152	126	148	21	22	35	35	38	65
24 British West Indies	957	492	406	1,508	243	1,627	612	1,000	377
25 Mexico	59	25	26	20	24	36	27	25	26
26 Venezuela	2	0	2	1	3	2	1	5	1
27 Asia	3,785	3,437	7,965	5,639	3,869	5,042	4,010	4,491	4,442
28 Japan	3,612	3,142	6,216	3,297	3,442	3,269	3,299	2,387	2,447
29 Middle Eastern oil-exporting countries[1]	0	4	11	8	9	10	15	14	16
30 Africa	28	28	52	61	59	53	122	120	128
31 Oil-exporting countries[2]	0	0	0	0	5	5	91	91	91
32 All other[3]	665	98	694	695	672	320	270	294	253
Commercial liabilities									
33 Europe	10,030	9,262	9,629	8,723	8,855	9,230	8,372	8,468	8,704
34 Belgium and Luxembourg	278	140	293	297	160	99	105	94	134
35 France	920	672	979	665	892	735	701	827	709
36 Germany	1,392	1,131	1,047	1,017	966	908	584	570	856
37 Netherlands	429	507	300	343	343	1,163	463	765	1,182
38 Switzerland	499	626	502	697	683	790	637	749	592
39 United Kingdom	3,697	3,071	2,847	2,706	2,296	2,280	2,747	2,551	2,288
40 Canada	1,390	1,775	1,933	1,957	1,569	1,633	1,798	2,027	1,672
41 Latin America and Caribbean	1,618	2,310	2,381	2,293	2,879	2,729	3,454	2,746	2,850
42 Bahamas	14	22	31	31	44	52	23	12	14
43 Bermuda	198	152	281	367	570	591	433	422	468
44 Brazil	152	145	114	279	312	290	277	320	290
45 British West Indies	10	48	76	21	28	45	67	46	47
46 Mexico	347	887	841	762	884	901	1,457	958	997
47 Venezuela	202	305	284	218	242	166	281	204	327
48 Asia	12,342	9,886	10,983	11,384	11,114	10,532	12,969	12,693	12,313
49 Japan	3,827	2,609	2,757	2,377	2,421	2,592	4,281	4,143	4,041
50 Middle Eastern oil-exporting countries[1]	2,852	2,551	2,832	3,087	3,053	2,642	3,142	3,259	3,669
51 Africa	794	950	948	1,115	938	836	976	916	876
52 Oil-exporting countries[2]	393	499	483	539	471	436	454	349	445
53 Other[3]	1,141	881	614	648	669	724	878	964	1,072

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	1998	1999	2000	2001			2002		
					June	Sept.	Dec.	Mar.	June	Sept.p
1	**Total**	**77,462**	**76,669**	**90,157**	**97,470**	**94,076**	**113,155**	**115,743**	**116,137**	**112,114**
2	Payable in dollars	72,171	69,170	79,558	87,690	83,292	103,937	106,171	107,095	103,892
3	Payable in foreign currencies	5,291	7,472	10,599	9,780	10,784	9,218	9,572	9,042	8,222
	By type									
4	Financial claims	46,260	40,231	53,031	61,891	60,015	81,287	85,381	87,324	84,033
5	Deposits	30,199	18,566	23,374	25,381	22,391	29,801	41,813	42,136	38,074
6	Payable in dollars	28,549	16,373	21,015	23,174	19,888	27,850	40,002	40,323	36,382
7	Payable in foreign currencies	1,650	2,193	2,359	2,207	2,503	1,951	1,811	1,813	1,692
8	Other financial claims	16,061	21,665	29,657	36,510	37,624	51,486	43,568	45,188	45,959
9	Payable in dollars	14,049	18,593	25,142	32,038	32,076	46,621	39,553	41,875	42,734
10	Payable in foreign currencies	2,012	3,072	4,515	4,472	5,548	4,865	4,015	3,313	3,225
11	Commercial claims	31,202	36,438	37,126	35,579	34,061	31,868	30,362	28,813	28,081
12	Trade receivables	27,202	32,629	33,104	30,631	29,328	27,586	25,597	24,252	23,506
13	Advance payments and other claims	4,000	3,809	4,022	4,948	4,733	4,282	4,765	4,561	4,575
14	Payable in dollars	29,573	34,204	33,401	32,478	31,328	29,466	26,616	24,897	24,776
15	Payable in foreign currencies	1,629	2,207	3,725	3,101	2,733	2,402	3,746	3,916	3,305
	By area or country									
	Financial claims									
16	Europe	12,294	13,023	23,136	23,975	23,069	26,118	35,933	36,863	31,967
17	Belgium and Luxembourg	661	529	296	262	372	625	751	797	656
18	France	864	967	1,206	1,376	1,682	1,450	3,489	3,921	3,854
19	Germany	304	504	848	1,163	1,112	1,068	4,114	3,972	4,292
20	Netherlands	875	1,229	1,396	1,072	954	2,138	3,253	3,995	4,024
21	Switzerland	414	643	699	653	665	589	308	1,010	1,135
22	United Kingdom	7,766	7,561	15,900	15,913	15,670	16,510	17,910	16,037	11,310
23	Canada	2,503	2,553	4,576	4,787	4,254	6,193	5,471	5,537	5,485
24	Latin America and Caribbean	27,714	18,206	19,317	24,403	26,099	41,201	35,001	37,511	38,822
25	Bahamas	403	1,593	1,353	818	649	976	1,197	1,332	715
26	Bermuda	39	11	19	426	80	918	611	704	1,157
27	Brazil	835	1,476	1,827	1,877	2,065	2,127	1,892	2,036	2,226
28	British West Indies	24,388	12,099	12,596	17,505	19,234	32,965	27,350	29,591	30,859
29	Mexico	1,245	1,798	2,448	2,633	2,910	3,075	2,777	2,823	2,871
30	Venezuela	55	48	87	66	80	83	79	60	71
31	Asia	3,027	5,457	4,697	6,829	5,274	6,430	6,489	5,826	6,121
32	Japan	1,194	3,262	1,631	1,698	1,761	1,604	2,009	1,093	1,074
33	Middle Eastern oil-exporting countries[1]	9	23	80	76	100	135	79	78	88
34	Africa	159	286	411	476	456	414	390	431	379
35	Oil-exporting countries[2]	16	15	57	35	83	49	51	64	29
36	All other[3]	563	706	894	1,421	891	931	2,097	1,156	1,259
	Commercial claims									
37	Europe	13,246	16,389	15,938	14,469	14,381	14,036	12,708	11,861	11,971
38	Belgium and Luxembourg	238	316	452	403	354	268	272	207	253
39	France	2,171	2,236	3,095	3,190	3,062	2,922	2,883	2,828	2,972
40	Germany	1,822	1,960	1,982	1,993	1,977	1,662	1,198	1,163	1,158
41	Netherlands	467	1,429	1,729	863	844	529	415	379	409
42	Switzerland	483	610	763	473	514	611	436	472	403
43	United Kingdom	4,769	5,827	4,502	3,724	3,571	3,839	3,579	3,387	3,206
44	Canada	2,617	2,757	3,502	3,470	3,116	2,855	2,760	2,752	2,619
45	Latin America and Caribbean	6,296	5,959	5,851	6,033	5,590	4,874	4,891	4,520	4,351
46	Bahamas	24	20	37	39	35	42	42	28	32
47	Bermuda	536	390	376	650	526	369	422	214	270
48	Brazil	1,024	905	957	1,363	1,183	958	837	829	866
49	British West Indies	104	181	137	135	124	95	73	26	12
50	Mexico	1,545	1,678	1,507	1,375	1,442	1,401	1,225	1,283	1,180
51	Venezuela	401	439	328	321	301	288	312	316	350
52	Asia	7,192	9,165	9,630	9,499	8,704	7,855	7,513	7,309	6,769
53	Japan	1,681	2,074	2,796	3,148	2,438	2,007	1,975	2,064	2,083
54	Middle Eastern oil-exporting countries[1]	1,135	1,625	1,024	1,040	919	851	657	889	819
55	Africa	711	631	672	601	838	645	630	604	637
56	Oil-exporting countries[2]	165	171	180	102	170	88	109	93	107
57	Other[3]	1,140	1,537	1,572	1,507	1,432	1,603	1,860	1,767	1,734

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	2000	2001	2002 Jan.– Nov.	2002 May	June[r]	July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	3,605,196	3,051,332	2,942,155	274,543	248,561	318,210	257,265	206,729	297,181	264,362
2 Foreign sales	3,430,306	2,934,942	2,895,040	274,890[r]	244,551	308,557	252,651	213,195	293,565	257,882
3 Net purchases, or sales (–)	**174,890**	**116,390**	**47,115**	**–347[r]**	**4,010**	**9,653**	**4,614**	**–6,466**	**3,616**	**6,480**
4 Foreign countries	**174,903**	**116,187**	**47,185**	**–325[r]**	**3,994**	**9,580**	**4,603**	**–6,451**	**3,610**	**6,473**
5 Europe	164,656	88,099	28,260	–2,549[r]	–656	3,204	3,830	–5,154	2,187	4,407
6 France	5,727	5,914	1,452	–1,270	–1,249	38	942	–936	982	–323
7 Germany	31,752	8,415	–640	–48	–131	–595	–328	–1,175	276	31
8 Netherlands	4,915	10,919	3,752	41	36	1,440	900	4	760	629
9 Switzerland	11,960	3,456	1,769	89	–710	–341	–306	–949	–176	1,581
10 United Kingdom	58,736	38,493	14,551	–1,830[r]	1,115	1,828	2,801	–1,232	1,403	2,075
11 Channel Islands and Isle of Man[1]	n.a.	–698	–246	–3	–2	73	–47	–21	94	10
12 Canada	5,956	10,984	6,707	546	373	1,939	1,336	–772	342	47
13 Latin America and Caribbean	–17,812	–5,154	–13,129	–703	–673	–1,319	–3,849	–2,903	–2,874	2,692
14 Middle East[2]	9,189	1,789	–1,366	–30	198	43	–58	46	–90	–232
15 Other Asia	12,494	20,726	23,561	2,253	3,986	4,755	3,231	2,012	3,985	–775
16 Japan	2,070	6,788	13,468	3,116	3,193	3,660	2,249	238	–7	–961
17 Africa	415	–366	–60	9	–1	3	–34	36	–22	–16
18 Other countries	5	109	3,212	149	767	955	147	284	82	350
19 Nonmonetary international and regional organizations	**–11**	**203**	**–69**	**–22**	**16**	**73**	**11**	**–15**	**6**	**7**
BONDS[3]										
20 Foreign purchases	1,208,386	1,942,690	2,346,801	219,525[r]	204,478	221,130	220,918	208,602	217,402	268,479
21 Foreign sales	871,416	1,556,745	2,002,438	174,534[r]	171,609	205,389	189,016	183,671	185,366	227,942
22 Net purchases, or sales (–)	**336,970**	**385,945**	**344,363**	**44,991**	**32,869**	**15,741**	**31,902**	**24,931**	**32,036**	**40,537**
23 Foreign countries	**337,074**	**385,380**	**344,270**	**45,121**	**32,694**	**16,072**	**31,871**	**25,022**	**31,632**	**40,497**
24 Europe	180,917	195,412	152,588	19,149	19,905	3,253	10,891	11,758	16,532	16,714
25 France	2,216	5,028	4,167	350	458	183	483	252	1,089	372
26 Germany	4,067	12,362	3,559	132	691	693	366	–390	–71	211
27 Netherlands	1,130	1,538	–410	–49	–518	393	55	–35	149	–59
28 Switzerland	3,973	5,721	8,544	1,412	1,109	1,406	1,825	356	355	1,070
29 United Kingdom	141,223	152,772	98,683	15,309	12,902	–233	3,690	7,374	9,852	8,453
30 Channel Islands and Isle of Man[1]	n.a.	2,000	10,214	92	–14	–20	1,203	1,342	2,239	4,917
31 Canada	13,287	4,595	1,133	–193	925	–610	166	–383	540	–757
32 Latin America and Caribbean	59,444	77,019	75,454	15,618	2,936	1,840	9,706	3,464	4,339	5,471
33 Middle East[1]	2,076	2,338	2,379	–172	24	125	578	40	196	372
34 Other Asia	78,794	106,400	108,495	10,608	8,521	10,336	9,026	9,602	10,126	18,374
35 Japan	39,356	33,687	43,588	5,046	3,290	4,754	1,975	6,135	5,505	10,456
36 Africa	938	760	832	13	330	112	77	171	–18	56
37 Other countries	1,618	–1,144	3,389	98	53	1,016	1,427	370	–83	267
38 Nonmonetary international and regional organizations	**–70**	**566**	**93**	**–130**	**175**	**–331**	**31**	**–91**	**404**	**40**
	Foreign securities									
39 Stocks, net purchases, or sales (–)	–13,088	–50,113	426	–7,855[r]	–5,019	13,299	3,061	790	–6,196	–1,004
40 Foreign purchases	1,802,185	1,397,664	1,195,850	113,332[r]	111,483	139,307	92,731	87,080	120,594	101,813
41 Foreign sales	1,815,273	1,447,777	1,195,424	121,187[r]	116,502	126,008	89,670	86,290	126,790	102,817
42 Bonds, net purchases, or sales (–)	–4,054	30,502[r]	33,563	7,325[r]	5,574	7,722	–1,749	1,064	6,920	2,269
43 Foreign purchases	958,932	1,160,102[r]	1,265,888	125,354[r]	118,965	120,870	112,167	126,078	123,139	144,719
44 Foreign sales	962,986	1,129,600[r]	1,232,325	118,029[r]	113,391	113,148	113,916	125,014	116,219	142,450
45 Net purchases, or sales (–), of stocks and bonds	**–17,142**	**–19,611[r]**	**33,989**	**–530[r]**	**555**	**21,021**	**1,312**	**1,854**	**724**	**1,265**
46 Foreign countries	**–17,278**	**–19,023[r]**	**34,037**	**–579[r]**	**589**	**21,111**	**1,287**	**1,876**	**671**	**1,277**
47 Europe	–25,386	–12,108[r]	23,966	1,288[r]	–4,666	11,479	568	1,420	679	6,119
48 Canada	–3,888	2,943	3,986	57[r]	2,239	1,917	4	–585	–1,326	–204
49 Latin America and Caribbean	–15,688	4,315[r]	3,519	–1,815[r]	2,621	1,897	–755	–521	–32	518
50 Asia	24,488	–11,869	2,571	381	342	4,990	1,028	1,018	1,694	–5,256
51 Japan	20,970	–20,116	–7,080	–518	–871	3,453	379	–862	13	–6,617
52 Africa	943	–557	–423	–118	8	205	393	–39	104	100
53 Other countries	2,253	–1,747	420	–372	45	623	49	583	–448	0
54 Nonmonetary international and regional organizations	**150**	**–587**	**–51**	**49**	**–34**	**–90**	**25**	**–22**	**53**	**–12**

1. Before January 2001, data included in United Kingdom.
2. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. 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	2000	2001	2002	2002						
			Jan.– Nov.	May	June[r]	July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[p]
1 **Total estimated**	**–54,032**	**18,514**	**66,712**	**–539**	**8,408**	**18,097**	**–3,226**	**31,141**	**6,652**	**18,987**
2 Foreign countries	–53,571	19,200	65,418	–39	8,210	18,331	–3,639	31,106	5,904	19,401
3 Europe	–50,704	–20,604	–4,763	–6,274	–3,208	608	–6,859	11,087	640	5,841
4 Belgium[2]	73	–598	1,932	8	298	252	1,349	–138	–210	511
5 Germany	–7,304	–1,668	–8,382	649	–867	–3,725	–2,599	–1,096	–469	1,595
6 Luxembourg[2]	n.a.	462	–1,408	–166	85	–84	–14	–265	61	–139
7 Netherlands	2,140	–6,728	–20,079	–9,328	–1,343	171	–700	1,436	–2,856	538
8 Sweden	1,082	–1,190	2,022	55	192	–169	471	234	–203	1,652
9 Switzerland	–10,326	1,412	1,783	341	359	246	–705	1,150	–1,727	2,137
10 United Kingdom	–33,669	–7,279	23,019	2,312	–1,396	6,515	–4,878	12,703	4,872	–1,490
11 Channel Islands and Isle of Man[3]	n.a.	–179	798	84	793	177	444	–43	–116	–299
12 Other Europe and former U.S.S.R	–2,700	–4,836	–4,448	–229	–1,329	–2,775	–227	–2,894	1,288	1,336
13 Canada	–550	–1,634	–2,868	454	–1,886	–1,327	–1,558	2,236	–2,449	3,717
14 Latin America and Caribbean	–4,914	4,272	15,973	7,939	6,469	4,745	–11,841	7,753	7,219	–1,738
15 Venezuela	1,288	290	14	6	160	–58	–15	–79	5	–1
16 Other Latin America and Caribbean	–11,581	14,726	21,234	1,933	3,385	3,879	–7,444	5,516	4,485	339
17 Netherlands Antilles	5,379	–10,744	–5,275	6,000	2,924	924	–4,382	2,316	2,729	–2,076
18 Asia	1,639	36,332	53,251	–2,826	6,020	13,230	16,024	9,987	54	11,973
19 Japan	10,580	16,114	28,396	195	2,499	7,691	6,676	13,096	–1,313	3,516
20 Africa	–414	–880	751	–38	299	112	495	–93	12	–17
21 Other	1,372	1,714	3,074	706	516	963	100	136	428	–375
22 Nonmonetary international and regional organizations	–461	–686	1,294	–500	198	–234	413	35	748	–414
23 International	–483	–290	1,478	–240	–21	–64	418	–45	329	314
24 Latin American Caribbean regional	76	41	–3	–14	28	11	–4	29	4	–19
MEMO										
25 Foreign countries	–53,571	19,200	65,418	–39	8,210	18,331	–3,639	31,106	5,904	19,401
26 Official institutions	–6,302	3,474	8,578	–69	2,161	–5,268	635	–3,511	–553	16,577
27 Other foreign	–47,269	15,726	56,840	30	6,049	23,599	–4,274	34,617	6,457	2,824
Oil-exporting countries										
28 Middle East[4]	3,483	865	–268	–753	–148	–1,133	–808	–412	913	–160
29 Africa[5]	0	–2	–26	0	0	0	–2	–1	0	1

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. Before January 2001, combined data reported for Belgium and Luxembourg.
3. Before January 2001, these data were included in the data reported for the United Kingdom.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.

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

Currency units per U.S. dollar except as noted

Item	2000	2001	2002	2002 Aug.	2002 Sept.	2002 Oct.	2002 Nov.	2002 Dec.	2003 Jan.
					Exchange rates				
COUNTRY/CURRENCY UNIT									
1 Australia/dollar[2]	58.15	51.69	54.37	54.13	54.65	55.02	56.13	56.24	58.29
2 Brazil/real	1.8301	2.3527	2.9213	3.1082	3.3548	3.7966	3.5924	3.6268	3.4375
3 Canada/dollar	1.4855	1.5487	1.5704	1.5694	1.5761	1.5780	1.5715	1.5592	1.5414
4 China, P.R./yuan	8.2784	8.2770	8.2770	8.2767	8.2760	8.2772	8.2772	8.2777	8.2775
5 Denmark/krone	8.0953	8.3323	7.8862	7.5948	7.5752	7.5732	7.4201	7.2874	6.9980
6 European Monetary Union/euro[3]	0.9232	0.8952	0.9454	0.9781	0.9806	0.9812	1.0013	1.0194	1.0622
7 Greece/drachma	365.92	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Hong Kong/dollar	7.7924	7.7997	7.7997	7.8008	7.7999	7.7995	7.7994	7.7988	7.7994
9 India/rupee	45.00	47.22	48.63	48.62	48.46	48.39	48.29	48.15	47.96
10 Japan/yen	107.80	121.57	125.22	118.99	121.08	123.91	121.61	121.89	118.81
11 Malaysia/ringgit	3.8000	3.8000	3.8000	3.8000	3.8000	3.8000	3.8000	3.8000	3.8000
12 Mexico/peso	9.459	9.337	9.663	9.839	10.071	10.094	10.195	10.225	10.622
13 New Zealand/dollar[2]	45.68	42.02	46.45	46.35	47.02	48.18	49.73	51.08	53.98
14 Norway/krone	8.8131	8.9964	7.9839	7.6042	7.5018	7.4873	7.3157	7.1557	6.9138
15 Singapore/dollar	1.7250	1.7930	1.7908	1.7553	1.7682	1.7843	1.7653	1.7532	1.7363
16 South Africa/rand	6.9468	8.6093	10.5176	10.5878	10.5967	10.3058	9.6509	8.9479	8.6949
17 South Korea/won	1,130.90	1,292.01	1,250.31	1,197.51	1,211.61	1,240.19	1,210.20	1,206.61	1,176.45
18 Sri Lanka/rupee	76.964	89.602	95.773	96.281	96.207	96.402	96.426	96.705	96.813
19 Sweden/krona	9.1735	10.3425	9.7233	9.4610	9.3400	9.2846	9.0652	8.9303	8.6368
20 Switzerland/franc	1.6904	1.6891	1.5567	1.4972	1.4931	1.4932	1.4658	1.4388	1.3765
21 Taiwan/dollar	31.260	33.824	34.536	33.884	34.573	34.947	34.673	34.799	34.571
21 Thailand/baht	40.210	44.532	43.019	42.193	42.893	43.641	43.353	43.318	42.773
23 United Kingdom/pound[2]	151.56	143.96	150.25	153.68	155.63	155.75	157.11	158.63	161.75
24 Venezuela/bolivar	680.52	724.10	1,161.19	1,379.73	1,458.39	1,440.50	1,358.61	1,328.29	1,714.45
					Indexes[4]				
NOMINAL									
25 Broad (January 1997=100)[5]	119.68[r]	126.08[r]	127.19[r]	125.65[r]	126.65[r]	127.63[r]	126.33[r]	125.70[r]	124.21
26 Major currencies (March 1973=100)[6]	98.31[r]	104.28[r]	102.85[r]	100.15[r]	100.43[r]	100.93[r]	99.53[r]	98.62[r]	96.03
27 Other important trading partners (January 1997=100)[7]	130.34[r]	136.36[r]	141.42[r]	142.07[r]	144.10[r]	145.69[r]	144.85[r]	144.87[r]	145.72
REAL									
28 Broad (March 1973=100)[5]	104.32[r]	110.28[r]	110.66[r]	109.58[r]	110.33[r]	111.03[r]	109.55[r]	108.75[r]	107.65
29 Major currencies (March 1973=100)[6]	103.17[r]	110.48[r]	109.11[r]	106.31[r]	106.65[r]	107.18[r]	105.66[r]	104.50[r]	102.31
30 Other important trading partners (March 1973=100)[7]	114.54[r]	119.19[r]	122.01[r]	123.12[r]	124.49[r]	125.49[r]	123.96[r]	123.59[r]	123.99

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.
2. U.S. cents per currency unit.
3. The euro is reported in place of the individual euro area currencies. By convention, the rate is reported in U.S. dollars per euro. The bilateral currency rates can be derived from the euro rate by using the fixed conversion rates (in currencies per euro) as shown below:

Euro equals

13.7603	Austrian schillings	1,936.27	Italian lire
40.3399	Belgian francs	40.3399	Luxembourg francs
5.94573	Finnish markkas	2.20371	Netherlands guilders
6.55957	French francs	200.482	Portuguese escudos
1.95583	German marks	166.386	Spanish pesetas
.787564	Irish pounds	340.750	Greek drachmas

4. Starting with the March 2003 *Bulletin*, revised index values resulting from the periodic revision of data that underlie the calculated trade weights are reported. For more information on the indexes of the foreign exchange value of the dollar, see *Federal Reserve Bulletin*, vol. 84 (October 1998), pp. 811–818.
5. Weighted average of the foreign exchange value of the U.S. dollar against the currencies of a broad group of U.S. trading partners. The weight for each currency is computed as an average of U.S. bilateral import shares from and export shares to the issuing country and of a measure of the importance to U.S. exporters of that country's trade in third country markets.
6. Weighted average of the foreign exchange value of the U.S. dollar against a subset of broad index currencies that circulate widely outside the country of issue. The weight for each currency is its broad index weight scaled so that the weights of the subset of currencies in the index sum to one.
7. Weighted average of the foreign exchange value of the U.S. dollar against a subset of broad index currencies that do not circulate widely outside the country of issue. The weight for each currency is its broad index weight scaled so that the weights of the subset of currencies in the index sum to one.

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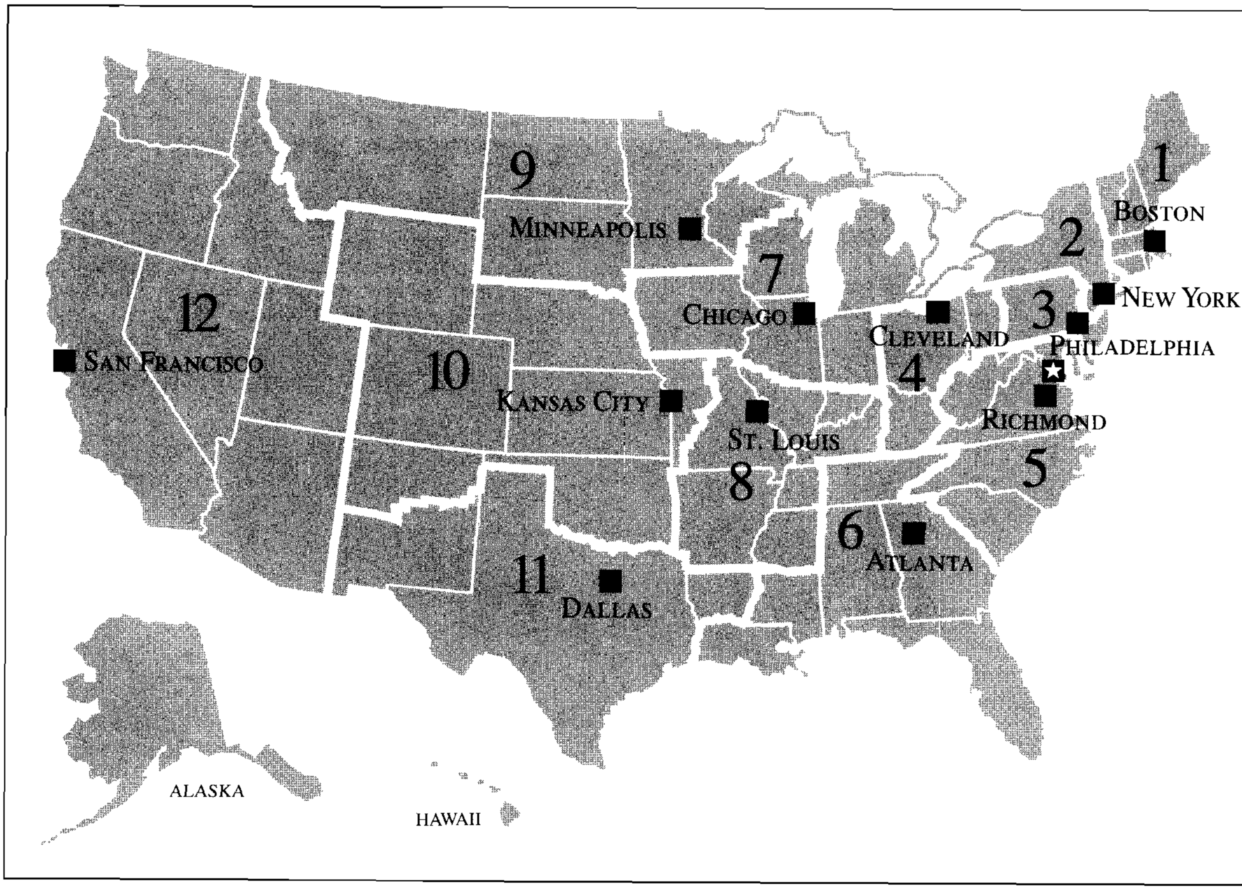

LEGEND

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

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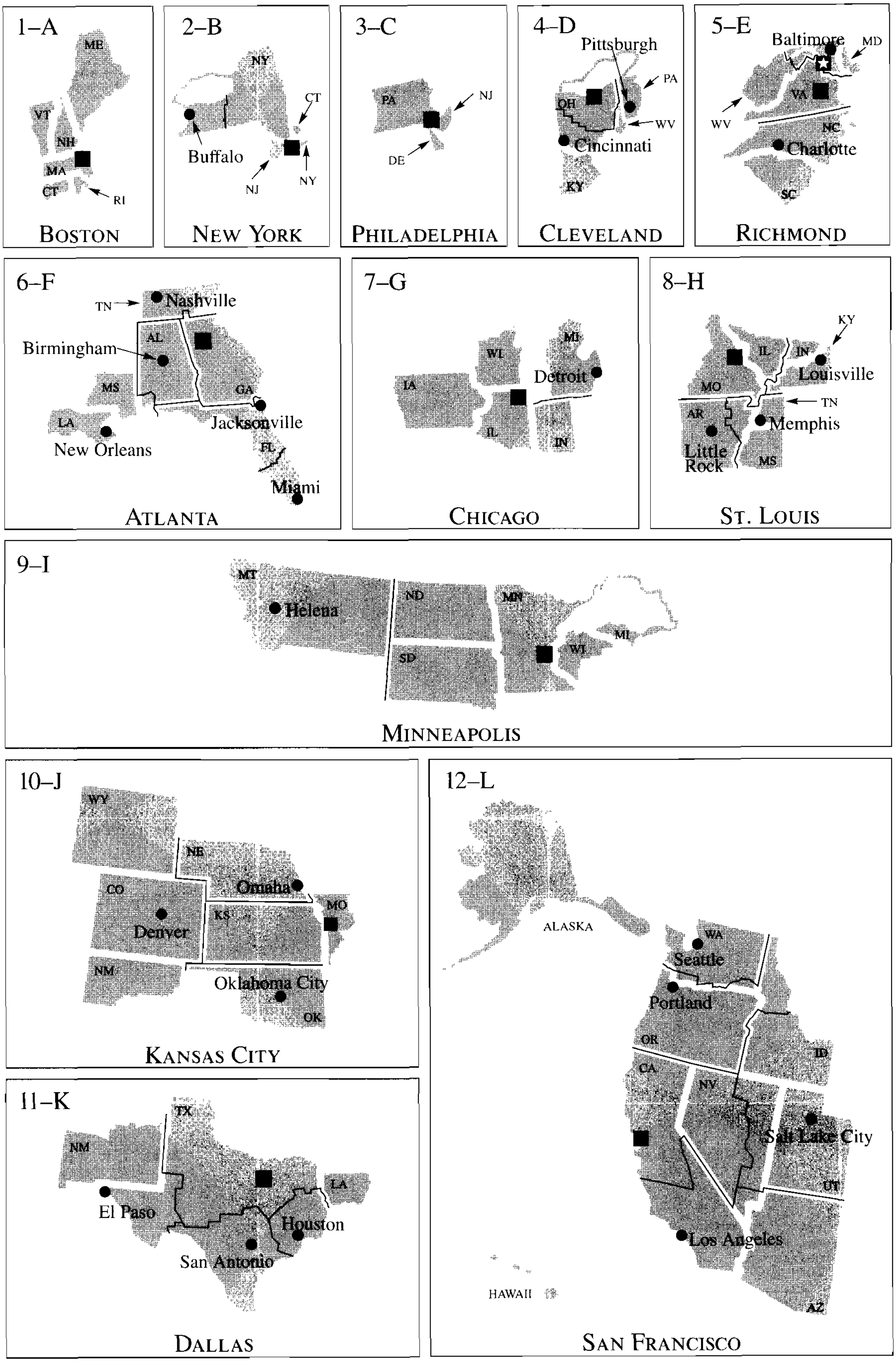
The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in February 1996.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