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pressure on reserve positions. Some firming or some easing of reserve conditions would be acceptable during the intermeeting period depending on indications of inflationary pressures, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. The contemplated reserve conditions were expected to be consistent with growth of M2 and M3 over the period from June through September at annual rates of about 7 percent. The intermeeting range for the federal funds rate was lowered by 1 percentage point to 7 to 11 percent.

Asset Securitization: A Supervisory Perspective

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In recent years the number of banks and bank holding companies (referred to here as banking organizations) that have issued securities backed by their assets and that have acquired asset-backed securities as investments has increased markedly. The reason for this increase is that securitization activities, if conducted in a prudent manner, can yield significant financial and operational benefits for banking organizations. At the same time, bank supervisors must carefully assess the effect of asset securitization activities on the financial condition, performance, and risk profiles of banking organizations.

This article examines asset securitization from a supervisory perspective. The first section describes the mechanics of the securitization process, the structures of asset-backed securities, and the involvement of banking organizations in this process. It also discusses the incentives for issuing and acquiring asset-backed securities.

The second section outlines the supervisory issues associated with ownership or issuance of asset-backed securities by banking organizations and the supervisory policies and procedures used by the Federal Reserve System in light of the growing involvement of banking organizations in asset securitization. It summarizes generally accepted accounting principles (GAAP) and bank regulatory reporting requirements as they pertain to sales treatment of asset securitization transactions. This section also examines the provisions of the risk-based capital guidelines that relate to the asset securitization process.

An Overview of Asset Securitization

In its simplest form, asset securitization involves the selling of assets. The process first segregates generally illiquid assets into pools and transforms these pools into capital market instruments. The payment of principal and interest on these instruments depends on the cash flows from the assets in the pool that underlies the new securities. The new securities may differ from their underlying assets in terms of denominations, cash flows, and other features that make the securities more attractive to investors.

Asset securitization, as we know it, began when the federal government encouraged the securitization of residential mortgages. In 1970, the Government National Mortgage Association (GNMA) created the first publicly traded mortgage-backed security. Soon, the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC), both government-sponsored agencies, also developed mortgage-backed securities. The guarantees that these government or government-sponsored agencies provide, which assure investors of the payment of principal and interest, have greatly facilitated the securitization of mortgage assets.

Asset securitization has grown dramatically over the past few years. The outstanding amount of residential mortgage-backed, pass-through securities, which are the largest segment of the asset-backed securities market, has increased approximately 168 percent since year-end 1984 to \$769 billion by year-end 1988 (table 1). In addition to rapid growth in residential mortgage-backed securities, recent years have witnessed an explosion in the issuance of securities backed by other assets: credit card receivables, automobile loans, boat loans, commercial real estate loans, home equity loans, student loans, nonper-

1. Outstanding amount of pass-through securities backed by residential mortgages

Billions of dollars

Year	Type of pass-through				Total
	GNMA	FHLMC	FNMA	Private issues[1]	
1984	180.0	70.8	36.2	n.a.	287.0
1985	212.1	100.4	55.0	n.a.	367.5
1986	262.7	171.4	97.2	6.3	537.6
1987	317.6	212.6	140.0	14.0	684.2
1988	340.5	225.0	178.3	25.1	768.9

1. The source for these data is Financial World Publications.
n.a. Not available.

forming loans, and lease receivables. The annual issuance of securities backed by assets other than mortgages has increased from slightly more than $1 billion in 1985 to more than $16 billion by the end of 1988.

The Securitization Process

The asset securitization process begins, as depicted in the chart, with the segregation of loans or leases into pools that are relatively homogeneous with respect to type of credit, maturity, and interest rate risk. These pools of assets are then transferred to a trust or other entity known as an issuer because it issues the securities that are acquired by investors. These asset-backed securities may take the form of debt, certificates of beneficial ownership, or other instruments. The issuer is typically protected from bankruptcy by various structural and legal arrangements. A sponsor that provides the assets to be securitized owns or otherwise establishes the issuer.

Each issue of asset-backed securities has a servicer responsible for collecting interest and principal payments on the loans or leases in the underlying pool of assets and for transmitting these funds to investors (or a trustee representing them). A trustee monitors the activities of servicers to ensure that they properly fulfill their role.

A guarantor may also be involved to see that principal and interest payments will be received by investors on a timely basis, even if the servicer is unable to collect these payments from the obligors. Many issues of mortgage-backed securities are either guaranteed directly by GNMA, a government agency backed by the full faith and credit of the U.S. government, or by FNMA or FHLMC, government-sponsored agencies that are not backed by the full faith and credit of the U.S. government but are perceived by the credit markets to have its implicit support. Privately issued, mortgage-backed securities and other types of asset-backed securities generally depend on some form of credit enhancement provided by the originator or third party to insulate the investor from some or all of any credit losses. Usually, credit enhancement is provided for several multiples of the historical losses experienced on the particular asset backing the security.

One form of credit enhancement is the recourse provision, or guarantee, that requires the originator to cover any losses up to an amount contractually agreed upon. Some asset-backed securities, such as those backed by credit card receivables, typically use a "spread account." This account is actually an escrow account whose funds are derived from a portion of the spread between the interest earned on the assets in the underlying pool and the lower interest paid on securities issued by the trust. The amounts that accumulate in the account are used to cover credit losses in the underlying asset pool up to several multiples of historical losses on the underlying assets.

Overcollateralization, another form of credit enhancement covering a predetermined amount of potential credit losses, occurs when the value of the underlying assets exceeds the face value of the securities. Also, the senior–subordinated security structure provides credit enhancement, generally to the senior class. Under such a structure, at least two classes of asset-backed securities are issued, with the senior class having a priority claim on the cash flows from the underlying pool of assets. Since the senior class has this priority claim, cash flows from the underlying pool of assets must first satisfy the requirements of the senior class. Only after these requirements have been met will the cash flows be directed to service the subordinated class. Therefore, the subordinated class must absorb credit losses before any are charged to the senior portion. Other forms of credit enhancement include standby letters of credit or surety bonds from third parties that protect investors against losses.

An investment banking firm or other organization generally serves as an underwriter for asset-backed securities. In addition, for asset-backed issues that are publicly offered, a credit rating agency will analyze the policies and operations of the originator and servicer, as well as the structure, underlying pool of assets, expected cash flows, and other attributes of such securities. Before assigning a rating to the issue, the rating agency will also assess the extent of loss protection provided to investors by any credit enhancements associated with the issue. (See the chart.)

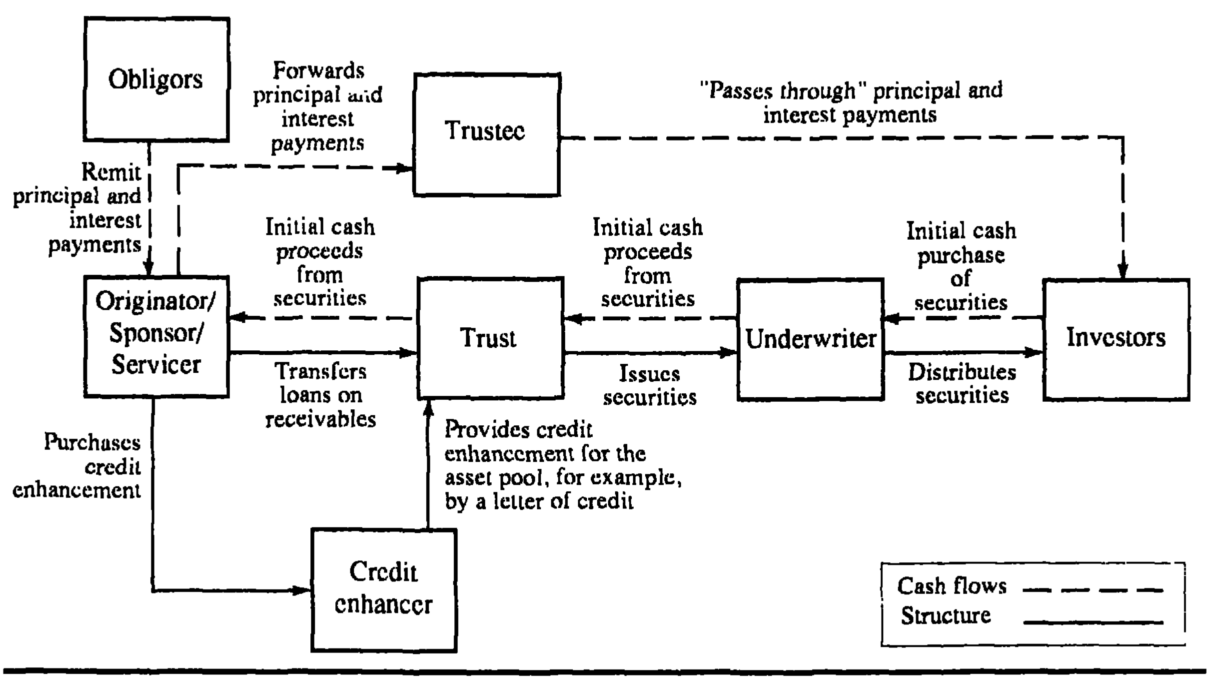
Traditional lending activities are generally funded by deposits or other liabilities, and both the assets and related liabilities are reflected on the balance sheet. Deposit liabilities must generally increase to fund additional loans.

In contrast, the securitization process generally does not increase on-balance-sheet liabilities in proportion to the volume of loans or other assets being originated and securitized. As discussed more fully below, when banking organizations securitize their assets and these transactions are treated as sales, both the assets and the related asset-backed securities (that is, liabilities) are removed from the balance sheet. The cash proceeds from the securitization transactions are generally used to originate or acquire additional loans or other assets for securitization, and the process is then repeated. Thus, for the same volume of loan originations, securitization results in lower amounts of assets and liabilities when compared with traditional lending activities.

The Structure of Asset-Backed Securities

Asset securitization involves different kinds of capital market instruments. These instruments may be structured as "pass-throughs" or "pay-throughs." Under a pass-through structure, the cash flows from the underlying pool of assets are passed through to investors on a pro rata basis. This type of security is typically a single-

Pass-through, asset-backed securities: structure and cash flows



class instrument such as a GNMA pass-through. The pay-through structure, which has multiple classes, combines the cash flows from the underlying pool of assets and reallocates them to two or more issues of securities that have different cash flow characteristics and maturities. An example is the collateralized mortgage obligation (CMO), which has a series of bond classes, each with its own specified coupon and stated maturity. In most cases, the assets that make up the CMO collateral pools are pass-through securities backed by residential mortgages. Scheduled principal payments, and any prepayments, from the underlying collateral go first to the earliest maturing class of bonds. This first class of bonds must be retired before the principal cash flows are used to retire the later bond classes. The development of the pay-through structure was a result of the desire to broaden the marketability of these securities to investors who were interested in maturities other than those generally associated with pass-through securities.

Multiple-class, asset-backed securities may also be issued as derivative instruments such as "stripped" securities. Investors in each class of a stripped security will receive a different portion of the principal and interest cash flows from the underlying pool of assets. In their purest form, stripped securities may be issued as interest-only (IO) strips for which investors receive 100 percent of the interest from the underlying pool of assets and as principal-only (PO) strips for which the investors receive all of the principal.

In addition to these securities, other types of financial instruments may arise as a result of asset securitization. One such instrument is loan servicing rights that are created when organizations purchase the right to act as servicers for pools of loans. The cost of these purchased servicing rights may be recorded as an intangible asset when certain criteria are met. Excess servicing fee receivables, another financial instrument, generally arise when the cash flows from the underlying assets that a servicer expects to receive exceed standard normal servicing fees. Another instrument, asset-backed securities residuals (sometimes referred to as "residuals" or "residual interests"), represents claims on any cash flows that remain after all obligations to investors and any related expenses have been met. Such excess cash flows may result from overcollateralization or from reinvestment income. Residuals can be retained by sponsors or purchased by investors in the form of securities.

Involvement of Banking Organizations

Banking organizations have long been involved in asset securitization, particularly in the well-developed market for securities backed by residential mortgages. More recently, banking organizations, besides substantially augmenting the volume of their activities in this area, have also started securitizing other types of assets, as mentioned earlier, particularly credit card receivables. Also, many banking organizations have increased their reliance on securitization for funding, have acted as servicers or trustees for securitized issues, and have purchased asset-backed securities or derivative instruments for investment or other purposes.

Currently, securities subsidiaries of bank holding companies may underwrite asset-backed securities originated by third parties as long as the criteria of the Federal Reserve Board's section 20 orders are met.[1] In June 1987, the Comptroller of the Currency (OCC) permitted national banks to underwrite securities backed by their own assets. This decision was challenged, and in December 1988, a federal district court ruled that such underwriting activities were in violation of the Glass–Steagall Act. The decision was recently reversed upon appeal by the OCC.

1. In April and May 1987, the Board approved applications to underwrite and deal in, to a limited extent, one- to four-family mortgage-related securities that are rated as investment quality (that is, one of the top four categories) by a nationally recognized rating agency. The Board found that these proposals, as limited in the Order, are consistent with section 20 of the Glass–Steagall Act. In addition, the Board approved applications, in July 1987, to underwrite and deal in, on a limited basis, consumer-receivable-related securities.

Banking organizations securitize assets to accomplish several objectives. First, in selling rather than holding the originated assets, banking organizations are able to lower liabilities and assets and, therefore, reduce their reserve and capital requirements and deposit insurance premiums. Securitization also provides an additional source of funding, generally at a lower cost than other funding sources. At the same time, the organization can earn fee income from originating loans that are sold and by then servicing those loans.

Decisions to sell rather than hold loans that are used to back securities also affect the timing for recording fee revenue in the income statement. Once the sales are completed, banking organizations can immediately recognize income from (1) syndication fees, (2) previously deferred loan fees related to loans that are sold, and (3) any excess servicing fees created by the asset securitization process.

Thus, asset sales boost standard income measures, such as return on assets, in two ways. They serve to bolster income in the period of the sale through the generation of fees while reducing the total volume of assets and thus raising the return on assets ratio. By creating a process, or "pipeline," that continually originates and securitizes assets, thereby removing them from the balance sheet, a banking organization can use its systems and loan expertise to originate loans that otherwise might not be made. Thus, a banking organization can increase its share of markets for particular types of loans without the deterioration of its capital ratios.

The largest purchasers of asset-backed securities have been pension funds, insurance companies, savings and loan associations, and commercial banks. Investors tend to be risk averse. Thus, asset-backed securities are attractive investments because they are considered relatively safe as a result of the government or government-sponsored agencies' guarantees or because of private credit enhancements. Also, the returns on asset-backed securities are typically higher than those on U.S. Treasury securities with comparable maturities. Furthermore, investors are able to diversify their portfolio by acquiring different types of assets, for example, mortgages or credit card receivables, from different geographic areas.

Supervisory Considerations, Policies, and Procedures Regarding Asset Securitization

While clear benefits accrue to banking organizations that engage in securitization activities and that invest in asset-backed securities, these activities have the potential of increasing the overall risk profile of the banking organization if they are not carried out in a prudent manner. For the most part, the risks that financial institutions encounter in the securitization process are identical to those that they face in traditional lending transactions. These involve credit risk, concentration risk, operational risk, liquidity risk, funding risk, and interest rate risk—including prepayment risk. However, since the securitization process separates the traditional lending function into several limited roles, such as originator, servicer, credit enhancer, trustee, and investor, the types of risks that a bank will encounter will differ depending on the role it assumes.

As with direct investments in the underlying assets, investors in asset-backed securities will be exposed to credit risk, that is, the risk that obligors will default on principal and interest payments. Investors are also subject to the risk that the various parties in the securitization process, for example, the servicer or trustee, will be unable to fulfill their contractual obligations. Moreover, investors may be susceptible to concentrations of risks across various asset-backed security issues through overexposure to an organization performing several roles in the securitization process or as a result of geographic concentrations within the pool of assets providing the cash flows for an individual issue. Since the secondary markets for certain asset-backed securities are thin, investors may also encounter greater-than-anticipated difficulties in selling their securities. Furthermore, certain derivative instruments, such as stripped, asset-backed securities and residuals, may be extremely sensitive to interest rates and volatile in price. Therefore, these instruments may dramatically affect the risk exposure of investors unless they are used in a properly structured hedging strategy.

Banking organizations that issue asset-backed securities may be subject to pressures to sell only their best assets—thus reducing the quality of their own loan portfolios. On the other hand, some banking organizations may feel pressures to relax their credit standards because they can sell assets with higher risk than those they normally would retain for their own portfolios.

Banking organizations that service securitization issues must ensure that their policies, operations, and systems will not permit breakdowns that may lead to defaults. Issuers and servicers may face pressures to provide "moral recourse" by repurchasing securities backed by loans or leases they have originated that have deteriorated and become nonperforming. Funding risk may also be a problem for issuers when market aberrations do not permit the timely issuance of asset-backed securities that are in the securitization pipeline.

In view of the increasing involvement of banking organizations in the asset securitization process and the desire to foster prudent banking practice with respect to this activity, the Federal Reserve and the other banking regulators have taken several steps over the years to address securitization activities. These include (1) maintenance of regulatory reporting requirements for sales treatment that discourage banks from retaining credit risk when securitizing their assets; (2) issuance of an interagency supervisory policy statement, which discusses investments in stripped, asset-backed securities and residual interests; (3) development of the risk-based capital framework; and (4) development of examination guidelines for various aspects of the securitization process.

Sales versus Financing Treatment for Reporting Purposes

Asset securitization transactions are frequently structured to obtain certain accounting treatments, which, in turn, affect reported measures of profitability and capital adequacy. These measures are used extensively in analyses performed by supervisory agencies and by the public to assess the financial condition and performance of banking organizations.

In transferring assets into a pool to serve as collateral for asset-backed securities, a key question is whether the transfer should be treated as a sale of the assets or as a collateralized borrowing, that is, a financing transaction secured by assets. Sales treatment results in the removal of the assets from the banking organization's balance sheet, thus reducing total assets relative to earnings and capital, and thereby producing higher performance and capital ratios. Treatment of these transactions as financings, however, means that the assets in the pool remain on the balance sheet and are subject to capital requirements, and the related liabilities are subject to reserve requirements.[2] From a supervisory standpoint, outright sales do not present a problem in that such transactions transfer all of the risks and rewards of ownership of the underlying assets. On the other hand, transfers that involve recourse to the selling institution, if treated as sales, can result in credit risk that is not reflected on the balance sheet of that institution.

For bank holding companies and their nonbank affiliates, or for any other nonbank entity publishing audited financial statements, these accounting treatments are determined by GAAP. Bank holding companies also follow GAAP when preparing regulatory reports filed with the Federal Reserve. Insured commercial banks, on the other hand, must report asset securitization transactions in accordance with regulatory reporting requirements set forth in the instructions for the commercial bank Reports of Condition and Income (Call Reports). The federal banking agencies jointly determine these reporting requirements, which are published by the Federal Financial Institutions Examination Council (FFIEC). While these regulatory reporting requirements usually follow GAAP, special reporting requirements apply to sales of assets, including those involved in asset securitization. When asset transfers do not involve recourse to the selling institution, then both GAAP and regulatory reporting requirements are consistent.

2. Note, however, that the Federal Reserve's Regulation D (Reserve Requirements of Depository Institutions) defines what constitutes a reservable liability of a depository institution. Thus, although a given transaction may qualify as an asset sale for Call Report purposes, it nevertheless could result in a reservable liability under Regulation D.

Sales Treatment for Financial Reporting Purposes

Under GAAP, an asset sale occurs when both the risks *and* rewards of ownership have been transferred to the purchaser. Thus, asset transfers for securitization that do not involve direct or indirect recourse to the transferring banking organization are treated as sales. When asset transfers involve recourse, on the other hand, sales or financing treatment is determined by the criteria specified by Financial Accounting Standards Board Statement No. 77 (FASB 77).[3]

FASB 77 defines recourse as the right of a transferee of assets to receive payment from the transferor for the "failure of the debtors to pay when due, effects of prepayments, or adjustments resulting from defects in the eligibility of the transferred receivables." This standard establishes the following criteria that, if satisfied, *permit a transfer of receivables with recourse to be considered a sale* of the assets rather than a financing transaction:

1. The transferor surrenders control of the future economic benefits relating to the receivables.
2. The transferor can reasonably estimate its obligation under the recourse provisions.
3. The transferee cannot return the receivables to the transferor except pursuant to the recourse provisions.

When the transfer of assets is deemed a sale in accordance with these criteria, the assets that have been sold are removed from the transferor's balance sheet.

At the same time, the amount of losses estimated to accrue to the seller under the recourse provisions must be recorded as a direct liability on the seller's books. This balance sheet liability (the recourse liability account) must be periodically adjusted to reflect any changes in such loss estimates. The sales gain or loss is the difference between the sales price, adjusted for this accrual of estimated losses, and the recorded amount of net receivables (gross receivables, including any fees or charges owed by the debtors included therein, less the unearned portion of these fees and charges).[4]

Sales Treatment for Call Report Purposes

The Call Report instructions for commercial banks contain a general rule that applies to all "sales of assets," other than participations in pools of residential mortgages. This instruction provides that a transfer of loans or other assets is reported as a sale "only *if* the transferring institution (1) retains *no* risk of loss from the assets transferred resulting from any cause *and* (2) has no obligation to any party for the payment of principal or interest on the assets transferred resulting from any cause." A transfer involving any retention of risk or obligation for payment, even if limited under the terms of the transfer agreement, is generally considered a borrowing transaction, and the entire amount of the assets transferred must remain on the books of the transferring institution. This risk retention may occur directly as a result of recourse provisions or, indirectly, as a result of retaining a subordinated class of an asset-backed security or by some other means. Thus, securitization transactions involving recourse to the originator will generally be reported as financings for Call Report purposes.

As an exception to the general rule, under the separate Call Report instruction for "participation in pools of residential mortgages," banks engaging in the disposal of residential mortgage loan pools under the programs of GNMA, FNMA, and FHLMC are able to treat such transactions as sales of the underlying mortgages without regard to the amount of risk retained by the seller.

Banks that sell "private" certificates of participation in pools of residential mortgages, (that is, pools that are not sold through a government agency program) are permitted to treat such transactions as sales only when the selling "bank does not retain any significant risk of loss, either directly or indirectly." Recourse is deemed significant when the maximum contractual exposure

3. FASB 77, "Reporting by Transferors for Transfers of Receivables with Recourse," was issued in December 1983.

4. Similar but stricter rules applying to CMOs are presented in FASB Technical Bulletin 85-2, "Collateralized Mortgage Obligations."

under the recourse provision (or through retention of a subordinate interest in the mortgages) at the time of the transfer is greater than the amount of the probable loss that the bank has reasonably estimated for the transferred mortgages. Under such circumstances, the issuing bank has retained the entire risk of loss, and the transfer of mortgages must be reported as a financing transaction.

The special reporting requirements for transfers involving residential mortgages were implemented so as not to hamper the development of the secondary mortgage markets. When these reporting requirements were adopted, sales of residential mortgages entailed little or no risk retention by the selling institution. The FFIEC is now reviewing the general regulatory reporting treatment of asset sales with recourse. In connection with this review, the FFIEC is evaluating the need for the special reporting requirements for residential mortgage sales and the appropriate way to apply capital requirements to transfers of residential mortgages with recourse. The FASB is also reviewing GAAP accounting standards for asset sales with recourse in conjunction with its Financial Instruments Project and expects to develop a comprehensive set of accounting standards for all financial instruments, including those associated with asset securitization.

Regarding the rationale for the regulatory reporting requirements for asset sales with recourse, the banking regulators historically have considered the existence of any risk that may be borne by the seller as the determining factor in deciding if sales treatment is appropriate. Also, regulators have traditionally been concerned that loss estimation may be virtually impossible for certain types of loans, such as commercial loans, construction loans, and loans to developing countries. Such estimates, however, may be possible for pools of residential mortgages or consumer loans. Under GAAP, sales treatment is prohibited when losses on the transferred loans cannot be estimated.

In some asset transfers, the transferor, generally the originator, may be subject to a partial or limited recourse provision. Even when the terms of the transfer ostensibly provide only limited recourse, it may, in fact, comprise all losses that are likely to occur. Thus the potential losses to the bank are the same as they would have been if the assets had not been sold. For example, in the transfer of a group of high quality assets with a "reasonably estimated" loss rate of 1 percent, if the transferor assumes the risk of default up to a maximum of 10 percent of the total dollar value of the assets transferred, the transferor in effect retains the entire risk inherent in the assets transferred. In addition, to remain viable in the market, the transferor may feel moral pressure to insulate investors from any losses above the amount it is legally committed to meet.

Finally, when "sales" can only be made with recourse, as opposed to selling assets at enough of a discount to insulate the purchaser of the assets from all but catastrophic losses, banks may tend to sell only the highest quality assets and keep those of lower quality.

As the asset securitization process has evolved, the banking agencies have reviewed proposed types of asset securitization transactions for compliance with the rules for reporting sales of assets on the Call Report. One such transaction approved by the banking agencies did not involve recourse to the selling bank but instead used a separate spread account, funded through excess cash flows from the underlying pool of assets, to absorb credit losses on the transferred loans. The Federal Reserve and the other banking agencies determined that, for regulatory reporting purposes, sales treatment is appropriate for such structures because the selling bank does not retain the risk of loss.

Interagency Investment Policy Statement

On April 20, 1988, the Federal Reserve, along with the other federal banking agencies, issued a policy statement that addressed investment and trading practices of insured commercial banks. This policy statement also covered stripped, mortgage-backed securities and residual interests. Supervisory concerns about these instruments arise because of their extreme sensitivity to interest rates and the resulting price volatility. Generally, POs increase in value when interest rates decline because prepayments of mortgages increase, thus shortening their maturities and allowing investors to recover their investment sooner than they anticipated. In contrast, IOs and residuals increase in value when interest rates rise because prepayments decline, maturities lengthen, and more interest is collected on the underlying mortgages. Therefore, banking organizations sometimes use the purchase of a PO to offset the effect of interest rate movements on the value of mortgage servicing, and the purchase of an IO or residual to offset interest rate risk associated with mortgages and similar instruments.

However, when purchasing an IO, PO, or residual, without offsetting hedges, the investor may be speculating on future interest rate movements and how those movements will affect the prepayment of the underlying collateral. Furthermore, stripped, mortgage-backed securities that do not have the guarantee of a government agency or government-sponsored agency as to principal and interest have an added element of credit risk. The interagency policy statement on such investments discussed the appropriateness of them for banks and the prudential measures that a bank should take to protect itself from undue risk when it invests in these instruments.[5]

Under guidelines set forth in the policy statement, IOs and POs may be unsuitable for an institution's investment portfolio, particularly if held in significant amounts. Generally, these guidelines state that banks should not invest in stripped, mortgage-backed securities, such as IOs and POs, unless they have highly sophisticated and well-managed securities portfolios, mortgage portfolios, or mortgage banking functions. In such institutions, however, the acquisition of IOs and POs should only be undertaken in conformance with carefully developed and documented plans prescribing specific positioning limits and control arrangements that have been approved by the bank's board of directors.

Risk-Based Capital Provisions Affecting Asset Securitization

Capital requirements play an important role in the supervision of banking organizations. The new risk-based capital framework, published in January 1989, assigns assets and the credit equivalent amounts of off-balance-sheet items to various broad risk categories, depending on the level of credit risk associated with that asset. The aggregate dollar value of the amount in each risk category is then multiplied by the risk weight associated with it. The resulting weighted values from each of the risk categories are added together, and this sum is the bank's total of risk-weighted assets. An organization's capital (composed of stockholders' equity and certain other items) is then divided by its total of risk-weighted assets to calculate its capital ratio.[6] The risk-based capital framework will be phased in beginning at the end of 1990 and will be fully effective in 1993.

The risk-based capital framework has three main features that will affect the asset securitization activities of banking organizations. First, the framework assigns risk weights to loans, asset-backed securities, and other assets related to securitization. Second, bank holding companies that transfer assets with recourse to the seller as part of the securitization process will now explicitly be required to hold capital against their off-balance-sheet credit exposures. Third, banking organizations that provide credit enhancement to asset securitization issues through standby letters of credit or by other means will have to hold capital against the related off-balance-sheet credit exposures.

The risk weights assigned to an asset-backed security depend on the issuer and whether the assets that constitute the collateral pool are mortgage related, for example, residential mortgages or pass-through securities. Asset-backed securities issued by a trust or by a single-purpose corporation and backed by nonmortgage assets will receive a risk weight of 100 percent.

Securities guaranteed by U.S. government agencies and those issued by U.S. government-sponsored agencies are assigned risk weights of 0 and 20 percent respectively because of the low degree of credit risk. Accordingly, mortgage-backed, pass-through securities guaranteed by

5. Press release, "Supervisory Policy Concerning Selection of Securities Dealers and Unsuitable Investment Practices," Federal Reserve Board, April 20, 1988.

6. The amounts used for this calculation are taken from a banking organization's regulatory reports: the Call Report for commercial banks and the Consolidated Financial Statements for Bank Holding Companies (F.R. Y-9C).

GNMA will have a risk weight of 0 percent. In addition, securities such as participation certificates and CMOs issued by FNMA or FHLMC will have a risk weight of 20 percent.

However, several types of securities issued by FNMA and FHLMC are excluded from the lower risk weight and slotted in the 100 percent risk weight category. Residual interests (for example, CMO residuals) and subordinated classes of pass-through securities or CMOs that absorb more than their pro rata share of loss are assigned to the 100 percent risk weight category. Furthermore, all stripped, mortgage-backed securities, including IOs, POs, and similar instruments will also receive a risk weight of 100 percent because of their extreme price volatility. The treatment of stripped, mortgage-backed securities will be reconsidered when a method to measure interest rate risk is incorporated into the risk-based capital guidelines.

A privately issued, mortgage-backed security that meets the criteria listed below is considered either a direct or indirect holding of the underlying mortgage-related assets and is assigned to the same risk category as those assets (for example, U.S. government agency securities, U.S. government-sponsored agency securities, FHA- and VA-guaranteed mortgages, and conventional mortgages). However, under no circumstances will a privately issued, mortgage-backed security be assigned to the 0 percent risk-weight category. Therefore, private issues that are backed by GNMA securities will be assigned to the 20 percent risk-weight category as opposed to the 0 percent category appropriate to the underlying GNMA securities. The criteria that a privately issued, mortgage-backed security must meet to be assigned the same risk weight as the underlying assets are as follows:

1. The underlying assets are held by an independent trustee, and the trustee has a first priority, perfected security interest in the underlying assets on behalf of the holders of the security.

2. The holder of the security has an undivided pro rata ownership interest in the underlying mortgage assets, or the trust or single purpose entity (or conduit) that issues the security has no liabilities unrelated to the issued securities.

3. The cash flow from the underlying assets in all cases fully meets the cash flow requirements of the security without undue reliance on any reinvestment income.

4. No material reinvestment risk is associated with any funds awaiting distribution to the holders of the security.

Those privately issued, mortgage-backed securities that do not meet the above criteria will receive a risk weight of 100 percent (table 2).

If the underlying pool of mortgage-related assets is composed of more than one type of asset, then the entire class of mortgage-backed securities is assigned to the category of the asset with the highest risk weight in the pool. If the security is backed by a pool consisting of U.S. government-sponsored agency securities, for example, FHLMC participation certificates, that qualify for a risk weight of 20 percent and conventional mortgage loans that qualify for a risk weight of 50 percent, then the security would receive the 50 percent risk weight.

As previously mentioned, bank holding companies report their activities in accordance with GAAP, which permits asset securitization transactions to be treated as sales when certain criteria are met, even when there is recourse to the seller. With the advent of the risk-based capital guidelines, bank holding companies will be explicitly required to hold capital against the off-balance-sheet credit exposure arising from the contingent liability associated with the recourse provisions. This exposure is considered a direct credit substitute that would be converted at 100

2. Risk weights accorded to asset-backed securities under the risk-based capital guidelines

Type of asset-backed securities	Risk weight (percent)
GNMAs	0
FHLMC and FNMA securities	20
Privately issued, mortgage-backed securities collateralized by GNMA, FHLMC, or FNMA securities, or by FHA- or VA-guaranteed mortgages[1]	20
Privately issued, mortgage-backed securities collateralized by one- to four-family residential properties[1]	50
Stripped, mortgage-backed securities, residual interests, and subordinated class securities	100
Asset-backed securities collateralized by nonmortgage assets	100

1. Privately-issued, mortgage-backed securities must meet the criteria outlined in the risk-based capital guidelines to be accorded the risk weight of the underlying collateral.

percent to an on-balance-sheet credit equivalent amount for appropriate risk weighting.

Banking organizations that issue standby letters of credit as credit enhancements for asset-backed security issues must hold capital against these contingent liabilities under the risk-based capital guidelines. According to the guidelines, financial standby letters of credit are direct credit substitutes, which are converted in their entirety to credit equivalent amounts. The credit equivalent amounts are then risk weighted according to the type of counterparty or, if relevant, to any guarantee or collateral.

Examination Guidelines for Asset Securitization[7]

The Federal Reserve is also in the process of developing and implementing guidelines to assist examiners in the on-site review of the involvement of banking organizations in securitization, both as participants and as investors. The guidelines provide a more structured framework for assessing the risks associated with the securitization process at banking organizations and for determining that they have implemented certain prudential policies and procedures in this area. In accordance with these guidelines, examiners are to determine that the following conditions are being satisfied:

- Securitization activities are integrated into the overall strategic objectives of the organization.
- Sources of credit risk are understood, and properly analyzed and managed, without excessive reliance on credit ratings by outside agencies.
- Credit, operational, and other risks are recognized and are addressed through appropriate policies, procedures, management reports, and other controls.
- Liquidity and market risks are recognized, and the organization is not excessively dependent on securitization as a substitute for funding or as a source of income.
- Steps have been taken to minimize the potential for conflicts of interest due to securitization.
- Possible sources of structural failure in securitization transactions are recognized, and the organization has adopted measures to minimize the effect of such failures, should they occur.
- The organization is aware of the legal risks and uncertainty regarding various aspects of securitization.
- Concentrations of exposure in the underlying asset pools, in the asset-backed securities portfolio, or in the structural elements of securitization transactions are avoided.
- All sources of risk are evaluated at the inception of each securitization activity and are monitored on an ongoing basis.

Moreover, special seminars on asset securitization have been conducted for senior examiners, and in depth coverage of securitization issues will continue to be part of a regular examiner training program.

Conclusion

In recent years the complexity of asset securitization has increased, and this trend most likely will continue. In addition, securitization is increasing in other countries, and international markets for asset-backed securities are expected to grow rapidly.

Asset securitization activities should remain beneficial to banking organizations when conducted in a prudent manner. Banking organizations, however, must carefully evaluate the risks inherent in new forms of asset securitization and maintain appropriate controls, systems, and other measures to minimize these risks. The Federal Reserve Board will continue to review new asset-backed security structures as they develop to assess the associated risks to banking organizations and the financial system and to factor these developments into its supervisory process.

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7. The Federal Reserve's examination guidelines were developed by the Asset Securitization Task Force headed by Franklin D. Dreyer, Senior Vice President, Federal Reserve Bank of Chicago. The other members of the task force, from the Reserve Banks, are James Barnes, Lawrence Cuy, George Gregorash, Barbara Kavanagh, Mark Levonian, and Donald Wilson, and from the Board, Roger Cole and the authors.

Treasury and Federal Reserve Foreign Exchange Operations

This quarterly report, covering the period May through July 1989, provides information on Treasury and System foreign exchange operations. It was presented by Sam Y. Cross, Manager of Foreign Operations of the System Open Market Account and Executive Vice President in charge of the Foreign Group of the Federal Reserve Bank of New York. Cathy Weintraub was primarily responsible for preparation of the report.[1]

The dollar was under upward pressure in the first half of the period under review, continuing a tendency that had begun toward the end of the previous reporting period. The dollar was supported by strong investment demand until late May. In early June, after a brief period of relative market calm, the dollar came under renewed upward pressure amid large capital flows precipitated by escalating tensions in China. These two waves of upward pressure were met with heavy and sustained intervention.

After mid-June the dollar retreated and, on balance, ended the three-month period ¼ percent lower on a trade-weighted basis as measured by the staff of the Board of Governors. This reversal in the dollar's direction coincided with changes in the market's assessment of the U.S. economic outlook—in particular, emerging indications of a softening of economic growth and somewhat lessened price pressures led to market expectations of an easier U.S. monetary policy stance and lower short-term interest rates. Economic and political developments abroad also influenced movements in dollar exchange rates over the course of the three-month period.

Against individual currencies, the dollar's net movements varied considerably. The dollar closed the period approximately 3 percent higher against the Japanese yen and 1¼ percent higher against the British pound, while it was about ¾ percent lower against the German mark and ¼ percent lower against the Canadian dollar.

Intervention sales of dollars by the U.S. authorities between May and the end of July totaled $11,917 million, of which $7,237.5 million were sold against Japanese yen and $4,679.5 million against German marks—the largest U.S. intervention for any three-month reporting period. The bulk of these dollar sales occurred in May and early June when the U.S. monetary authorities were intervening vigorously, in keeping with the Group of Seven (G-7) policy commitments to foster exchange rate stability. At the same time, a statement from the White House expressed concern about the dollar's appreciation and indicated that, if sustained or extended, it could undermine international efforts to reduce global trade imbalances. For the balance of the period, intervention sales of dollars were modest as upward pressures on the dollar subsided.

The Dollar Firms in May

During May, as in earlier months of 1989, the dollar was buoyed by investment and commercial demand. At the opening of the three-month period, investors and commercial interests were gaining confidence about increasing the share of dollar assets in their overall portfolios and reducing the hedged proportion of their dollar assets. The relatively stable performance of the dollar during the previous year had led many to conclude that it was no longer necessary to maintain costly hedges to protect their dollar exposures against exchange rate loss. Actions to unwind these hedge positions continued to exert powerful upward pressure on the dollar, while adjust-

1. The charts for the report are available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

ments in commercial leads and lags also contributed to the dollar's upward momentum. Meanwhile, investors continued to be attracted to the relatively high interest rates available on dollar-denominated instruments, even though interest rate differentials favoring the dollar had already narrowed considerably from levels of last fall and winter. Also, market sources reported the widespread view that the prospect for capital gains on long-term fixed income dollar securities seemed attractive given the growing perception that the U.S. economic expansion was slowing and that interest rates in the United States were likely to continue to decline.

With sentiment toward the dollar decidedly positive during early May, the dollar advanced smartly. To counter the upward pressure, the U.S. monetary authorities sold a total of $550 million against marks and $400 million against yen between May 1 and May 8, following through on operations begun at the end of April.

The upward pressures intensified after the May 12 report of a smaller-than-expected rise in U.S. producer prices during April buoyed both the U.S. bond and exchange markets. By May 15 the dollar broke through the significant technical and psychological level of DM1.9250 against the mark. Attitudes toward the dollar became even more bullish after the May 17 release of preliminary U.S. trade data for March indicating sharp improvement in U.S. external performance. On May 22, the dollar pierced the DM2.00 level against the mark and ¥140 against the yen. By May 24, the dollar reached DM2.0150 and ¥142.85, up roughly 7¼ percent against the mark and yen respectively from the end of April.

As the dollar moved to levels not seen since the February 1987 Louvre Accord, market participants increasingly came to question the will of the G-7 monetary authorities to halt the dollar's rise. Under these circumstances, official warnings about the negative consequences of dollar appreciation went unheeded. Instead, market participants gave more credence to statements by some U.S. and foreign officials that seemed to reinforce the idea that the G-7 monetary authorities were prepared to tolerate the recent higher levels for the dollar. Upward pressure continued to mount as market participants bid for dollars amid fears that the currency would go even higher.

In this environment, the U.S. authorities intensified their intervention operations to resist the dollar's rise. They sold a total of $5.785 million between May 12 and May 31, reflecting sales of $3,000 million against marks and $2,785 million against yen. Of these amounts, a total of $2 billion was sold on May 18 and May 19 alone.

By late May, upward pressure on the dollar abated and a more cautious atmosphere returned to the foreign exchange market. A confluence of factors contributed to the dollar's retracement at the end of the month: The cumulative effect of sizable and persistent central bank intervention operations came to weigh upon the currency, and these operations were viewed as a strong signal that U.S. and foreign officials were seriously committed to fostering exchange rate stability and were determined to resist the dollar's rise. Official interest rate increases in Japan, Britain, Switzerland, and elsewhere in Europe late in the month, though prompted by domestic considerations, were also seen as contributing to a more stable exchange rate environment. Moreover, indications of a moderation in the pace of U.S. economic growth began to accumulate, reinforcing expectations that U.S. monetary policy might soon be eased and, therefore, that favorable interest rate differentials would continue to narrow.

1. Federal Reserve reciprocal currency arrangements
Millions of dollars

Institution	Amount of facility, July 31, 1989
Austrian National Bank	250
National Bank of Belgium	1,000
Bank of Canada	2,000
National Bank of Denmark	250
Bank of England	3,000
Bank of France	2,000
Deutsche Bundesbank	6,000
Bank of Italy	3,000
Bank of Japan	5,000
Bank of Mexico	700
Netherlands Bank	500
Bank of Norway	250
Bank of Sweden	300
Swiss National Bank	4,000
Bank for International Settlements	
Dollars against Swiss francs	600
Dollars against other authorized European currencies	1,250
Total	30,100

The financial markets took special note of the June 2 release of U.S. nonfarm payroll figures for May that showed slower employment growth than the markets had previously anticipated. These data were seen as increasing the likelihood that the Federal Reserve would soon ease its monetary stance. The dollar moved sharply lower, declining about 2 percent against the yen over the course of the day. The dollar closed on June 2 at DM1.9420 and at ¥140.45, 3½ percent lower against the mark and 1¾ percent lower against the yen respectively from the levels reached on May 24, but 3¼ percent and 5½ percent higher respectively from the opening of the reporting period.

Renewed Upward Pressure in Early to Mid-June

On June 5, however, the dollar moved abruptly higher amid heightened market sensitivity to political instability. In particular, market attention shifted to news commentary on the Chinese government's efforts to suppress a student demonstration that reflected growing pressures for democratic reform in China. The escalating tensions in China led many market participants to anticipate capital outflows from East Asia or safe-haven considerations stemming from a reassessment of the prospects for economic and political stability in the region. A sharp decline in the Hong Kong stock index added to the uncertainty of the time. The dollar's rise was particularly pronounced against the yen as the Japanese currency remained vulnerable to selling pressures, in part because of the additional uncertainties associated with Japan's political situation. The dollar was bid up strongly, notwithstanding reductions in the prime lending rate at several U.S. banks on June 5 and an easing of the federal funds rate on the following day.

The bullish sentiment toward the dollar continued to build in advance of the June 15 release of U.S. trade data, which were expected to show a greatly reduced trade gap for April. The dollar moved higher immediately after the preliminary report of a narrowing of the trade deficit to $8.26 billion, from a revised deficit of $9.55 billion in March. By midmorning in New York trading that day, the dollar was pushed up to DM2.0470 against the mark and ¥151.90 against the yen, its highest levels in more than two years. At these levels, the dollar was 8¾ percent higher against the mark and 14¼ percent higher against the yen from the end of April and was trading roughly 31 percent and 26 percent higher respectively from the record lows reached on January 4, 1988.

The Dollar Declined in Late June

As impressive as the dollar's upsurge had been, market participants noted that the dollar failed to move above the key technical levels of DM2.05 against the mark and ¥152 against the yen on June 15, and profit-taking began to move the dollar lower. Selling momentum quickly built as market participants scrambled to unwind long-dollar positions. The dollar plunged in volatile trading, and many participants started to question whether this decline was the beginning of a sea change in the dollar's direction. The dollar closed on June 15 at DM1.9820 against the mark and at ¥145.30 against the yen, down 3¼ percent and 4¼ percent respectively from the highs reached only hours earlier.

2. Drawings and repayments by foreign central banks under special swap arrangements with the U.S. Treasury[1]

Millions of dollars; drawings or repayments (−)

Central bank drawing on the U.S. Treasury	Amount of facility	Outstanding, April 30, 1989	May	June	July	Outstanding, July 31, 1989
Central Bank of Venezuela	450.0[2]	0	...	...	...	...
Central Bank of Bolivia	100.0[3]	...	...	...	100.0	100.0

1. Data are on a value-date basis.
2. The facility expired on May 15, 1989.
3. The facility was established on July 11, 1989.

At the same time, the dollar was perceived as vulnerable to central bank intervention operations. Consistent and heavy intervention sales of dollars by the U.S. authorities, undertaken in coordination with other central banks, continued after the dollar moved down from its peak and helped convince market participants that the G-7 monetary authorities were firmly committed to resisting the dollar's rise and to maintaining exchange rate stability. By mid-June, market participants had become more aware of the scale of intervention. Intervention sales of dollars by the U.S. authorities between June 6 and June 30 totaled $4,952 million, including $3,822.5 million sold against yen and $1,129.5 million sold against marks.

By late June, market attention had shifted back to the outlook for the U.S. economy and monetary policy. Indications of a softening in economic activity continued to appear, highlighted by the June 23 report of a sharp drop in durable goods orders in May. Further, emerging signs pointed to some lessening of price pressures and to an underlying trend in inflation that was less severe than markets had previously feared. Market participants noted the easing in the federal funds rate that had already taken place earlier in the month and expected further declines. The dollar moved lower as market participants anticipated that favorable interest rate differentials would narrow further, thereby diminishing the relative attractiveness of dollar-denominated instruments.

An undertone of caution set in as the perceptions of downside risk associated with holding dollar assets increased. By late June, portfolio adjustments to reduce hedging ratios appeared to taper off. Capital flows from East Asia also appeared to diminish. Furthermore, corporations reportedly refrained from buying dollars as the currency continued to decline. Under these circumstances, the dollar experienced only a brief bout of upward pressure in the aftermath of a June 25 upper house by-election in Japan.

3. Net profits or losses (−) on U.S. Treasury and Federal Reserve current foreign exchange operations, May 1–July 31, 1989[1]

Millions of dollars

Item	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
Realized	0	77.3
Valuation profits and losses on outstanding assets and liabilities as of July 31, 1989	1,045.5	502.8

1. Data are on a value-date basis.

The dollar subsequently resumed its decline as market attention again centered on the prospects for further narrowing of favorable interest rate differentials. Accumulating signs of slowing U.S. economic growth were seen by market participants as increasing the likelihood that the Federal Reserve would again ease its monetary stance. At the same time, economic statistics were suggesting buoyant growth and increasing inflationary pressures abroad. In these circumstances, the monetary authorities in Germany and several other continental countries announced increases of ½ to 1 full percentage point in their official interest rates on June 29. On July 6, the dollar traded as low as ¥137.85 against the yen, down 5¾ percent from the June 9 close.

Warehousing Operations

During the three-month period, the Federal Reserve warehoused foreign currencies for the Exchange Stabilization Fund (ESF) of the Treasury. Such warehousing operations have been carried out from time to time since 1963. In carrying out such an operation, the Federal Reserve buys the foreign currency in a spot purchase from the Treasury and simultaneously sells it back to the Treasury at the same exchange rate for a future maturity date. A key aspect of this type of transaction is that, since both the Federal Reserve and the Treasury agree to pay and to receive the same amount of foreign currency, as specified by the use of the same exchange rate, neither party incurs any foreign exchange rate risk by virtue of this transaction. The ESF may realize a profit or loss at the time the warehousing transaction is undertaken and remains exposed to valuation gains or losses on the foreign currencies being warehoused (see table 3). A warehousing transaction is reversed when the Treasury repays dollars and the Federal Reserve repays the foreign currency it has acquired from the Treasury.

During the second week in July, however, sentiment toward the dollar turned temporarily more positive. A series of economic reports released on July 14 was viewed in the exchange market as favoring the dollar. These reports confirmed that economic activity was setting into a sustainable rate, while price data suggested that the Federal Reserve might not have as much leeway to lower interest rates as previously supposed. But then, in his congressional testimony on July 20, Chairman Greenspan stated that the balance of risks in the U.S. economy had shifted away from greater inflation and that monetary policy had been adjusted accordingly. The testimony temporarily revived expectations that U.S. interest rates would continue to move lower, and dollar rates subsequently drifted irregularly lower through the balance of the month.

During July, at times when there appeared to be upward pressure building toward the dollar, the U.S. authorities entered the market to contain the pressure. These operations, however, were modest and intermittent. In fact, the Trading Desk at the Federal Reserve Bank of New York operated on only three days during July, selling a total of $230 million dollars against yen between July 11 and July 21. On July 31, the dollar closed the three-month reporting period at DM1.8648 against the mark and at ¥136.90 against the yen.

The total intervention sales of $11,917 million during the three-month reporting period were shared equally by the U.S. Treasury, through the Exchange Stabilization Fund (ESF), and the Federal Reserve System. To finance a portion of these operations, the ESF "warehoused" $4,000 million equivalent of foreign currencies with the Federal Reserve.

In other operations, the ESF acquired $198.0 million equivalent of Japanese yen through sales of Special Drawing Rights and repayments under the Supplementary Financing Facility of the International Monetary Fund. Also during the period, Bolivia drew the full $100 million from a short-term facility established on July 11 by the U.S. Treasury through the ESF. The ESF short-term facility with Venezuela, established on March 10, expired in May. There was no activity in the facility during the period.

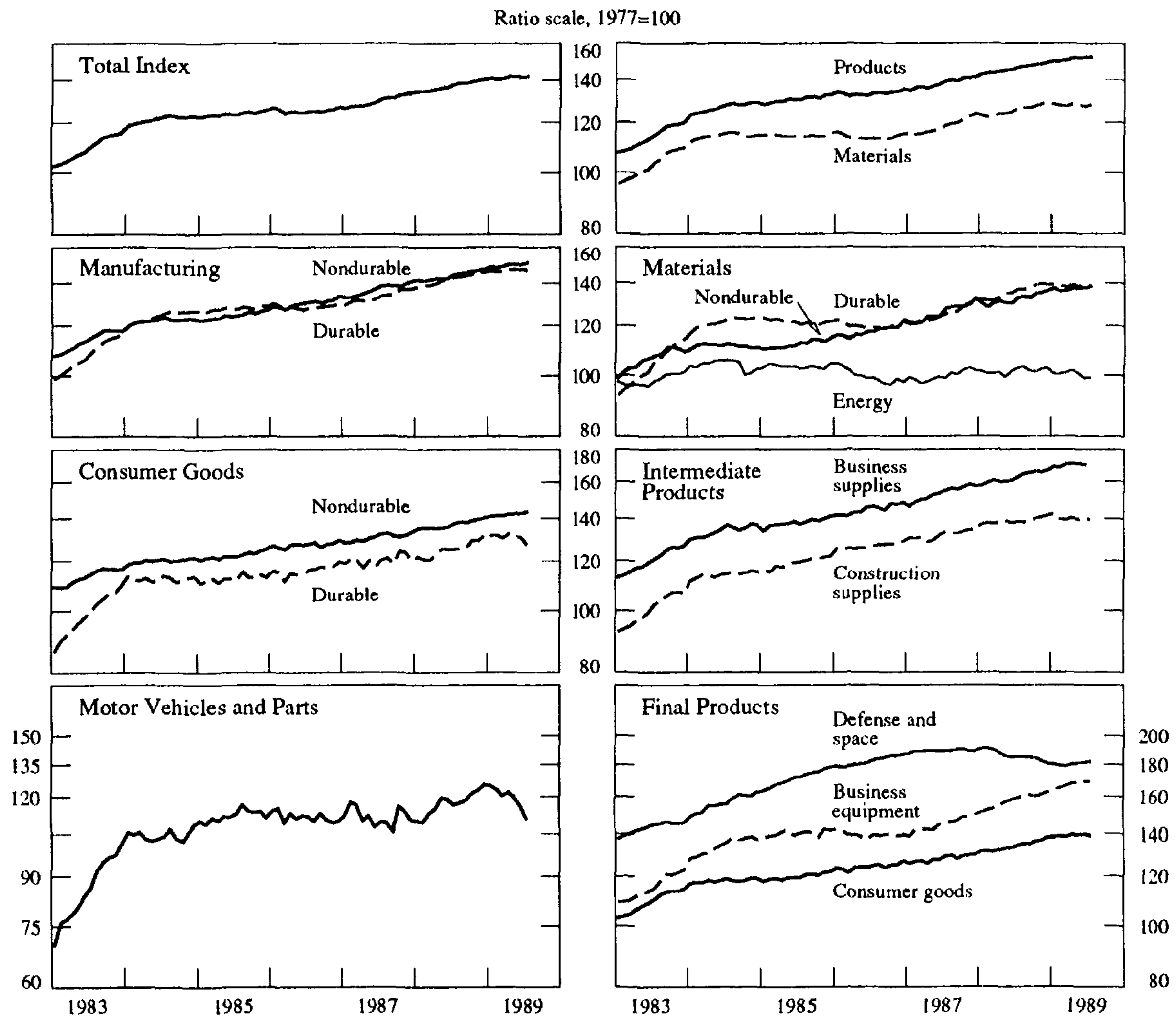
As of the end of July, cumulative bookkeeping or valuation gains on outstanding foreign currency balances were $1,045.5 million for the Federal Reserve and $502.8 million for the ESF. These valuation gains represent the increase in the dollar value of outstanding currency assets valued at end-of-period exchange rates, compared with the rates prevailing at the time the foreign currencies were acquired.

The Federal Reserve and the ESF regularly invest their foreign currency balances in a variety of instruments that yield market-related rates of return and that have a high degree of quality and liquidity. A portion of the balances is invested in securities issued by foreign goverments. As of the end of July, holdings of such securities by the Federal Reserve amounted to $5,113.6 million equivalent, and holdings by the Treasury amounted to the equivalent of $5,856.9 million.

Industrial Production

Released for publication August 16

Industrial production rose 0.2 percent in July following a revised 0.1 percent decline in June. The July gain mainly reflected a rebound in the output of total materials as well as continued strength in business equipment excluding motor vehicles. In contrast, automobile and truck production fell sharply, and output of construction supplies, on balance, remained weak. At 141.7 percent of the 1977 average, the total index in July was 2.7 percent higher than it was a year earlier. Manufacturing output rose 0.2 percent in July. Capacity utilization in manufacturing, at 83.9 percent, was about unchanged from June. Detailed data for capacity utilization are shown



All series are seasonally adjusted. Latest series: July.

Group	1977 = 100		Percentage change from preceding month					Percentage change, July 1988 to July 1989
	1989		1989					
	June	July	Mar.	Apr.	May	June	July	
	Major market groups							
Total industrial production	**141.4**	**141.7**	**.1**	**.7**	**−.1**	**−.1**	**.2**	**2.7**
Products, total	151.9	151.9	.3	.7	.1	.1	.0	3.7
Final products	150.7	150.6	.2	.9	.2	.1	−.1	3.8
Consumer goods	139.4	138.9	−.3	.8	−.2	.1	−.4	3.5
Durable	130.5	127.2	−1.1	1.6	−.7	−.5	−2.5	1.5
Nondurable	142.7	143.3	.0	.6	.0	.3	.4	4.2
Business equipment	168.9	169.3	.8	.9	.7	.0	.2	6.2
Defense and space	181.1	181.7	−.3	.7	.5	.2	.3	−1.7
Intermediate products	156.1	156.4	.6	.3	−.2	−.1	.2	3.2
Construction supplies	139.8	139.3	−.1	.6	−.6	.4	−.4	.7
Materials	127.2	127.8	−.1	.8	−.4	−.4	.5	1.1
	Major industry groups							
Manufacturing	148.1	148.3	.1	.7	.0	.0	.2	3.3
Durable	146.8	146.7	−.1	.7	.0	−.1	.0	2.7
Nondurable	149.9	150.6	.4	.7	.0	.2	.5	4.1
Mining	100.4	100.7	.6	.9	−.8	−1.1	.3	−3.5
Utilities	114.9	115.8	.9	−.4	−.7	−1.2	.8	1.2

NOTE. Indexes are seasonally adjusted.

separately in "Capacity Utilization," Federal Reserve monthly statistical release G.3.

In market groups, durable consumer goods fell 2.5 percent in July, owing mainly to a significant curtailment in output of both autos and light trucks for consumer use; auto assemblies fell from an annual rate of 6.8 million units in June to a rate of 6.0 million units in July. In addition, the output of home goods, which had grown rapidly during the first half of this year, fell noticeably in July as the production of appliances dropped back from a high level in June. Nondurable consumer goods rose again as all major sectors posted gains.

The further large increase in business equipment excluding motor vehicles again was led by gains in manufacturing and commercial equipment as well as aircraft production. Materials output rose in July, with increases widespread; this rebound followed two months during which most categories of durable and nondurable materials had weakened. The main exception to this pattern was textile materials, which has been strong since March. Energy materials, following two months of strike-related declines, edged up in July.

In industry groups, manufacturing production rose slightly in July as most nondurable industries advanced. Durables were unchanged in July as production of motor vehicles and parts fell, but primary metals and aerospace industries rose. Outside manufacturing, production at both mines and utilities increased following declines during most of the second quarter.

Total industrial production—Revisions

Estimates as shown last month and current estimates

Month	Index (1977=100)		Percentage change from previous months	
	Previous	Current	Previous	Current
Apr.	141.6	141.7	.6	.7
May	141.4	141.6	−.1	−.1
June	141.1	141.4	−.2	−.1
July	...	141.7	...	.2

Statements to Congress

Statement by Wayne D. Angell and Edward W. Kelley, Jr., Members, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, August 3, 1989.

It is a pleasure for Governor Kelley and me to visit with this subcommittee today. This is the third time that I have had the opportunity to discuss and review the Federal Reserve System's expenses and budget with you. Today as we look at the Federal Reserve System's budget for 1989, Governor Kelley will discuss the Board's budget and major initiatives, and my comments will focus on the Reserve Bank budgets, as well as major System initiatives.

The Board has recently made available to the public and to this subcommittee copies of our publication entitled *Annual Report: Budget Review, 1988–89* presenting detailed information about spending plans for 1989. Some of the attached tables have been updated for 1988 actual experience and, therefore, small variations exist from data in that document.[1]

For 1989, the Federal Reserve System has budgeted operating expenses of $1.4 billion, an increase of 5.5 percent over 1988 actual expenses. Before getting to the substance of our 1989 budget, I would remind the subcommittee of two aspects of Federal Reserve System operations that affect our budget in unusual ways. First, 41 percent of System expenses arise from services provided to depository institutions for which, by law, we charge fees adequate to cover all costs. Since additional costs of these services are covered by additional revenues, any increases in costs do not result in reduced earnings returned to the U.S. Treasury. In fact, since fees cover actual costs plus imputed taxes and return on capital (what we call the private sector adjustment factor) and the cost of float, increased costs in priced services actually increase our earnings contribution to the Treasury. Second, many fiscal agency operations are provided to the Treasury Department and other agencies on a reimbursable basis. Altogether, 58 percent of our total expenses are either recovered through pricing or are reimbursable.

Historical Overview

It may be helpful to put the budget for 1989 in perspective by sketching the most recent ten-year history of System expenses. Between 1978 and 1988, Federal Reserve System expenses increased at an average annual rate of 6.8 percent; System employment decreased at a rate of 0.1 percent; and volume increased 41 percent. Although unit costs did increase in the early 1980s as Federal Reserve Bank volumes adjusted to pricing after implementation of the Monetary Control Act, since 1983, when the transition to pricing was completed, unit cost for the composite of all functions has declined 0.8 percent per year on average even while improvements have been made in the quality of services.

For priced services, a decline in unit costs has been particularly sharp in the electronic payment areas in which equipment is more readily substituted for human resources, in which volume growth has been the highest, and in which the general decline in the cost of computing equipment relative to capacity has had the greatest effect. In commercial check processing, on the other hand, for which there has been a significant effort to increase availability and other improvements in the quality of services, there has been an increase in unit cost of 1.7 percent per year since 1983. In the most recent year-over-year comparison (1988 over 1987) check unit costs

1. The attachments to this statement are available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

rose 4.5 percent due to implementing provisions of the Expedited Funds Availability legislation (EFA).

For nonpriced cash operations—involving the distribution of currency and coin—the decline in unit cost has also been sharp; since 1983 the average decline has been 4.1 percent per year. In fiscal agency operations, also nonpriced, there has been an increase in unit cost of 1.2 percent per year since 1983, but a decline in unit cost of 3.1 percent since 1986.

From 1987 to 1988 we have seen an increase in overall unit costs of 1.8 percent in the composite, mainly reflecting the implementation of the Expedited Funds Availability Legislation.

The impact of a long-term productivity gain is perhaps best seen in our trend in Reserve Bank employment. In spite of significant growth in volumes of operations, major transition adjustments following new legislation, and rapid changes in the banking industry, actual employment has decreased from 1978 to 1988 by 142 employees.

In presenting our spending plans for 1989, I would like to mention that both the Reserve Bank budgets and the Board's budget must be approved by the Board of Governors. Reserve Bank budgets are first approved by the Bank's Board of Directors and then reviewed by the Committee on Federal Reserve Bank Activities before submission to the Board of Governors. Governor Kelley oversees the Board's budget, and I will turn to him for that discussion.

Budget of the Board of Governors

I am happy to address you today on the 1989 budget of the Board of Governors of the Federal Reserve System. Since the budget process of the Board has been discussed in testimony provided in earlier years, and since it is thoroughly covered in the *Annual Report: Budget Review* for 1988–89, I do not plan to discuss it today. Instead I will limit myself to the major themes of the 1989 budget, some trend information you may find useful, and a discussion of some of the more significant issues facing the Board.

In November 1988 the Board approved a 1989 budget of $96.0 million. This amount was 6.0 percent greater than our 1988 expenses. While this increase was somewhat higher than the level experienced in 1986, 1987, or 1988, it was necessary in light of new initiatives facing the Board and of some areas for which we had to commit additional resources. Also, the very low increases in 1986 and 1987 reflected the initial savings associated with our successful program to reduce staff 10 percent while assuming a growing workload. While the effect on our year-to-year increment has now disappeared, the savings from this staff reduction continue each year since the Board has not increased the number of positions since that reduction.

Ten-Year Trend

Over the last ten years the Board's expenses have increased at an average annual rate of 6.0 percent. In real terms, this rate of increase is 1.4 percent per year. The number of employees included in the 1989 budget is virtually identical to the number at the end of 1978 in spite of dramatic increases in the Board's workload. Key pieces of legislation that have affected the Board's workload over the period include the Financial Institutions Regulatory and Interest Rate Control Act, the International Banking Act, the Monetary Control Act, and most recently the Expedited Funds Availability Section of the Competitive Equality Banking Act. Recently, of course, we have devoted a meaningful amount of our resources to issues related to the savings and loan problem.

Each of these acts has had substantial cost implications for the Board. Typically, however, after an initial period of adjustment, we have found ways to reduce the volume of resources necessary to meet our ongoing responsibilities along with newly assigned functions. For instance, implementation of the Monetary Control Act in 1980 required extensive data processing resources to accommodate the collection of reserve data for the almost 35,000 financial institutions the act added to the 5,400 previously covered by the Federal Reserve. To accommodate the cost growth related to the increase, steps were taken in 1985 to streamline the transmission, editing, storage, and analysis of these data;

those steps have been extremely successful in reducing costs. In an organization that must gather, store, and manipulate large quantities of data, an aggressive office automation program has substantially improved the productivity of staff members and has been, in part, responsible for our ability to limit the size of our staff.

Major Issues

Financial Services Industry Developments

Basic changes in the financial and banking industries have forced us in recent years to plan for and deal with new and complex issues. Earlier in the 1980s, deregulation forced us to increase the quantity and quality of our supervision efforts. Recently, efforts to assist in resolving the savings and loan problem, combined with the large number of problem institutions in the banking industry, have greatly increased our workload.

International Issues

Increasingly, we find ourselves analyzing a global economy in which we must foresee problems to react correctly and quickly when they do occur. The debt situation in less developed countries, our own foreign trade deficit and exchange rate issues, and international supervision continue to require significant resources.

Monetary Policy

Both of the above sets of issues created new complexities in the management of monetary policy. To confront these issues, we have researched new analytical concepts and have enhanced our data collection through new surveys that supplement our traditional methods of dealing with this critical mission.

Other New Initiatives

As we informed you last year, we continue to be able to hold the line on expenses and employment because of the dedication of our staff and our aggressive program to improve productivity through automation. Factors leading to the increase in expenses included funding for the following: a 4.1 percent general pay increase (equal to the federal general pay increase) and for the initial costs of our new compensation program; a major survey of consumer finances to update and expand the volume of information available for monetary and economic policymaking; and continuation of our other efforts to enhance the supervision function. We also initiated a program to consolidate key banking structure and financial data into a database to be used throughout the Federal Reserve System. This program is of particular importance since the number of financial institutions that do business in more than one Reserve Bank District is growing. Finally, there was a 20 percent increase in the cost of the Office of the Inspector General that the Board established in 1987. This increase reflected simply the full-year cost of a complete staff rather than the part-year costs during 1988 while the office was starting up.

New Compensation Program

The complexity of the issues I have discussed has required us to take steps to ensure that we are able to recruit and retain a very capable staff. As we have testified in each of the past two years, the major threat to our ability to maintain such a staff has been the growing disparity between our salaries and those of the marketplace, particularly for some of our key job families. Our 1989 budget provides funding to implement a new compensation program that is more market and performance appreciative than our former system and will offer compensation that is competitive with the private sector or government agencies that perform work similar to our own.

In 1987 and again in 1988, as interim measures to combat this problem, we adjusted the salary structure for some job families. These changes were to maintain some measure of comparability with the marketplace. As entry level salaries for such professional positions as economists and attorneys escalated, and as salary compression and turnover of experienced people became a greater problem, it became clear that such measures were not adequate. In response we developed a more comprehensive program to ensure that the Board's overall salary structure was equitable and competitive. Surveys were conducted of salary rates for jobs similar to those at the Board, and salary administration procedures were developed. The surveys found that there were a significant number of employees who were not being properly compensated in comparison to market rates.

To rectify this situation the Board has approved a new compensation program for employees, the first phase of which we initiated on July 2. The plan is to phase in the new program over an eighteen-month period, reaching the final adjustment in January 1991.

The new compensation program for all of our employees will increase our 1989 salary costs $1.6 million, or 1.7 percent of the budget. Had the whole program been implemented in 1989, rather than being phased in, the full-year cost would have been $4.6 million or 4.8 percent. The increases in certain job families are greater than others, however, since the increases are targeted at those career paths that were found to be underpaid in the surveys conducted by the consultants to the Board. Future increases for employees will be tied to the market.

Productivity

Throughout this statement, I have referred to our having handled increases in the workload without corresponding increases in staffing levels. I might cite some examples for the period 1980 through 1988:

• Because of the Monetary Control Act, the number of financial institutions from which the Board was required to collect reserve data rose from 5,400 to more than 40,000 in 1981.

• The number of bank holding companies (BHCs) monitored has risen from approximately 3,100 to approximately 6,400.

• The number of bank and BHC examination reports analyzed rose from approximately 600 to approximately 1,400 in the same period.

• The number of bank holding companies under extra supervisory review rose from 300 to approximately 1,500.

These examples are typical of the kinds of increases the Board has encountered. I would add that the volumes cited explain only part of the effect of workload growth—the complexity of the issues involved has greatly increased also.

In summary then, the 1989 budget provides the resources necessary for the Board to properly perform its critical functions. At the same time the budget continues to demonstrate the restraint that the Board has always shown in the use of resources.

At this point I would return the presentation to Governor Angell for a discussion of the Reserve Bank budgets.

Reserve Bank Budgets

The total budgeted expense of the Reserve Banks—both priced and nonpriced—was held to the 1989 budget objective of 5.5 percent over estimated 1988 expenditures. Again these increases include the cost of EFA, which is expected to account for 0.4 percent of the overall increase. Besides EFA, eight major initiatives account for much of the budgeted increase in Reserve Bank expenses. To fund these major initiatives of $26.4 million, the remainder of the budget increase was limited to 3.5 percent so as to meet the budget objective.

The larger initiatives for 1989 include the following:

1. *Automation ($9.8 million).* Reserve Bank operations in today's environment require a more fail-safe computer environment, more use of office automation, and extended communication networks. Included are projects to make the nation's payments system more available and reliable, and to provide for disaster recovery.

2. *Facility improvements ($5.7 million).* Many of the System's facilities are 40 to 50 years old and are no longer efficient. In 1989, building projects in four Districts account for most of this increase. One project is for asbestos management; the others will provide needed office and vault space. Later in my remarks, I shall stress the need for the Congress to remove the limitation on Federal Reserve Branch building funds to enable us to continue to meet public needs for Federal Reserve services.

3. *Increased supervisory and regulatory activities ($3.1 million).* The Reserve Banks require

greater resources to conduct more holding company examinations, to implement Regulation CC (EFA), and to handle the greater complexity of examinations generally.

4. *Programs for the U.S. Treasury ($2.2 million).* These programs will lead to long-run efficiencies in the issuance of savings bonds and other public debt instruments but result in additional expenses at some Reserve Banks. The programs involve more centralization of operations and increased automation.

It may be helpful to turn to the 1989 budgeted expenses on a program basis for four service lines.

Expenses for *Services to Financial Institutions and the Public* total $884.8 million and account for almost two-thirds of the Reserve Banks' 1989 budgets. Expenses are budgeted to increase 4.3 percent over actual 1988. Employment is budgeted at 9,049 employees, an increase of 16 employees or 0.2 percent over 1988. Revenue from these services is expected to offset $704 million of the $885 million.

Commercial check processing is by far the largest service ($440.1 million), comprising almost half the budgeted expenses of this service line and employing 5,478. Expenses for this service are increasing $11.4 million, or 2.6 percent over 1988, and the number of staff members will decrease by nine. The Banks expect to process 15.4 billion commercial checks in 1989, an increase of 2.8 percent, while unit cost is expected to increase 2.2 percent. Added expenses of $5.4 million and additional staff of 134 can be attributed to the full-year effect of the Expedited Funds Availability Act, which went into effect in September 1988. Some consolidation of operations and the discontinuance of a number of temporary employees will offset the budget increases needed to implement the Expedited Funds Availability Act.

Expenses for the currency and coin service are expected to rise $5.4 million, or 3.8 percent. The number of employees in this service has been decreased by 10, to 1,717. Volume is expected to increase 4.2 percent and unit cost to decline 1.3 percent. Approximately 17.9 billion pieces are expected to pass through high speed currency sorters.

Expenses for the automated clearinghouse service are expected to increase 6.0 million in 1989 or 8.9 percent, and employment is expected to increase by 16. The staff is expected to expand primarily to accommodate a service the System intends to offer in 1989 called Government Notification of Change. Requested by the Treasury, this service converts paper documents to electronic form at the Reserve Banks. Volume for the ACH service is expected to increase 14.7 percent and unit cost to decrease 7.2 percent.

Expenses for the funds transfer service are expected to increase $3.8 million, or 6.2 percent, reflecting a staff increase of two and an increase in volume of 4.0 percent. The growth of volume in this service has slowed because of mergers of bank holding companies and bank consolidations.

Expenses for the book-entry securities service will increase $3.8 million, or 14.9 percent, while employment and volume remain flat. Unit cost is increasing 9.9 percent and can be attributed to two factors, increased support costs to test and maintain the Book-Entry Securities System (BESS) and improvements in contingency capabilities.

Expenses for *Supervision and Regulation,* which total $201.5 million, are expected to increase $16.4 million, or 8.9 percent, over 1988. This area now accounts for 15.1 percent of total expenses, compared with 12.8 percent in 1983. A staff level of 2,250 is budgeted, an increase of 41, or 1.9 percent, over 1988. Expenses have increased at an annual rate of 8.9 percent since 1983 and staff levels have grown by 395, or 21 percent.

The 1989 increase in costs and employment is the result of continued growth in the number of bank holding companies; increases in the number of *de novo* banks that, under Board guidelines, require more frequent examinations; the System's enhanced program for examinations of international operations of U.S. banks and U.S. offices of foreign banks; and monitoring for compliance with Regulation CC. The increase for staff, spread over most Districts, is moderate compared with that in recent years. Other factors contributing to the cost increment are a greater emphasis on monitoring reserve accounts with respect to daylight and overnight overdrafts, the full-year effects of the development of the National Information Center, and the continued expansion in the use of microcomputers.

Expenses for *Services to the U.S. Treasury and Other Government Agencies* are budgeted at $148.4 million, an increase of $6.8 million, or 4.8 percent, from 1988. These services account for approximately 11 percent of operating costs. Staffing is budgeted to decrease by 14, or 0.8 percent, to 1,805. Approximately $99 million of the $149 million are reimbursable expenses.

The reduction in employment reflects major efforts over several years by the Reserve Banks and the Treasury to promote efficiency, generally through consolidation and automation of operations. Most Districts have budgeted reductions for 1989.

Major operational changes are taking place in the savings bonds area. The Ohio Project features centralized issuance of over-the-counter savings bonds. The Masterfile Payroll program involves accounting for and printing bonds purchased through payroll deduction plans. These projects, when fully implemented, are expected to save the Treasury about $25 million annually.

Expenses for *Monetary and Economic Policy* at the Federal Reserve Banks total $95.8 million and account for approximately 7 percent of their 1989 budgets. Expenses are expected to increase $8.5 million, or 9.8 percent, over 1988. Employment will increase 20 or 2.6 percent to 786.

Net additions to the staff, salary actions, and automation initiatives are the main sources of higher spending. The 1989 staffing level is slightly lower than that budgeted for 1988.

A brief review of Reserve Bank expenses on an object of expense basis also might be useful to the subcommittee.

Personnel expenses consist of salaries for officers and employees, other expenses to compensate personnel, and retirement and other benefits. The major resource of the Reserve Banks is their people, and total personnel costs account for 63 percent of total Federal Reserve expenses. Personnel costs are expected to increase $40.1 million, or 5.0 percent, in 1989.

Salaries—the major component of this category—are budgeted to increase 5.1 percent. Each Federal Reserve Bank conducts an annual survey as a starting point for determining its salary structure for staff members other than officers. Nationwide surveys are used to adjust the structure of officers' salaries. All structure adjustments are approved by the Board of Governors.

Merit increases are the primary source of higher expenses for salaries. Also contributing are promotions, reclassifications, and higher levels of staffing. These increases are partially offset by position vacancies, by the replacement of a departing employee with one at lower pay, and by reduced expenses for overtime.

Expenses for retirement and other benefits, which account for 11 percent of the Banks' budget, are anticipated to increase 10.9 percent in 1989. This increase is a result of the continued escalation in hospital and medical costs, a rise in the maximum salary subject to Social Security tax, and increased participation in the System's thrift plan.

Nonpersonnel expenses account for 37 percent of the Banks' expenses and are projected to increase 6.0 percent in 1989. Within this category are the following:

Equipment expenses are 7.7 percent higher for 1989 and will account for 12 percent of total operating costs. The increase results from the purchase of data processing and data communications equipment to handle increased workloads and improve contingency functions, and the full-year impact of equipment purchased to meet the demands of the Expedited Funds Availability Act.

Building expenses, which account for 9 percent of total expenses, are expected to increase 8.5 percent in 1989. Building expansion and renovation projects contribute to increased expenses for property depreciation, real estate taxes, utilities, and other building operations. Depreciation expenses will also increase in 1989 as numerous smaller renovation and repair projects are completed.

Shipping costs account for 6 percent of the 1989 budget and will increase 2.2 percent next year. This increase is primarily the result of expanded check routes necessary for EFA.

Table 7 depicts the plans of the Reserve Banks for *capital spending* in 1989. By their nature, capital outlays vary greatly from year to year. Outlays for buildings and for data processing and communications equipment continue to dominate Reserve Bank capital budgets.

Special Budget Emphasis

Before concluding my testimony I would like to mention briefly several initiatives that will have a major impact on Reserve Bank expenditures and operations into the next decade.

As you may remember, the Expedited Funds Availability Act gave the Federal Reserve Board regulatory authority to improve the check collection and return check systems. As a result of the EFA, the Reserve Banks implemented several new services to expedite the handling of returned checks. The Reserve Banks *began* to offer the new services on September 1, 1988, to speed the return of unpaid checks. Federal Reserve volumes of returned checks have increased approximately 25 percent since the implementation of the service.

In 1989 the Reserve Banks have budgeted \$19.3 million and 348 employees for EFA; these numbers represent the full-year effect of an increase of \$5.4 million and 134 employees over 1988 levels of expenditure and employment. These expenses will be recovered through fees charged to users.

For 1989 the Board of Governors has approved research and development on three projects intended to provide long-range benefits to the payments system. Because spending on such projects is relatively high and short-term, the Federal Reserve accounts for it separately from its operating expenses but includes it in its total budget. The budget for special projects in 1989 is \$11.1 million, or \$6.2 million more than was budgeted for special projects in 1988.

In mid-1985 the Federal Reserve began research on digital image capture as it might be applied to check processing. The archiving of information on checks written by the U.S. Treasury and the processing of return items are the potential applications with the most stringent requirements. The information captured from such checks must be especially detailed and of high quality and therefore requires a large capacity for data storage. These two check processes were thus selected as the most likely to determine the feasibility of the technology. If the technology is successful, it could replace the Federal Reserve's current practice of microfilming government checks and could speed the handling of return items.

In 1989 the check imaging project, building upon the first three years of results, will test an imaging system at two Reserve Banks with high-speed check processors. Total 1989 expenses for the project are estimated to be \$1.7 million and will be recovered through the pricing of services.

The digital image processing technology discussed above for checks is also under development as a means of detecting counterfeit U.S. currency. This Optical Counterfeit Detection System (OCDS) program is one of several programs designed to detect counterfeits that come into the Federal Reserve. These research and development efforts are budgeted for \$1.7 million in 1989.

A study by the Federal Reserve has indicated that, to meet the needs of users, the System must extend the number of hours it provides electronic payment services and that to better control risk in the payments system, it must improve the reliability of these services. The study also indicated that users of electronic payments are looking for more flexibility in the range of services offered as well as cost effectiveness. In 1989 the Federal Reserve will complete its testing of equipment to satisfy these requirements.

The Federal Reserve is installing the equipment at three Reserve Banks and developing software for the automated clearinghouse service. The program, budgeted at \$6.1 million for 1989, will also demonstrate the use of fault-tolerant equipment for the transfer of funds and securities and will be recovered through fees. Of course as part of our long-range strategy for improving the payments mechanism, the Federal Reserve System continues to place emphasis on the quality and reliability of its electronic payment services. This strategy involves not only improving the reliability of Fedwire operations, but also involves providing contingency processing facilities to address both noncatastrophic and catastrophic outages.

The Federal Reserve System takes great pride in its efforts to improve efficiency. I mentioned earlier that I would return to the subject of facility planning. We recognize that facilities have an effect on how well we operate, and we are concerned that we may be unable to construct, expand, or modernize Branch Federal Reserve Bank Buildings unless there is a change in the "building proper" fund. As you know from the information provided to the subcommittee last year, the Federal Reserve at this time is close to depleting its authorized fund for Federal Reserve Branch buildings. Without relief, we are not able to do the planning and preparatory work to provide needed improvements for operations at the following branches:

Branch	Estimated cost (millions of dollars)
Birmingham	35
Nashville	30
Houston	15
San Antonio	10
El Paso	10
Salt Lake City	10

As you may realize, branch operations consist mainly of priced service operations and a significant portion of the capital cost of the facilities would be recovered through revenues from the sale of Federal Reserve services. With a normal planning and building horizon of about five years, we are in jeopardy of being unable to provide services to the financial community and the public.

We recommend to the subcommittee that the limitation on branch construction expenditures be eliminated.

CONCLUSION

Both Governor Kelley and I thank you for this opportunity to address the subcommittee on the Federal Reserve System budget. The existing budget processes are working well in controlling costs, while at the same time encouraging quality improvements. We welcome your comments and would be pleased to address any questions you may have on our budget. □

Statement by Brent L. Bowen, Inspector General, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, August 3, 1989.

I am pleased to appear today to discuss the establishment and operation of the Office of Inspector General at the Board of Governors of the Federal Reserve System.

HISTORY, RESPONSIBILITIES, AND AUTHORITY

The Board established the Office of Inspector General on July 6, 1987, in line with the provisions of the Inspector General Act of 1978, with a staff authorization of nine. The Board appointed me as the Inspector General on July 20, 1987. By November, I had hired an investigator, five auditors, and a staff assistant. Soon thereafter, we conducted a vulnerability assessment that formed the basis for our 1988 and 1989 annual plans. I appointed an Assistant Inspector General in February 1989.

Very little had to be changed when the Inspector General Act Amendments of 1988 were passed on October 18, 1988. By November 16, we had provided the Board with an updated charter to reflect the semiannual and other reporting relationships with the Congress and to solidify the reporting relationship to the Chairman. Indeed, all of the provisions of the amendments were instituted immediately except for the subpoena power, which could only be authorized by the Congress. That provision took effect in April with the new law.

For the record, our office is charged by law to accomplish the following: (1) conduct and supervise audits and investigations of Board programs and operations; (2) recommend and provide leadership and coordination for activities that promote economy, efficiency, and effectiveness in Board programs and operations; (3) help prevent and detect fraud, waste, and abuse; and (4) keep the Chairman and the Congress fully and currently informed, through semiannual reports and other means, about any fraud and other serious problems or deficiencies in Board programs and operations and the status of corrective actions.

In addition, the office has added an operations review or general management audit function, oversees the financial audit of the Board's books by a public accounting firm, reviews regulations and legislation for economy and efficiency, and is responsible for following up on recommendations made by other auditing entities.

The new legislation limits the Inspectors General (IGs) of the Board and of the Treasury in a way that other IGs are not affected. That is, in the case of the Board, the Chairman can prohibit me as IG from carrying out or completing any audit or investigation or from issuing any subpoena to prevent the disclosure of information relating to policy matters that could reasonably be expected to have a significant influence on the economy or market behavior. If this were to occur, I am required to inform this and other relevant committees of the Congress.

Organization and Staffing

The office is organized according to three major functions: audits, operations reviews, and investigations. Auditors perform comprehensive evaluations of the Board's programs and operations, supervise the audit of the annual financial statements performed by the Board's external auditor, and advise Board managers and other staff members on management systems and internal controls. Staff members from throughout the Federal Reserve System assist us in performing management audits, or operations reviews as we call them, of the Board's offices and divisions. These operations reviews focus on ensuring the efficient and effective administration of programs, delivery of services, and compliance with applicable laws, regulations, policies, and procedures. The Special Assistant for Investigations has established a full investigative program to address allegations of possible and actual fraud, mismanagement, and abuse; violations of laws and regulations; and "Hotline" complaints.

The IG staff members are well versed in auditing and investigative standards and techniques and have a good balance of skills and experience. To illustrate, we have two certified information systems auditors, two certified public accountants, a candidate for certification as an internal auditor, and an experienced investigator who is also certified as a fraud examiner. The Assistant IG holds certifications as both an internal auditor and an information systems auditor, and I am a certified fraud examiner. I have an attorney–client relationship with a senior attorney in the Board's Legal Division and have used several auditors and technical and professional people from the Federal Reserve Banks for short periods of time to assist in our operations reviews and audits.

Independence

The members of the Board recognize the critical importance of an independent IG function and have been highly supportive of our work. The Office of Inspector General has full independence of operation and activity and quick access to members of the Board individually and to the Board as a whole. Those being audited and I have not always agreed on our recommendations; but each has respected our policy of open and honest communications and our "call it as we see it" approach, and top management has addressed our recommendations. The first audit my office performed was of Board member expenses. That audit sent a message to the staff that the IG is independent and that the office will address all operations and activities of the organization with the full support of the members of the Board. Access to information throughout the organization is immediate and complete.

While I have independent contract and personnel authority, I have chosen, for the most part, to follow the Board's processes as an administrative convenience, departing only to appoint the Assistant Inspector General as an officer of the Board, a function of the full Board for all other officer appointments. Only the Chairman and then the Board as a whole review the office's budget proposals. After approval, budget of the Office of Inspector General becomes a line item in the Board's consolidated budget.

Comment on Financial Controls

I contract with a public accounting firm to certify the fairness of the Board's financial statements each year. To make this certification, these auditors must evaluate internal controls to identify any areas of material weaknesses and have found none. In accordance with *Government Auditing Standards,* the auditors prepared a report on compliance with applicable laws and regulations and a report on internal accounting controls for both 1987 and 1988. While some nonmaterial items were identified in each of these years, they were corrected immediately. The managing partner and I present our findings to the full Board. The General Accounting Office's (GAO) June 1988 report for the House Banking Committee, which addressed Federal Reserve administrative expenses, confirmed the appropriateness of these expenses for 1985 and 1986. Our office will begin our annual audit of sensitive payments in conformance with GAO guidelines as part of the financial audit of the Board's books this fall.

In addition, our office reviews the work of the public accounting firm's evaluation of the procedures used to examine the Federal Reserve Banks, and we have just completed an operations review of the Division of Federal Reserve Bank Operations that includes an evaluation of its approach in evaluating the Federal Reserve Banks.

Audits

Let me now give you a brief overview of our work as it relates to the three main functional areas. First, with respect to audits, our office has initiated eleven audits (including one survey) and has issued reports on six of these to date. Six more will be initiated by the end of the year in accordance with our annual plan. I have already mentioned our contract with a public accounting firm to issue an opinion on the fairness of the Board's financial statements. We have the same firm certify the financial statements of the Federal Financial Institutions Examinations Council as well, since the Board provides administrative support to that organization. Both our internal audits and the public accounting firm's evaluations comply with the U.S. General Accounting Office's *Government Auditing Standards.*

Thus far, we have conducted, or are conducting, an audit or a survey of Board member expenses, contingency planning efforts, automation program management, distributed data processing systems, procurement activities, compensation practices, information security, personal computer software and security, physical security controls, and a data processing reporting system, as well as the certification of the Board's financial statements discussed earlier. These audits resulted in recommendations for improving internal controls and for improving the economy and efficiency of Board operations. We also assisted an external auditor in their review of the System's Benefit Office, and participated with other financial institutions regulatory agencies in a review of the administrative activities of the Federal Financial Institutions Examinations Council. Our audit plan calls for us to initiate the annual certification of the Board's financial statements and audits in inventory management, records management, bank holding company performance systems, computer access security, and secure voice systems by the end of the year.

Operations Reviews

The second major functional area of our responsibilities is more programmatic in nature:We conduct operations reviews of the Board's offices and divisions on a five-year cycle. Review teams composed of staff members from the Federal Reserve Banks who have expertise in the area under review and staff members from the Office of Inspector General do the following: (1) determine whether stated program objectives are being achieved; (2) assess the efficiency and effectiveness with which these objectives are being achieved; (3) assess the quality of services provided to the Board and the System; (4) determine the existence and adequacy of administrative controls; (5) determine compliance with applicable laws, regulations, policies, and procedures; (6) follow up on any findings and recommendations from previous audits or reviews; and (7) identify areas for possible improvement. After a formal report has been issued by the Office of

Inspector General, the team leader and I present our findings to the full Board.

Thus far, we have reviewed six functional areas: the Office of the Secretary, the Division of Human Resources Management, the Division of Banking Supervision and Regulation, the Equal Employment Opportunity Program, the Division of Hardware and Software Systems, and a combined look at the Office of Federal Reserve Bank Activities and the Division of Federal Reserve Bank Operations. Later this year we plan to review the Office of Executive Director for Information Resource Management and the Division of Applications Development and Statistical Services. Reviews of the Divisions of Monetary Policy, Research and Statistics, and International Finance will be conducted in 1990, with the remaining offices and divisions scheduled for 1991 and 1992.

INVESTIGATIONS

We introduced the criminal investigation function in the Office of Inspector General by establishing a hotline in late 1987 that is available 24 hours per day. Many of our hotline calls have placed us in the ombudsman role of referring problems and concerns to management. Other calls have involved administrative issues involving violations of the Board's standards of conduct or management policies. Besides our hotline calls, we have received complaints from Board managers, Board employees, other federal and State agencies, private citizens, and corporate entities and have initiated some investigations based on audit referrals or our own concerns. There have been a few potential criminal violations in which the results of our investigations were discussed with an Assistant U.S. Attorney and disposed of administratively at his suggestion. Incidentally, our hotline number is (202) 452-6400 should anyone reading or hearing this statement have an issue to bring to our attention. We conduct all of our investigations using *Quality Standards for Investigations* established by the President's Council on Integrity and Efficiency and, in each case, maintain confidentiality and privacy as required by law.

ADDITIONAL ACTIVITIES

While we had to spend some important time in setting up the office with policies and procedures and appropriate equipment and facilities, we thought it important to conduct immediate operational activities and begin our program of audits, operations reviews, and investigations. We also take an active role in other areas associated with the inspector general function: We follow up on our own and GAO reports on the Federal Reserve Board's activities, review Board policies and procedures, participate in automation steering groups as formal audit representatives, and participate in fraud and security violation prevention campaigns. We are also structuring ourselves to review relevant legislation and regulations as prescribed by the IG Act, and are addressing ways to prevent fraud, waste, abuse, mismanagement, and violations of security. I am a member of the Federal Reserve System's Conference of General Auditors, participate with the President's Council on Integrity and Efficiency's Coordinating Conference, and serve on the Council's Communications Subcommittee. Our office members are affiliated with professional organizations such as the Association of Federal Investigators, the American Institute of Certified Public Accountants, the Association of Government Accountants, the Institute of Internal Auditors, and the National Association of Certified Fraud Examiners.

FUTURE DIRECTION

Our office is now in the process of charting a course that will carry us through the 1990s. While our initial vulnerability assessment served a very useful purpose in getting our operation started, it is important that we continually ensure ourselves that our work focuses on timely and significant issues. While we plan to continue with the audits, operations reviews, and additional activities cited above—and to continue our emphasis on a full investigations program—our efforts will address more of the main mission areas of the Board's operations.

SUMMARY

The Chairman and other members of the Board have insisted on a qualified Office of Inspector General, and I have the independence and authority to carry out my statutory responsibilities. While some members of the organization are still getting acquainted with the concept, we are respected for our integrity and appreciated for our "call it as we see it" approach and policy of open communications. We are moving forward with our mission to prevent and detect problems and to assist Board management in having more efficient and more effective operations. Our reports are available to this and other committees of the Congress and to the public, and of course we will be submitting our first formal report to you this fall. □

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON JULY 5–6, 1989

1. Domestic Policy Directive

The information reviewed at this meeting tended to confirm earlier indications that economic growth had slowed this year. Recent data on production and spending suggested a fairly consistent pattern of weakness in housing and in consumer goods, notably motor vehicles. Running counter to that trend was a further sizable increase in spending for business equipment following a strong first quarter; in addition, the trade deficit had narrowed further. Broad measures of prices continued to rise more rapidly than in 1988, reflecting sharp upward pressures on energy and food prices. There had been no discernible step-up in the pace of wage inflation, however, even though levels of labor utilization remained relatively high.

Growth in total nonfarm payrolls moderated substantially in recent months from the pace of the previous two years. Employment in manufacturing and construction fell in May and on balance had changed little in both sectors since January. Job growth in services was relatively weak in May, judged by recent standards, as gains in trade and business services were small. Despite the slower pace of payroll growth this year, the factory workweek remained high by historical standards in May, and initial claims for unemployment insurance had increased only slightly through mid-June. The civilian unemployment rate, at 5.2 percent in May, stayed close to its average level in earlier months of the year.

Industrial production increased on balance in April and May at about the reduced rate experienced earlier in the year. Assemblies of motor vehicles, which had turned up in April, fell appreciably in May. Production of consumer goods other than automobiles also softened in May, and output of construction supplies registered a decline for the fourth consecutive month. Production of business equipment excluding automobiles continued to advance strongly in April and May, partly as a result of a surge in the manufacture of computers but also owing to gains for a variety of other types of equipment, particularly capital goods for manufacturing industries. Total industrial capacity utilization retraced its April rise in May but remained well above its relatively high level of a year ago. Operating rates in manufacturing slipped further in May for primary processing industries, while those for advanced processing industries were sustained at the already high levels evident in earlier months of the year.

Despite considerable gains in real disposable income in recent quarters, the sluggish growth in consumer spending that had emerged earlier in 1989 continued into the second quarter. In May, a decline in expenditures was led by a reduction in outlays for motor vehicles, although spending also was flat or down for a broad range of other goods, both durable and nondurable. In contrast to outlays on goods, growth in purchases of services was well maintained. Housing starts declined slightly further in May, as single-family starts slipped back to their weak level of March. Starts of multifamily units were little changed in May from the seven-year low recorded in April. Home sales had fallen this year.

Recent indicators of business capital spending suggested a further substantial increase in the second quarter after a strong first quarter. Shipments of nondefense capital goods advanced sharply in April, with solid gains for most broad categories, and remained high in May. Nonresidential construction activity had changed little in recent quarters although industrial structures put in place strengthened somewhat, perhaps reflecting sustained high levels of factory utilization in some industries. Inventory investment by manufacturers continued in April at about the first-quarter pace and such inventories remained in line with shipments. Much of the increase in factory inventories was concentrated in work-in-process stocks in the aircraft industry, where production had been strong. In the retail sector, dealer stocks of automobiles remained high, and inventories at other retail establishments had risen a bit relative to sales, measured on a constant-dollar basis, but there were only limited indications of excess stocks in the nonautomotive segments of retailing.

The nominal U.S. merchandise trade deficit narrowed in April from a first-quarter average that was the smallest in four years. Exports strengthened a little in April when a decline in sales of agricultural products from their high March levels was outweighed by increases in most other major trade categories, especially industrial supplies and machinery. Appreciable declines in imports of automotive products, machinery, and foods more than offset a rise in oil imports. Available data suggested some slowing recently in the growth of economic activity in the major foreign industrial countries following robust expansion in the first quarter; inflation rates had moved up in most of those countries.

Continuing a pattern of sharp increases this year, producer prices of finished goods were up substantially further in May. The May rise was led by further advances in prices of food and energy products, but prices of nonfood, non-energy goods also rose after being about unchanged in April. In April and May, increases in prices of most materials were noticeably smaller than those registered for finished goods. The consumer price index rose sharply further in April and May. Over the first five months of the year consumer prices increased at a faster rate than in 1988; however, excluding food and energy, the rate of increase in these prices differed little from last year's pace, partly because of the damping effect of the appreciation of the dollar on the prices of a broad range of imported goods. Recent data for labor compensation indicated that year-over-year increases in average hourly earnings of production and nonsupervisory workers remained near the average pace evident since mid-1988.

In foreign exchange markets, the dollar recorded significant gains against most of the other G-10 currencies in the weeks after the Committee meeting on May 16; in mid-June, the dollar reached a two and one-half year high against the mark and a one and one-half year high against the yen. Smaller-than-anticipated trade deficits announced for March and April, political events in China and Japan, and expectations of capital gains in U.S. bond and equity markets appeared to have helped trigger buying pressure at a time of narrowing differentials between interest rates in the United States and abroad. The dollar subsequently fell back sharply in often volatile trading, its weighted-average value in terms of the other G-10 currencies more than retracing the earlier rise. The decline in the value of the dollar occurred largely in the absence of significant new economic developments or clear indications of a reassessment of economic fundamentals by market participants.

At its meeting on May 16, the Committee adopted a directive calling for no immediate change in the degree of pressure on reserve positions. The Committee agreed that somewhat greater or somewhat lesser reserve restraint would be acceptable over the intermeeting period depending on indications of inflationary pressures, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. This policy stance was expected to be consistent with growth of M2 and M3 at annual rates of around 1½ and 4 percent respectively over the period from March through June.

Immediately after the Committee meeting, the Manager for Domestic Operations directed operations toward maintaining the existing degree of pressure on reserve positions. A technical upward revision was made to the assumed level of adjustment plus seasonal borrowing to bring it in line with desired overall conditions in reserve markets; this revision resulted from the recent, unusual strength of seasonal borrowing that perhaps was associated with heavier demands for crop-production loans at a time of weak deposit growth at agricultural banks. Later in the intermeeting period, a variety of developments began to suggest that a slackening in inflation pressures might be in prospect as indications of slower economic expansion continued to accumulate, monetary growth remained sluggish, and the dollar climbed further. In these circumstances, the Manager for Domestic Operations acted in early June to reduce somewhat the degree of pressures on reserve positions. Adjustment plus seasonal borrowing averaged about $550 million over the three full reserve maintenance periods completed since the May 16 meeting, while the federal funds rate moved down about ¼ percentage point to 9½ percent or slightly higher more recently.

Other market interest rates also fell over the intermeeting period in response to indications of a continuing softness in the economy and a better outlook for inflation as well as to the easing of monetary policy. Short-term market rates dropped 25 to 70 basis points, and the prime rate was lowered ½ percentage point to 11 percent in early June. In long-term debt markets, yields on Treasury coupon issues dropped 70 to 90 basis points. Stock prices rallied through much of the intermeeting period, and major indexes reached new post-1987-crash highs before giving up most of those gains.

M2 and M3 declined in May, primarily because of sizable reductions in transaction and other liquid deposit balances that seemed to be related to the clearing of unexpectedly large payments to cover federal tax liabilities for 1988. Through mid-June, growth of these aggregates appeared to have rebounded in conjunction with some rebuilding of tax-depleted balances and the declines in market interest rates that brought some narrowing of the large opportunity costs associated with holding liquid deposits. Nonetheless, the growth of M2 for the year to date remained below the lower end of the Committee's annual target range. M1 continued to contract through mid-June, as weakness in transaction balances, especially in demand deposits, persisted. Domestic nonfinancial debt expanded in May at a slightly lower rate than it did in the first quarter.

The staff projections prepared for this meeting suggested that growth of the nonfarm economy over the remainder of 1989 and for 1990 was likely to be at a pace a little lower than that estimated for the first half of this year. The projection continued to assume that normal agricultural growing conditions would prevail. Although the recent strengthening of the dollar was tending to damp import prices and thereby domestic inflation, the staff anticipated that, with margins of unutilized labor and other production resources still relatively low, most measures of prices and labor costs would increase at slightly faster rates in 1989 than in 1988. Inflationary pressures were expected to abate a bit in 1990, partly in response to gradually mounting slack in labor and product markets. The staff projected that the contribution of foreign trade to growth would be very limited, as real export gains dropped well below the pace of recent quarters, and that fiscal policy would remain moderately restrictive. In view of expected meager gains in employment and real income, consumer spending would be sluggish through 1990. Housing activity was projected to benefit from the recent drop in interest rates. Relatively sluggish final demands along with reduced capacity utilization rates were expected to have a restraining effect on the growth of business capital spending.

In the Committee's discussion of current and prospective economic conditions, members focused on accumulating indications of reduced growth in business activity and on the implications for the outlook for the economy and prices. The members generally concluded that continuing expansion at a relatively slow pace was a reasonable expectation for the next several quarters and that the associated lessening of pressures on labor and capital resources was likely to foster progress in curbing inflation over time. Members noted that the economic outlook was subject to considerable uncertainty and that substantial deviations from current expectations might well occur. The latest information suggested some risk that the expansion might weaken further, but current business conditions provided few indications of the kinds of imbalances and distortions that often lead to downturns in economic activity. Some members emphasized that a recession, should one materialize, might be aggravated by the debt burdens or debt exposure of many business and financial firms. At the same time, inflation remained unacceptably high and cost pressures substantial; however, in the context of a weaker economic outlook and an extended period of slow monetary growth, the risks of a sustained acceleration in inflation appeared to be more limited than they had earlier in the year. Nonetheless, a policy designed to bring about some reduction in underlying inflation pressures and improvement in the nation's external accounts might be associated with relatively slow growth of domestic spending for some time.

In keeping with the usual practice at meetings when the Committee considers its long-run objectives for monetary growth, the members of the Committee and the Federal Reserve Bank presidents not currently serving as members provided specific projections of growth in real and nominal GNP, the rate of unemployment, and the rate of inflation. With regard to the rate of expansion in real GNP, the projections had a central tendency of 2 to 2½ percent for 1989 as a whole, implying continuing growth at a reduced pace in the second half of the year; for the year 1990 the central tendency was 1½ to 2 percent. Projections of growth in nominal GNP converged on rates of 6 to 7 percent for 1989 and 5½ to 6¾ percent for 1990. The projected rates of unemployment centered around 5½ percent for the fourth quarter of 1989 and 5½ to 6 percent for the fourth quarter of 1990. With respect to the rate of inflation, the projections had a central tendency for the consumer price index of 5 to 5½ percent for 1989 and 4½ to 5 percent for 1990. In making these projections the members took account of the Committee's decisions at this meeting with regard to the objectives for monetary growth in 1989 and 1990. The members assumed that progress would be made in reducing the federal budget deficit and that fluctuations in the exchange value of the dollar would not be of sufficient magnitude to affect economic growth and inflation materially in the period through the end of 1990.

In their review of specific developments bearing on the outlook for the economy, members observed that growth appeared to be slowing in many parts of the country but that the utilization of labor and capital resources remained high in most regions and continued to improve in others from relatively depressed levels. In general, business sentiment remained favorable, though the emergence of somewhat more cautious attitudes was detected in a number of areas and industries. With regard to specific sectors of the economy, current data and business contacts did not suggest any general backup in inventories apart from motor vehicles; however, there were some recent reports of marginally excessive inventories in a few nonautomotive businesses, and a further slippage in the growth of final demand could lead to efforts to pare inventories and production schedules. The members generally anticipated continued overall growth in business fixed investment, though at a pace much reduced from that experienced earlier in the year. Nonresidential construction activity was lagging in many areas, but the demand for business equipment remained relatively vigorous, in part because of sales abroad. Housing activity was weak in a number of markets, including some that had displayed considerable vigor until recently, but the decline in mortgage rates was believed likely to sustain activity in this sector of the economy.

A key element in the outlook for overall business activity was the prospects for consumer spending; many members saw little basis for anticipating further slowing in the expansion of consumer expenditures, but others were less persuaded and some cited in particular the possibility that relatively weak sales of motor vehicles might continue. Foreign trade was another important sector bearing on the economic outlook. Some further growth in net exports was viewed as a reasonable prospect, but the improvement might be limited if the dollar remained strong and growth slowed in key economies abroad. Finally, a number of members stressed that some acceleration in monetary growth from the pace in the first half of the year likely was needed to help support expansion in business activity.

Turning to the outlook for inflation, members generally anticipated that reduced economic growth in line with the central tendency of their forecasts would contribute to some damping of underlying inflationary pressures by 1990. The rate of increase in the consumer price index might well moderate over the balance of this year, assuming relief from special factors that had affected food and energy prices during the first half. In particular, the larger farm crops that were anticipated this year would tend to reduce pressures on food prices, and recent oil price developments suggested some softening in consumer energy prices. Other favorable developments included generally restrained increases in wages despite ongoing labor shortages in many parts of the nation and, as evidenced in part by business contacts around the country, some apparent lessening of inflationary expectations. In addition, commodity prices had been subdued in recent months, supporting indications of less intense demands in industrial sectors and perhaps pointing to slower increases in consumer prices in the months ahead. On the negative side, some members stressed that underlying inflation pressures remained strong and, given current levels of resource use, an expansion in line with the forecasts of most members might avert accelerating inflation but was less likely to foster any significant decline over the forecast horizon. More generally, the members' forecasts pointed to a rate of inflation that was unacceptably high and that moderated only slightly over this period; moreover, the risks of some acceleration, while small, were not negligible especially if economic growth turned out to be appreciably faster than most members currently anticipated, putting additional pressure on resources.

Against the background of the Committee's views regarding prospective economic developments and in keeping with the requirements of the Full Employment and Balanced Growth Act of 1978 (the Humphrey–Hawkins Act), the Committee at this meeting reviewed the ranges for growth in the monetary and debt aggregates that it had established in February for 1989 and decided on tentative ranges for growth in those measures in 1990. The 1989 ranges included growth of 3 to 7 percent for M2 and 3½ to 7½ percent for M3 for the period from the fourth quarter of 1988 to the fourth quarter of 1989. A monitoring range of 6½ to 10½ percent had been set for growth in total domestic nonfinancial debt in 1989. For the year to June, the cumulative expansion of M2 was at a rate about 1 percentage point below the Committee's range, while that of M3 placed it at the lower bound of its range. The expansion in nonfinancial debt was near the middle of its range in the first half of the year.

In the Committee's review of the ranges for 1989, all of the members endorsed a proposal to retain the ranges set in February. The Committee took account of a staff analysis that indicated that the more rapid growth in M2 and M3 since mid-May was likely to persist over the months ahead and that by the fourth quarter both aggregates would be well within the current ranges for the year. The staff assessment incorporated the impact of the recent declines in market interest rates, which would tend to reduce the opportunity costs of holding M2 balances, and also assumed that there would be no special factors influencing the growth of the aggregates such as those experienced earlier in the year. Expansion in total domestic nonfinancial debt was projected to continue at a rate around the middle of its range through year-end; growth in this measure had been trending lower in recent years but it remained at a pace appreciably above that for nominal GNP. The members concluded that the ranges set in February for 1989 were still consistent with the Committee's objectives of fostering sustained expansion in economic activity and progress toward price stability.

The ranges for 1989 represented reductions from those for 1988, and the members agreed that restrained monetary growth and further reductions in the ranges would be needed over time to achieve and maintain price stability. Views differed, however, as to whether the ranges for 1990 should be reduced at this meeting.

A majority of the members indicated a preference for extending the 1989 ranges provisionally to 1990, subject to the usual review next February in light of the economic and financial conditions prevailing then. The outlook for next year was uncertain, especially this far in advance. Nonetheless, the 1989 ranges were likely in this view to encompass monetary growth that would foster desired economic expansion and moderation of price pressures in 1990. This outcome could be associated with somewhat more rapid growth of M2 in 1990 than appeared to be in train for 1989. Such a pickup in monetary growth would be consistent with expansion of nominal GNP along the lines of the central tendency of the members' forecasts and should be associated with only minor changes in interest rates and hence in velocity next year. Moreover, somewhat faster growth in M2 might be needed next year to counter any potential weakening tendencies that might develop in the economy. In these circumstances there existed a considerable risk that a reduction in the range for M2 might have to be reversed next year or growth in excess of the range tolerated. Either development might be viewed as inconsistent with the stability and predictability of policy that tended to enhance its effectiveness over time. Especially in light of the foregoing considerations, a marginal reduction in the ranges, although it might be seen as more consistent with the long-run objective of price stability, would seem to imply greater precision than was warranted by the Committee's current ability to project next year's developments. If small adjustments were called for, they could be made early next year when a more firmly based decision would be possible.

Members who preferred lower ranges for 1990 gave a good deal of emphasis to the desirability of continuing the Committee's policy of reducing the ranges from year to year in order to implement anti-inflationary objectives. In this view, a failure to reduce the ranges at least slightly in present circumstances might be read as an implicit acceptance of current rates of inflation. These members recognized the possibility that monetary growth next year might be at the upper end, or even above, the ranges that they favored, especially if interest rates were to decline further in the interim. If economic and financial conditions early next year suggested a need, they would be prepared to raise the ranges at that time. Such a decision would be made in the light of circumstances that provided the rationale for it and need not therefore have the adverse consequences for inflationary expectations that some members feared. Members who favored lower ranges also did not want to rule out the possibility that inflation pressures next year might turn out to be more intense than was currently anticipated and that relatively limited monetary expansion therefore might remain appropriate.

In light of the persisting uncertainties about the relationship between monetary expansion and ultimate policy objectives, the members were in favor of retaining relatively wide ranges of 4 percentage points for M2 and M3. For many years prior to 1988, the Committee had set narrower ranges, almost uniformly of 3 percentage points, for the broader monetary aggregates and for total domestic nonfinancial debt. Wider ranges provided greater scope for achieving monetary growth that was consistent with the Committee's objectives for the economy. In assessing appropriate rates of monetary expansion in the prevailing uncertain environment, the Committee would continue to evaluate a wide assortment of economic and financial indicators.

At the conclusion of this review, the Committee approved for inclusion in the domestic policy directive the following statement of its objectives for growth of the broader monetary aggregates and nonfinancial debt for the year 1989:

> The Committee reaffirmed at this meeting the ranges it had established in February for growth of M2 and M3 of 3 to 7 percent and 3½ to 7½ percent, respectively, measured from the fourth quarter of 1988 to the fourth quarter of 1989. The monitoring range for growth of total domestic nonfinancial debt also was maintained at 6½ to 10½ percent for the year.

> Votes for this action: Messrs. Greenspan, Corrigan, Angell, Guffey, Johnson, Keehn, Kelley, LaWare, Melzer, Ms. Seger, and Mr. Syron. Votes against this action: None. Absent and not voting: Mr. Heller.

For the year 1990, the Committee approved for inclusion in the domestic policy directive the following statement regarding the ranges for growth of the monetary aggregates and nonfinancial debt:

> For 1990, on a tentative basis, the Committee agreed to use the same ranges as in 1989 for growth in each of the monetary aggregates and debt, measured from the fourth quarter of 1989 to the fourth quarter of 1990. The behavior of the monetary aggregates will continue to be evaluated in the light of movements in their velocities, developments in the economy and financial markets, and progress toward price level stability.

> Votes for this action: Messrs. Greenspan, Corrigan, Angell, Guffey, Johnson, Kelley, LaWare, Melzer, Ms. Seger, and Mr. Syron. Vote against: Mr. Keehn. Absent and not voting: Mr. Heller.

Mr. Keehn dissented because he wanted to reduce the ranges for 1990. In his view, a reduction of the ranges for next year would provide an important signal of the System's continuing commitment to price stability. While the velocity of the monetary aggregates had been erratic recently, lower ranges for the aggregates would encompass desirable rates of monetary growth should more normal conditions prevail next year. Given the uncertainty in the relationship between the monetary aggregates and economic growth, he would, however, be prepared to adjust the ranges early next year on the basis of intervening developments.

In the Committee's discussion of policy implementation for the period until the next meeting, the members generally agreed that recent developments suggested that some further easing of reserve conditions would be appropriate. Nearly all endorsed a proposal to lessen the degree of reserve pressure marginally at this time, but one member favored somewhat greater easing and another saw merit in a phased lessening of reserve pressures in the weeks ahead. Many emphasized that current economic and financial uncertainties called for caution in adjusting policy at this point. In this view, more than a slight move to less restraint could have an undesirable effect on inflationary expectations and, at least in the absence of further indications of lagging economic growth, could lead eventually to upward pressure on long-term interest rates. Moreover, in the view of some members, there remained some risk that inflationary pressures would intensify and that the easing might have to be reversed later. Caution also was indicated in light of the prevailing sensitivity and volatility of financial markets.

Several members emphasized the need for faster monetary growth than had been experienced in recent months. Some acceleration in the rate of monetary expansion had occurred since the middle of May, and a staff analysis suggested that such growth was likely to continue as the full effect of recent declines in market interest rates was felt. On the assumption of no further changes in interest rates, the staff projection anticipated that cumulative M2 growth would reach the bottom of the Committee's annual range by late summer. However, given the uncertainties that were involved, a number of members felt that some further easing was desirable to improve the prospects that monetary growth would be within the Committee's ranges for the year, if only in the lower part of the range in the case of M2. A moderate pickup in monetary growth at this time would help assure continued expansion of the economy and possibly avoid a situation in which a substantial weakening of the economy would be followed by rapid monetary growth and a marked rebound in activity—a pattern that would be unlikely to foster the Committee's objective of price stability over time.

Turning to the question of possible intermeeting adjustments in the degree of reserve restraint, a majority of the members indicated a preference for retaining an unbiased instruction as in the directive for the May meeting. This approach, in the context of the indicated preference of the members to move toward some immediate easing, was in keeping with the caution about future policy moves favored by most members. This caution was dictated by current uncertainties regarding the economic outlook, the still rapid rate of inflation, and the relatively sensitive conditions in financial markets. Others preferred an intermeeting instruction that was tilted toward ease partly to help underscore—in conjunction with a decision to ease—their view that the risks were in the direction of a shortfall in economic growth from current expectations and therefore that any intermeeting adjustment would very likely be in the direction of less restraint. Indeed, in this view a dramatic and unlikely turnaround would be needed in the tenor of the incoming economic information to warrant any firming in the weeks ahead.

In light of the easing of reserve conditions in early June and the further slight easing contemplated at this meeting, the members decided to lower the intermeeting range for the federal funds rate by 1 percentage point to 7 to 11 percent. Such a reduction centered the range more closely around the federal funds rate that was expected after this meeting. The range for the federal funds rate provides one mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded.

At the conclusion of the Committee's discussion, all but one of the members indicated that they preferred or could accept a directive that called for some slight easing in the degree of pressure on reserve positions. Some firming or some easing of reserve conditions would be acceptable during the intermeeting period depending on indications of inflationary pressures, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. The reserve conditions contemplated by the Committee were expected to be consistent with some acceleration in the growth of M2 and M3 to annual rates of around 7 percent over the three-month period from June to September.

At the end of the meeting, the following domestic policy directive was issued to the Federal Reserve Bank of New York:

The information reviewed at this meeting tends to confirm earlier indications that economic growth has slowed this year. Gains in total nonfarm payroll employment have moderated substantially in recent months, but the civilian unemployment rate, at 5.2 percent in May, remained close to its average level in earlier months of the year. Industrial production increased on balance in April and May at about the reduced rate experienced earlier in the year. Growth in consumer spending has weakened considerably this year. Housing starts declined slightly further in May. Recent indicators of business capital spending suggest a substantial additional increase in the second quarter after a rebound in the first quarter. The nominal U.S. merchandise trade deficit narrowed in April from a substantially reduced average value in the first quarter. Broad measures of prices have risen more rapidly this year than in 1988, reflecting sharp increases in energy and food prices.

Interest rates have fallen since the Committee meeting on May 16, with the largest declines generally occurring in long-term markets. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies rose sharply earlier in the intermeeting period but subsequently more than retraced that rise in often volatile trading.

M2 and M3 declined in May, primarily because of sizable reductions in transaction and other liquid balances arising from the clearing of unusually large tax payments; data through mid-June point to a rebound in these measures of money. Thus far this year expansion of M2 has been at a rate below the Committee's annual range, while growth of M3 has been around the lower bound of the Committee's range.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives, the Committee reaffirmed at this meeting the ranges it had established in February for growth of M2 and M3 of 3 to 7 percent and 3½ to 7½ percent, respectively, measured from the fourth quarter of 1988 to the fourth quarter of 1989. The monitoring range for growth of total domestic nonfinancial debt also was maintained at 6½ to 10½ percent for the year. For 1990, on a tentative basis, the Committee agreed to use the same ranges as in 1989 for growth in each of the monetary aggregates and debt, measured from the fourth quarter of 1989 to the fourth quarter of 1990. The behavior of the monetary aggregates will continue to be evaluated in the light of movements in their velocities, developments in the economy and financial markets, and progress toward price level stability.

In the implementation of policy for the immediate future, the Committee seeks to decrease slightly the existing degree of pressure on reserve positions. Taking account of indications of inflationary pressures, the strength of the business expansion, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets, somewhat greater reserve restraint or somewhat lesser reserve restraint would be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with growth of M2 and M3 over the period from June through September at annual rates of about 7 percent. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 7 to 11 percent.

Votes for the paragraph on short-term policy implementation: Messrs. Greenspan, Corrigan, Angell, Guffey, Johnson, Keehn, Kelley, LaWare, Melzer, and Syron. Vote against this action: Ms. Seger. Absent and not voting: Mr. Heller.

Ms. Seger dissented because she felt that somewhat greater easing was warranted. In her view, the expansion in business activity already had slowed substantially and recent developments pointed to further weakness. While a change in monetary policy would have little effect on the economy over the remainder of this year, a more pronounced easing than the Committee currently contemplated was needed to foster financial conditions that would support the economy in 1990 and beyond.

2. *Authorization for Domestic Open Market Operations*

Effective July 7, 1989, the Committee approved a temporary increase of $2 billion, to $8 billion, in the limit between Committee meetings on changes in System Account holdings of U.S.

government and federal agency securities specified in paragraph 1(a) of the Authorization for Domestic Open Market Operations. Subsequently, effective July 31, 1989, the Committee approved a further increase of $2 billion, to $10 billion, in the intermeeting limit. Both increases applied to the period ending with the close of business on August 22, 1989.

Votes for the action effective July 7: Messrs. Greenspan, Corrigan, Angell, Guffey, Johnson, Keehn, Kelley, LaWare, Melzer, Ms. Seger and Mr. Syron. Votes against this action: None. Absent and not voting: Mr. Heller.

Votes for the action effective July 31: Messrs. Greenspan, Angell, Boykin, Guffey, Johnson, Keehn, Kelley, Oltman, Ms. Seger, and Mr. Syron. Votes against this action: None. Absent and not voting: Messrs. Heller and LaWare. (Messrs. Boykin and Oltman voted as alternates for Messrs. Melzer and Corrigan, respectively.)

The increases were approved on the recommendation of the Manager for Domestic Operations. The Manager had advised on July 5 that the usual leeway of $6 billion for changes in System account holdings probably would not be sufficient over the intermeeting period, partly because of expected sales of securities to offset large declines in balances held by the U.S. Treasury at the Federal Reserve Banks and because of large foreign currency transactions. On July 28, the Manager advised that the remaining leeway under the $8 billion limit had been reduced to about $650 million, mainly as a result of declines in Treasury balances at the Reserve Banks but also owing to further official foreign currency transactions and smaller-than-expected increases in currency in circulation. The Manager anticipated that additional leeway might be necessary to meet continuing needs to absorb reserves in upcoming reserve maintenance periods.

Announcements

Designations of Primary Dealers Controlled by Firms from the United Kingdom and Japan

The Federal Reserve Board and the Federal Reserve Bank of New York have determined that the designations of primary dealers controlled by firms from the United Kingdom and Japan will be continued because U.S. firms are accorded "the same competitive opportunities" as domestic firms in the government debt markets of those two countries. This determination has been made under the terms of the Primary Dealers Act of 1988, which takes effect on August 23, 1989.

Under the act, the Federal Reserve may not continue to designate or newly designate as a primary dealer "any person of a foreign country . . . if such country does not accord to U.S. companies the same competitive opportunities in underwriting and distribution of government debt instruments" as the country accords to domestic companies.

The act currently applies only to the United Kingdom and Japan, since they are the only home countries of firms now owning primary dealers that are not otherwise grandfathered or exempt from the terms of the act.

The Federal Reserve has undertaken comprehensive studies of the characteristics of government securities markets in these two countries as well as of markets in the Federal Republic of Germany and Switzerland, which are home countries of firms that have expressed interest in the possibility of becoming primary dealers in the future.

The Federal Reserve will monitor developments on an ongoing basis to ensure that requirements of the act continue to be met as foreign government securities markets change over time.

Copies of a report on this matter are available from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Publication of Brochure on Home Equity Lines of Credit

The Federal Reserve Board announced on August 1, 1989, the publication of its brochure on home equity lines of credit that fulfills the provisions of the Home Equity Loan Consumer Protection Act.

The new brochure is entitled, "When Your Home Is on the Line: What You Should Know About Home Equity Lines of Credit." It provides consumers with basic information about the features of a home equity line of credit and what to look for and to compare when shopping for credit. Under provisions of the act, this brochure, or one similar to it, must be provided to the consumer along with an application, although extra time is permitted in some cases.

Copies of the brochure are available from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551 or from the Federal Reserve Banks. Parties interested in mass reproduction of the brochure may purchase negatives. For further information, contact Publications Services (202) 452-3244.

Change in Board Staff

Ms. Patricia A. Welch, Assistant Director in the Division of Applications Development and Statistical Services, will resign, effective January 15, 1990.

System Membership: Admission of State Banks

The following state banks were admitted to membership in the Federal Reserve System during the period August 1 through August 31, 1989.

Kentucky
Louisville .... Mid-America Bank of Louisville and Trust Company

Pennsylvania
Blue Bell .... Madison Bank

Legal Developments

Final Rule—Amendment to Rules of Procedure

The Board of Governors is amending 12 C.F.R. Part 262, its Rules of Procedure, to update the citations to statutory and regulatory provisions.

Effective August 1, 1989, 12 C.F.R. Part 262 is amended as follows:

Part 262—Rules of Procedure

1. The authority citation for Part 262 continues to read as follows:

Authority: 5 U.S.C. 552.

2. Section 262.2(b) is amended by revising "section 261.6(a)" to read "section 261.6(b)".

3. Section 262.3(a) is amended by revising "section 261.4(d)" to read "section 261.9(a)".

4. Section 262.3(c) is amended by revising "in the case of a foreign bank holding company, as defined in section 225.4(g) of this chapter," to read "in the case of a foreign banking organization, as defined in section 211.23(a)(2) of this chapter,".

5. Section 262.3(j)(1)(ii) is amended by revising "12 U.S.C. 1828(c)(1)(6)" to read "12 U.S.C. 1828(c)(6)".

6. Section 262.3(j) is further amended by deleting paragraphs (3) and (4) and by revising paragraph (2) to read as follows:

Section 262.3—Applications

* * * * *

(j) Special procedures for certain applications.* * *

(2) For special rules governing procedures for section 4 applications, refer to section 225.23 of this chapter.

Orders Issued Under Bank Holding Company Act

Orders Issued Under Section 3 of the Bank Holding Company Act

ARSEBECO, Inc.
Falls City, Nebraska

Order Approving Acquisition of a Bank

ARSEBECO, Inc., Falls City, Nebraska ("ARSEBECO"), a bank holding company registered pursuant to the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3(a)(3) of the BHC Act (12 U.S.C. § 1843(a)(3)) to acquire State Bank of Stella, Stella, Nebraska ("Stella Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (54 *Federal Register* 21,667 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

ARSEBECO controls one subsidiary bank, Richardson County Bank and Trust Company, also of Falls City, Nebraska ("Richardson Bank"), controlling deposits of $43.5 million, and is the 64th largest commercial banking organization in Nebraska with less than one percent of total deposits in commercial banks in the state. Bank is one of the smaller commercial banking organizations in the state, controlling deposits of $12.8 million, representing less than one percent of total deposits in commercial banks in the state.[1] Accordingly, consummation of this proposal would not significantly increase the concentration of banking resources in Nebraska.

Both Stella Bank and Richardson Bank compete directly in the Richardson County banking market.[2] Richardson Bank is the second largest of five commercial banking organizations that operate in the market,

1. Commercial banking data are as of December 31, 1988. Thrift data are as of June 30, 1988.

2. The Richardson County banking market is approximated by Richardson County, Nebraska.

controlling deposits of $43.5 million, representing 32.0 percent of total deposits in commercial banking organizations in the market. Stella Bank is the fourth largest commercial banking organization in the market, controlling deposits of $12.8 million, representing 9.4 percent of total deposits in commercial banking organizations in the market. Upon consummmation of this proposal, ARSEBECO would become the largest commercial banking organization in the market, controlling $56.3 million in deposits, representing 41.4 percent of total deposits in the market. The market would be considered highly concentrated with the post-consummation Herfindahl–Hirschman Index ("HHI") increasing 602 points to 3400.[3]

Although consummation of this proposal would eliminate some existing competition in the Richardson County market, several factors mitigate the potential anticompetitive effects of this proposal. The Board has considered as a significant factor Bank's financial condition and its ability to function as a viable competitor in the market. Stella Bank has suffered financial difficulties in recent years, and as a result, has not been a strong competitor in the market. As a part of this proposal, ARSEBECO has committed to increase the capital of Stella Bank to a level significantly above the Board's minimum capital adequacy guideline requirements. By restoring Stella Bank's capital, this acquisition should ensure Stella Bank's ability to service the convenience and needs of its community. In addition, the market is not attractive for entry by an entity outside of the market because of the market's small size and slow rate of growth.

In addition, the Board has considered the presence of two thrift institutions in this market in its analysis of this proposal. The Board has previously indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks.[4] Based upon size and market share of thrift institutions in the Richardson County banking market, the Board has concluded that thrift institutions exert a competitive influence that mitigates in part the anticompetitive effects of this proposal.[5] Accordingly, based on the facts of record in this case, the Board believes that consummation of the proposal would not have a significantly adverse effect on competition in any relevant market.

The financial and managerial resources and future prospects of ARSEBECO and Richardson Bank are consistent with approval. In light of ARSEBECO's proposed immediate capital injection and commitment of managerial resources to Stella Bank, its financial and managerial resources and future prospects will be enhanced. Thus, considerations relating to banking factors lend weight toward approval of this application.

The record of this application also indicates that this transaction would provide substantial benefits to the convenience and needs of the community by averting further deterioration of Stella Bank's financial condition. In this context, the Board concludes that the benefit of maintaining services to Bank's customers that could be derived from this proposal lends significant weight toward approval of this proposal and outweighs any anticompetitive effects that would result from consummation of the proposal.

Accordingly, based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. The acquisition of Stella Bank shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 14, 1989.

This action was taken pursuant to the Board's Rules Regarding Delegation of Authority (12 C.F.R. 265.1a(c)) by a committee of Board members. Voting for this action: Chairman Greenspan and Governors Kelley and LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

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

4. *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743 (1984); *The Chase Manhattan Corporation*, 70 FEDERAL RESERVE BULLETIN 529 (1984); *NCNB Bancorporation*, 70 FEDERAL RESERVE BULLETIN 225 (1984); *General Bancshares Corporation*, 69 FEDERAL RESERVE BULLETIN 802 (1983); and *First Tennessee National Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

5. If 50 percent of the deposits held by thrift institutions were included in the calculation of market concentration, Richardson Bank would control 27.1 percent of the market's deposits and Stella Bank would control 8.0 percent of the market deposits. The HHI would increase by 432 points to 2573.

Banknorth Group, Inc.
Burlington, Vermont

Order Approving the Formation and Merger of Bank Holding Companies and the Acquisition of Banking Subsidiaries

Banknorth Group, Inc., Burlington, Vermont ("Banknorth"), has applied for the Board's approval under section 3 of the Bank Holding Company Act (12 U.S.C. § 1842) ("BHC Act") to become a bank holding company and to acquire by merger Banknorth Group, Inc., Burlington, Vermont ("Old Banknorth") and Howard Bancorp, Burlington, Vermont ("Howard"), both bank holding companies within the meaning of the BHC Act (12 U.S.C. § 1841 *et seq.*).[1] Banknorth also proposes to acquire indirectly the banking subsidiaries of Old Banknorth and Howard.[2]

Notice of the applications, affording an opportunity for interested persons to submit comments, has been duly published (54 *Federal Register* 24,749 (1989)). 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(c) of the BHC Act.

Banknorth is a non-operating company formed for the purpose of acquiring Old Banknorth and Howard. Old Banknorth is the second largest of nineteen banking organizations in Vermont, controlling total deposits of $745 million, representing 15.6 percent of the total deposits in commercial banking organizations in the state.[3] Howard is the third largest banking organization in Vermont, controlling $663 million in deposits, representing 13.9 percent of the total deposits in commercial banking organizations in the state. Upon consummation of the proposal and all planned divestitures, Banknorth would become the largest banking organization in Vermont. It would control deposits of approximately $1.4 billion, representing 29.5 percent of the total deposits in commercial banking organizations in Vermont. Consummation of this proposal would not have a significant adverse effect upon the concentration of commercial banking resources in any relevant market.

Old Banknorth and Howard compete directly in the following three Vermont banking markets: Barre-Montpelier, Burlington-St. Albans, and Rutland. The Board previously has indicated that thrift institutions have become, or have the potential to become, important competitors of commercial banks.[4] In analyzing the competitive factors in each of these markets, the Board has considered the presence of a number of savings banks.

In the Barre-Montpelier market, Old Banknorth is the third largest of eight commercial banking organizations, controlling $72.3 million in deposits, representing 15.4 percent of total deposits in commercial banks in that market.[5] Howard is the largest commercial banking organization in the Barre-Montpelier market, controlling $150.4 million in deposits, representing 32.1 percent of total deposits in commercial banks in the market. Upon consummation of this proposal, Banknorth would become the largest commercial banking organization, controlling $222.7 million in deposits, representing 47.5 percent of the market share of commercial banks. Following consummation, seven commercial banks and two savings banks would remain in the market. The concentration ratio of the four largest commercial banking organizations in the Barre-Montpelier market would increase 13 percentage points to 93 percent and the Herfindahl–Hirschman

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1. Banknorth, a newly formed corporation, proposes to acquire all of the outstanding voting shares of Old Banknorth and Howard through an exchange of shares and a merger of each bank holding company with and into Banknorth.

2. Old Banknorth has two bank subsidiaries: First Vermont Bank and Trust Company, Brattleboro, Vermont, and Franklin-Lamoille Bank, St. Albans, Vermont. Howard has three bank subsidiaries: The Howard Bank, National Association, Burlington, Vermont; Woodstock National Bank, Woodstock, Vermont; and Granite Savings Bank and Trust Company, Barre, Vermont. Old Banknorth also indirectly controls a mortgage banking subsidiary. Banknorth has chosen not to seek approval of that subsidiary's activity and will consequently forfeit its authority to conduct mortgage banking activities through a nonbank subsidiary.

3. State deposit data are as of March 31, 1989, and market deposit data are as of June 30, 1987.

4. *Midwest Financial Group*, 75 FEDERAL RESERVE BULLETIN 386 (1989); *CB&T Bancshares, Inc.*, 75 FEDERAL RESERVE BULLETIN 381 (1989); *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743 (1984). The Board previously has indicated that, when analyzing the anticompetitive effects of a particular proposal, it may consider the competitiveness of thrift institutions at a level greater than 50 percent of thrift deposits when appropriate. *Fleet Financial Group, Inc.*, 74 FEDERAL RESERVE BULLETIN 62 (1988); *Hartford National Corporation*, 73 FEDERAL RESERVE BULLETIN 720 (1987). The consideration of thrift competition at such a level is appropriate to the competitive analysis of this proposal with respect to all the relevant markets. All but one of the thrifts in these markets are state chartered savings banks, empowered under Vermont law to exercise virtually the same powers enjoyed by commercial banks. Vt. Stat. Ann. tit. 8, § 606 (1988). These savings banks provide a full array of commercial banking services in addition to offering traditional thrift products. For example, these savings banks maintain commercial lending departments that employ several commercial lending officers, offer commercial and industrial loans and commercial real estate loans, and offer commercial demand deposit accounts. Moreover, the commercial lending activities of savings banks in these markets are significant. For savings banks in the relevant markets, the average ratio of commercial and industrial loans (other than those secured by real estate) to total assets is approximately 8.2 percent, well above the 2.5 percent average for thrifts on a nationwide basis.

5. The Barre-Montpelier market is approximated by Washington County, excluding the towns of Fayston, Waitsfield and Warren; and with the addition of the towns of Groton, Hardwick, Stannard, and Walden in Caledonia County and the towns of Chelsea, Orange, Topsham, Washington and Williamstown in Orange County.

Index ("HHI") would increase by 991 points to 2964.[6]

In order to mitigate the adverse competitive effects on competition in this market that would otherwise result from consummation of this proposal, Old Banknorth has committed to divest on or before consummation of the merger two of its banking offices in Barre-Montpelier to a party that does not compete in this market.[7] In light of the facts of record, including the divestiture plan, the number of competitors remaining in the market, and the competition offered by savings banks in this market, the Board has concluded that consummation of this proposal would not have a significant adverse effect on competition in the Barre-Montpelier market.

In the Rutland banking market, Banknorth would become the largest of seven commercial banking organizations upon consummation of proposal.[8] Several market characteristics mitigate the anticompetitive effects of the proposal. Seven commercial banks and three savings banks would remain in the market following consummation. The Rutland market also is relatively attractive for entry, as evidenced by the 1988 *de novo* establishment of a savings bank branch in the market by an outside competitor. Moreover, the Rutland market has exhibited a trend toward deconcentration.[9] In light of the facts of record, including the number of competitors remaining in the market and the competition offered by savings banks in this market, the Board concludes that consummation of this proposal would not have a significant adverse effect on competition in the Rutland market.

In the Burlington-St. Albans market, Banknorth would become the largest of seven commercial banking organizations.[10] Following consummation, six commercial banks and two savings banks would remain in the market. The Burlington-St. Albans market also exhibits an attractiveness of entry that mitigates possible anticompetitive effects of the proposal. The market encompasses Vermont's largest Metropolitan Statistical Area and compares favorably to the rest of the state in terms of population growth, per capita household income, and total deposits per branch.[11] In addition, a *de novo* savings bank branch was established in the market in 1988. In light of the facts of record, including the number of competitors remaining in the market and the competition offered by savings banks in this market, the Board concludes that consummation of this proposal would not have a significant adverse effect on competition in the Burlington-St. Albans market.

The Board also has considered the effects of the proposal on probable future competition in markets in which Old Banknorth and Howard do not compete. In

6. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is above 1800 is considered highly concentrated. In such markets, the Department is likely to challenge a merger that increases the HHI by more than 50 points. The Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

7. The Board's policy regarding divestitures intended to remedy anticompetitive effects of a merger or acquisition proposal requires that such divestitures must occur on or before consummation. *Fleet Financial Group, Inc.*, 74 FEDERAL RESERVE BULLETIN 62 (1988); *Barnett Banks of Florida, Inc.*, 68 FEDERAL RESERVE BULLETIN 190 (1982). Upon consummation of this proposal with planned divestitures of these offices, which control deposits of $55.8 million, Banknorth would become the largest commercial banking organization in the market, controlling deposits of $166.8 million, representing 35.6 percent of the market. The four-firm concentration ratio would decline 3 points to 77 and the HHI would increase 225 points to 2116. Assuming the inclusion in *pro forma* market concentration calculations of 100 percent of Barre-Montpelier market savings banks deposits, Banknorth's market share would be 25.5 percent and the HHI would increase by 116 points to 1720.

8. The Rutland banking market is approximated by Rutland County, excluding the towns of Danby, Pawlet and Wells; and with the addition of the town of Goshen in Addison County. Old Banknorth is the third largest of eight commercial banking organizations in this market, controlling $78.8 million in deposits, which represents 15.9 percent of the total deposits in commercial banks. Howard is the fourth largest commercial banking organization, controlling $76.3 million in deposits, which represents 15.4 percent of the total deposits in commercial banks. Following consummation, the four-firm concentration ratio would increase 11 percentage points to 90 percent and the HHI would increase 489 points to 2294. Assuming the inclusion in *pro forma* market concentration calculations of 100 percent of the deposits held by Rutland market savings banks, Banknorth would rank second in the market, with a market share 22.9 percent. The four-firm concentration ratio would increase 11 percentage points to 82 percent and the HHI would increase 266 points to 1835.

9. The HHI for commercial banking organizations declined by 278 points between 1983 and 1987.

10. Based on facts of the record, including a recent market survey, the former separate banking markets of Burlington and St. Albans have been reconstituted into the new, combined market of Burlington-St. Albans. The Burlington-St. Albans banking market is approximated by the Burlington Ranally Metropolitan Area, Franklin County, and the towns of Monkton and Starksboro in Addison County; Bolton, Buel's Gore, Huntington, Underhill, and Westford in Chittenden County; Alburg, Grand Isle, and Isle La Motte in Grand Isle County; and Belvidere, Cambridge and Waterville in Lamoille County. Old Banknorth is the fourth largest of seven commercial banking organizations in this market, controlling $129.3 million in deposits, which represents 11.5 percent of the total deposits in commercial banks. Howard is the second largest commercial banking organization, controlling $253.1 million in deposits, which represents 22.5 percent of the total deposits in commercial banks. After consummation, the four-firm concentration ratio would increase 7 percentage points to 93 percent and the HHI would increase 519 points to 2680. Assuming the inclusion in *pro forma* market concentration calculations of 100 percent of the deposits of Burlington-St. Albans market savings banks, Banknorth would rank first, with a market share of 29.3 percent. The four-firm concentration ratio would increase seven points to 81 and the HHI would increase 216 points to 1880.

11. Between 1980 and 1986, population increased 7.8 percent in the market compared to 5.8 percent in Vermont as a whole. In 1986, per capita household income was $14,238 in the market versus $13,342 in Vermont. Total deposits per banking office were $24.5 million in the market versus $23.6 million in Vermont.

light of the market concentration and the number of probable future entrants into those markets, the Board concludes that consummation of this proposal would not have a significant adverse effect on probable future competition in any relevant market.

The financial and managerial resources of Old Banknorth and Howard and their subsidiaries are consistent with approval. No additional debt will be incurred in connection with the proposal. Considerations relating to the convenience and needs of the communities to be served by Banknorth's proposed subsidiary banks also are consistent with approval of this application.

Accordingly, based on the foregoing and other facts of the record, including Old Banknorth's divestiture commitments, the Board has determined that the applications should be, and hereby are, approved. The proposal shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Boston, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 14, 1989.

This action was taken pursuant to the Board's Rules Regarding Delegation of Authority (12 C.F.R. 265.1a(c)) by a committee of Board members. Voting for this action: Chairman Greenspan and Governors Kelley and LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

B.M.J. Financial Corp.
Bordentown, New Jersey

Order Approving Acquisition of Bank and Membership in the Federal Reserve System

B.M.J. Financial Corp., Bordentown, New Jersey ("B.M.J. Financial"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares of Bank of Delaware Valley, Fairless Hills, Pennsylvania ("Bank"), a *de novo* commercial bank. Bank also has applied, pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321 *et seq.*), and section 208.4 of the Board's Regulation H (12 C.F.R. 208.4), to become a member of the Federal Reserve System.

Notice of the application under the BHC Act, affording interested persons an opportunity to submit comments, has been given in accordance with section 3(b) of the BHC Act (54 *Federal Register* 24,593 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act (12 U.S.C. § 1842(c)).

Section 3(d) of the BHC Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire a bank located outside of the bank holding company's home state, unless such acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication." 12 U.S.C. § 1842(d).

In 1986, the Pennsylvania legislature authorized reciprocal acquisitions of Pennsylvania banking institutions by out-of-state bank holding companies under certain conditions.[1] New Jersey's interstate banking statute has been explicitly recognized by the Pennsylvania legislature to be reciprocal with Pennsylvania's laws as the New Jersey law existed on March 31, 1986,[2] and B.M.J. Financial's proposal appears to meet the conditions of Pennsylvania law.

B.M.J. Financial is the 15th largest commercial banking organization in New Jersey, controlling deposits of $641 million, which represents approximately .91 percent of the total deposits in commercial banking organizations in the state.[3]

Bank, a *de novo* institution, is being organized as a state-chartered member bank. It will provide a broad range of commercial banking services in the Philadelphia/Trenton market.[4] In view of the *de novo* status of Bank and based upon the facts of record, the Board concludes that the proposed transaction would have no adverse effects on existing or future competition, nor would it increase the concentration of resources in any relevant market. In addition, the financial and

1. These conditions include:
(i) reciprocal acquisition rights for Pennsylvania bank holding companies;
(ii) for acquisitions before March 4, 1990, location within a defined region (which includes New Jersey) and 75 percent of the acquiring bank holding company's deposits within the defined region;
(iii) a limitation on the number of Pennsylvania institutions owned by an out-of-state bank holding company to the number of institutions permitted for a Pennsylvania bank holding company (currently four); and
(iv) approval by the Pennsylvania Department of Banking. *See*, 7 Penn. Stat. § 116(b). The Board's approval is conditional upon B.M.J. Financial obtaining approval from the appropriate state regulatory authorities.

2. 7 Penn. Stat. § 116(c)(iv). There have been no substantive amendments to New Jersey law that would affect this determination.

3. Deposit and asset data are as of December 31, 1988.

4. The Philadelphia/Trenton market is approximated by Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pennsylvania; and Burlington, Camden, Gloucester, and Mercer Counties, New Jersey. Bank's primary service area includes Falls Township, Middletown, Lower Makefield, and Bristol Township, Pennsylvania.

managerial resources of B.M.J. Financial and its subsidiaries are consistent with approval.

In considering the convenience and needs of the community to be served, the Board has taken into account the record of B.M.J. Financial's banks under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires that federal bank supervisory agencies encourage financial institutions to help meet the credit needs of the local communities in which they operate consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution." The Board is required to "take such record into account in its evaluation" of applications under section 3 of the BHC Act.

In this regard, the Board has received comments from the Affordable Housing Coalition of Burlington County, Inc., Mount Holly, New Jersey ("Coalition").[5] Coalition is a group of individuals and organizations concerned about affordable housing. Coalition has alleged that the CRA records of B.M.J. Financial's lead bank, Bank of Mid-Jersey, Bordentown, New Jersey ("Mid-Jersey"), and one of its other subsidiary banks, Mount Holly State Bank, Mount Holly, New Jersey ("Mount Holly"), are deficient, particularly with regard to the banks' participation in programs sponsored by the New Jersey Mortgage and Finance Agency, FHA, FMHA, and VA loan programs, support of community reinvestment and community development, and initiatives to ascertain the credit needs of their surrounding communities. Coalition also has challenged the appropriateness of B.M.J. Financial's CRA Statement and training programs. Finally, Coalition claims B.M.J. Financial has participated in very few isolated programs sponsored by non-profit groups.

The Board has reviewed the CRA record of the banks in accordance with its practice and procedure. The Board notes that the three subsidiary banks of B.M.J. Financial have received satisfactory CRA assessments from their primary supervisory agencies. There is no indication of any pattern of discrimination by B.M.J. Financial's bank subsidiaries. The primary bank supervisors have examined the CRA Statements of the banks and have determined the Statements are satisfactory. B.M.J. Financial's banks have established Advisory Boards to ascertain the credit needs of their communities.

Mid-Jersey is an active participant in the New Jersey Higher Education Assistance Agency in its lending activities for student loans. Mid-Jersey also holds municipal security obligations, which provide financial assistance to local communities in New Jersey. Mid-Jersey has received an award for its participation in the Bordentown City-Farnsworth Avenue Revitalization Program, a neighborhood preservation program sponsored by the New Jersey Department of Community Affairs. This program provides interest-free loans and grants for the renovation of business and residential real estate in the City of Bordentown.

Mount Holly participates in loan programs sponsored by the New Jersey Mortgage Finance Agency, Small Business Administration, and Guaranteed Student Loan Association. In addition, Mount Holly participates in a Burlington County sponsored small business loan guarantee program. Mount Holly also has provided construction loans to a builder of low-cost housing. Additionally, Mount Holly has extended credit to churches, synagogues, and local community service organizations. Mount Holly's awareness of the credit needs of its community is maintained by direct involvement with civic organizations and personal contact between bank officers and government officials. Mount Holly has advised appropriate community officials of its interest in participating in community development programs in its community and is involved in aspects of program planning and implementation.[6]

In order to ensure B.M.J. Financial and its subsidiary banks continue to comply with the policies of the CRA, an officer of B.M.J. Financial has been appointed to coordinate the CRA efforts of the banks to ensure that every effort is made to ascertain the needs of their communities. This will be in addition to the

5. The League of Women Voters of the Moorestown Area, Moorestown, New Jersey, has filed a statement supporting this protest. The Fair Lending Coalition of New Jersey, Newark, New Jersey, also submitted a letter in support of this protest. In addition, the Fair Lending Coalition submitted comments urging the Board to deny the application on the same grounds as those submitted by Coalition.

6. The Board has previously recognized that participation in these types of programs is an effective means for assuring that the services of depository institutions reach low- and moderate-income segments of the communities served by these institutions (*see, e.g., Bank of Ireland*, 75 FEDERAL RESERVE BULLETIN 39, 41 (1989)), and recently affirmed this position in the Community Reinvestment Act Statement released jointly by the federal depository institutions regulatory agencies on March 21, 1989. 54 *Federal Register* 13,742 (1989). As noted in the Statement, federal agencies will continue to consider favorably financial-institution leadership in concerted efforts to improve low- and moderate-income areas in the community and participation by financial institutions in public and private partnerships to promote economic and community development efforts.

Advisory Boards B.M.J. Financial already has in place. B.M.J. Financial also will take steps to better inform all individuals of the services offered by its banks.

Finally, B.M.J. Financial has committed to explore the possibility of lower than market mortgage and home improvement loans.

On the basis of the record in this case, including the past CRA performance of B.M.J. Financial and its subsidiary banks and its commitments and plans for future action, the Board concludes that considerations relating to the convenience and needs of the community to be served are consistent with approval.

Bank has applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321 *et seq.*), and section 208 of the Board's Regulation H (12 C.F.R. 208.4), to become a member of the Federal Reserve System upon consummation of the acquisition. The Board has considered the factors it is required to consider when approving applications for membership pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 322) and section 6 of the Federal Deposit Insurance Act (12 U.S.C. § 1816), and finds those factors to be consistent with approval. Bank appears to meet all of the criteria for admission to membership, including capital requirements and considerations related to management, character and quality. Accordingly, Bank's application to become a member of the Federal Reserve System is approved.

On the basis of the entire record, including the commitments of B.M.J. Financial, the section 3 application to acquire control of Bank and the section 9 application to become a member of the Federal Reserve System are approved for the reasons summarized above. This approval is conditional upon approval from the appropriate state regulatory authorities. The proposal shall not be consummated before the 30th calendar day following the effective date of this Order, or later than three months after the effective date of this Order, and Bank shall be open for business not later than six months after the effective date of this Order. The latter two periods may be extended for good cause by the Board or the Federal Reserve Bank of Philadelphia, pursuant to delegated authority.

By order of the Board of Governors, effective August 14, 1989.

This action was taken pursuant to the Board's Rules Regarding Delegation of Authority (12 C.F.R. 265.1a(c)) by a committee of Board members. Voting for this action: Chairman Greenspan and Governors Kelley and LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Equimark Corporation
Pittsburgh, Pennsylvania

Order Approving Acquisition of a Bank Holding Company

Equimark Corporation ("Equimark") and EquiManagement, Inc. ("EquiManagement"), both of Pittsburgh, Pennsylvania (collectively "Applicants"), bank holding companies within the meaning of the Bank Holding Company Act (the "BHC Act"), have applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire up to 42.4 percent of National Bancshares Corporation of Texas, San Antonio, Texas ("NBC"),[1] and to control NBC through a management agreement approved by the FDIC and NBC that provides Equimark and EquiManagement with certain general control over the daily operations of NBC.

NBC, with total assets of approximately $2.2 billion,[2] has 12 bank subsidiaries. The FDIC has determined that the bank subsidiaries of NBC are in danger of closing and is providing assistance to NBC pursuant to section 13(c) of the Federal Deposit Insurance Act, as amended (12 U.S.C. § 1823(c)). The FDIC solicited offers for the acquisition of NBC from qualified bidders. On July 21, 1989, the FDIC selected Applicants' bid for NBC, and advised that Applicants had been selected as the winning bidder. The FDIC recommended expeditious action on these applications by the Board. The OCC has also recommended approval of the transaction.

In view of this situation and the need for expeditious action to protect the interest of NBC's depositors, it has been determined, pursuant to section 3(b) of the BHC Act (12 U.S.C. § 1842(b)), section 225.14(h) of the Regulation Y (12 C.F.R. 225.14(h)), and section 262.3(l) of the Board's Rules of Procedure (12 C.F.R. 262.3(l)), to dispense with the notice provisions of the BHC Act.

Under section 3(d) of the BHC Act (12 U.S.C. § 1842(d)), the Douglas Amendment, a bank holding company generally may not be allowed to acquire control of any bank located outside of the holding

1. In connection with these applications, LTL Acquisition Corporation, San Antonio, Texas, has applied to become a bank holding company through the acquisition of the twelve subsidiary banks of NBC. Equimark proposes to acquire 32.4 percent of the voting shares of LTL Acquisition Corporation and EquiManagement proposes to acquire 10 percent of the voting shares of LTL Acquisition Corporation.

2. Asset data are as of March 31, 1989.

company's principal state of operations.[3] Applicants, with approximately $3.5 billion in total assets as of March 31, 1989, are bank holding companies that principally operate in Pennsylvania for purposes of the Douglas Amendment. As noted above, NBC is located in Texas.

Effective January 1, 1987, Texas enacted an interstate banking statute that permits out-of-state bank holding companies to acquire established Texas banks and bank holding companies under certain conditions. Action on these applications is specifically conditioned on Applicants' compliance with any and all applicable laws of the State of Texas. Accordingly, the provisions of section 3(d) of the BHC Act and of any relevant state law will not bar approval of the proposed transaction.

In evaluating an application under section 3 of the BHC Act, the Board is required to consider the financial and managerial resources and future prospects of the companies involved, the effect of the proposal on competition, and the convenience and needs of the communities to be served. Under the proposal, Applicants will provide NBC with new management officials. The agreement in principle between Applicants and the FDIC will recapitalize NBC, and permit NBC to continue to provide a full range of services to its customers.

Based on these and all of the other facts of record, including the bid proposal made by Applicants and accepted by the FDIC, and Applicants' stated intent to raise substantially more equity capital than the amount of its investment in NBC, the financial and managerial resources and future prospects of Applicants, their subsidiaries, NBC and its subsidiaries are consistent with approval of these applications. The benefits to the convenience and needs of the communities in Texas of maintaining NBC as a viable competitor in Texas weigh in favor of approval of these applications.

Applicants have no banking offices in Texas and have no nonbanking offices in any relevant market. Accordingly, consummation of the proposal would not increase the concentration of banking resources or have any significant adverse effects on competition in Texas or any other relevant market.

Based on the foregoing and all of the facts of record, the General Counsel and the Staff Director of the Division of Banking Supervision and Regulation have determined, acting pursuant to authority specifically delegated by the Board in this case, that the applications under section 3 of the BHC Act should be, and hereby are, approved. This action is limited to approval of the transaction according to the terms and conditions of Applicants' bid as presented to the Federal Reserve System, and any significant change in those terms or conditions may require further review by the Board.

The FDIC has informed the Board that expeditious action on Applicants' proposal is necessary in order to permit Applicants to assume control of NBC and continue to operate NBC as a viable competitor serving its communities. In light of these and all the facts of record in this case, the General Counsel and the Staff Director of the Division of Banking Supervision and Regulation, acting pursuant to authority delegated by the Board, have determined, in accordance with section 11(b) of the BHC Act, that expeditious action on these applications is necessary and that Applicants may immediately acquire control of NBC and may consummate their proposed investment in NBC on or after the fifth calendar day following the effective date of this Order. The transaction shall not be consummated later than three months after the effective date of this Order, unless the period for consummation is extended for good cause by the Board or the Federal Reserve Bank of Cleveland under delegated authority.

By order, approved pursuant to authority delegated by the Board, effective August 23, 1989.

WILLIAM W. WILES
Secretary of the Board

3. A bank holding company's principal state of banking operations is the state in which the operations of the bank holding company's banking subsidiaries were principally conducted on the later of July 1, 1966, or the date on which the company became a bank holding company.

First Interstate Bancorp
Los Angeles, California

First Interstate Bank of California
Los Angeles, California

Order Approving Acquisition of a Bank and Merger of Banks

First Interstate Bancorp, Los Angeles, California, a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all of the voting shares of Bank of Alex Brown, Sacramento, California, and Meridian National Bank, Concord, California. In addition, First Interstate Bank of California, Los Angeles, California ("First Interstate Bank"), a state member banking subsidiary of First Interstate Bancorp, has applied for the Board's approval under the Bank Merger Act (12 U.S.C.

§ 1828(c)) to merge with Bank of Alex Brown under the charter and title of First Interstate Bank.[1]

Notice of the applications under the BHC Act and the Bank Merger Act, affording interested persons an opportunity to submit comments, has been given in accordance with the BHC Act, the Bank Merger Act, and the Board's Rules of Procedure (12 C.F.R. 262.3(b)) (54 *Federal Register* 11,076 (1989) and 54 *Federal Register* 24,751 (1989)). As required by the Bank Merger Act, reports of the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors and considerations set forth in section 3(c) of the BHC Act and the Bank Merger Act.

First Interstate Bancorp is the fourth largest of 420 banking organizations in California, controlling $16.4 billion in deposits, which represents 8.33 percent of total deposits in commercial banks in the state.[2] Bank of Alex Brown and Meridian National Bank, combined, rank 37th in California, with $340 million in deposits, which represents 0.17 percent of total deposits in commercial banks in the state. Upon consummation of the proposed merger, First Interstate Bancorp would remain the fourth largest commercial banking organization in California, controlling $16.7 billion in deposits, representing 8.5 percent of total deposits in commercial banks in the state. Consummation of the proposal would not have any significant adverse effect on the concentration of banking resources in California.

Applicant competes with Bank of Alex Brown and Meridian National Bank (together referred to as "Banks") in the Sacramento, San Francisco-Oakland, and Auburn banking markets in California.[3] Applicant is the third largest of 31 commercial banking organizations in the Sacramento market, with deposits of $377 million, representing 6.9 percent of total deposits in commercial banks in the market ("market deposits"). On a combined basis, Banks would be the seventh largest commercial banking organization in the Sacramento market, with deposits of $154 million, representing 2.8 percent of market deposits. Upon consummation, Applicant would remain the third largest commercial banking organization in the market, controlling $531 million in deposits, or 9.7 percent of market deposits. The Sacramento market is considered concentrated, with a Herfindahl–Hirschman Index ("HHI") of 1877, which would increase by 38 points to 1915 upon consummation of the proposal.[4]

Applicant is the third largest of 94 commercial banking organizations in the San Francisco-Oakland market, with deposits of $2.73 billion, representing 5.1 percent of market deposits. On a combined basis, Banks would rank 31st in the San Francisco-Oakland market, with deposits of $100 million, representing 0.2 percent of market deposits. Upon consummation, Applicant would remain the third largest commercial banking organization in the market, controlling $2.83 billion in deposits, or 5.3 percent of market deposits. The San Francisco-Oakland market is considered concentrated, with an HHI of 2085, which would increase by 2 points to 2087 upon consummation.

Applicant ranks sixth out of seven commercial banking organizations in the Auburn banking market, with deposits of $16.6 million, representing 5.4 percent of market deposits. On a combined basis, Banks would be the fourth largest commercial banking organization in the Auburn market, with deposits of $22.8 million, representing 7.3 percent of market deposits. Upon consummation, Applicant would become the fourth largest commercial banking organization in the market, controlling $39.4 million in deposits, or 12.7 percent of market deposits. The Auburn market is considered concentrated, with an HHI of 2418, which would increase by 79 points to 2497 upon consummation.

On the basis of the foregoing, the Board concludes that consummation of the proposal would not have a significant adverse effect on competition in any of these markets or in any other relevant banking market.

1. First Interstate Bank proposes to effect the merger through a series of transactions. First, a wholly owned subsidiary of First Interstate Bank will merge into Alex Brown Financial Group, the parent bank holding company of Bank of Alex Brown and Meridian National Bank. Immediately after the merger, Alex Brown Financial Group will be dissolved and liquidated into First Interstate Bank, and First Interstate Bank will transfer all of the outstanding shares of Meridian National Bank to First Interstate Bancorp. Bank of Alex Brown will then be merged into First Interstate Bank.

2. Deposit, state ranking, and market data are as of June 30, 1987.

3. The Sacramento banking market is comprised of the Sacramento Rand McNally Metropolitan Area ("RMA"). The San Francisco-Oakland banking market is comprised of the San Francisco-Oakland RMA. The Auburn banking market is comprised of the southwest portion of Placer County around Auburn, which includes the cities of Auburn, Foresthill, Lincoln, Colfax, and Meadow Vista in southwest Placer County.

4. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), a market in which the post-merger HHI is above 1800 is considered highly concentrated. In such markets, the Department of Justice is unlikely to challenge a merger or acquisition if the increase in the HHI is less than 50 points. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognizes the competitive effect of limited purpose lenders and other non-depository financial entities.

The increase in concentration resulting from the proposal in each market is minimal, and in each market, a significant number of competitors would remain after consummation. In addition, the presence of thrift institutions in these markets further mitigates any anticompetitive effects in the markets.[5] The Board also does not believe that the consummation of the proposal would have a significant adverse effect on probable future competition in any relevant market.

The Board has considered several factors that bear on the assessment of financial factors in this case. First, Applicant proposes to acquire Banks through a cash purchase amounting to approximately $41 million, which will result in only a slight lessening of the overall capital strength of Applicant. Following the acquisition of Banks, Applicant's capital ratios will remain above the minimum levels specified in the Board's Capital Adequacy Guidelines. Furthermore, the Board notes that Applicant has issued $225 million in perpetual preferred stock this year in order to strengthen its capital position. Finally, Applicant projects, and the Board expects Applicant to achieve, continued improvement in its equity capital position.

Accordingly, on the basis of the above considerations, the Board concludes that financial factors are consistent with approval of this proposal. Managerial resources, convenience and needs considerations, and future prospects of Applicant and Banks are also consistent with approval.

First Interstate Bank will acquire, as part of the merger, Alex Brown Development Corporation ("ABDC"), a wholly owned subsidiary of Bank of Alex Brown. ABDC engages, through two joint ventures, in real estate development activities authorized by state law. These investments represent more than five percent of the outstanding voting shares of the joint ventures and involve the conduct of activities that are not permissible under section 4 of the BHC Act.[6] The investments also are not permissible under section 225.22(d)(2) of Regulation Y (relating to activities conducted by nonbank subsidiaries of holding company state banks), because the joint ventures are not wholly owned by ABDC as required under that regulation.[7] Accordingly, First Interstate Bank has committed to divest these investments within two years of the effective date of the merger.

Based on the foregoing and other facts of record, the Board has determined that the applications under the Bank Merger Act and section 3 of the BHC Act should be, and hereby are, approved. The transactions shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 1, 1989.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, and Kelley. Voting against this action: Governor Angell. Absent and not voting: Governors Heller and LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Dissenting Statement of Governor Angell

Applicant's proposal involves a cash acquisition that is not supported through the issuance of new common equity capital. While the acquisition is small in relation to the size of Applicant, the acquisition contemplated is the last in a series of cash acquisitions that in the aggregate may not be considered *de minimis*. I recognize that Applicant has raised some capital to strengthen its overall capital position, and that Applicant has projected further strengthening of its capital position. I would not permit proposals such as this, however, unless the applicant has taken or will take action before consummation to raise additional common equity to offset the purchase price of the acqui-

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5. The Board has previously indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743 (1984); *NCNB Bancorporation*, 70 FEDERAL RESERVE BULLETIN 225 (1984); *General Bancshares Corporation*, 69 FEDERAL RESERVE BULLETIN 802 (1983); *First Tennessee National Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

If 50 percent of the deposits controlled by thrift institutions were included in the calculation of market concentration, Applicant and, on a combined basis, Banks, would control 4.9 percent and 2.0 percent, respectively, of market deposits in the Sacramento market. The HHI for the Sacramento market would increase by 20 points to 1071 upon consummation of the proposal. In the San Francisco-Oakland banking market, Applicant would control 3.8 percent and Banks, on a combined basis, would control 0.14 percent of market deposits. The HHI for the San Francisco-Oakland market would increase by 1 point to 1204 upon consummation. In the Auburn banking market, Applicant would control 3.3 percent and Banks, on a combined basis, would control 4.5 percent of market deposits. The HHI for the Auburn market would increase by 30 points to 1201 upon consummation.

6. *Security Pacific Corporation*, 72 FEDERAL RESERVE BULLETIN 800 (1986).

7. 12 C.F.R. 225.22(d)(2). The Board adopted this regulation in 1971 in the absence of evidence that acquisitions by holding company banks were resulting in evasions of the purposes of the BHC Act. Board Press Release dated May 13, 1971, 36 *Federal Register* 9292 (May 22, 1971). The Board, however, stated that it would review the continued merits of the regulation from time to time in light of experience in administering the BHC Act. *Id.* In December 1988, in light of a number of developments, the Board asked for comment on whether to retain or rescind this regulation. 53 *Federal Register* 48,915 (1988). The comment period on the proposal ended on April 28, 1989, and the matter is under review by the Board.

sition. I therefore am unable to agree with the Board's decision to approve this application.

August 3, 1989

F.N.B.A. Holding Company, Inc.
North Miami, Florida

Order Denying Formation of a Bank Holding Company

F.N.B.A. Holding Company, Inc., North Miami, Florida ("FNBA"), has applied for the Board's approval pursuant to section 3(a)(1) of the Bank Holding Company Act ("Act") (12 U.S.C. § 1841 *et seq.*), to become a bank holding company by acquiring 100 percent of the voting shares of First National Bank of Arvada, Arvada, Colorado ("Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (54 *Federal Register* 21,667 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act.

FNBA is a non-operating company formed for the purpose of acquiring Bank. Bank is the 108th largest commercial banking organization in Colorado, controlling deposits of $42 million, representing less than one percent of the total deposits in commercial banking organizations in the state.[1] Bank is the 34th largest commercial banking organization in the Denver/Boulder banking market,[2] controlling less than one percent of the total deposits in commercial banking organizations in the market.

In evaluating this application, the Board is required, under section 3 of the Act, to consider the financial and managerial resources of FNBA and Bank and the effect of the proposed acquisition on the future prospects of Bank and applicant organization. The Board previously has stated that a bank holding company should serve as a source of financial and managerial strength to its subsidiary banks, and that the Board would closely examine the condition of an applicant and its subsidiaries in each case with this consideration in mind.[3]

The Board notes that Bank is in weakened financial condition and is in need of financial and managerial support.[4] In this regard, Bank's capital position is not consistent with capital adequacy quidelines after consideration of all relevant factors. In the Board's view, the record does not support a finding that FNBA has either the financial or managerial resources to support Bank, particularly given its need for additional capital. The proposal does not involve any addition to Bank's capital nor has FNBA submitted a plan to improve the condition of Bank. In addition, as noted above, FNBA is a non-operating holding company, and does not appear to have sufficient resources itself to provide financial assistance to Bank. In its examination of the full record of this case, the Board has also reviewed the financial resources of the principals of FNBA. This review has not mitigated the Board's concerns regarding FNBA's inability to act as a source of financial strength.

The Board also notes that the principals of FNBA are private investors who do not have relevant experience in managing a bank. This deficiency is of significance when, as in this case, the subsidiary is in a weakened financial condition. These facts raise concerns regarding the future prospects of Bank if acquired by FNBA under its current proposal.[5]

Based on all of the facts of record in this case, the Board finds that financial and managerial considerations are not consistent with approval of the application.

Considerations relating to competitive factors and the convenience and needs of the community to be served are consistent with, but are not sufficient to warrant, approval of the application.

On the basis of the facts of record, the Board concludes that the banking considerations involved in this proposal present adverse factors bearing upon the financial and managerial resources and future prospects of FNBA and Bank. Such adverse factors are not outweighed by any pro-competitive effects or by significant benefits that would better serve the convenience and needs of the community. Accordingly, it is the Board's judgment that approval of the application would not be in the public interest and that the application should be, and hereby is, denied.

1. State banking data and market data are as of December 31, 1987.
2. The Denver/Boulder banking market includes the Denver RMA and the Boulder RMA.
3. *See St. Croix Valley Bancshares, Inc.*, 75 FEDERAL RESERVE BULLETIN 575 (1989).

4. In 1988, the shares of Bank were acquired by a bank subsidiary of a large bank holding company ("Company") in satisfaction of a debt previously contracted. Since Company acquired Bank, Company has been involved in the implementation of various policies and procedures at Bank that have improved Bank's lending function, and has provided Bank with management guidance. Company has not provided Bank with capital, however.
5. The Board has stated that the requirement that a bank holding company act as a source of strength policy may be modified or delayed in the case of a one bank holding company formation. However, no exception can be made when, as in this case, the bank to be acquired is in weakened condition. Policy Statement on the Assessment of Financial Factors in the Formation of One Bank Holding Companies, 12 C.F.R. 225, appendix C.

By order of the Board of Governors, effective August 28, 1989.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Kelley, and LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

The Summit Bancorporation
Summit, New Jersey

Order Approving Acquisition of Shares of a Bank Holding Company

The Summit Bancorporation, Summit, New Jersey ("Summit"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3(a)(3) of the BHC Act, 12 U.S.C. § 1842(a)(3), to acquire up to 9.9 percent of the voting shares of Central Jersey Bancorp, Freehold, New Jersey ("Central Jersey").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (54 *Federal Register* 24,753 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received, including comments submitted by Central Jersey in opposition to this proposal, in light of the factors set forth in section 3(c) of the BHC Act.

Central Jersey argues that this application should be denied because it represents a minority investment by a bank holding company in a bank or bank holding company.[1] The Board, however, has previously approved the acquisition by a bank holding company of less than a controlling interest in a bank, noting that "nothing in section 3(c) of the [BHC] Act requires denial of an application solely because a bank holding company proposes to acquire less than a controlling interest in a bank or bank holding company."[2] The Board has also noted that the requirement in section 3(a)(3) of the BHC Act that the Board's prior approval be obtained before a bank holding company acquires more than 5 percent of the voting shares of a bank also suggests that Congress contemplated the acquisition by bank holding companies of between 5 percent and 25 percent of the voting shares of banks. For these reasons, the Board concludes that the purchase by Summit of less than a controlling interest in Central Jersey is not a factor that, by itself, justifies denial of this application.[3]

Central Jersey also contends that approval of the application would permit Summit to control Central Jersey because no other shareholder owns more than 5 percent of the outstanding common stock of Central Jersey, and the ownership interest by Summit would allow it to block or approve certain extraordinary transactions under the bylaws of Central Jersey.[4] As part of this proposal, Summit has made a number of commitments to address this concern. In particular, Summit has committed that it will not, without the Board's prior approval:

(1) exercise or attempt to exercise a controlling influence over the management or policies of Central Jersey or its bank subsidiary;
(2) have or seek to have any employees or representative serve as an officer, agent or employee of Central Jersey or its bank subsidiary;
(3) take any action causing Central Jersey or its bank subsidiary to become a subsidiary of applicant;
(4) acquire or retain shares that would cause the combined interest of applicant and its officers, directors and affiliates to equal or exceed 25 percent of the outstanding voting shares of Central Jersey;
(5) propose a director or slate of directors in opposition to a nominee or slate of nominees proposed by

1. Additionally, Central Jersey expresses concerns about the manner in which Summit has chosen to finance this acquisition and alleges that this proposal may have an adverse effect on Summit's financial condition. Central Jersey also maintains that approval of this application may encourage large and speculative investments that may adversely affect the safety and soundness of other bank holding companies. In addition, Central Jersey points out that although the Board's past authorizations of minority investments by bank holding companies may be justified as a prelude to potential full acquisition, Central Jersey contends that Summit appears to lack the financial resources necessary to acquire all of the voting shares of Central Jersey. The Board has reviewed this application in light of these comments and concludes that these comments do not warrant denial of this proposal, and that financial and managerial considerations regarding Summit are consistent with approval.

2. *Midlantic Banks, Inc.*, 70 FEDERAL RESERVE BULLETIN 776, 776–77 (1984)(acquisition of 24.9 percent of the voting shares of a bank holding company). *See, e.g., Comerica Inc.*, 69 FEDERAL RESERVE BULLETIN 911 (1983)(acquisition of 21.6 percent of the voting shares of a bank); *State Street Boston Corporation*, 67 FEDERAL RESERVE BULLETIN 862, 863 (1981)(acquisition of 16.6 percent of the voting shares of a bank holding company); *Lincoln National Company*, 63 FEDERAL RESERVE BULLETIN 405 (1977)(acquisition of 9.9 percent of the voting shares of a bank); and *First Piedmont Corporation*, 59 FEDERAL RESERVE BULLETIN 456 (1973)(acquisition of 9.5 percent of the voting shares of a bank).

3. The ability of Summit to purchase all of the voting shares of Central Jersey is not an issue at this time. Summit has applied to acquire up to a total of 9.9 percent of the voting shares of Central Jersey. Any further investment by Summit in the voting shares of Central Jersey would require Board approval. In addition, in the event that Summit proposes otherwise to acquire control of Central Jersey in the future, it must obtain the Board's prior approval. If Summit makes such a proposal, the Board will at that time reexamine the effects of the proposal under the factors set forth in section 3(c) of the BHC Act.

4. Based upon a review of Central Jersey's bylaws, it does not appear that, with 9.9 percent of Central Jersey's common shares, Summit will be able to block or approve certain extraordinary transactions under Central Jersey's bylaws.

the management or board of directors of Central Jersey;
(6) attempt to influence the dividend policies or practices of Central Jersey or its bank subsidiary;
(7) solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of Central Jersey;
(8) attempt to influence the loan and credit decisions or policies of Central Jersey and its bank subsidiary, the pricing of services, any personnel decision, the location of any offices, branching, the hours of operation, or similar activities of Central Jersey and its bank subsidiary;
(9) dispose or threaten to dispose of shares of Central Jersey in any manner as a condition of specific action or nonaction by Central Jersey;
(10) enter into any other banking or nonbanking transactions with Central Jersey, except that applicant may establish and maintain deposit accounts with bank subsidiaries of Central Jersey, provided that the aggregate balances of all such accounts do not exceed $500,000 and that the accounts are maintained on substantially the same terms as those prevailing for comparable accounts of persons unaffiliated with Central Jersey; or
(11) seek or accept representation on the board of directors of Central Jersey.

Summit also has committed not to take other action to cause Central Jersey to become a subsidiary of Summit without prior Board approval.

Based on the facts of record and Summit's commitments, the Board has concluded that Summit would not acquire control or the ability to exercise a controlling influence over Central Jersey upon consummation of this proposal.

The Board's inquiry does not end, however, with its finding that Summit will not control Central Jersey. The Board notes that noncontrolling interests in directly competing banks or bank holding companies may raise serious questions under the BHC Act. The Board has previously noted that one company need not acquire control of another in order to substantially lessen competition between them, and that the specific facts of each case will determine whether the minority investment in a company will be anticompetitive.[5] In this case, it is the Board's judgment, based upon careful analysis of the record, that no significant reduction in competition is likely to result from the acquisition. The record shows that there will be no officer or director interlocks between Summit and Central Jersey, that Summit intends the acquisition to be a strictly passive investment, and that Summit is prohibited by the BHC Act and its commitments from acting in concert with any other entity for control of Central Jersey. Moreover, as discussed below, even were the Board to conclude that Summit would control Central Jersey, the elimination of competition between the two entities is not so substantial as to warrant denial of the application. The record shows that Summit and Central Jersey operate in a highly competitive market and each controls less than one percent of the market's deposits.

Summit is the seventh largest banking organization in New Jersey, controlling deposits of $3.0 billion, representing approximately 4.3 percent of the total deposits in commercial banking organizations in the state.[6] Central Jersey is the fourteenth largest commercial banking organization in New Jersey, controlling deposits of $1.2 billion, representing approximately 1.7 percent of the total deposits in commercial banking organizations in the state.

The subsidiary banks of Summit and Central Jersey compete directly in the Metropolitan New York-New Jersey banking market.[7] Summit and Central Jersey each control less than one percent of the total deposits in commercial banks in this market.[8] The Metropolitan New York-New Jersey banking market is unconcentrated, with a four-firm concentration ratio of 46.8 percent and a Herfindahl–Hirschman Index ("HHI") of 719, which would increase by 1 point to 720 upon consummation of this proposal.[9]

The financial and managerial resources and future prospects of Summit and Central Jersey and their subsidiaries are consistent with approval of this application. The Board concludes, after carefully considering the comments raised by Central Jersey and the entire record in this case, that consummation of the proposal would not have a material adverse effect on the financial and managerial resources or future prospects of Summit, Central Jersey, or their bank subsidiaries. In reaching this conclusion, the Board notes that Central Jersey and its subsidiary are adequately capitalized with satisfactory records of operations,

5. *See Sun Banks, Inc.*, 71 FEDERAL RESERVE BULLETIN 243 (1985).

6. Statewide data are for commercial banking organizations as of June 30, 1989.

7. The Metropolitan New York-New Jersey banking market includes New York City; Nassau, Orange, Putnam, Rockland, Suffolk, Sullivan, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties in New Jersey; and parts of Fairfield County in Connecticut.

8. Data for the Metropolitan New York-New Jersey banking market are for commercial banking organizations as of June 30, 1986.

9. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), a market in which the post-merger HHI is less than 1000 is considered to be unconcentrated. In such markets, the Department of Justice will not challenge a merger or acquisition except in extraordinary circumstances.

and concludes that the record does not indicate that the proposed acquisition by Summit would adversely affect, in any material way, the capitalization or operations of Central Jersey.

Considerations relating to the convenience and needs of the communities to be served by Summit's and Central Jersey's subsidiary banks are consistent with approval of this application.

Based on the foregoing and other facts of record, and in reliance upon commitments made by Summit, the Board has determined that the application should be, and hereby is, approved. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 28, 1989.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Kelley, and LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

United Counties Bancorporation
Cranford, New Jersey

Order Approving Acquisition of Shares of a Bank Holding Company

United Counties Bancorporation, Cranford, New Jersey ("United Counties"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3(a)(3) of the BHC Act, 12 U.S.C. § 1842(a)(3), to acquire up to 9.9 percent of the voting shares of Central Jersey Bancorp, Freehold, New Jersey ("Central Jersey").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (54 *Federal Register* 20,921 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received, including comments submitted by Central Jersey in opposition to this proposal, in light of the factors set forth in section 3(c) of the BHC Act.

Central Jersey argues that this application should be denied because it represents a minority investment by a bank holding company in a bank or bank holding company.[1] The Board, however, has previously approved the acquisition by a bank holding company of less than a controlling interest in a bank, noting that "nothing in section 3(c) of the [BHC] Act requires denial of an application solely because a bank holding company proposes to acquire less than a controlling interest in a bank or bank holding company."[2] The Board has also noted that the requirement in section 3(a)(3) of the BHC Act that the Board's prior approval be obtained before a bank holding company acquires more than 5 percent of the voting shares of a bank also suggests that Congress contemplated the acquisition by bank holding companies of between 5 percent and 25 percent of the voting shares of banks. For these reasons, the Board concludes that the purchase by United Counties of less than a controlling interest in Central Jersey is not a factor that, by itself, justifies denial of this application.[3]

Central Jersey also contends that approval of the application would permit United Counties to control Central Jersey because no other shareholder owns more than 5 percent of the outstanding common stock of Central Jersey, and the ownership interest by United Counties would allow it to block or approve certain extraordinary transactions under the bylaws of

1. Additionally, Central Jersey expresses concerns about the manner in which United Counties has chosen to finance this acquisition and alleges that this proposal may have an adverse effect on United Counties's financial condition. Central Jersey also maintains that approval of this application may encourage large and speculative investments that may adversely affect the safety and soundness of other bank holding companies. In addition, Central Jersey points out that although the Board's past authorizations of minority investments by bank holding companies may be justified as a prelude to potential full acquisition, Central Jersey contends that United Counties appears to lack the financial resources necessary to acquire all of the voting shares of Central Jersey. The Board has reviewed this application in light of these comments and concludes that these comments do not warrant denial of this proposal, and that financial and managerial considerations regarding United Counties are consistent with approval.

2. *Midlantic Banks, Inc.*, 70 FEDERAL RESERVE BULLETIN 776, 776–77 (1984)(acquisition of 24.9 percent of the voting shares of a bank holding company). *See, e.g., Comerica Inc.*, 69 FEDERAL RESERVE BULLETIN 911 (1983)(acquisition of 21.6 percent of the voting shares of a bank); *State Street Boston Corporation*, 67 FEDERAL RESERVE BULLETIN 862, 863 (1981)(acquisition of 16.6 percent of the voting shares of a bank holding company); *Lincoln National Company*, 63 FEDERAL RESERVE BULLETIN 405 (1977)(acquisition of 9.9 percent of the voting shares of a bank); and *First Piedmont Corporation*, 59 FEDERAL RESERVE BULLETIN 456 (1973)(acquisition of 9.5 percent of the voting shares of a bank).

3. The ability of United Counties to purchase all of the voting shares of Central Jersey is not at issue at this time. United Counties has applied to acquire up to a total of 9.9 percent of the voting shares of Central Jersey. Any further investment by United Counties in the voting shares of Central Jersey would require Board approval. In addition, in the event that United Counties proposes otherwise to acquire control of Central Jersey in the future, it must obtain the Board's prior approval. If United Counties makes such a proposal, the Board will at that time reexamine the effects of the proposal under the factors set forth in section 3(c) of the BHC Act.

Central Jersey.[4] As part of this proposal, United Counties has made a number of commitments to address this concern. In particular, United Counties has committed that it will not, without the Board's prior approval:

(1) exercise or attempt to exercise a controlling influence over the management or policies of Central Jersey or its bank subsidiary;

(2) have or seek to have any employees or representative serve as an officer, agent or employee of Central Jersey or its bank subsidiary;

(3) take any action causing Central Jersey or its bank subsidiary to become a subsidiary of applicant;

(4) acquire or retain shares that would cause the combined interest of applicant and its officers, directors and affiliates to equal or exceed 25 percent of the outstanding voting shares of Central Jersey;

(5) propose a director or slate of directors in opposition to a nominee or slate of nominees proposed by the management or board of directors of Central Jersey;

(6) attempt to influence the dividend policies or practices of Central Jersey or its bank subsidiary;

(7) solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of Central Jersey;

(8) attempt to influence the loan and credit decisions or policies of Central Jersey and its bank subsidiary, the pricing of services, any personnel decision, the location of any offices, branching, the hours of operation, or similar activities of Central Jersey and its bank subsidiary;

(9) dispose or threaten to dispose of shares of Central Jersey in any manner as a condition of specific action or nonaction by Central Jersey;

(10) enter into any other banking or nonbanking transactions with Central Jersey, except that applicant may establish and maintain deposit accounts with bank subsidiaries of Central Jersey, provided that the aggregate balances of all such accounts do not exceed $500,000 and that the accounts are maintained on substantially the same terms as those prevailing for comparable accounts of persons unaffiliated with Central Jersey; or

(11) seek or accept representation on the board of directors of Central Jersey.

United Counties also has committed not to take other action to cause Central Jersey to become a subsidiary of United Counties without prior Board approval.

4. Based upon a review of Central Jersey's bylaws, it does not appear that, with 9.9 percent of Central Jersey's common shares, United Counties will be able to block or approve certain extraordinary transactions under Central Jersey's bylaws.

Based on the facts of record and United Counties's commitments, the Board has concluded that United Counties would not acquire control or the ability to exercise a controlling influence over Central Jersey upon consummation of this proposal.

The Board's inquiry does not end, however, with its finding that United Counties will not control Central Jersey. The Board notes that noncontrolling interests in directly competing banks or bank holding companies may raise serious questions under the BHC Act. The Board has previously noted that one company need not acquire control of another in order to substantially lessen competition between them, and that the specific facts of each case will determine whether the minority investment in a company will be anticompetitive.[5] In this case, it is the Board's judgment, based upon careful analysis of the record, that no significant reduction in competition is likely to result from the acquisition. The record shows that there will be no officer or director interlocks between United Counties and Central Jersey, that United Counties intends the acquisition to be a strictly passive investment, and that United Counties is prohibited by the BHC Act and its commitments from acting in concert with any other entity for control of Central Jersey. Moreover, as discussed below, even were the Board to conclude that United Counties would control Central Jersey, the elimination of competition between the two entities is not so substantial as to warrant denial of the application. The record shows that United Counties and Central Jersey operate in a highly competitive market and each controls less than one percent of the market's deposits.

United Counties is the sixteenth largest banking organization in New Jersey, controlling deposits of $924.9 million, representing approximately 1.3 percent of the total deposits in commercial banking organizations in the state.[6] Central Jersey is the fourteenth largest commercial banking organization in New Jersey, controlling deposits of $1.2 billion, representing approximately 1.7 percent of the total deposits in commercial banking organizations in the state.

The subsidiary banks of United Counties and Central Jersey compete directly in the Metropolitan New York-New Jersey banking market.[7] United Counties and Central Jersey each control less than one percent

5. *See Sun Banks, Inc.*, 71 FEDERAL RESERVE BULLETIN 243 (1985).

6. Statewide data are for commercial banking organizations as of June 30, 1989.

7. The Metropolitan New York-New Jersey banking market includes New York City; Nassau, Orange, Putnam, Rockland, Suffolk, Sullivan, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties in New Jersey; and parts of Fairfield County in Connecticut.

of the total deposits of commercial banks in this market.[8] The Metropolitan New York-New Jersey banking market is unconcentrated, with a four-firm concentration ratio of 46.8 and a Herfindahl-Hirschman Index ("HHI") of 719, which would increase by 1 point to 720 upon consummation of this proposal.[9]

The financial and managerial resources and future prospects of United Counties and Central Jersey and their subsidiaries are consistent with approval of this application. The Board concludes, after carefully considering the comments raised by Central Jersey and the entire record in this case, that consummation of the proposal would not have a material adverse effect on the financial and managerial resources or future prospects of United Counties, Central Jersey, or their bank subsidiaries. In reaching this conclusion, the Board notes that Central Jersey and its subsidiary are adequately capitalized with satisfactory records of operations, and concludes that the record does not indicate that the proposed acquisition by United Counties would adversely affect, in any material way, the capitalization or operations of Central Jersey.

Considerations relating to the convenience and needs of the communities to be served by United Counties's and Central Jersey's subsidiary banks are consistent with approval of this application.

Based on the foregoing and other facts of record, and in reliance upon commitments made by United Counties, the Board has determined that the application should be, and hereby is, approved. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 28, 1989.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Kelley, and LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

8. Data for the Metropolitan New York-New Jersey banking market are for commercial banking organizations as of June 30, 1986.

9. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), a market in which the post-merger HHI is less than 1000 is considered to be unconcentrated. In such markets, the Department of Justice will not challenge a merger or acquisition except in extraordinary circumstances.

Orders Issued Under Section 4 of the Bank Holding Company Act

Citicorp
New York, New York

Order Granting Relief from Certain Conditions Relating to the Operation of Subsidiary Savings Associations

Citicorp, New York, New York ("Citicorp"), has petitioned the Board for relief from certain conditions imposed by the Board by Order on the operation of Citicorp's California, Florida and Illinois savings association subsidiaries.[1] The conditions from which Citicorp has requested relief (the so-called "tandem operations conditions") provide that savings associations acquired by a bank holding company may not be operated in tandem with any other subsidiary of the bank holding company, and require approval by the appropriate Federal Reserve Bank before the savings association engages in any transactions with the bank holding company or its other subsidiaries.[2]

Notice of the petition, affording interested persons an opportunity to submit comments, has been published (54 *Federal Register* 15,806 (1989)). The time for filing comments has expired, and the Board has considered the petition and all comments received in light of all relevant statutory factors.

The provisions of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), which became effective on August 9, 1989, require the Board to remove the tandem operations conditions as they apply to savings associations that are currently owned by bank holding companies.[3]

Based on the provisions of FIRREA, its review of the record, and in light of changed economic and regulatory circumstances, the Board hereby grants Citicorp's request for relief from the tandem operations conditions as they apply to Citicorp's savings association subsidiaries. Transactions between Citicorp's savings association subsidiaries and its bank subsidiaries continue to be subject to the provisions of sections 23A and 23B of the Federal Reserve Act (12 U.S.C. §§ 371c and 371c-1), provisions of the Bank Holding Company Act relating to tying arrange-

1. *Citicorp (New Biscayne Federal Savings & Loan)*, 70 FEDERAL RESERVE BULLETIN 157 (1984); *Citicorp (First Federal Savings & Loan Association)*, 70 FEDERAL RESERVE BULLETIN 149 (1984); *Citicorp (Fidelity Federal Savings & Loan Association)*, 68 FEDERAL RESERVE BULLETIN 656 (1982).

2. The text of these conditions is set out in Appendix I to this Order.

3. Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, § 601, 103 Stat. 183, 408 (1989).

ments (12 U.S.C. § 1971 *et al.*), as well as all other applicable statutory provisions.

By order of the Board of Governors, effective August 21, 1989.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Kelley, and LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix I

(1) the savings associations be operated as separate, independent, profit-oriented corporate entities and not be operated in tandem with any other subsidiary of the bank holding company. In order to carry out this condition, the bank holding company and savings associations would limit their operations so that:

(a) no banking or other subsidiary of the bank holding company would link its deposit-taking activities to accounts at the savings associations in a sweeping arrangement or similar arrangement;

(b) the savings associations would not directly or indirectly solicit deposits or loans for any other subsidiary of the bank holding company and the bank holding company and its subsidiaries would not solicit deposits or loans for the savings associations;

(2) to the extent necessary to insure independent operation of the savings association and prevent the improper diversion of funds, the savings associations not engage in any transactions with the bank holding company or its other subsidiaries without prior approval of the appropriate Federal Reserve Bank;

Compagnie Financiere de Suez
Paris, France

Banque Indosuez
Paris, France

Order Approving Acquisition of a General Partnership Interest in an Investment Adviser

Compagnie Financiere de Suez and its wholly owned subsidiary, Banque Indosuez, both of Paris, France (collectively "Applicant"), foreign banking organizations subject to the Bank Holding Company Act ("BHC Act"), have applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), to acquire indirectly through their *de novo* subsidiary, IndoSuez North America Asset Management, Inc. ("IndoSuez Asset Management"), a general partnership interest in Daniel Breen & Company, L.P., Houston, Texas ("Company"), which will be a registered investment adviser.[1] Applicant seeks to engage indirectly through Company in the following activities which have been approved by the Board for bank holding companies:

(1) providing portfolio investment advice and investment management services to institutions and individuals pursuant to 12 C.F.R. 225.25(b)(4)(iii); and

(2) serving as investment advisor to investment companies pursuant to 12 C.F.R. 225.25(b)(4)(ii).

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (54 *Federal Register* 18,597 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Banque Indosuez, with total adjusted assets equivalent to approximately $46.3 billion, is the 85th largest banking organization in the world and the 8th largest banking organization in France.[2] In the United States, Applicant maintains branches in New York and Chicago, agencies in Los Angeles and Houston, and an Edge Corporation. Accordingly, Applicant is subject to the nonbanking restrictions of section 4 of the BHC Act as a bank holding company.

The Board has previously determined by regulation that the investment advisory services that Applicant proposes to conduct through IndoSuez Asset Management are closely related to banking and permissible for bank holding companies. 12 C.F.R. 225.25(b)(4). Applicant and IndoSuez Asset Management propose to conduct these activities pursuant to the requirements of the Board's regulations.

Prior decisions of the Board indicate a concern that joint ventures could potentially lead to a matrix of relationships between co-venturers that could break down the legally mandated separation of banking and commerce, create the possibility of conflicts of interest and other adverse effects that the BHC Act was designed to prevent, or impair or give the appearance of impairing the ability of the banking organization to function effectively as an independent and impartial

1. IndoSuez Asset Management will acquire a 40 percent general partnership interest in Company. Company will assume the advisory contracts of Daniel Breen & Company, which will no longer engage in any activity other than holding a general partnership interest in Company. IndoSuez Asset Management will have an option to purchase the remaining partnership interests in Company over the next six years.

2. Data are as of December 31, 1988.

provider of credit.[3] Further, joint ventures must be carefully analyzed for any possible adverse effects on competition and on the financial condition of the banking organization involved in the proposal.

Daniel Breen & Company has stated that it will engage only in holding its investment in Company. Further, Applicant has committed to notify the Board in the event that Daniel Breen & Company determines to engage in any securities business that is impermissible for a state member bank under the Glass–Steagall Act, and to seek Board approval of Applicant's retention of its interest in Company should the activities of Daniel Breen & Company be inconsistent with the Board's Order approving this application.

In applications under section 4(c)(8) of the BHC Act, the Board considers the financial condition and resources of the applicant and its subsidiaries, and the effects of the proposed transaction on those resources.[4] In accordance with the principles of national treatment and competitive equality, the Board has stated its expectation that a foreign bank meet the same general standards of financial strength as domestic bank holding companies and be able to serve as a source of strength to its United States banking operations.[5] In considering applications of foreign banking organizations, the Board has noted that foreign banks operate outside the United States in accordance with different regulatory and supervisory requirements, accounting principles, asset-quality standards, and banking practices and traditions, and that these differences make it difficult to compare the capital positions of domestic and foreign banks. In the past, the Board has addressed the complex issues involved in balancing these concerns in the context of individual applications on a case-by-case basis, making adjustments as appropriate to an applicant's capital to reflect differences in accounting treatment and regulatory practices.

The Board recently has adopted a proposal to supplement its consideration of capital adequacy with a risk-based system that is simultaneously being proposed by the member countries of the Basle Committee on Banking Regulations and Supervisory Practices and the other domestic federal banking agencies.[6] The Board considers the Basle Committee proposal an important step toward a more consistent and equitable international norm for assessing capital adequacy. Until that framework becomes effective, however, the Board will continue to evaluate applications involving foreign banking organizations on a case-by-case basis consistent with its prior precedent.

In this case, the Board notes that the primary capital ratio of Banque Indosuez is below the minimum capital guidelines for United States multinational bank holding companies. Banque Indosuez, however, meets the 1990 interim risk-based guidelines, and its core capital exceeds the 1992 minimum standard adopted by the Basle Committee. In addition, Banque Indosuez proposes to raise additional equity capital by year-end 1989, at which time its capital is projected to meet primary and total capital guidelines. The Board also notes that the application involves nonbanking activities that generate fee income and that require a small commitment of capital. In view of these and other facts of record, the Board has determined that financial factors are consistent with approval of the application.

To approve the application, the Board must find that Applicant's performance of the activities in question "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8). Applicant does not currently engage in investment advisory activities in the United States. Accordingly, consummation of this proposal would not result in decreased competition. Moreover, Applicant's proposal can be expected to result in an increase in competition due to the financial support provided by Applicant and the increased access of customers to foreign markets.

In light of the facts of record and the commitments offered by Applicant, the Board finds that the proposal would not result in conflicts of interests or decreased or unfair competition. There is also no evidence in the record that indicates that Applicant's proposal would result in any undue concentration of resources, unsound banking practices or other adverse effects.

Based on the foregoing and other facts of record, including the commitments made by Applicant, IndoSuez Asset Management and shareholders of Company, the Board has determined that the balance of

3. *See, e.g., Independent Bankers Financial Corporation,* 72 Federal Reserve Bulletin 664 (1986); and *Amsterdam-Rotterdam Bank, N.V.,* 70 Federal Reserve Bulletin 835 (1984).

4. 12 C.F.R. 225.24; *Bayerische Vereinsbank AG,* 73 Federal Reserve Bulletin 155, 156 (1987).

5. *Nippon Credit Bank, Ltd.,* 75 Federal Reserve Bulletin 308 (1989); *The Long-Term Credit Bank,* 74 Federal Reserve Bulletin 577 (1988); *Sumitomo Trust & Banking Co., Ltd.,* 73 Federal Reserve Bulletin 749 (1987); *Ljubljanska Banka-Associated Bank,* 72 Federal Reserve Bulletin 489 (1986); *The Mitsubishi Trust and Banking Corporation,* 72 Federal Reserve Bulletin 71 (1986); *The Mitsubishi Bank Limited,* 70 Federal Reserve Bulletin 518 (1984). *See also* Policy Statement on Supervision and Regulation of Foreign Based Bank Holding Companies, Federal Reserve Regulatory Service ¶ 4-835 (1979).

6. 54 *Federal Register* 4186 (1989).

public interest factors that it must consider under section 4(c)(8) of the BHC Act is favorable. Accordingly, the Board has determined that the application should be, and hereby is, approved. This determination is subject to all of the conditions set forth in the Board's Regulation Y, including sections 225.4(d) and 225.23(b), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

By order of the Board of Governors, effective August 24, 1989.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Kelley, and LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

The Long-Term Credit Bank of Japan, Limited Tokyo, Japan

Order Approving Application to Conduct Investment Advisory Activities

The Long-Term Credit Bank of Japan, Limited, Tokyo, Japan ("Applicant"), a foreign bank subject to the provisions of the Bank Holding Company Act (the "BHC Act"), has applied, pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.21(a) of the Board's Regulation Y (12 C.F.R. 225.21(a)), for the Board's approval to acquire through its wholly owned subsidiary, LTCB Capital Markets, Inc., Wilmington, Delaware ("LCM"), 60 percent of the voting equity of LTCB-MAS Investment Management, Inc., Bala-Cynwyd, Pennsylvania ("Company"), a *de novo* company that proposes to engage in investment advisory activities that are permissible for bank holding companies under section 225.25(b)(4) of the Board's Regulation Y (12 C.F.R. 225.25(b)(4)). The remaining 40 percent of Company would be acquired by Miller, Anderson & Sherrerd, Bala-Cynwyd, Pennsylvania ("MAS").

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (54 *Federal Register* 24,261 (1989)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Applicant is the twentieth largest banking organization worldwide and the twelfth largest in Japan, controlling total consolidated assets of approximately U.S. $184.5 billion.[1] Applicant is a registered bank holding company by virtue of its ownership of LTCB Trust Company, New York, New York, a state-chartered trust company the deposits of which are insured by the Federal Deposit Insurance Corporation. In addition, Applicant maintains a branch in New York, New York, a limited branch in Chicago, Illinois, and an agency in Los Angeles, California.

MAS is a limited partnership currently engaged in providing discretionary money management services to corporate and governmental pension plans, endowment funds, foundations, and other tax-exempt institutional investors in the United States. Almost all of MAS's revenues are derived from providing investment advisory services that would be permissible for bank holding companies.[2]

The Board has previously determined by regulation that the investment advisory services that Applicant proposes to conduct through Company are closely related to banking and permissible for bank holding companies. 12 C.F.R. 225.25(b)(4). Applicant and Company propose to conduct these activities pursuant to the requirements of the Board's regulations. The Board must also find that the proposed acquisition "can reasonably be expected to produce benefits to the public . . . that outweigh the possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

In prior decisions, the Board has expressed concern that joint ventures could potentially lead to a matrix of relationships between co-venturers that could break down the legally mandated separation of banking and commerce, create the possibility of conflicts of interest, and other adverse effects that the BHC Act was designed to prevent, or impair or give the appearance of impairing the ability of the banking organization to function effectively as an

1. All banking data are as of March 31, 1989.
2. MAS also sponsors the MAS Pooled Trust Fund (the "Fund"), a diversified investment company, which accounts for a small portion of MAS's business and assets under management.

independent and impartial provider of credit.[3] Further, joint ventures must be carefully analyzed for any possible adverse effects on competition and on the financial condition of the banking organization involved in the proposal.

In prior cases involving joint ventures between bank holding companies and firms generally engaged in securities activities not authorized for bank holding companies, the Board has relied upon a series of commitments to address these potential adverse effects. These commitments are designed to separate the activities of the joint venture from those of the nonbanking co-venturer. *See Amsterdam-Rotterdam Bank, N.V.*, 70 FEDERAL RESERVE BULLETIN 835 (1984). In this case, Applicant has made a number of commitments similar to those that the Board has relied upon in other cases. The commitments are designed to ensure a separation between the joint venture and MAS's activities related to the Fund. Applicant also has committed to apply for the Board's approval to retain its interest in Company if MAS expands its activities beyond its current investment advisory activities. If required by the Board in such circumstances, Applicant will cause LCM to divest its interest in Company. Under the circumstances of this case, and in view of the fact that most of the activities of MAS are permissible for bank holding companies, the Board finds these commitments are sufficient to address its concerns with potential adverse effects associated with the joint venture.

With regard to the competitive factors, two of Applicant's affiliates currently compete with MAS in the United States. LTCB Trust Company offers investment advisory services primarily to institutional Japanese customers. Applicant anticipates that these accounts will be transferred to Company. Greenwich Asset Management, Inc., Greenwich, Connecticut ("GAM"), an indirect subsidiary of Applicant, engages in investment advisory services primarily with respect to U.S. Treasury securities, and futures and options on financial instruments. Following consummation of the proposal, GAM would continue to provide these services. The portion of the market for investment and advisory services controlled by each of these companies is small, and the market for these services is highly competitive and served by numerous competitors. In light of these facts, consummation of this proposal would not significantly reduce competition or result in any other significantly adverse effects on competition in any relevant market.

In every case involving a nonbanking acquisition by a bank holding company under section 4 of the BHC Act, the Board considers the financial condition and resources of the applicant and its subsidiaries and the effect of the transaction on these resources.[4] In accordance with the principles of national treatment and competitive equity, the Board has stated that it expects a foreign bank to meet the same general standards of financial strength as domestic bank holding companies and to be able to serve as a source of strength to its United States banking operations.[5] In considering applications of foreign banking organizations, the Board has noted that foreign banks operate outside the United States in accordance with different regulatory and supervisory requirements, accounting principles, asset quality standards, and banking practices and traditions, and that these differences have made it difficult to compare the capital positions of domestic and foreign banks. The Board, however, recently adopted a proposal to supplement its consideration of capital adequacy with a risk-based system that is simultaneously being proposed by the member countries of the Basle Committee on Banking Regulations and Supervisory Practices and the other domestic federal banking agencies.[6] The Japanese Ministry of Finance in April of last year acted to implement for Japanese banking organizations the risk-based capital framework developed by the Basle Committee. The Board considers the Basle Committee proposal an important step toward a more consistent and equitable international standard for assessing capital adequacy.

In this case, the primary capital ratio of Applicant, as publicly reported, is well below the minimum level specified in the Board's Capital Adequacy Guidelines. After making adjustments to reflect Japanese banking and accounting practices, however, including consideration of a portion of the unrealized appreciation in Applicant's portfolio of equity securities consistent with the principles in the Basle capital framework,

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3. *See, e.g., Amsterdam-Rotterdam Bank, N.V.*, 70 FEDERAL RESERVE BULLETIN 835 (1984); *The Fuji Bank, Ltd.*, 75 FEDERAL RESERVE BULLETIN 577 (1989); and *The Maybaco Company and Equitable Bancorpation*, 60 FEDERAL RESERVE BULLETIN 375 (1983).

4. 12 C.F.R. 225.24; *The Fuji Bank, Limited*, 75 FEDERAL RESERVE BULLETIN 94 (1989); *Bayerische Vereinsbank AG*, 73 FEDERAL RESERVE BULLETIN 155, 156 (1987).

5. *See Toyo Trust and Banking Co., Ltd.*, 74 FEDERAL RESERVE BULLETIN 623 (1988); *Taiyo Kobe Bank*, 74 FEDERAL RESERVE BULLETIN 621 (1988); *The Long-Term Credit Bank of Japan, Limited*, 74 FEDERAL RESERVE BULLETIN 573 (1988); *The Sanwa Bank, Limited*, 74 FEDERAL RESERVE BULLETIN 578 (1988); *Sumitomo Trust & Banking Co., Ltd.*, 73 FEDERAL RESERVE BULLETIN 749 (1987); *Ljubljanska Banka-Associated Bank*, 72 FEDERAL RESERVE BULLETIN 489 (1986); *The Mitsubishi Trust and Banking Corporation*, 72 FEDERAL RESERVE BULLETIN 256 (1986); *The Industrial Bank of Japan, Ltd.*, 72 FEDERAL RESERVE BULLETIN 71 (1986); *The Mitsubishi Bank, Limited*, 70 FEDERAL RESERVE BULLETIN 518 (1984). *See also*, Policy Statement on Supervision and Regulation of Foreign-Based Holding Companies, Federal Reserve Regulatory Service ¶ 4-835 (1979).

6. 54 *Federal Register* 4186 (1989).

Applicant's capital ratio meets United States standards.

The Board also has considered several additional factors that mitigate its concern in this case. The Board notes that the application involves nonbanking activities that require a small commitment of capital and that Applicant is in compliance with the capital and other financial requirements of Japanese banking organizations. Since Japan is a signatory to the Basle Accord, it can be expected to ensure compliance by its banks with the risk-based capital standards by 1992.

Based on these and other facts of record, the Board concludes that financial considerations are consistent with approval of the application.

Consummation of Applicant's proposal may be expected to provide increased convenience to Company's customers and gains in efficiency. Accordingly, the Board has determined that performance of the proposed activities by Company can reasonably be expected to produce benefits to the public.

For these reasons, and in reliance on the commitments offered in this case, the Board believes that the proposal is not likely to result in decreased or unfair competition, conflicts of interests, unsound banking practices, concentration of resources or other adverse effects, and that the balance of public interest factors that the Board is required to consider under section 4(c)(8) of the BHC Act is favorable. Accordingly, the Board has determined that the application should be, and hereby is, approved. In approving this application, the Board has relied on all the commitments made by Applicant, Company and MAS. This determination is also subject to all the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

By order of the Board of Governors, effective August 28, 1989.

Voting for this action: Chairman Greenspan, and Governors Johnson, Angell, Kelley, and LaWare. Voting against this action: Governor Seger.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Dissenting Statement of Governor Seger

I dissent from the Board's action in this case. I believe that foreign banking organizations whose primary capital, based on U.S. accounting principles, is below the Board's minimum capital guidelines for U.S. banking organizations have an unfair competitive advantage in the United States over domestic banking organizations. In my view, such foreign organizations should be judged against the same financial and managerial standards, including the Board's capital adequacy guidelines, as are applied to domestic banking organizations. The majority concludes that Applicant's primary capital meets United States standards. To do so, however, the majority makes adjustments that are not available for United States banks under guidelines that have not yet become effective for U.S. or foreign banking organizations.

August 28, 1989

Michigan National Corporation
Farmington Hills, Michigan

Order Granting Relief from Certain Conditions Relating to the Operation of a Subsidiary Savings Association

Michigan National Corporation, Farmington Hills, Michigan ("Michigan National"), has petitioned the Board for relief from certain conditions imposed by the Board by Order on the operation of Michigan National's savings association subsidiary, Beverly Hills Federal Savings Bank, Beverly Hills, California.[1] The conditions from which Michigan National has requested relief (the so-called "tandem operations conditions") provide that savings associations acquired by a bank holding company may not be operated in tandem with any other subsidiary of the bank holding company, and require approval by the appropriate Federal Reserve Bank before the savings association engages in any transactions with the bank holding company or its other subsidiaries.[2]

The provisions of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), which became effective on August 9, 1989, require the Board to remove the tandem operations conditions as they apply to savings associations that are currently owned by bank holding companies.[3]

1. *See Michigan National Corporation*, 75 FEDERAL RESERVE BULLETIN 88 (1989).
2. The text of these conditions is set out in Appendix I to this Order.
3. Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, § 601, 103 Stat. 183, 408 (1989).

Based on the provisions of FIRREA, its review of the record, and in light of changed economic and regulatory circumstances, the Board hereby grants Michigan National's request for relief from the tandem operations conditions as they apply to its savings association subsidiary. Transactions between Michigan National's savings association subsidiary and its bank subsidiaries continue to be subject to the provisions of sections 23A and 23B of the Federal Reserve Act (12 U.S.C. §§ 371c and 371c-1), provisions of the Bank Holding Company Act relating to tying arrangements (12 U.S.C. § 1971 *et al.*), as well as all other applicable statutory provisions.

By order of the Board of Governors, effective August 21, 1989.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Kelley, and LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix I

(1) the savings associations be operated as separate, independent, profit-oriented corporate entities and not be operated in tandem with any other subsidiary of the bank holding company. In order to carry out this condition, the bank holding company and savings associations would limit their operations so that:

(a) no banking or other subsidiary of the bank holding company would link its deposit-taking activities to accounts at the savings associations in a sweeping arrangement or similar arrangement;

(b) the savings associations would not directly or indirectly solicit deposits or loans for any other subsidiary of the bank holding company and the bank holding company and its subsidiaries would not solicit deposits or loans for the savings associations;

(2) to the extent necessary to insure independent operation of the savings association and prevent the improper diversion of funds, the savings associations not engage in any transactions with the bank holding company or its other subsidiaries without prior approval of the appropriate Federal Reserve Bank;

APPLICATIONS APPROVED UNDER BANK MERGER ACT

By the Secretary of the Board

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

Applicant	Bank(s)	Effective date
Sovran Bank/Central South, Nashville, Tennessee	Sovran Bank/Hickman County, Centerville, Tennessee Sovran Bank/Eastern, Oak Ridge, Tennessee	August 23, 1989

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	Bank(s)	Reserve Bank	Effective date
Abbott Bank Group, Inc., Alliance, Nebraska	Bridgeport Banshares, Inc., Bridgeport, Nebraska Hemingford Banshares, Inc., Hemingford, Nebraska Hyannis Banshares, Inc., Hyannis, Nebraska	Kansas City	August 10, 1989
American Bancorp of Ponca City, Inc., Ponca City, Oklahoma	American National Bank, Ponca City, Oklahoma	Kansas City	August 9, 1989
Bancpal, Inc., Palatine, Illinois	Bank of Palatine, Palatine, Illinois	Chicago	August 9, 1989
Bank Maryland Corp., Towson, Maryland	Heritage International Bank, Inc., Bethesda, Maryland	Richmond	August 18, 1989
Bryan Bancorp of Georgia, Inc., Richmond Hill, Georgia	Bryan Bank & Trust, Richmond Hill, Georgia	Atlanta	August 11, 1989
CB&T Bancshares, Inc., Columbus, Georgia TB&C Bancshares, Inc., Columbus, Georgia	Vanguard Banks, Inc., Valparaiso, Florida	Atlanta	August 8, 1989
FBC Holding Company, Inc., Crestview, Florida	First Bank of Crestview, Crestview, Florida	Atlanta	August 4, 1989
First National Bank of Blue Island Employee Stock Ownership Trust, Blue Island, Illinois	Great Lakes Financial Resources, Inc., Blue Island, Illinois	Chicago	August 11, 1989
Fourth Financial Corporation, Wichita, Kansas	Exchange Holding, Inc., El Dorado, Kansas	Kansas City	July 31, 1989
F & P Bancshares Inc., Lexington, Kentucky	First Bancorp of Springfield, Inc., Springfield, Kentucky	St. Louis	July 27, 1989
Gold Bancshares, Inc., Seneca, Kansas	Comanche Bancshares, Inc., Coldwater, Kansas Oketo Bancshares, Inc., Marysville, Kansas	Kansas City	August 14, 1989
Horizon Bancorp, Inc., Bethesda, Maryland	GOLDCrest Bank, Bethesda, Maryland	Richmond	August 14, 1989
Iowa Financial Bancorporation, Minneapolis, Minnesota	First National Bank of Oelwein, Oelwein, Iowa BP Corporation, Minneapolis, Minnesota	Chicago	July 31, 1989
Litchville State Bank Holding Company, Litchville, North Dakota	Litchville State Bank, Litchville, North Dakota	Minneapolis	August 2, 1989

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Mackinaw Valley Financial Services, Inc., Mackinaw, Illinois	First Security Bank, Mackinaw, Illinois	Chicago	August 11, 1989
Marshall & Ilsley Corporation, Milwaukee, Wisconsin	First National Bank of Cudahy, Cudahy, Wisconsin	Chicago	August 4, 1989
Mercantile Bancshares, Inc., Jonesboro, Arkansas	North Arkansas Bancshares, Inc., Jonesboro, Arkansas Mammoth Investment and Credit Corporation, Inc., Mammoth Spring, Arkansas	St. Louis	July 27, 1989
Merchant Bank Corporation, Atlanta, Georgia	The Merchant Bank of Atlanta, Atlanta, Georgia	Atlanta	August 21, 1989
Merchant House, Santa Ana, California	PNB Financial Group, Newport Beach, California	San Francisco	August 10, 1989
Miami Corporation, Chicago, Illinois	Northwest Financial Corp., Chicago, Illinois	Chicago	August 21, 1989
Minonk Bancshares, Inc., Minonk, Illinois	Citizens Group, Inc., Toluca, Illinois	Chicago	July 27, 1989
North Linn Corporation, Coggon, Iowa	Linn County State Bank, Coggon, Iowa	Chicago	July 31, 1989
Oelwein Bancorporation, Minneapolis, Minnesota	Iowa Financial Bancorporation, Minneapolis, Minnesota Iowa State Savings Bank, Clinton, Iowa	Chicago	July 31, 1989
ONBANCorp, Inc., Syracuse, New York	Onondaga Savings Bank, Syracuse, New York	New York	August 14, 1989
PINNACLE BANC GROUP, Inc., Oak Brook, Illinois	S B H Corp., Silvis, Illinois	Chicago	July 31, 1989
Plainview Holding Company, Plainview, Nebraska	Farmers National Bank, Pilger, Nebraska Deshler State Company, Deshler, Nebraska	Kansas City	August 1, 1989
Security Exchange Bancorp., Inc., Duncan, Oklahoma	American National Bank of Duncan, Duncan, Oklahoma	Kansas City	August 4, 1989
South Banking Company, Alma, Georgia	Georgia Peoples Bankshares, Inc., Baxley, Georgia	Atlanta	August 18, 1989
SouthTrust Corporation, Birmingham, Alabama	Florida Community Banks, Inc., Bonifay, Florida Florida Central Banks, Inc., Chipley, Florida	Atlanta	August 14, 1989
Stone County National Bancshares, Inc., Crane, Missouri	Stone County National Bank, Crane, Missouri	St. Louis	July 25, 1989
Teton Bancshares, Inc., Fairfield, Montana	Choteau Bancorporation, Inc., Choteau, Montana	Minneapolis	August 24, 1989

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Wilkinson Banking Corporation, Greenwood, Arkansas	Farmers Bank, Greenwood, Arkansas	St. Louis	July 28, 1989
Withee Bank Shares, Inc., Withee, Wisconsin	State Bank of Withee, Withee, Wisconsin	Chicago	August 8, 1989

Section 4

Applicant	Nonbanking Activity/Company	Reserve Bank	Effective date
Barclays PLC, London, England Barclays Bank PLC, London, England BayBanks, Inc., Boston, Massachusetts Chemical Banking Corporation, New York, New York Manufacturers Hanover Corporation, New York, New York National Westminster Bank PLC, London, England NatWest Holdings, Inc., New York, New York Northeast Bancorp, Inc., New Haven, Connecticut The Bank of New York Company, Inc., New York, New York The Chase Manhattan Corporation, New York, New York The Hongkong and Shanghai Banking Corporation, Hong Kong, B.C.C. Kellett NV, Curacao, Netherlands Antilles HSBC Holdings BV, Amsterdam, the Netherlands Marine Midland Banks, Inc., Buffalo, New York	to engage in data processing and related activities	New York	August 14, 1989
Comerica Incorporated, Detroit, Michigan	Bloomfield Mortgage Corporation, Southfield, Michigan	Chicago	July 31, 1989
First Bank System, Inc., Minneapolis, Minnesota	Swanson Insurance Associates, Billings, Montana	Minneapolis	August 11, 1989
Home Interstate Bancorp, Signal Hill, California	Bancorp Capital Group, Inc., Signal Hill, California	San Francisco	August 11, 1989
Logansport Bancorp, Inc., Indianapolis, Indiana	Skyline Village, Corunna, Indiana	Chicago	July 27, 1989

Section 3—Continued

Applicant	Nonbanking Activity/Company	Reserve Bank	Effective date
Security Pacific Corporation, Los Angeles, California	General Electric Capital Corporation, Stamford, Connecticut	San Francisco	August 21, 1989
Society for Savings Bancorp, Inc., Hartford, Connecticut	CADRE, Inc., Avon, Connecticut	Boston	August 15, 1989

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	Bank(s)	Reserve Bank	Effective date
BancFirst, Oklahoma City, Oklahoma	The Liberty State Bank of Tahlequah, Tahlequah, Oklahoma	Kansas City	July 27, 1989
First Bank of Crestview, Crestview, Florida	First Interim Bank, Crestview, Florida	Atlanta	August 4, 1989
First Community Bank, Inc., Princeton, West Virginia	Cherry River National Bank, Richwood, West Virginia	Richmond	July 28, 1989

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.

CB&T Bancshares, Inc. v. Board of Governors, No. 89–1394 (D.C. Cir., filed June 21, 1989).

MCorp v. Board of Governors, No. 89–1677 (S.D. Tex. filed May 2, 1989).

Independent Insurance Agents of America, Inc. v. Board of Governors, No. 89–4030 (2d Cir., filed March 9, 1989).

Securities Industry Association v. Board of Governors, No. 89–1127 (D.C. Cir. filed February 16, 1989).

American Land Title Association v. Board of Governors, No. 88–1872 (D.C. Cir., filed December 16, 1988).

MCorp v. Board of Governors, No. CA3–88–2693-F (N.D. Tex., filed October 28, 1988).

White v. Board of Governors, No. CU-S-88–623-RDF (D. Nev., filed July 29, 1988).

VanDyke v. Board of Governors, No. 88–5280 (8th Cir., filed July 13, 1988).

Baugh v. Board of Governors, No. C88–3037 (N.D. Iowa, filed April 8, 1988).

Bonilla v. Board of Governors, No. 88–1464 (7th Cir., filed March 11, 1988).

Cohen v. Board of Governors, No. 88–1061 (D.N.J., filed March 7, 1988).

The Chase Manhattan Corporation v. Board of Governors, No. 87–1333 (D.C. Cir., filed July 20, 1987).

Lewis v. Board of Governors, Nos. 87–3455, 87–3545 (11th Cir., filed June 25, Aug. 3, 1987).

Financial and Business Statistics

NOTE. *The following tables may have some discontinuities in historical data for some series beginning with the March 1989 issue: 1.10, 1.17, 1.20, 1.21, 1.22, 1.23, 1.24, 1.25, 1.26, 1.28, 1.30, 1.31, 1.32, 1.35, 1.36, 1.37, 1.39, 1.40, 1.41, 1.42, 1.43, 1.45, 1.46, 1.47, 1.48, 1.50, 1.53, 1.54, 1.55, 1.56, 2.11, 2.14, 2.15, 2.16, 2.17, 3.14, and 3.21. For a more detailed explanation of the changes, see the announcement on pages 288–89 of the April 1989* BULLETIN.

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INTEREST AND EXCHANGE RATES

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

Annual rates of change, seasonally adjusted in percent[1]

Monetary and credit aggregates	1988		1989		1989				
	Q3	Q4	Q1	Q2[r]	Mar.	Apr.[r]	May[r]	June[r]	July
Reserves of depository institutions[2]									
1 Total	3.1	−.8	−4.2	−8.7	−8.1	−7.8	−14.6	−8.0	7.2
2 Required	2.9	−1.5	−4.4	−7.6	−4.3	−4.3	−20.0	−5.5	6.0
3 Nonborrowed	1.3	5.3	.0	−10.2	−14.9	−17.9	−3.2	−3.4	24.2
4 Monetary base[3]	6.5	4.8	4.6	1.5	4.6	.3	−1.5	3.1	4.0
Concepts of money, liquid assets, and debt[4]									
5 M1	5.2	2.3	−.4	−5.6	−1.7	−4.8	−15.1	−4.7	11.0
6 M2	3.8	3.6	1.8[r]	1.0	3.5[r]	.7	−3.6	6.0	12.5
7 M3	5.6	4.8	3.7	2.7	6.5[r]	2.2	−1.5	5.4	9.6
8 L	7.1	5.4	4.8	3.6	8.7[r]	4.5	−1.1	.4	n.a.
9 Debt	8.6	9.1	8.2	7.5	7.5	7.2	7.6	6.9	n.a.
Nontransaction components									
10 In M2[5]	3.3	4.1	2.6	3.3	5.3[r]	2.6	.3	9.5	13.0
11 In M3 only[6]	12.2	9.0	10.3[r]	8.9	16.9[r]	7.6	5.9	3.4	−.7
Time and savings deposits									
Commercial banks									
12 Savings[7]	7.9	4.0	−3.7	−14.2	−10.8	−19.1	−20.4	−6.6	3.4
13 Small-denomination time[8]	11.6	18.0	22.5	29.0	28.6	34.3	28.3	12.0	7.5
14 Large-denomination time[9,10]	18.2	13.0	18.1	17.9	23.0	22.2	10.1	2.0	5.6
Thrift institutions									
15 Savings[7]	2.1	−2.5	−7.7	−19.0	−10.7	−25.6	−26.3	−9.1	−5.5
16 Small-denomination time	5.4	6.6	4.3	14.1	3.4[r]	17.4	22.5	15.4	9.0
17 Large-denomination time[9]	3.9	8.0[r]	1.3[r]	5.9	−.3	12.5	8.0	2.0	−8.3
Debt components[4]									
18 Federal	7.1	7.8	7.7	6.6	12.5	5.1	2.9	3.2	n.a.
19 Nonfederal	9.1	9.5	8.4	7.8	5.9	7.9	9.1	8.0	n.a.

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

2. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

3. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks plus the currency component of the money stock less the amount of vault cash holdings of thrift institutions that is included in the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. After the introduction of contemporaneous reserve requirements (CRR), currency and vault cash figures are measured over the weekly computation period ending Monday.

Before CRR, all components of the monetary base other than excess reserves are seasonally adjusted as a whole, rather than by component, and excess reserves are added on a not seasonally adjusted basis. After CRR, the seasonally adjusted series consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock plus the remaining items seasonally adjusted as a whole.

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

M1: (1) currency outside the 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 due 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 (OCD) 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.

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all commercial banks and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, Money Market Deposit Accounts (MMDAs), savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and balances in both taxable and tax-exempt general purpose and broker-dealer money market mutual funds. Excludes individual retirement accounts (IRA) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker-dealer), foreign governments and commercial banks, and the U.S. government.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of $100,000 or more) issued by commercial banks and thrift institutions, term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper and bankers acceptances, net of money market mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages. Growth rates for debt reflect adjustments for discontinuities over time in the levels of debt presented in other tables.

5. Sum of overnight RPs and Eurodollars, money market fund balances (general purpose and broker-dealer), MMDAs, and savings and small time deposits less the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposit liabilities.

6. Sum of large time deposits, term RPs, and Eurodollars of U.S. residents, money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

7. Excludes MMDAs.

8. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRA and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

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

10. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1989			1989						
	May	June^r	July	June 14	June 21	June 28	July 5	July 12	July 19	July 26
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**267,629**	**263,924**	**262,096**	**259,907**	**262,225**	**271,098**	**267,270**	**266,156**	**260,162**	**259,481**
2 U.S. government securities[1]	234,995	227,688	222,972	225,637	224,643	231,898	229,392	227,176	221,426	219,753
3 Bought outright	230,783	227,291	222,812	225,637	224,643	230,621	228,967	226,467	221,426	219,753
4 Held under repurchase agreements	4,212	397	160	0	0	1,277	425	709	0	0
5 Federal agency obligations	8,387	6,754	6,674	6,654	6,654	6,987	6,750	6,816	6,654	6,609
6 Bought outright	6,654	6,654	6,637	6,654	6,654	6,654	6,654	6,654	6,654	6,609
7 Held under repurchase agreements	1,733	100	37	0	0	333	96	162	0	0
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	1,717	1,495	685	2,255	939	992	773	661	687	675
10 Float	801	1,279	742	1,266	1,611	1,564	314	1,163	522	850
11 Other Federal Reserve assets	21,729	26,709	31,024	24,094	28,378	29,657	30,041	30,340	30,873	31,595
12 Gold stock[2]	11,061	11,061	11,066	11,060	11,061	11,061	11,064	11,067	11,066	11,066
13 Special drawing rights certificate account	6,703	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
14 Treasury currency outstanding	19,049	19,188	19,245	19,181	19,191	19,201	19,211	19,221	19,239	19,253
ABSORBING RESERVE FUNDS										
15 Currency in circulation	245,574	247,860	249,824	248,280	247,710	247,298	249,619	251,361	250,131	248,853
16 Treasury cash holdings[2]	486	488	466	490	488	486	475	473	464	464
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	14,126	10,072	6,067	5,397	9,274	18,343	11,214	6,308	5,155	5,025
18 Foreign	227	251	229	253	242	215	249	236	210	210
19 Service-related balances and adjustments	1,855	1,924	1,970	1,778	1,929	1,957	2,302	2,102	1,673	1,996
20 Other	528	303	262	253	298	328	239	226	228	318
21 Other Federal Reserve liabilities and capital	8,480	8,101	8,029	8,261	8,170	8,217	8,166	8,331	7,915	7,818
22 Reserve balances with Federal Reserve Banks[3]	33,166	33,692	34,085	33,953	32,885	33,033	33,798	35,923	33,207	33,633
	End-of-month figures			Wednesday figures						
	1989			1989						
	May	June^r	July	June 14	June 21	June 28	July 5	July 12	July 19	July 26
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**256,669**	**269,037**	**259,145**	**262,688**	**268,271**	**271,518**	**263,390**	**273,579**	**258,897**	**260,027**
24 U.S. government securities[1]	223,535	231,767	218,676	227,654	230,162	231,062	224,359	233,198	219,810	219,897
25 Bought outright	223,535	231,767	218,676	227,654	230,162	231,062	224,359	228,237	219,810	219,897
26 Held under repurchase agreements	0	0	0	0	0	0	0	4,961	0	0
27 Federal agency obligations	6,654	6,654	6,609	6,654	6,654	6,654	6,654	7,791	6,654	6,609
28 Bought outright	6,654	6,654	6,609	6,654	6,654	6,654	6,654	6,654	6,654	6,609
29 Held under repurchase agreements	0	0	0	0	0	0	0	1,137	0	0
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	2,033	841	594	2,384	832	1,759	665	687	632	622
32 Float	2,064	−203	351	1,701	1,640	1,338	1,322	1,060	1,233	805
33 Other Federal Reserve assets	22,383	29,978	32,915	24,295	28,983	30,705	30,390	30,843	30,569	32,094
34 Gold stock[2]	11,060	11,063	11,066	11,060	11,061	11,062	11,066	11,066	11,067	11,067
35 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
36 Treasury currency outstanding	19,073	19,211	19,309	19,181	19,191	19,201	19,211	19,221	19,239	19,253
ABSORBING RESERVE FUNDS										
37 Currency in circulation	247,525	249,139	248,637	248,164	247,489	247,936	250,933	251,209	249,646	248,655
38 Treasury cash holdings[2]	488	474	451	490	487	481	475	464	464	455
Deposits, other than reserve balances, with Federal Reserve Banks										
39 Treasury	5,288	12,153	5,312	5,281	19,822	19,244	6,751	5,431	4,984	4,925
40 Foreign	429	275	371	293	203	287	215	184	242	200
41 Service-related balances and adjustments	1,616	1,616	1,592	1,616	1,598	1,598	1,600	1,591	1,588	1,588
42 Other	524	229	236	242	267	327	228	206	254	483
43 Other Federal Reserve liabilities and capital	7,513	8,178	8,693	8,078	7,984	7,962	7,898	8,071	7,655	7,590
44 Reserve balances with Federal Reserve Banks[3]	33,553	35,765	32,747	37,280	29,190	32,463	34,085	45,227	32,887	34,967

1. *Includes* securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and *excludes* any securities sold and scheduled to be bought back under matched sale-purchase transactions.
2. Revised for periods between October 1986 and April 1987. At times during this interval, outstanding gold certificates were inadvertently in excess of the gold stock. Revised data not included in this table are available from the Division of Research and Statistics, Banking Section.
3. Excludes required clearing balances and adjustments to compensate for float.

NOTE. For amounts of currency and coin held as reserves, see table 1.12. Components may not add to totals because of rounding.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Monthly averages[9]									
	1986	1987	1988	1989						
	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
1 Reserve balances with Reserve Banks[2]	37,360	37,673	37,830	36,475	32,834	34,623	35,841	33,199	33,852	33,904
2 Total vault cash[3]	24,077	26,185	27,197	28,376	29,776	27,059	26,746	27,166	27,151	27,851
3 Vault[4]	22,199	24,449	25,909	26,993	27,859	25,589	25,456	25,712	25,735	26,352
4 Surplus[5]	1,878	1,736	1,288	1,383	1,917	1,470	1,290	1,454	1,416	1,500
5 Total reserves[6]	59,560	62,123	63,739	63,468	60,693	60,212	61,288	58,911	59,587	60,255
6 Required reserves	58,191	61,094	62,699	62,323	59,539	59,255	60,511	57,881	58,682	59,290
7 Excess reserve balances at Reserve Banks[7]	1,369	1,029	1,040	1,145	1,154	957	776	1,031	905	966
8 Total borrowings at Reserve Banks	827	777	1,716	1,662	1,487	1,813	2,289	1,720	1,490	694
9 Seasonal borrowings at Reserve Banks	38	93	130	76	97	139	213	345	431	497
10 Extended credit at Reserve Banks[8]	303	483	1,244	1,046	1,050	1,334	1,707	1,197	917	106
	Biweekly averages of daily figures for weeks ending									
	1989									
	Apr. 19	May 3	May 17	May 31	June 14	June 28	July 12[r]	July 26	Aug. 9	Aug. 23
11 Reserve balances with Reserve Banks[2]	36,239	35,863	33,864	31,964	34,608	32,950	34,866	33,410	32,977	32,627
12 Total vault cash[3]	26,339	27,106	26,644	27,701	26,607	27,630	27,607	27,948	28,166	28,852
13 Vault[4]	25,174	25,723	25,352	26,071	25,301	26,104	26,191	26,432	26,514	27,213
14 Surplus[5]	1,166	1,383	1,292	1,631	1,306	1,526	1,416	1,517	1,653	1,639
15 Total reserves[6]	61,413	61,586	59,216	58,034	59,909	59,054	61,057	59,842	59,491	59,840
16 Required reserves	61,190	60,345	58,357	56,877	59,012	58,154	60,067	58,807	58,778	58,737
17 Excess reserve balances at Reserve Banks[7]	223	1,241	859	1,158	897	901	990	1,035	713	1,104
18 Total borrowings at Reserve Banks	2,582	1,968	1,739	1,649	2,126	965	717	681	676	753
19 Seasonal borrowings at Reserve Banks	190	265	336	373	388	467	483	509	497	489
20 Extended credit at Reserve Banks[8]	1,970	1,387	1,206	1,148	1,657	287	146	90	55	44

1. These data also appear in the Board's H.3 (502) release. For address, see inside front cover.

2. Excludes required clearing balances and adjustments to compensate for float.

3. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end 30 days after the lagged computation periods in which the balances are held.

4. Equal to all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

5. Total vault cash at institutions having no required reserve balances less the amount of vault cash equal to their required reserves during the maintenance period.

6. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

7. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements less required reserves.

8. 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 there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

9. Data are prorated monthly averages of biweekly averages.

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Member Banks[1]

Averages of daily figures, in millions of dollars

Maturity and source	1988 week ending Monday								
	Aug. 22	Aug. 29	Sept. 5	Sept. 12	Sept. 19	Sept. 26	Oct. 3	Oct. 10	Oct. 17
Federal funds purchased, repurchase agreements, and other selected borrowing in immediately available funds									
From commercial banks in the United States									
1 For one day or under continuing contract	66,871	64,904	69,394	69,451	65,767	62,866	66,221	71,087	68,324
2 For all other maturities	10,102	10,187	10,001	9,714	9,443	9,450	8,919	9,090	8,970
From other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies									
3 For one day or under continuing contract	26,570	26,952	27,114	29,922	26,636	27,000	25,144	28,535	29,991
4 For all other maturities	6,700	6,579	6,629	6,581	6,895	6,273	6,081	6,340	6,386
Repurchase agreements on U.S. government and federal agency securities in immediately available funds									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	16,304	15,212	15,337	15,072	14,596	13,683	12,927	13,238	13,880
6 For all other maturities	12,587	13,177	12,365	11,524	13,136	13,293	12,723	12,699	12,221
All other customers									
7 For one day or under continuing contract	27,452	28,070	27,866	27,761	27,123	27,616	27,876	26,825	28,236
8 For all other maturities	10,559	10,701	10,279	9,691	10,429	10,341	9,629	10,089	9,594
MEMO: Federal funds loans and resale agreements in immediately available funds in maturities of one day or under continuing contract									
9 To commercial banks in the United States	35,147	34,797	39,559	34,356	37,066	37,013	39,869	37,509	38,388
10 To all other specified customers[2]	14,952	14,010	14,263	13,677	14,421	13,079	13,513	14,007	15,296

1. Banks with assets of $1 billion or more as of Dec. 31, 1977.
These data also appear in the Board's H.5 (507) release. For address, see inside front cover.

2. Brokers and nonbank dealers in securities; other depository institutions; foreign banks and official institutions; and United States government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit and Seasonal credit[1]			Extended credit[2]						
				First 30 days of borrowing			After 30 days of borrowing[3]			
	On 8/24/89	Effective date	Previous rate	On 8/24/89	Effective date	Previous rate	On 8/24/89	Effective date	Previous rate	Effective date
Boston	7	2/24/89	6½	7	2/24/89	6½	9.35	8/24/89	9.20	8/10/89
New York		2/24/89			2/24/89			8/24/89		8/10/89
Philadelphia		2/24/89			2/24/89			8/24/89		8/10/89
Cleveland		2/24/89			2/24/89			8/24/89		8/10/89
Richmond		2/24/89			2/24/89			8/24/89		8/10/89
Atlanta		2/24/89			2/24/89			8/24/89		8/10/89
Chicago		2/24/89			2/24/89			8/24/89		8/10/89
St. Louis		2/24/89			2/24/89			8/24/89		8/10/89
Minneapolis		2/24/89			2/24/89			8/24/89		8/10/89
Kansas City		2/24/89			2/24/89			8/24/89		8/10/89
Dallas		2/27/89			2/27/89			8/24/89		8/10/89
San Francisco	7	2/24/89	6½	7	2/24/89	6½	9.35	8/24/89	9.20	8/10/89

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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7–7¼	7¼
10	7¼	7¼
Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
1979—July 20	10	10
Aug. 17	10–10½	10½
20	10½	10½
Sept. 19	10½–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1980—July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
1981—May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11½–12	11½
23	11½	11½
Aug. 2	11–11½	11
3	11	11
16	10½	10½
27	10–10½	10
30	10	10
Oct. 12	9½–10	9½
13	9½	9½
Nov. 22	9–9½	9
26	9	9
Dec. 14	8½–9	9
15	8½–9	8½
17	8½	8½

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1984—Apr. 9	8½–9	9
13	9	9
Nov. 21	8½–9	8½
26	8½	8½
Dec. 24	8	8
1985—May 20	7½–8	7½
24	7½	7½
1986—Mar. 7	7–7½	7
10	7	7
Apr. 21	6½–7	6½
July 11	6	6
Aug. 21	5½–6	5½
22	5½	5½
1987—Sept. 4	5½–6	6
11	6	6
1988—Aug. 9	6–6½	6½
11	6½	6½
1989—Feb. 24	6½–7	7
27	7	7
In effect Aug. 24, 1989	7	7

1. *Adjustment credit* is available on a short-term basis to help depository institutions meet temporary needs for funds that cannot be met through reasonable alternative sources. After May 19, 1986, the highest rate established for loans to depository institutions may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

Seasonal credit is available to help smaller depository institutions meet regular, seasonal needs for funds that cannot be met through special industry lenders and that arise from a combination of expected patterns of movement in their deposits and loans. A temporary simplified seasonal program was established on Mar. 8, 1985, and the interest rate was a fixed rate ½ percent above the rate on adjustment credit. The program was reestablished for 1986 and 1987 but was not renewed for 1988.

2. Extended credit is available to depository institutions, when similar assistance is not reasonably available from other sources, when exceptional circumstances or practices involve only a particular institution or when an institution is experiencing difficulties adjusting to changing market conditions over a longer period of time.

3. For extended-credit loans outstanding more than 30 days, a flexible rate somewhat above rates on market sources of funds ordinarily will be charged, but in no case will the rate charged be less than the basic discount rate plus 50 basis points. The flexible rate is reestablished on the first business day of each two-week reserve maintenance period. At the discretion of the Federal Reserve Bank, the time period for which the basic discount rate is applied may be shortened.

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

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980 through May 7, 1980. There was no surcharge until Nov. 17, 1980, when a 2 percent surcharge was adopted; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981 the formula for applying the surcharge was changed from a calendar quarter to a moving 13-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

Type of deposit, and deposit interval[2]	Depository institution requirements after implementation of the Monetary Control Act	
	Percent of deposits	Effective date
Net transaction accounts[3,4]		
$0 million–$41.5 million	3	12/20/88
More than $41.5 million	12	12/20/88
Nonpersonal time deposits[5]		
By original maturity		
Less than 1½ years	3	10/6/83
1½ years or more	0	10/6/83
Eurocurrency liabilities		
All types	3	11/13/80

1. Reserve requirements in effect on Dec. 31, 1988. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmembers 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* and of the FEDERAL RESERVE BULLETIN. Under provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge corporations.

2. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) requires that $2 million of reservable liabilities (transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities) of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this 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 to be made in the event of a decrease. On Dec. 20, 1988, the exemption was raised from $3.2 million to $3.4 million. In determining the reserve requirements of depository institutions, the exemption shall apply in the following order: (1) net NOW accounts (NOW accounts less allowable deductions); (2) net other transaction accounts; and (3) nonpersonal time deposits or Eurocurrency liabilities starting with those with the highest reserve ratio. With respect to NOW accounts and other transaction accounts, the exemption applies only to such accounts that would be subject to a 3 percent reserve requirement.

3. Transaction accounts include all deposits on which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers in excess of three per month for the purpose of making payments to third persons or others. However, MMDAs and similar accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month, of which no more than three can be checks, are not transaction accounts (such accounts are savings deposits subject to time deposit reserve requirements).

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 increase in transaction accounts held by all depository institutions, determined as of June 30 each year. Effective Dec. 20, 1988 for institutions reporting quarterly and Dec. 27, 1988 for institutions reporting weekly, the amount was increased from $40.5 million to $41.5 million.

5. In general, nonpersonal time deposits are time deposits, including savings deposits, that are not transaction accounts and in which a beneficial interest is held by a depositor that is not a natural person. Also included are certain transferable time deposits held by natural persons and certain obligations issued to depository institution offices located outside the United States. For details, see section 204.2 of Regulation D.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction	1986	1987	1988	1988	1989					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
U.S. TREASURY SECURITIES										
Outright transactions (*excluding matched transactions*)										
Treasury bills										
1 Gross purchases	22,604	18,983	8,223	1,125	0	0	0	3,077	311	0
2 Gross sales	2,502	6,051	587	0	154	3,688	0	0	321	571
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	1,000	9,029	2,200	0	600	1,600	0	0	1,200	1,200
Others within 1 year										
5 Gross purchases	190	3,659	2,176	1,084	0	0	0	172	0	0
6 Gross sales	0	300	0	0	0	0	0	0	0	0
7 Maturity shift	18,674	21,504	23,854	1,750	620	5,418	2,646	1,657	2,863	1,828
8 Exchange	−20,180	−20,388	−24,588	−1,703	−2,703	−2,308	−2,322	−110	−3,628	−1,434
9 Redemptions	0	70	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	893	10,231	5,485	1,824	0	0	0	1,436	0	0
11 Gross sales	0	452	800	0	3	225	0	0	75	0
12 Maturity shift	−17,058	−17,975	−17,720	−1,750	−541	−5,319	−2,646	−1,532	−2,036	−1,828
13 Exchange	16,985	18,938	22,515	1,703	2,492	2,008	2,322	0	3,328	1,434
5 to 10 years										
14 Gross purchases	236	2,441	1,579	562	0	0	0	287	0	0
15 Gross sales	0	0	175	0	20	0	0	0	0	0
16 Maturity shift	−1,620	−3,529	−5,946	0	−79	−100	0	−125	258	0
17 Exchange	2,050	950	1,797	0	212	200	0	110	200	0
Over 10 years										
18 Gross purchases	158	1,858	1,398	432	0	0	0	284	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	0	0	−188	0	0	0	0	0	−1,086	0
21 Exchange	1,150	500	275	0	0	100	0	0	100	0
All maturities										
22 Gross purchases	24,081	37,170	18,863	5,028	0	0	0	5,255	311	0
23 Gross sales	2,502	6,803	1,562	0	177	3,913	0	0	396	571
24 Redemptions	1,000	9,099	2,200	0	600	1,600	0	0	1,200	1,200
Matched transactions										
25 Gross sales	927,999	950,923	1,168,484	93,650	94,204	110,393	83,677	77,349	123,029	128,139
26 Gross purchases	927,247	950,935	1,168,142	93,584	94,252	112,472	82,821	78,259	113,041	138,141
Repurchase agreements[2]										
27 Gross purchases	170,431	314,621	152,613	15,575	17,208	0	0	22,244	31,419	6,203
28 Gross sales	160,268	324,666	151,497	14,815	21,969	0	0	12,547	41,117	6,203
29 Net change in U.S. government securities	29,988	11,234	15,872	5,721	−5,489	−3,434	−856	15,863	−20,971	8,232
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	398	276	587	135	148	40	0	125	0	0
Repurchase agreements[2]										
33 Gross purchases	31,142	80,353	57,259	7,672	8,980	0	0	7,207	12,732	1,666
34 Gross sales	30,521	81,350	56,471	6,853	11,081	0	0	3,366	16,573	1,666
35 Net change in federal agency obligations	222	−1,274	198	683	−2,249	−40	0	3,716	−3,841	0
36 Total net change in System Open Market Account	**30,212**	**9,961**	**16,070**	**6,404**	**−7,738**	**−3,474**	**−856**	**19,579**	**−24,812**	**8,232**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings. Details may not add to totals because of rounding.

2. In July 1984 the Open Market Trading Desk discontinued accepting bankers acceptances in repurchase agreements.

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

Millions of dollars

Account	Wednesday					End of month		
	1989					1989		
	June 28	July 5	July 12	July 19	July 26	May	June	July
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,062	11,066	11,066	11,067	11,067	11,060	11,063	11,066
2 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
3 Coin	449	428	423	429	443	432	445	450
Loans								
4 To depository institutions	1,759	665	687	632	622	2,033	840	594
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	6,654	6,654	6,654	6,654	6,609	6,654	6,655	6,609
8 Held under repurchase agreements	0	0	1,137	0	0	0	0	0
U.S. Treasury securities								
Bought outright								
9 Bills	108,326	101,632	105,511	97,096	97,184	100,799	109,031	95,962
10 Notes	92,322	92,313	92,313	92,300	92,300	92,322	92,322	92,300
11 Bonds	30,414	30,414	30,414	30,414	30,414	30,414	30,414	30,414
12 Total bought outright[2]	231,062	224,359	228,237	219,810	219,897	223,535	231,767	218,676
13 Held under repurchase agreements	0	0	4,961	0	0	0	0	0
14 Total U.S. Treasury securities	231,062	224,359	233,198	219,810	219,897	223,535	231,767	218,676
15 **Total loans and securities**	**239,475**	**231,678**	**241,676**	**227,095**	**227,128**	**232,222**	**239,263**	**225,879**
16 Items in process of collection	6,740	6,297	6,990	7,374	6,234	10,442	6,550	4,409
17 Bank premises	767	766	767	767	767	761	767	768
Other assets								
18 Denominated in foreign currencies[3]	18,956	19,460	19,486	19,580	20,618	13,656	19,213	21,529
19 All other[4]	10,982	10,164	10,590	10,221	10,709	7,966	10,001	10,618
20 **Total assets**	**296,949**	**288,377**	**299,516**	**285,051**	**285,483**	**285,057**	**295,816**	**283,237**
LIABILITIES								
21 Federal Reserve notes	229,666	232,625	232,876	231,301	230,300	229,372	230,847	230,229
Deposits								
22 To depository institutions	34,061	35,685	46,818	34,475	36,555	33,553	37,381	34,339
23 U.S. Treasury—General account	19,244	6,751	5,431	4,984	4,925	5,288	12,153	5,312
24 Foreign—Official accounts	287	215	184	242	200	429	275	371
25 Other	327	228	206	254	483	524	228	236
26 **Total deposits**	**53,919**	**42,879**	**52,638**	**39,954**	**42,164**	**39,794**	**50,040**	**40,258**
27 Deferred credit items	5,402	4,975	5,930	6,141	5,429	8,378	6,751	4,057
28 Other liabilities and accrued dividends[5]	3,258	3,102	3,355	2,925	2,881	3,212	3,272	2,841
29 **Total liabilities**	**292,245**	**283,581**	**294,800**	**280,321**	**280,774**	**280,756**	**290,911**	**277,384**
CAPITAL ACCOUNTS								
30 Capital paid in	2,145	2,151	2,158	2,162	2,154	2,142	2,146	2,156
31 Surplus	2,112	2,112	2,112	2,112	2,112	2,081	2,117	2,112
32 Other capital accounts	447	533	446	456	443	78	649	1,585
33 **Total liabilities and capital accounts**	**296,949**	**288,377**	**299,516**	**285,051**	**285,483**	**285,057**	**295,816**	**283,237**
34 MEMO: Marketable U.S. Treasury securities held in custody for foreign and international accounts	233,119	231,321	232,347	234,831	237,112	234,667	362,000	236,847
	Federal Reserve note statement							
35 Federal Reserve notes outstanding issued to bank	273,315	272,972	273,666	274,195	274,225	271,562	272,983	274,736
36 LESS: Held by bank	43,649	40,348	40,790	42,895	43,925	42,190	42,135	44,507
37 Federal Reserve notes, net	229,666	232,625	232,876	231,301	230,300	229,372	230,847	230,229
Collateral held against notes net:								
38 Gold certificate account	11,062	11,066	11,066	11,067	11,067	11,060	11,063	11,066
39 Special drawing rights certificate account	8,518	8,518	8,518	8,518	8,518	8,518	8,518	8,518
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	210,086	213,041	213,292	211,716	210,716	209,794	211,266	210,645
42 **Total collateral**	**229,666**	**232,625**	**232,876**	**231,301**	**230,300**	**229,372**	**230,847**	**230,229**

1. Some of these data also appear in the Board's H.4.1 (503) release. For address, see inside front cover. Components may not add to totals because of rounding.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale-purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within 90 days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings[1]

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1989					1989		
	June 28	July 5	July 12	July 19	July 26	May 31	June 30	July 31
1 Loans—Total	991	665	687	632	622	2,033	1,495	594
2 Within 15 days	926	348	356	553	545	1,940	1,339	415
3 16 days to 90 days	65	317	331	77	77	93	156	179
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	0	0	0
6 Within 15 days	0	0	0	0	0	0	0	0
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. Treasury securities—Total	231,062	224,359	233,198	219,810	219,897	223,535	231,767	218,676
10 Within 15 days[2]	12,757	10,953	11,914	6,880	8,743	4,691	8,812	9,144
11 16 days to 90 days	50,726	48,226	53,626	49,651	47,967	49,365	56,198	48,395
12 91 days to 1 year	74,975	72,978	75,457	71,076	70,984	76,876	74,546	69,625
13 Over 1 year to 5 years	52,786	52,393	52,393	52,274	52,274	52,786	52,393	51,583
14 Over 5 years to 10 years	13,511	13,502	13,502	13,623	13,623	13,511	13,512	13,623
15 Over 10 years	26,306	26,306	26,306	26,306	26,306	26,306	26,306	26,306
16 Federal agency obligations—Total	6,654	6,654	7,791	6,654	6,609	6,654	6,654	6,609
17 Within 15 days[2]	152	75	1,242	206	101	347	152	101
18 16 days to 90 days	642	744	728	627	657	473	642	721
19 91 days to 1 year	1,289	1,314	1,310	1,310	1,396	1,324	1,289	1,332
20 Over 1 year to 5 years	3,386	3,336	3,311	3,311	3,249	3,352	3,386	3,249
21 Over 5 years to 10 years	996	996	1,011	1,011	1,016	969	996	1,016
22 Over 10 years	189	189	189	189	189	189	189	189

1. Holdings under repurchase agreements are classified as maturing within 15 days in accordance with maximum maturity of the agreements.

NOTE: Components may not add to totals because of rounding.

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

Billions of dollars, averages of daily figures

Item	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.	1988	1989						
					Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 **Total reserves**[3]	**48.49**	**58.14**	**58.69**	**60.71**	**60.71**	**60.37**	**60.26**	**59.85**	**59.46**	**58.74**	**58.35**	**58.70**
2 Nonborrowed reserves	47.17	57.31	57.92	58.99	58.99	58.71	58.77	58.04	57.17	57.02	56.86	58.01
3 Nonborrowed reserves plus extended credit[4]	47.67	57.62	58.40	60.23	60.23	59.75	59.82	59.38	58.88	58.22	57.78	58.11
4 Required reserves	47.44	56.77	57.66	59.67	59.67	59.23	59.11	58.90	58.69	57.71	57.44	57.73
5 Monetary base[5]	219.51	241.45	257.99	275.50	275.50	276.78	277.55	278.61	278.67	278.33	279.06	279.98
	Not seasonally adjusted											
6 **Total reserves**[3]	**49.59**	**59.46**	**60.06**	**62.21**	**62.21**	**62.07**	**59.37**	**58.94**	**60.01**	**57.72**	**58.41**	**58.96**
7 Nonborrowed reserves	48.27	58.64	59.28	60.50	60.50	60.40	57.88	57.13	57.72	56.00	56.92	58.26
8 Nonborrowed reserves plus extended credit[4]	48.77	58.94	59.76	61.74	61.74	61.45	58.93	58.46	59.43	57.20	57.84	58.37
9 Required reserves	48.53	58.09	59.03	61.17	61.17	60.92	58.22	57.98	59.23	56.69	57.51	57.99
10 Monetary base[5]	222.73	245.25	262.08	279.71	279.71	277.92	274.36	275.62	278.11	277.49	280.18	282.07
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[6]												
11 **Total reserves**[3]	**48.14**	**59.56**	**62.12**	**63.74**	**63.74**	**63.47**	**60.69**	**60.21**	**61.29**	**58.91**	**59.59**	**60.26**
12 Nonborrowed reserves	46.82	58.73	61.35	62.02	62.02	61.81	59.21	58.40	59.00	57.19	58.10	59.56
13 Nonborrowed reserves plus extended credit[4]	47.32	59.04	61.83	63.27	63.27	62.85	60.26	59.73	60.71	58.39	59.01	59.67
14 Required reserves	47.08	58.19	61.09	62.70	62.70	62.32	59.54	59.25	60.51	57.88	58.68	59.29
15 Monetary base[5]	223.53	247.71	266.16	283.18	283.18	281.31	277.66	278.94	281.52	280.54	283.27	285.36

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

2. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

3. Total reserves not adjusted for discontinuities consist of reserve balances *with Federal Reserve Banks, which* exclude required clearing balances and adjustments to compensate for float, plus vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

4. 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 there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

5. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks and the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. Currency and vault cash figures are measured over the weekly computation period ending Monday.

The seasonally adjusted monetary base consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock and the remaining items seasonally adjusted as a whole.

6. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with implementation of the Monetary Control Act or other regulatory changes to reserve requirements.

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

Billions of dollars, averages of daily figures

Item[2]	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.	1989r Apr.	1989r May	1989r June	1989r July
	Seasonally adjusted							
1 M1	620.5	725.9	752.3	790.3	783.1	773.3	770.3	777.3
2 M2	2,567.4	2,811.2	2,909.9	3,069.4	3,080.0	3,070.7	3,086.0	3,118.1
3 M3	3,201.7	3,494.9	3,677.6	3,914.3r	3,956.2	3,951.2	3,969.0	4,000.6
4 L	3,830.6	4,137.1	4,340.2	4,675.0r	4,742.1	4,737.6	4,739.2	n.a.
5 Debt	6,733.3	7,596.9	8,310.7	9,052.1	9,285.1	9,344.0	9,397.4	n.a.
M1 components								
6 Currency[3]	167.8	180.5	196.4	211.8	215.9	216.4	217.4	218.0
7 Travelers checks[4]	5.9	6.5	7.1	7.6	7.3	7.3	7.2	7.1
8 Demand deposits[5]	267.3	303.2	288.3	288.6	281.4	278.2	275.0	279.0
9 Other checkable deposits[6]	179.5	235.8	260.4	282.3	278.5	271.3	270.7	273.2
Nontransactions components								
10 In M2[7]	1,946.9	2,085.3	2,157.7	2,279.2	2,296.9	2,297.4	2,315.7	2,340.8
11 In M3 only[8]	634.3	683.7	767.6	844.9r	876.2	880.5	883.1	882.5
Savings deposits[9]								
12 Commercial Banks	125.0	155.8	178.5	192.5	185.6	182.4	181.4	181.9
13 Thrift institutions	176.6	215.2	237.8	238.8	227.3	222.3	220.6	219.6
Small-denomination time deposits[10]								
14 Commercial Banks	383.3	364.6	385.3	443.1	485.5	496.9	501.9	505.0
15 Thrift institutions	499.2	489.3	528.8	582.2	597.6	608.8	616.6	621.3
Money market mutual funds								
16 General purpose and broker-dealer	176.5	208.0	221.1	239.4	259.1	258.9	265.1	274.6
17 Institution-only	64.5	84.4	89.6	87.6	87.7	91.6	95.1	98.2
Large-denomination time deposits[11]								
18 Commercial Banks[12]	285.1	288.8	325.4	364.9	392.6	395.9	396.6	398.4
19 Thrift institutions	151.5	150.1	162.0	172.9	175.2	176.4	176.7	175.4
Debt components								
20 Federal debt	1,585.3	1,805.8	1,957.5	2,114.0	2,171.8	2,177.0	2,182.7	n.a.
21 Nonfederal debt	5,147.9	5,791.1	6,353.1	6,938.1	7,113.3	7,167.1	7,214.7	n.a.
	Not seasonally adjusted							
22 M1	633.5	740.4	766.4	804.4	791.3	767.1	773.8	781.8
23 M2	2,576.2	2,821.1	2,918.7	3,077.1	3,091.6	3,061.2	3,088.8	3,125.9
24 M3	3,213.3	3,507.4	3,688.5	3,924.1r	3,961.8	3,941.1	3,969.6	4,002.3
25 L	3,843.7	4,152.0	4,354.5	4,688.5	4,743.8	4,726.2	4,740.2	n.a.
26 Debt	6,723.5	7,581.1	8,292.8	9,037.5	9,248.6	9,310.7	9,369.5	n.a.
M1 components								
27 Currency[3]	170.2	183.0	199.3	214.9	215.1	216.6	218.5	219.7
28 Travelers checks[4]	5.5	6.0	6.5	6.9	7.0	7.1	7.5	8.1
29 Demand deposits[5]	276.9	314.0	298.6	298.8	283.2	273.3	276.4	281.6
30 Other checkable deposits[6]	180.9	237.4	262.0	283.7	286.0	270.1	271.4	272.5
Nontransactions components								
31 M2[7]	1,942.7	2,080.7	2,152.3	2,272.8	2,300.3	2,294.2	2,315.0	2,344.1
32 M3 only[8]	637.1	686.3	769.8	847.0r	870.2	879.9	880.8	876.4
Money market deposit accounts								
33 Commercial Banks	332.8	379.6	358.8	352.5	336.2	327.0	328.1	330.9
34 Thrift institutions	180.7	192.9	167.5	150.3	135.0	130.0	128.8	129.0
Savings deposits[9]								
35 Commercial Banks	123.7	154.2	176.6	190.3	186.2	183.6	183.2	184.3
36 Thrift institutions	174.8	212.7	234.8	235.6	227.9	223.7	223.3	223.2
Small-denomination time deposits[10]								
37 Commercial Banks	384.0	365.3	386.1	444.1	483.5	493.2	499.6	504.4
38 Thrift institutions	499.9	489.8	529.1	582.4	598.5	605.7	612.8	619.7
Money market mutual funds								
39 General purpose and broker-dealer	176.5	208.0	221.1	239.4	259.1	258.9	265.1	274.6
40 Institution-only	64.5	84.4	89.6	87.6	87.7	91.6	95.1	98.2
Large-denomination time deposits[11]								
41 Commercial Banks[12]	285.4	289.1	325.8	365.6	390.5	394.7	395.1	395.7
42 Thrift institutions	151.8	150.7	163.0	174.1r	173.7	175.2	174.8	173.3
Debt components								
43 Federal debt	1,583.7	1,803.9	1,955.6	2,111.8	2,155.1	2,159.5	2,165.2	n.a.
44 Nonfederal debt	5,139.8	5,777.2	6,337.2	6,925.7	7,093.5	7,151.2	7,204.3	n.a.

For notes see following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) release. Historical data are available from the Monetary and Reserves Projection section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

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

M1: (1) currency outside the 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 due 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 (OCD) 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.

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all commercial banks and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, MMDAs, savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and balances in both taxable and tax-exempt general purpose and broker–dealer money market mutual funds. Excludes individual retirement accounts (IRA) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker–dealer), foreign governments and commercial banks, and the U.S. government.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of $100,000 or more) issued by commercial banks and thrift institutions, term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper and bankers acceptances, net of money market mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages.

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 due 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 balances at all depository institutions, credit union share draft balances, and demand deposits at thrift institutions.

7. Sum of overnight RPs and overnight Eurodollars, money market fund balances (general purpose and broker-dealer), MMDAs, and savings and small time deposits.

8. Sum of large time deposits, term RPs, and term Eurodollars of U.S. residents, money market fund balances (institution-only), less the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.

9. Savings deposits exclude MMDAs.

10. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than $100,000. All individual retirement accounts (IRA) and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

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

12. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

1.22 BANK DEBITS AND DEPOSIT TURNOVER[1]

Debits are shown in billions of dollars, turnover as ratio of debits to deposits. Monthly data are at annual rates.

Bank group, or type of customer	1986[2]	1987[2]	1988[2]	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May
DEBITS TO	*Seasonally adjusted*								
Demand deposits[3]									
1 All insured banks	188,346.0	217,116.2	226,888.4	245,617.5	252,226.7	255,774.3	249,088.3	245,230.1	266,468.1
2 Major New York City banks	91,397.3	104,496.3	107,547.3	111,115.5	109,875.9	121,770.1	111,387.4	107,808.9	120,984.1
3 Other banks	96,948.8	112,619.8	119,341.2	134,502.0	142,350.8	134,004.2	137,700.9	137,421.3	145,483.9
4 ATS–NOW accounts[4]	2,182.5	2,402.7	2,757.7	3,020.8	2,976.2	3,054.9	3,264.9	2,986.4	3,406.5
5 Savings deposits[5]	403.5	526.5	583.0	640.7	647.4	649.2	675.2	585.5	647.2
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	556.5	612.1	641.2	698.5	716.3	734.4	721.0	697.5	767.1
7 Major New York City banks	2,498.2	2,670.6	2,903.5	3,140.7	3,113.7	3,618.0	3,393.0	3,092.2	3,342.1
8 Other banks	321.2	357.0	376.8	425.3	449.3	425.9	440.4	433.9	467.5
9 ATS–NOW accounts[4]	15.6	13.8	14.7	15.8	15.6	16.0	17.1	15.7	18.2
10 Savings deposits[5]	3.0	3.1	3.1	3.4	3.5	3.5	3.6	3.2	3.6
DEBITS TO	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	188,506.7	217,125.1	227,010.7	258,119.4	257,649.6	231,347.8	264,581.6	238,265.6	274,861.8
12 Major New York City banks	91,500.1	104,518.8	107,565.0	117,470.7	112,480.2	110,047.2	120,202.2	105,461.7	121,507.2
13 Other banks	97,006.7	112,606.2	119,445.7	140,648.8	145,169.4	121,300.6	144,379.4	132,803.9	153,354.6
14 ATS–NOW accounts[4]	2,184.6	2,404.8	2,754.7	3,163.8	3,245.1	2,762.1	3,228.6	3,205.2	3,325.2
15 MMDA[6]	1,609.4	1,954.2	2,430.1	2,940.5	3,072.5	2,622.4	2,636.7	2,700.2	2,910.5
16 Savings deposits[5]	404.1	526.8	578.0	655.6	668.7	573.3	649.6	649.6	637.9
DEPOSIT TURNOVER									
Demand deposits[3]									
17 All insured banks	556.7	612.3	641.7	699.1	713.7	683.1	782.3	676.6	805.9
18 Major New York City banks	2,499.1	2,674.9	2,901.4	3,058.1	2,998.6	3,255.7	3,603.3	3,017.6	3,482.5
19 Other banks	321.2	356.9	377.1	425.2	448.7	397.8	473.6	418.7	500.9
20 ATS–NOW accounts[4]	15.6	13.8	14.7	16.3	16.7	14.5	16.9	16.3	18.0
21 MMDA[6]	4.5	5.3	6.9	8.4	8.9	7.8	7.8	8.1	9.0
22 Savings deposits[5]	3.0	3.1	3.1	3.5	3.6	3.1	3.5	3.5	3.5

1. *Historical tables containing revised data for earlier periods may be obtained* from the Monetary and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

These data also appear on the Board's G.6 (406) release. For address, see inside front cover.

2. Annual averages of monthly figures.

3. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.

4. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data are available beginning December 1978.

5. Excludes ATS and NOW accounts, MMDA and special club accounts, such as Christmas and vacation clubs.

6. Money market deposit accounts.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1988 Aug.	Sept.	Oct.	Nov.	Dec.	1989 Jan.	Feb.	Mar.	Apr.	May	June	July
	Seasonally adjusted											
1 **Total loans and securities[2]**	**2,377.6**	**2,381.5**	**2,401.4**	**2,410.2**	**2,417.2**	**2,422.8**	**2,451.9**	**2,464.9**	**2,470.9**	**2,486.3**	**2,496.8**	**2,518.1**
2 U.S. government securities	350.9	353.1	355.6	358.8	361.4	360.4	361.8	368.8	370.7	373.5	373.8	374.4
3 Other securities	196.5	195.2	196.8	195.9	194.0	189.6	190.4	189.7	187.2	186.4	185.7	184.6
4 Total loans and leases[2]	1,830.1	1,833.2	1,848.9	1,855.6	1,861.9	1,872.9	1,899.7	1,906.5	1,913.1	1,926.5	1,937.3	1,959.1
5 Commercial and industrial	597.4	598.1	601.6	601.8	601.9	606.6	619.0	617.8	620.6	626.3	624.9	632.2
6 Bankers acceptances held[3]	4.3	4.1	4.1	4.3	4.1	4.4	4.2	4.0	4.1	4.2	4.2	4.1
7 Other commercial and industrial	593.2	594.0	597.5	597.4	597.8	602.2	614.8	613.7	616.6	622.1	620.7	628.1
8 U.S. addressees[4]	586.5	587.2	590.9	591.3	591.8	596.6r	609.9	608.3	611.7	616.6	615.2	622.2
9 Non-U.S. addressees[4]	6.7	6.9	6.5	6.1	5.9	5.7	4.9	5.4	4.8r	5.4r	5.5	5.9
10 Real estate	643.0	650.3	659.8	665.3	672.0	678.9	685.6	691.8	699.5	705.5	712.0	719.8
11 Individual	347.7	350.2	351.6	353.0	355.5	357.9	358.9	360.6	362.9	365.4	366.0	367.0
12 Security	39.6	36.5	38.5	38.2	38.5	37.7	44.7	43.6	40.0	38.0	41.1	40.3
13 Nonbank financial institutions	31.1	30.7	30.4	30.2	30.0	30.3	30.6	29.7	29.2	29.0	30.6r	31.7
14 Agricultural	29.6	29.6	29.8	30.3	30.7	30.7	30.7	30.7	30.4	30.3	30.3r	30.4
15 State and political subdivisions	48.2	48.0	48.5	47.7	46.8	44.4	44.5	44.6	44.6	44.6	44.5	44.3
16 Foreign banks	8.0	7.2	7.6	8.1	7.6	7.8	8.5	8.2r	8.3	9.4r	9.3r	8.9
17 Foreign official institutions	5.1	5.0	4.9r	4.9	4.9	4.8	4.8	4.8	4.9r	4.9r	4.7	4.5
18 Lease financing receivables	28.1	28.5	28.9	29.1	29.2	29.4	29.6	29.6	29.8	30.0	29.9	30.3
19 All other loans	52.2	49.1	47.5	47.0r	44.8r	44.4	42.7r	45.2r	42.9r	43.1r	43.8r	49.7
	Not seasonally adjusted											
20 **Total loans and securities[2]**	**2,370.5**	**2,378.9**	**2,392.6**	**2,409.2**	**2,429.6**	**2,430.7**	**2,453.6**	**2,462.8**	**2,473.9**	**2,487.4**	**2,500.9**	**2,511.7**
21 U.S. government securities	351.2	352.9	352.6	357.5	361.6	362.2	366.3	370.2	370.9	372.6	372.6	373.1
22 Other securities	196.8	195.0	195.6	196.0	193.7	191.7	190.1	188.9	187.2	186.8	186.0	184.1
23 Total loans and leases[2]	1,822.5	1,831.0	1,844.4	1,855.7	1,874.2	1,876.9	1,897.2	1,903.7	1,915.9	1,928.0	1,942.3r	1,954.6
24 Commercial and industrial	593.1	593.3	597.0	599.3	605.0	605.8	618.3	621.1	625.2	630.0	629.0	631.0
25 Bankers acceptances held[3]	4.3	4.2	4.2	4.3	4.1	4.1	4.1	4.0	4.0	4.3	4.4	4.2
26 Other commercial and industrial	588.8	589.1	592.8	595.0	600.9	601.7	614.2	617.1	621.3	625.8	624.6	626.8
27 U.S. addressees[4]	582.2	582.5	586.6	588.9	594.8	596.4	608.9	611.8r	616.0r	620.2	619.0	621.2
28 Non-U.S. addressees[4]	6.6	6.6	6.2	6.1	6.1	5.3	5.3	5.3	5.3	5.5r	5.6	5.6
29 Real estate	644.2	651.9	660.7	667.2	673.3	678.9	683.6	689.2	697.4	704.1	712.1	720.5
30 Individual	347.8	351.8	352.6	354.1	359.4	360.7	358.2	357.7	360.3	363.2	364.5	365.9
31 Security	38.3	35.1	36.9	37.6	38.9	38.2	43.8	44.1	42.0	38.9	42.8r	39.9
32 Nonbank financial institutions	31.0	30.7	30.1	30.3	31.1	30.7	30.0	29.1	29.0r	29.2r	30.8r	31.7
33 Agricultural	30.4	30.5	30.6	30.5	30.5	30.1	29.8	29.6	29.6	30.1	30.7r	31.1
34 State and political subdivisions	47.7	47.3	48.0	47.1	46.6	45.8	45.5	45.1	44.8	44.5	44.2	43.7
35 Foreign banks	7.9	7.4	7.6	8.2	7.9	8.1r	8.5	8.0	8.0	9.0	9.1	9.0
36 Foreign official institutions	5.1	5.0	4.9r	4.9	4.9	4.8	4.8	4.8	4.9r	4.9r	4.7	4.5
37 Lease financing receivables	28.0	28.4	28.7	28.9	29.4	29.7	29.7	29.7	29.8	30.0	30.0	30.2
38 All other loans	48.9	49.6	47.3	47.5r	47.3	44.0r	45.0	45.4r	44.7r	44.2r	44.5r	47.1

1. Data have been revised because of benchmarking beginning January 1984. These data also appear in the Board's G.7 (407) release. For address, see inside front cover.
2. Excludes loans to commercial banks in the United States.
3. Includes nonfinancial commercial paper held.
4. United States includes the 50 states and the District of Columbia.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1988					1989						
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
Seasonally adjusted												
1 Total nondeposit funds[2]	219.4	210.0	210.9	217.3	214.6	207.4	210.6^r	211.2	204.3	207.1	223.0	226.8
2 Net balances due to related foreign offices[3]	19.2	8.2	5.6	9.3	6.7	8.0	10.7	8.0^r	2.9	-.1	7.9^r	11.1
3 Borrowings from other than commercial banks in United States[4]	200.3	201.8	205.3	208.0	207.9	199.4	199.9	203.1	201.5^r	207.2	215.1^r	215.7
4 Domestically chartered banks	165.8	165.8	167.1	168.7	168.9	162.4	160.7	165.1	162.8	166.5	175.0	173.9
5 Foreign-related banks	34.5	36.0	38.2	39.3	39.0	37.0	39.2	38.1^r	38.7^r	40.7	40.0	41.8
Not seasonally adjusted												
6 Total nondeposit funds[2]	218.3	206.6	204.9	214.1	209.0	206.6^r	215.4^r	216.8	207.0	214.7	226.1^r	222.6
7 Net balances due to related foreign offices[3]	18.7	9.2	5.2	10.3	9.2	7.7	10.4	7.0	.8	2.6	8.1	8.1
8 Domestically chartered banks	-7.3	-15.7	-20.5	-19.2	-20.7	-20.5	-17.9	-19.8	-23.0	-22.1	-18.5	-16.6
9 Foreign-related banks	26.0	24.9	25.7	29.5	29.9	28.2	28.3	26.8^r	23.8^r	24.6	26.6	24.7
10 Borrowings from other than commercial banks in United States[4]	199.6	197.3	199.7	203.7	199.8	198.9	204.9	209.8^r	206.2	212.2^r	218.0^r	214.4
11 Domestically chartered banks	165.3	162.1	162.9	167.4	162.9	160.8	164.4	170.2	166.7	171.0	176.4^r	172.1
12 Federal funds and security RP borrowings[5]	160.3	157.6	158.8	162.8	159.3	157.4	161.2	166.7	162.4	167.3	172.9	169.4
13 Other[6]	5.0	4.4	4.1	4.6	3.5	3.4	3.2	3.5	4.3	3.7	3.4	2.7
14 Foreign-related banks[6]	34.2	35.3	36.8	36.3	37.0	38.1	40.5	39.6^r	39.5	41.1	41.6	42.4
MEMO												
Gross large time deposits[7]												
15 Seasonally adjusted	414.6	419.7	423.2	424.5	429.2	434.9	440.3	446.7^r	452.7	456.8^r	458.8^r	461.6
16 Not seasonally adjusted	415.1	421.7	424.7	425.6	429.8	434.5	440.2	448.2	450.6	455.5	457.3^r	458.9
U.S. Treasury demand balances at commercial banks[8]												
17 Seasonally adjusted	17.1	23.5	27.2	23.0	24.9	20.3	20.3	20.3	20.9	27.1	27.4^r	22.7
18 Not seasonally adjusted	11.9	24.6	27.7	16.3	22.9	25.0	25.9	18.1	20.2	34.3	26.2	23.0

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

These data also appear in the Board's G.10 (411) release. For address, see inside front cover.

2. Includes federal funds, RPs, and other borrowing from nonbanks and net balances due to related foreign offices.

3. Reflects net positions of U.S. chartered banks, Edge Act corporations, and U.S. branches and agencies of foreign banks with related foreign offices plus net positions with own IBFs.

4. Other borrowings are borrowings through any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, loan RPs, and sales of participations in pooled loans.

5. Based on daily average data reported weekly by approximately 120 large banks and quarterly or annual data reported by other banks.

6. Figures are partly daily averages and partly averages of Wednesday data.

7. Time deposits in denominations of $100,000 or more. Estimated averages of daily data.

8. U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series[1]

Billions of dollars

Account	1988				1989						
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
ALL COMMERCIAL BANKING INSTITUTIONS[2]											
1 Loans and securities	2,535.6	2,551.6	2,591.6	2,601.6	2,587.0	2,624.0	2,627.1	2,623.0	2,659.8	2,660.7	2,677.1
2 Investment securities	526.8	524.8	532.9	533.5	533.5	535.8	539.1	538.3	541.1	541.6	538.3
3 U.S. government securities	336.4	334.1	341.5	345.3	347.3	351.3	355.5	356.6	359.1	362.2	360.3
4 Other	190.4	190.7	191.4	188.2	186.2	184.5	183.6	181.7	182.0	179.4	178.1
5 Trading account assets	21.2	24.9	24.8	19.2	21.5	20.1	21.8	17.8	19.2	18.2	19.8
6 Total loans	1,987.5	2,002.0	2,033.9	2,048.9	2,032.1	2,068.0	2,066.2	2,066.8	2,099.5	2,100.9	2,119.0
7 Interbank loans	154.9	161.3	170.3	165.7	159.9	173.2	154.9	150.7	160.5	155.0	162.4
8 Loans excluding interbank	1,832.7	1,840.7	1,863.6	1,883.2	1,872.2	1,894.9	1,911.3	1,916.2	1,939.0	1,945.9	1,956.6
9 Commercial and industrial	593.3	595.0	601.3	608.8	604.6	617.6	622.9	627.3	631.1	628.3	635.3
10 Real estate	654.7	661.8	669.6	676.3	679.7	684.1	692.6	699.4	706.7	715.1	722.8
11 Individual	352.7	353.3	355.3	361.4	360.8	358.3	358.1	361.8	363.8	366.0	366.2
12 All other	232.0	230.6	237.5	236.6	227.0	234.8	237.7	227.7	237.4	236.6	232.3
13 Total cash assets	216.6	209.9	237.5	246.3	216.1	227.4	211.5	215.8	248.3	214.2	211.7
14 Reserves with Federal Reserve Banks	31.1	31.7	33.8	34.5	31.5	27.7	30.9	33.4	27.8	27.9	30.6
15 Cash in vault	26.2	26.3	28.7	30.3	27.5	26.6	26.8	26.9	27.9	27.6	27.4
16 Cash items in process of collection	76.3	72.9	89.8	92.3	76.4	89.1	75.9	78.8	107.6	78.7	75.2
17 Demand balances at U.S. depository institutions	29.8	29.4	32.4	34.4	28.7	33.3	28.8	28.5	34.9	29.6	28.8
18 Other cash assets	53.2	49.6	52.8	54.8	52.0	50.7	49.0	48.3	50.2	50.5	49.7
19 Other assets	194.5	200.3	200.7	200.0	194.6	191.4	194.1	200.7	206.8	198.7	201.1
20 Total assets/total liabilities and capital	**2,946.7**	**2,961.8**	**3,029.7**	**3,047.9**	**2,997.8**	**3,042.8**	**3,032.7**	**3,039.5**	**3,114.9**	**3,073.6**	**3,090.0**
21 Deposits	2,062.8	2,072.2	2,125.8	2,145.7	2,097.1	2,125.2	2,123.7	2,134.2	2,182.6	2,138.2	2,152.0
22 Transaction deposits	588.3	587.8	628.6	642.7	586.6	602.6	583.2	594.5	628.5	580.5	579.4
23 Savings deposits	536.6	537.8	541.1	535.6	528.8	527.3	523.2	512.0	509.7	507.4	514.0
24 Time deposits	937.9	946.7	956.1	967.5	981.7	995.3	1,017.3	1,027.6	1,044.3	1,050.2	1,058.6
25 Borrowings	471.8	482.6	479.0	473.1	493.6	502.9	483.6	486.7	510.6	512.7	510.2
26 Other liabilities	220.8	214.5	229.0	233.7	209.1	216.5	223.9	217.4	218.6	218.4	223.1
27 Residual (assets less liabilities)	191.4	192.5	195.9	195.3	198.0	198.2	201.4	201.2	203.2	204.4	204.7
MEMO											
28 U.S. government securities (including trading account)	352.6	354.0	361.0	359.4	364.4	366.2	372.1	369.5	372.3	374.4	373.5
29 Other securities (including trading account)	195.4	195.7	196.7	193.4	190.5	189.7	188.8	186.6	188.0	185.4	184.6
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	2,339.8	2,353.9	2,389.8	2,391.9	2,385.1	2,405.9	2,407.8	2,407.8	2,446.0	2,439.9	2,452.1
31 Investment securities	501.7	499.3	507.1	507.2	507.0	509.0	513.1	513.8	516.1	517.3	514.2
32 U.S. government securities	325.0	322.8	329.9	333.2	334.5	338.1	342.7	344.1	345.9	349.5	347.8
33 Other	176.7	176.5	177.1	174.0	172.6	171.0	170.4	169.7	170.2	167.8	166.5
34 Trading account assets	21.2	24.9	24.8	19.2	21.5	20.1	21.8	17.8	19.2	18.2	19.8
35 Total loans	1,816.9	1,829.8	1,858.0	1,865.4	1,856.6	1,876.8	1,872.8	1,876.2	1,910.6	1,904.5	1,918.1
36 Interbank loans	126.2	131.3	139.7	133.1	131.4	138.9	122.3	120.2	131.5	119.3	126.4
37 Loans excluding interbank	1,690.7	1,698.5	1,718.3	1,732.3	1,725.2	1,737.8	1,750.5	1,756.0	1,779.2	1,785.1	1,791.7
38 Commercial and industrial	490.2	492.7	498.7	500.6	498.9	503.4	506.1	511.3	515.5	511.6	515.6
39 Real estate	634.8	641.3	647.7	654.3	657.7	661.7	669.8	676.0	683.2	691.6	698.2
40 Individual	352.3	353.0	354.9	361.1	360.5	358.0	357.7	361.4	363.5	365.6	365.8
41 All other	213.3	211.6	217.0	216.3	208.1	214.7	216.9	207.3	217.0	216.3	212.0
42 Total cash assets	194.1	190.2	216.6	223.1	193.5	206.4	191.4	195.3	227.0	192.3	190.1
43 Reserves with Federal Reserve Banks	29.0	29.9	32.6	33.1	30.1	26.6	29.5	30.7	26.7	26.6	29.6
44 Cash in vault	26.1	26.2	28.6	30.3	27.4	26.6	26.8	26.8	27.9	27.6	27.4
45 Cash items in process of collection	75.9	72.2	89.0	91.4	75.6	88.1	75.1	77.9	106.6	77.7	74.4
46 Demand balances at U.S. depository institutions	27.7	27.4	30.5	32.4	26.8	31.2	26.6	26.8	32.9	27.5	27.0
47 Other cash assets	35.3	34.4	35.8	35.9	33.6	33.9	33.4	33.1	33.0	32.9	31.7
48 Other assets	127.3	130.4	132.2	135.6	128.1	129.6	130.6	134.6	133.6	131.6	128.4
49 Total assets/liabilities and capital	**2,661.3**	**2,674.5**	**2,738.6**	**2,750.5**	**2,706.7**	**2,741.8**	**2,729.9**	**2,737.7**	**2,806.6**	**2,763.9**	**2,770.6**
50 Deposits	1,995.7	2,004.0	2,056.3	2,073.0	2,026.1	2,052.7	2,047.4	2,056.2	2,103.0	2,058.8	2,071.3
51 Transaction deposits	579.5	578.2	618.7	632.9	577.4	593.5	574.1	584.8	618.7	571.2	570.2
52 Savings deposits	534.1	535.2	538.6	533.1	526.4	524.8	520.7	509.4	507.1	504.8	511.3
53 Time deposits	882.1	890.7	899.0	907.0	922.3	934.4	952.6	961.9	977.2	982.9	989.9
54 Borrowings	359.5	365.2	366.1	363.7	377.1	378.7	362.8	368.2	383.0	387.3	380.2
55 Other liabilities	118.2	116.3	123.8	122.0	109.0	115.8	121.7	115.6	120.9	116.9	117.8
56 Residual (assets less liabilities)	187.8	189.0	192.4	191.8	194.5	194.6	197.9	197.7	199.7	200.8	201.2
MEMO											
57 Real estate loans, revolving	37.5	38.5	39.7	40.1	40.7	41.7	42.5	43.4	44.3	45.3	45.7
58 Real estate loans, other	597.3	602.7	608.0	614.2	617.0	620.0	627.3	632.6	638.9	646.2	652.5

1. Back data are available from the Banking and Monetary Statistics section, Board of Governors of the Federal Reserve System, Washington, D.C., 20551. These data also appear in the Board's weekly H.8 (510) release.

Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Loan and securities data for domestically chartered commercial banks are estimates for the last Wednesday of the month based on a sample of weekly reporting banks and quarter-end condition report data. Data for other banking institutions are estimates made for the last Wednesday of the month based on a weekly reporting sample of foreign-related institutions and quarter-end condition reports.

2. Commercial banking institutions include insured domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.

3. Insured domestically chartered commercial banks include all member banks and insured nonmember banks.

1.26 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS[1]

Millions of dollars, Wednesday figures

Account	1989								
	May 31	June 7	June 14	June 21	June 28	July 5	July 12	July 19	July 26
1 Cash and balances due from depository institutions	126,047r	103,021r	112,907	103,146r	105,727	121,904	116,706	105,662	105,395
2 **Total loans, leases, and securities, net**	**1,213,512**	**1,201,589**	**1,203,738**	**1,208,875**	**1,208,607**	**1,224,771**	**1,217,310**	**1,207,891**	**1,216,173**
3 U.S. Treasury and government agency	137,220	137,634	137,626	140,272	140,742	141,500	140,479	140,334	142,712
4 Trading account	13,216	13,548	13,823	14,427	12,168	13,152	13,389	12,688	13,224
5 Investment account	124,003	124,086	123,803	125,845	128,575	128,348	127,090	127,646	129,488
6 Mortgage-backed securities[3]	53,356r	53,508r	53,518	55,368r	57,264	57,534	57,684	58,591	60,455
All other maturing in									
7 One year or less	21,415r	21,592r	21,340	21,347r	21,950	21,053	20,894	20,718	20,472
8 Over one through five years	41,192r	41,052r	40,934	40,772r	40,734	40,694	39,733	39,624	39,545
9 Over five years	8,041r	7,934r	8,011	8,358r	8,626	9,068	8,778	8,713	9,017
10 Other securities	72,670	72,054	72,010	72,176	71,651	71,156	71,083	71,242	71,457
11 Trading account	1,138	842	1,027	1,045	1,113	1,151	1,033	1,075	1,232
12 Investment account	71,533	71,211	70,982	71,131	70,538	70,004	70,050	70,166	70,225
13 States and political subdivisions, by maturity	44,473	44,216	44,153	44,069	43,847	43,132	43,172	43,286	43,243
14 One year or less	5,051	4,981	4,971	4,915	4,783	4,525	4,666	4,740	4,830
15 Over one year	39,422	39,235	39,181	39,154	39,063	38,607	38,505	38,546	38,412
16 Other bonds, corporate stocks, and securities	27,060	26,996	26,830	27,062	26,691	26,872	26,878	26,880	26,982
17 Other trading account assets	4,829	5,232	4,810	4,634	4,870	5,243	4,964	5,434	5,328
18 Federal funds sold[4]	77,178	68,424	69,935	70,210	72,860	78,924	72,247	61,897	63,820
19 To commercial banks	51,929	42,728	44,934	45,070	48,091	53,455	49,264	41,507	44,919
20 To nonbank brokers and dealers in securities	18,223	18,593	19,299	18,841	18,409	19,174	16,261	14,695	12,721
21 To others	7,026	7,102	5,702	6,299	6,360	6,295	6,721	5,695	6,179
22 Other loans and leases, gross	959,975r	956,741r	957,766	959,963r	956,660	965,448	965,618	966,206	969,881
23 Other loans, gross	935,367r	932,164r	933,176	935,318r	931,988	940,668	940,858	941,367	945,022
24 Commercial and industrial	317,331r	316,467r	315,680	315,190r	313,384	316,172	315,152	315,626	319,013
25 Bankers acceptances and commercial paper	1,978	1,840	1,879	1,803	1,781	1,892	1,667	1,755	1,761
26 All other	315,353r	314,627r	313,801	313,388r	311,603	314,280	313,485	313,870	317,252
27 U.S. addressees	313,424r	312,723r	311,965	311,517r	309,696	312,405	311,767	312,107	315,636
28 Non-U.S. addressees	1,929r	1,904r	1,836	1,871r	1,907	1,875	1,719	1,763	1,616
29 Real estate loans	327,480r	328,051r	329,624	330,800r	331,538	332,033	333,123	334,097	335,181
30 Revolving, home equity	24,422r	24,533r	24,746	24,872r	24,541	24,496	24,561	24,679	24,750
31 All other	303,058r	303,518r	304,878	305,929r	306,997	307,537	308,561	309,418	310,432
32 To individuals for personal expenditures	169,495r	168,929r	169,414	168,990r	169,469	169,618	169,946	169,992	170,007
33 To depository and financial institutions	47,914r	47,207r	45,839	46,148r	43,406	46,614	46,829	47,758	47,218
34 Commercial banks in the United States	21,679r	21,044r	20,253	19,632r	17,619	19,398	20,088	20,869	21,212
35 Banks in foreign countries	4,809r	4,775r	3,950	4,412r	3,976	5,006	4,452	4,414	4,192
36 Nonbank depository and other financial institutions	21,426r	21,387r	21,636	22,104r	21,810	22,209	22,289	22,474	21,813
37 For purchasing and carrying securities	15,640r	14,288r	15,695	16,135r	17,028	16,382	17,449	15,962	16,360
38 To finance agricultural production	5,696r	5,731r	5,726	5,748r	5,805	5,869	5,972	5,975	5,937
39 To states and political subdivisions	27,143r	27,119	27,037	27,067r	26,996	26,812	26,699	26,718	26,735
40 To foreign governments and official institutions	1,853r	1,993r	1,922	1,879r	1,823	1,845	2,000	1,888	1,640
41 All other	22,814r	22,378r	22,239	23,361r	22,539	25,323	23,688	23,352	22,932
42 Lease financing receivables	24,608	24,576r	24,590	24,645	24,672	24,780	24,760	24,839	24,858
43 LESS: Unearned income	4,895r	4,907r	4,919	4,937r	4,948	4,836	4,849	4,935	4,944
44 Loan and lease reserve[5]	33,465	33,589r	33,490	33,443r	33,228	32,663	32,232	32,285	32,081
45 Other loans and leases, net	921,615	918,245	919,356	921,583	918,484	927,949	928,537	928,985	932,855
46 All other assets	131,085r	132,019r	130,697	131,785r	128,227	135,575	128,694	128,502	124,465
47 **Total assets**	**1,470,644r**	**1,436,629r**	**1,447,342**	**1,443,806r**	**1,442,562**	**1,482,250**	**1,462,710**	**1,442,055**	**1,446,033**
48 Demand deposits	244,114	219,785	226,181	219,160	219,187	255,695	224,157	222,146	215,863
49 Individuals, partnerships, and corporations	189,983	175,662	180,957	174,885	173,820	203,404	180,033	177,274	172,225
50 States and political subdivisions	5,894	5,420	5,890	6,616	6,078	7,340	5,725	5,724	5,862
51 U.S. government	2,678	3,373	4,547	1,888	2,516	2,058	3,071	4,410	3,046
52 Depository institutions in the United States	25,996	19,292	19,817	19,736	20,081	22,729	19,998	19,117	19,246
53 Banks in foreign countries	8,515	7,206	6,020	7,030	6,707	7,857	6,622	6,966	6,410
54 Foreign governments and official institutions	669	954	891	866	1,022	835	955	832	809
55 Certified and officers' checks	10,378	7,879	8,059	8,138	8,963	11,471	7,753	7,822	8,265
56 Transaction balances other than demand deposits	74,271	75,696	74,883	72,702	71,824	76,580	74,576	73,877	72,951
57 Nontransaction balances	673,096	677,506	676,569	675,376	674,735	682,277	682,662	681,581	681,918
58 Individuals, partnerships, and corporations	631,697r	636,172r	635,473	634,831r	634,492	642,978	643,189	642,373	642,564
59 States and political subdivisions	32,401r	32,170r	32,069	31,482r	31,154	30,082	30,349	30,010	30,110
60 U.S. government	922	916	882	882	898	917	933	925	928
61 Depository institutions in the United States	7,420	7,537r	7,466	7,484	7,494	7,681	7,562	7,638	7,679
62 Foreign governments, official institutions, and banks	657	711	679	696	696	620	629	634	637
63 Liabilities for borrowed money	289,130	277,162	282,707	289,438	291,896	280,388	293,606	276,542	286,563
64 Borrowings from Federal Reserve Banks	1,349	1,520	1,720	0	960	0	0	25	0
65 Treasury tax-and-loan notes	21,700	8,003	7,165	25,165	25,191	11,939	13,430	13,493	16,136
66 All other liabilities for borrowed money[6]	266,081	267,639	273,822	264,273	265,746	268,448	280,176	263,023	270,427
67 Other liabilities and subordinated notes and debentures	89,654r	85,728r	86,028	86,365r	84,046	86,143	86,225	86,583	87,679
68 **Total liabilities**	**1,370,266r**	**1,335,878r**	**1,346,368**	**1,343,041r**	**1,341,689**	**1,381,083**	**1,361,226**	**1,340,729**	**1,344,975**
69 Residual (total assets minus total liabilities)[7]	100,378r	100,751r	100,973	100,765r	100,873	101,167	101,484	101,326	101,058
MEMO									
70 Total loans and leases (gross) and investments adjusted[8]	1,178,264r	1,176,313r	1,176,960	1,182,553r	1,181,074	1,189,418	1,185,038	1,182,735	1,187,067
71 Total loans and leases (gross) adjusted[8]	963,545r	961,392r	962,514	965,471r	963,811	971,519	968,512	965,726	967,569
72 Time deposits in amounts of $100,000 or more	215,426r	217,253r	217,440	216,782	216,742	217,229	218,934	218,144	217,940
73 U.S. Treasury securities maturing in one year or less	19,418r	19,896r	18,892	18,898r	18,603	18,455	18,765	18,906	18,367
74 Loans sold outright to affiliates—total[9]	1,775	1,854	1,859	1,863	1,800	1,625	1,639	1,686	1,670
75 Commercial and industrial	1,466	1,542	1,548	1,544	1,479	1,306	1,308	1,347	1,332
76 Other	309	312	312	319	320	319	330	338	338
77 Nontransaction savings deposits (including MMDAs)	246,395	248,402	246,968	246,010	245,348	251,750	250,068	249,928	250,100

1. Beginning Jan. 6, 1988, the "Large bank" reporting group was revised somewhat, eliminating some former reporters with less than $2 billion of assets and adding some new reporters with assets greater than $3 billion.
2. For adjustment bank data see this table in the March 1989 Bulletin. The adjustment data for 1988 should be added to the reported data for 1988 to establish comparability with data reported for 1989.
3. Includes U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages.
4. Includes securities purchased under agreements to resell.
5. Includes allocated transfer risk reserve.
6. Includes federal funds purchased and securities sold under agreements to repurchase; for information on these liabilities at banks with assets of $1 billionor more on Dec. 31, 1977, see table 1.13.
7. This is not a measure of equity capital for use in capital-adequacy analysis or for other analytic uses.
8. Exclusive of loans and federal funds transactions with domestic commercial banks.
9. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

1.28 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY[1]

Millions of dollars, Wednesday figures

Account	1989								
	May 31	June 7	June 14	June 21	June 28	July 5	July 12	July 19	July 26
1 Cash balances due from depository institutions	28,490	20,524	25,136	21,314	24,700	27,588	27,373	22,860	24,436
2 **Total loans, leases, and securities, net[2]**	**222,681**	**216,247**	**217,152**	**216,649**	**215,410**	**215,920**	**219,167**	**212,997**	**213,080**
Securities									
3 U.S. Treasury and government agency[3]	0	0	0	0	0	0	0	0	0
4 Trading account[3]	0	0	0	0	0	0	0	0	0
5 Investment account	15,244	15,042	15,030	15,095	15,461	15,326	15,024	15,642	15,658
6 Mortgage-backed securities[4]	7,237	7,250	7,260	7,288	7,414	7,422	7,444	7,971	8,112
All other maturing in									
7 One year or less	2,804	2,791	2,781	2,855	2,930	2,818	2,808	2,984	2,871
8 Over one through five years	3,500	3,409	3,412	3,295	3,517	3,514	3,203	3,130	3,109
9 Over five years	1,703	1,592	1,576	1,657	1,601	1,572	1,569	1,558	1,565
10 Other securities[3]	0	0	0	0	0	0	0	0	0
11 Trading account[3]	0	0	0	0	0	0	0	0	0
12 Investment account	17,777	17,772	17,927	18,224	17,761	17,292	17,359	17,508	17,518
13 States and political subdivisions, by maturity	11,990	11,964	11,932	11,904	11,707	11,269	11,331	11,408	11,364
14 One year or less	1,161	1,175	1,178	1,181	1,079	806	905	974	1,055
15 Over one year	10,828	10,788	10,755	10,723	10,628	10,463	10,426	10,433	10,309
16 Other bonds, corporate stocks, and securities	5,787	5,808	5,995	6,320	6,054	6,023	6,028	6,100	6,154
17 Other trading account assets[3]	0	0	0	0	0	0	0	0	0
Loans and leases									
18 Federal funds sold[5]	27,529	22,727	24,721	23,950	25,085	23,518	25,070	19,114	17,313
19 To commercial banks	13,687	8,086	10,582	9,875	11,277	10,330	12,986	9,491	9,478
20 To nonbank brokers and dealers in securities	9,708	10,335	10,956	10,384	9,994	9,606	7,909	6,926	4,474
21 To others	4,134	4,307	3,182	3,690	3,814	3,583	4,175	2,696	3,361
22 Other loans and leases, gross	176,814	175,424	174,171	174,092	171,809	173,840	175,515	174,636	176,522
23 Other loans, gross	171,076	169,696	168,469	168,363	166,097	168,134	169,819	168,910	170,806
24 Commercial and industrial	59,915[r]	59,431[r]	58,842[r]	57,513[r]	56,436[r]	56,214	56,581	57,339	59,348
25 Bankers acceptances and commercial paper	422	384	489	404	394	353	380	416	376
26 All other	59,493[r]	59,047[r]	58,354[r]	57,109[r]	56,043[r]	55,861	56,201	56,924	58,972
27 U.S. addressees	58,864[r]	58,418[r]	57,752[r]	56,506[r]	55,340[r]	55,172	55,625	56,336	58,458
28 Non-U.S. addressees	629	628	602	603	703	689	576	588	514
29 Real estate loans	53,608[r]	53,641[r]	53,701[r]	53,900[r]	54,084[r]	54,292	54,741	55,101	55,590
30 Revolving, home equity	3,479	3,481	3,495	3,508	3,524	3,540	3,553	3,563	3,577
31 All other	50,129[r]	50,160[r]	50,206[r]	50,392[r]	50,561[r]	50,751	51,188	51,538	52,013
32 To individuals for personal expenditures	19,347	19,430	19,528	19,498	19,630	19,650	19,623	19,741	19,607
33 To depository and financial institutions	20,462[r]	19,772[r]	18,975[r]	19,335[r]	17,431[r]	19,920	19,695	19,555	18,882
34 Commercial banks in the United States	9,541[r]	8,872[r]	8,442[r]	8,344[r]	7,097[r]	8,425	8,750	8,480	8,314
35 Banks in foreign countries	3,323	3,215	2,537	2,932	2,529	3,499	2,945	2,881	2,713
36 Nonbank depository and other financial institutions	7,598	7,685	7,996	8,059	7,804	7,996	8,000	8,194	7,855
37 For purchasing and carrying securities	6,165	5,606	5,971	6,374	7,146	6,396	7,210	5,738	5,964
38 To finance agricultural production	158	163	155	148	150	155	162	163	156
39 To states and political subdivisions	5,982	5,945	5,898	5,974	5,917	5,976	5,881	5,879	5,855
40 To foreign governments and official institutions	480	625	504	508	476	506	664	561	485
41 All other	4,957[r]	5,081[r]	4,893[r]	5,113[r]	4,826[r]	5,025	5,261	4,833	4,918
42 Lease financing receivables	5,737	5,728	5,701	5,729	5,712	5,707	5,696	5,725	5,717
43 Less: Unearned income	1,641	1,646	1,655	1,675	1,686	1,657	1,663	1,754	1,787
44 Loan and lease reserve	13,041	13,072	13,041	13,037	13,020	12,399	12,138	12,149	12,145
45 Other loans and leases, net[6]	162,131	160,706	159,474	159,380	157,103	159,784	161,714	160,733	162,591
46 All other assets[7]	57,284	59,032	54,848	59,411	56,451	62,477	55,016	55,649	53,357
47 **Total assets**	**308,455**	**295,803**	**297,137**	**297,373**	**296,562**	**305,985**	**301,557**	**291,506**	**290,873**
Deposits									
48 Demand deposits	58,706	50,054	50,818	52,866	52,046	61,690	51,370	52,175	49,420
49 Individuals, partnerships, and corporations	38,911	35,302	36,199	36,539	35,773	42,822	36,560	36,974	34,630
50 States and political subdivisions	625	571	1,057	938	850	1,742	705	717	552
51 U.S. government	478	577	693	193	493	242	606	771	581
52 Depository institutions in the United States	6,745	4,183	4,787	5,642	5,120	4,847	4,827	4,669	4,767
53 Banks in foreign countries	7,040	5,972	4,590	5,710	5,240	6,352	5,325	5,559	5,120
54 Foreign governments and official institutions	530	785	749	628	863	683	798	689	653
55 Certified and officers' checks	4,376	2,663	2,743	3,216	3,706	5,002	2,549	2,795	3,116
56 Transaction balances other than demand deposits (ATS, NOW, Super NOW, telephone transfers)	8,236	8,412	8,446	8,178	8,109	8,467	8,352	8,215	8,164
57 Nontransaction balances	113,778	114,776	113,479	112,939	112,693	115,221	114,540	113,768	113,469
58 Individuals, partnerships, and corporations	103,405	104,455	103,007	102,616	102,309	105,074	104,126	103,441	103,095
59 States and political subdivisions	8,095	8,013	8,186	8,039	8,106	7,745	7,986	7,805	7,840
60 U.S. government	29	30	30	29	28	32	31	32	30
61 Depository institutions in the United States	2,000	1,997	2,004	2,004	1,998	2,123	2,142	2,243	2,254
62 Foreign governments, official institutions, and banks	249	281	253	250	251	247	254	247	250
63 Liabilities for borrowed money	65,776	64,382	66,456	65,433	68,297	62,795	67,984	58,638	61,644
64 Borrowings from Federal Reserve Banks	0	0	0	0	960	0	0	0	0
65 Treasury tax-and-loan notes	5,381	1,772	1,485	6,086	5,969	2,588	3,130	3,045	3,926
66 All other liabilities for borrowed money[8]	60,395	62,610	64,971	59,348	61,368	60,207	64,854	55,592	57,718
67 Other liabilities and subordinated notes and debentures	33,420	29,387	29,100	29,314	26,802	29,262	30,673	30,216	29,707
68 **Total liabilities**	**279,916**	**267,011**	**268,299**	**268,730**	**267,947**	**277,435**	**272,920**	**263,013**	**262,404**
69 Residual (total assets minus total liabilities)[9]	28,539	28,792	28,837	28,643	28,615	28,550	28,637	28,494	28,469
Memo									
70 Total loans and leases (gross) and investments adjusted[2,10]	214,135[r]	214,008[r]	212,824[r]	213,142[r]	211,742[r]	211,222	211,231	208,929	209,219
71 Total loans and leases (gross) adjusted[10]	181,115[r]	181,194[r]	179,867[r]	179,822[r]	178,520[r]	178,604	178,848	175,778	176,043
72 Time deposits in amounts of $100,000 or more	43,084	43,323	42,891	42,576	42,356	43,737	43,612	42,952	42,351
73 U.S. Treasury securities maturing in one year or less	2,950	2,829	2,956	2,978	2,872	3,103	2,821	3,183	2,758

1. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.
2. Excludes trading account securities.
3. Not available due to confidentiality.
4. Includes U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages.
5. Includes securities purchased under agreements to resell.
6. Includes allocated transfer risk reserve.
7. Includes trading account securities.
8. Includes federal funds purchased and securities sold under agreements to repurchase.
9. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
10. Exclusive of loans and federal funds transactions with domestic commercial banks.

1.30 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS[1] Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1989 May 31	June 7	June 14	June 21	June 28	July 5	July 12	July 19	July 26
1 Cash and due from depository institutions	11,420	10,617	11,621	11,396	11,606	10,701	11,647	11,120	11,809
2 Total loans and securities	130,214r	131,486r	133,136r	133,187r	134,216	131,647	131,510	132,164	137,745
3 U.S. Treasury and government agency securities	8,863	8,659	8,132	8,596	8,557	8,652	8,545	8,654	8,416
4 Other securities	6,137	6,138	6,014	6,006	5,988	5,944	5,930	5,922	6,018
5 Federal funds sold[2]	5,500	7,267	9,030	7,955	7,286	3,928	6,525	4,555	7,868
6 To commercial banks in the United States	4,489	6,215	8,002	6,915	6,079	2,711	5,392	3,512	6,685
7 To others	1,011	1,052	1,028	1,040	1,207	1,217	1,133	1,043	1,183
8 Other loans, gross	109,711r	109,422r	109,960r	110,630r	112,385	113,123	110,510	113,033	115,440
9 Commercial and industrial	71,148r	70,601r	70,554r	71,225r	71,220r	71,640	69,889	71,292	73,416
10 Bankers acceptances and commercial paper	1,648	1,789	1,888	1,892	1,863	1,761	1,664	1,733	1,712
11 All other	69,500r	68,812r	68,666r	69,333r	69,357r	69,879	68,225	69,559	71,704
12 U.S. addressees	67,784r	67,056r	66,914r	67,645r	67,603r	67,998	66,288	67,634	69,829
13 Non-U.S. addressees	1,716r	1,756r	1,752r	1,688r	1,754r	1,881	1,937	1,925	1,875
14 Loans secured by real estate[3]	14,691	14,736	14,664	15,173	14,912	15,240	15,309	15,517	15,584
15 To financial institutions	19,985r	19,997r	20,470r	20,480r	22,089r	21,792	21,241	21,922	22,250
16 Commercial banks in the United States	14,515r	14,674r	15,171r	15,536r	17,060r	16,638	16,350	16,932	17,102
17 Banks in foreign countries	1,944	1,758	1,783	1,438	1,490	1,513	1,224	1,267	1,408
18 Nonbank financial institutions	3,526r	3,565r	3,516r	3,506r	3,539r	3,641	3,667	3,723	3,740
19 To foreign governments and official institutions	692	686	649	622	716	629	630	629	633
20 For purchasing and carrying securities	1,563	1,484	2,157	1,642	1,757	2,160	1,799	1,901	1,830
21 All other[3]	1,632	1,918	1,466	1,488	1,691	1,662	1,642	1,772	1,727
22 Other assets (claims on nonrelated parties)	32,669	32,146	32,663	32,638	32,508	31,664	32,613	32,336	33,869
23 *Net due from related institutions*	18,293	15,789	14,450	15,520	14,096	17,040	14,869	16,470	15,825
24 Total assets	192,596	190,038	191,869	192,741	192,426	191,053	190,640	192,090	199,248
25 Deposits or credit balances due to other than directly related institutions	48,500r	48,854r	47,970	48,570r	48,753r	48,584	48,631	49,578	49,805
26 Transaction accounts and credit balances[4]	3,609	3,477	3,014	3,450	4,101	3,332	3,234	3,212	3,274
27 Individuals, partnerships, and corporations	2,107	2,080	1,905	1,934	2,423	2,076	1,956	1,987	1,986
28 Other	1,502	1,397	1,109	1,516	1,678	1,256	1,278	1,225	1,288
29 Nontransaction accounts[5]	44,891r	45,377r	44,956	45,120r	44,652r	45,252	45,397	46,366	46,531
30 Individuals, partnerships, and corporations	37,829r	38,187r	37,748	37,732r	37,607r	37,888	37,768	38,007	38,667
31 Other	7,062	7,190	7,208	7,388	7,045	7,364	7,629	8,359	7,864
32 Borrowings from other than directly related institutions	83,619r	82,778r	81,428r	86,349r	81,787r	86,254	81,000	84,266	85,041
33 Federal funds purchased[6]	38,550	38,762	37,212	41,660	34,949	41,867	36,134	38,285	38,982
34 From commercial banks in the United States	21,099	20,561	21,260	21,367	17,653	23,142	21,327	18,653	19,557
35 From others	17,451	18,201	15,952	20,293	17,296	18,725	14,807	19,632	19,425
36 Other liabilities for borrowed money	45,069r	44,016r	44,216r	44,689r	46,838r	44,387	44,866	45,981	46,059
37 To commercial banks in the United States	29,437	28,777	28,940	29,058	31,098	29,767	29,059	29,975	29,790
38 To others	15,632r	15,239r	15,276r	15,631r	15,740r	14,620	15,807	16,006	16,269
39 Other liabilities to nonrelated parties	33,782	33,141	33,333	32,472	32,829	32,124	32,944	33,535	34,953
40 Net due to related institutions	26,694	25,266	29,141r	25,350	29,056	24,091	28,065	24,713	29,449
41 Total liabilities	192,596	190,038	191,869	192,741	192,426	191,053	190,640	192,090	199,248
MEMO									
42 Total loans (gross) and securities adjusted[7]	111,207r	110,597r	109,963r	110,736r	111,077r	112,298	109,768	111,720	113,955
43 Total loans (gross) adjusted[7]	96,207r	95,800r	95,817r	96,134r	96,532r	97,702	95,293	97,144	99,521

1. Effective Jan. 4, 1989, the reporting panel includes a new group of large U.S. branches and agencies of foreign banks. Earlier data included 65 U.S. branches and agencies of foreign banks that included those branches and agencies with assets of $750 million or more on June 30, 1980, plus those branches and agencies that had reached the $750 million asset level on Dec. 31, 1984. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.
2. Includes securities purchased under agreements to resell.
3. Effective Jan. 4, 1989, loans secured by real estate are being reported as a separate component of Other loans, gross. Formerly, these loans were included in "All other", line 21.
4. Includes credit balances, demand deposits, and other checkable deposits.
5. Includes savings deposits, money market deposit accounts, and time deposits.
6. Includes securities sold under agreements to repurchase.
7. Exclusive of loans to and federal funds sold to commercial banks in the United States.

1.31 GROSS DEMAND DEPOSITS Individuals, Partnerships, and Corporations[1]

Billions of dollars, estimated daily-average balances, not seasonally adjusted

Type of holder	Commercial banks									
	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1988				1989	
					Mar.	June	Sept.	Dec.	Mar.	June
1 **All holders—Individuals, partnerships, and corporations**	**302.7**	**321.0**	**363.6**	**343.5**	**328.6**	**346.5**	**337.8**	**354.7**	**330.4**	n.a.
2 Financial business	31.7	32.3	41.4	36.3	33.9	37.2	34.8	38.6	36.3	n.a.
3 Nonfinancial business	166.3	178.5	202.0	191.9	184.1	194.3	190.3	201.2	182.2	n.a.
4 Consumer	81.5	85.5	91.1	90.0	86.9	89.8	87.8	88.3	87.4	n.a.
5 Foreign	3.6	3.5	3.3	3.4	3.5	3.4	3.2	3.7	3.7	n.a.
6 Other	19.7	21.2	25.8	21.9	20.3	21.9	21.7	22.8	20.7	n.a.
	Weekly reporting banks									
	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1988				1989	
					Mar.	June	Sept.	Dec.	Mar.	June
7 **All holders—Individuals, partnerships, and corporations**	**157.1**	**168.6**	**195.1**	**183.8**	**181.8**	**191.5**	**185.3**	**198.3**	**181.9**	**182.2**
8 Financial business	25.3	25.9	32.5	28.6	27.0	30.0	27.2	30.5	27.2	25.4
9 Nonfinancial business	87.1	94.5	106.4	100.0	98.2	103.1	101.5	108.7	98.6	99.8
10 Consumer	30.5	33.2	37.5	39.1	41.7	42.3	41.8	42.6	41.1	42.4
11 Foreign	3.4	3.1	3.3	3.3	3.4	3.4	3.1	3.6	3.3	2.9
12 Other	10.9	12.0	15.4	12.7	11.4	12.8	11.7	12.9	11.7	11.7

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466. Figures may not add to totals because of rounding.

2. Beginning in March 1984, these data reflect a change in the panel of weekly reporting banks, and are not comparable to earlier data. Estimates in billions of dollars for December 1983 based on the new weekly reporting panel are: financial business, 24.4; nonfinancial business, 80.9; consumer, 30.1; foreign, 3.1; other 9.5.

3. Beginning March 1985, financial business deposits and, by implication, total gross demand deposits have been redefined to exclude demand deposits due to thrift institutions. Historical data have not been revised. The estimated volume of such deposits for December 1984 is $5.0 billion at all insured commercial banks and $3.0 billion at weekly reporting banks.

4. Historical data back to March 1985 have been revised to account for corrections of bank reporting errors. Historical data before March 1985 have not been revised, and may contain reporting errors. Data for all commercial banks for March 1985 were revised as follows (in billions of dollars): all holders, −.3; financial business, −.8; nonfinancial business, −.4; consumer, .9; foreign, .1; other, −.1. Data for weekly reporting banks for March 1985 were revised as follows (in billions of dollars): all holders, −.1; financial business, −.7; nonfinancial business, −.5; consumer, 1.1; foreign, .1; other, −.2.

5. Beginning March 1988, these data reflect a change in the panel of weekly reporting banks, and are not comparable to earlier data. Estimates in billions of dollars for December 1987 based on the new weekly reporting panel are: financial business, 29.4; nonfinancial business, 105.1; consumer, 41.1; foreign, 3.4; other, 13.1.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May	1989 June
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**237,586**	**298,779**	**329,991**	**357,129**	**455,017**	**471,066**	**487,771**	**492,821**	**494,292**	**497,369**	**503,445**
Financial companies[1]											
Dealer-placed paper[2]											
2 Total	56,485	78,443	101,072	101,958	159,947	162,884	173,944	172,950	170,549	167,795	167,681
3 Bank-related (not seasonally adjusted)[3]	2,035	1,602	2,265	1,428	1,248	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Directly placed paper[4]											
4 Total	110,543	135,320	151,820	173,939	192,442	199,828	201,997	205,374	207,231	206,497	211,020
5 Bank-related (not seasonally adjusted)[3]	42,105	44,778	40,860	43,173	43,155	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
6 Nonfinancial companies[5]	70,558	85,016	77,099	81,232	102,628	108,354	111,830	114,497	116,512	123,077	124,744
	Bankers dollar acceptances (not seasonally adjusted)[6]										
7 **Total**	**78,364**	**68,413**	**64,974**	**70,565**	**66,631**	**62,212**	**62,812**	**62,458**	**64,357**	**62,396**	**64,182**
Holder											
8 Accepting banks	9,811	11,197	13,423	10,943	9,086	9,009	9,401	8,336	9,616	8,908	9,333
9 Own bills	8,621	9,471	11,707	9,464	8,022	7,927	8,497	7,642	8,107	8,115	8,399
10 Bills bought	1,191	1,726	1,716	1,479	1,064	1,082	904	693	1,509	794	934
Federal Reserve Banks											
11 Own account	0	0	0	0	0	0	0	0	0	0	0
12 Foreign correspondents	671	937	1,317	965	1,493	1,596	1,579	1,544	1,400	1,374	1,177
13 Others	67,881	56,279	50,234	58,658	56,052	51,608	51,832	52,579	53,340	52,113	53,672
Basis											
14 Imports into United States	17,845	15,147	14,670	16,483	14,984	14,917	15,588	14,755	15,234	14,900	15,477
15 Exports from United States	16,305	13,204	12,960	15,227	14,410	13,813	13,927	13,581	14,371	14,452	15,040
16 All other	44,214	40,062	37,344	38,855	37,237	33,482	33,297	34,122	34,752	33,044	33,666

1. Institutions engaged primarily in activities such as, but not limited to, 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. Beginning January 1989, bank-related series have been discontinued.
4. As reported by financial companies that place their paper directly with investors.
5. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
6. Beginning January 1988, the number of respondents in the bankers acceptance survey were reduced from 155 to 111 institutions—those with $100 million or more in total acceptances. The new reporting group accounts for over 90 percent of total acceptances activity.

1.33 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1986—Mar. 7	9.00			1987—Jan.	7.50	1988—Jan.	8.75
Apr. 21	8.50	1986	8.33	Feb.	7.50	Feb.	8.51
July 11	8.00	1987	8.21	Mar.	7.50	Mar.	8.50
Aug. 26	7.50	1988	9.32	Apr.	7.75	Apr.	8.50
				May	8.14	May	8.84
1987—Apr. 1	7.75	1986—Jan.	9.50	June	8.25	June	9.00
May 1	8.00	Feb.	9.50	July	8.25	July	9.29
15	8.25	Mar.	9.10	Aug.	8.25	Aug.	9.84
Sept. 4	8.75	Apr.	8.83	Sept.	8.70	Sept.	10.00
Oct. 7	9.25	May	8.50	Oct.	9.07	Oct.	10.00
22	9.00	June	8.50	Nov.	8.78	Nov.	10.05
Nov. 5	8.75	July	8.16	Dec.	8.75	Dec.	10.50
		Aug.	7.90				
1988—Feb. 2	8.50	Sept.	7.50			1989—Jan.	10.50
May 11	9.00	Oct.	7.50			Feb.	10.93
July 14	9.50	Nov.	7.50			Mar.	11.50
Aug. 11	10.00	Dec.	7.50			Apr.	11.50
Nov. 28	10.50					May	11.50
						June	11.07
1989—Feb. 10	11.00					July	10.98
24	11.50					Aug.	10.50
June 5	11.00						
July 31	10.50						

NOTE. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Averages, percent per year; weekly, monthly and annual figures are averages of business day data unless otherwise noted.

Instrument	1986	1987	1988	1989 Apr.	1989 May	1989 June	1989 July	1989, week ending June 30	July 7	July 14	July 21	July 28
MONEY MARKET RATES												
1 Federal funds[1,2]	6.80	6.66	7.57	9.84	9.81	9.53	9.24	9.58	9.58	9.31	9.24	9.14
2 Discount window borrowing[1,2,3]	6.32	5.66	6.20	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Commercial paper[4,5]												
3 1-month	6.61	6.74	7.58	9.77	9.58	9.34	8.95	9.35	9.19	8.91	8.93	8.86
4 3-month	6.49	6.82	7.66	9.81	9.47	9.11	8.68	9.10	8.95	8.63	8.65	8.59
5 6-month	6.39	6.85	7.68	9.78	9.29	8.80	8.35	8.73	8.56	8.31	8.36	8.27
Finance paper, directly placed[4,5]												
6 1-month	6.57	6.61	7.44	9.70	9.48	9.24	8.80	9.27	9.03	8.75	8.80	8.75
7 3-month	6.38	6.54	7.38	9.70	9.27	8.77	8.32	8.77	8.60	8.30	8.29	8.19
8 6-month	6.31	6.37	7.14	9.29	8.97	8.22	7.80	8.15	8.04	7.82	7.75	7.70
Bankers acceptances[5,6]												
9 3-month	6.38	6.75	7.56	9.68	9.35	8.97	8.54	8.94	8.74	8.52	8.55	8.46
10 6-month	6.28	6.78	7.60	9.63	9.15	8.66	8.19	8.55	8.34	8.18	8.22	8.09
Certificates of deposit, secondary market[7]												
11 1-month	6.61	6.75	7.59	9.81	9.61	9.35	8.96	9.35	9.19	8.93	8.95	8.89
12 3-month	6.51	6.87	7.73	9.94	9.59	9.20	8.76	9.16	9.00	8.71	8.75	8.69
13 6-month	6.50	7.01	7.91	10.13	9.60	9.09	8.59	8.98	8.79	8.53	8.61	8.52
14 Eurodollar deposits, 3-month[8]	6.70r	7.07r	7.85	10.04	9.66	9.28	8.85	9.31	9.16	8.91	8.81	8.84
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	5.97	5.78	6.67	8.65	8.43	8.15	7.88	8.03	7.81	7.77	7.97	7.98
16 6-month	6.02	6.03	6.91	8.65	8.41	7.93	7.61	7.79	7.58	7.52	7.73	7.62
17 1-year	6.07	6.33	7.13	8.64	8.31	7.84	7.36	7.71	7.42	7.32	7.43	7.35
Auction average[10]												
18 3-month	5.98	5.82	6.68	8.70	8.40	8.22	7.92	8.07	7.96	7.76	7.87	8.09
19 6-month	6.03	6.05	6.92	8.73	8.39	8.00	7.63	7.78	7.63	7.50	7.67	7.73
20 1-year	6.18	6.33	7.17	8.75	8.44	8.18	7.58	n.a.	7.58	n.a.	n.a.	n.a.
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	6.45	6.77	7.65	9.36	8.98	8.44	7.89	8.28	7.97	7.85	7.96	7.86
22 2-year	6.86	7.42	8.10	9.45	9.02	8.41	7.82	8.23	7.95	7.79	7.88	7.75
23 3-year	7.06	7.68	8.26	9.40	8.98	8.37	7.83	8.20	7.94	7.80	7.89	7.77
24 5-year	7.30	7.94	8.47	9.30	8.91	8.29	7.83	8.13	7.93	7.81	7.88	7.75
25 7-year	7.54	8.23	8.71	9.24	8.88	8.31	7.94	8.16	8.07	7.92	7.98	7.86
26 10-year	7.67	8.39	8.85	9.18	8.86	8.28	8.02	8.14	8.08	8.01	8.07	7.97
27 20-year	7.84	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 30-year	7.78	8.59	8.96	9.03	8.83	8.27	8.08	8.10	8.09	8.05	8.14	8.08
Composite[13]												
29 Over 10 years (long-term)	8.14	8.64	8.98	9.18	8.95	8.40	8.19	8.25	8.22	8.17	8.25	8.17
State and local notes and bonds												
Moody's series[14]												
30 Aaa	6.95	7.14	7.36	7.37	7.22	6.79	6.69	6.75	6.73	6.68	6.73	6.60
31 Baa	7.76	8.17	7.83	7.82	7.66	7.27	7.17	7.15	7.15	7.15	7.17	7.20
32 *Bond Buyer* series[15]	7.32	7.63	7.68	7.49	7.25	7.02	6.96	7.02	7.00	6.92	6.95	6.95
Corporate bonds												
Seasoned issues[16]												
33 All industries	9.71	9.91	10.18	10.14	9.97	9.50	9.34	9.42	9.38	9.34	9.35	9.32
34 Aaa	9.02	9.38	9.71	9.79	9.59	9.10	8.93	9.02	8.97	8.94	8.93	8.91
35 Aa	9.47	9.68	9.94	9.94	9.77	9.29	9.14	9.21	9.20	9.15	9.14	9.10
36 A	9.95	9.99	10.24	10.20	10.01	9.59	9.42	9.49	9.46	9.40	9.43	9.41
37 Baa	10.39	10.58	10.83	10.61	10.48	10.03	9.87	9.96	9.91	9.85	9.91	9.86
38 A-rated, recently offered utility bonds[17]	9.61	9.95	10.20	10.33	10.09	9.66	9.54	9.49	9.54	9.57	9.60	9.45
MEMO: Dividend/price ratio[18]												
39 Preferred stocks	8.76	8.37	9.23	9.50	9.32	8.96	8.81	8.96	8.92	8.85	8.76	8.69
40 Common stocks	3.48	3.08	3.64	3.59	3.52	3.44	3.38	3.43	3.49	3.39	3.33	3.31

1. Weekly, monthly and annual figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
2. Weekly figures are averages for statement week ending Wednesday.
3. Rate for the Federal Reserve Bank of New York.
4. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
5. Yields are quoted on a bank-discount basis, rather than in an investment yield basis (which would give a higher figure).
6. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
7. Unweighted average of offered rates quoted by at least five dealers early in the day.
8. Calendar week average. For indication purposes only.
9. Unweighted average of closing bid rates quoted by at least five dealers.
10. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.
11. Yields are based on closing bid prices quoted by at least five dealers.
12. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
13. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.
14. General obligations based on Thursday figures; Moody's Investors Service.
15. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.
18. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

NOTE. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1986	1987	1988	1988		1989						
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	136.03	161.78	149.97	152.67	155.35	160.35	165.08	164.56	169.38	175.30	180.76	185.15
2 Industrial	155.85	195.31	180.83	182.25	187.75	194.62	200.00	197.58	204.81	211.81	216.75	221.74
3 Transportation	119.87	140.39	134.01	137.51	144.06	153.09	162.66	153.85	164.32	169.05	173.47	179.32
4 Utility	71.36	74.29	72.22	79.28	74.81	75.87	77.84	87.16	79.69	84.21	87.95	90.40
5 Finance	147.19	146.48	127.41	130.05	128.83	132.26	137.19	146.14	143.26	146.82	154.08	157.78
6 Standard & Poor's Corporation (1941–43 = 10)[1]	236.39[r]	287.00[r]	265.88	271.02	276.51	285.41	294.01	292.71	302.25	313.93	323.73	331.92
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	264.91	316.78	295.08	292.11	298.59	316.14	323.97	327.47	336.82	349.50	362.73	368.52
Volume of trading (thousands of shares)												
8 New York Stock Exchange	141,020	188,922	161,386	134,420	135,233	168,204	169,223	159,024	161,863	171,495	180,680	162,501
9 American Stock Exchange	11,846	13,832	9,955	8,497	11,227	10,797	11,780	11,395	11,529	11,699	13,519	11,707
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Margin credit at broker-dealers**[3]	**36,840**	**31,990**	**32,740**	**33,640**	**32,740**	**32,530**	**31,480**	**32,130**	**32,610**	**33,140**	**34,730**	**34,360**
Free credit balances at brokers[4]												
11 Margin-account[5]	4,880	4,750	5,660	4,920	5,660	5,790	5,605	5,345	5,450	5,250	6,900	5,420
12 Cash-account	19,000	15,640	16,595	15,185	16,595	15,705	16,195	16,045	16,125	15,965	19,080	16,345
	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. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. Beginning July 5, 1983, the American Stock Exchange rebased its index effectively cutting previous readings in half.
3. Beginning July 1983, under the revised Regulation T, margin credit at broker-dealers includes credit extended against stocks, convertible bonds, stocks acquired through 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 in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. New series beginning June 1984.
6. These regulations, adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities other than options 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. Effective Jan. 31, 1986, the SEC approved new maintenance margin rules, permitting margins to be the price of the option plus 15 percent of the market value of the stock underlying the option.

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1986	1987	1988 Aug.	1988 Sept.	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May
						FSLIC-insured institutions						
1 **Assets**	**1,163,851**	**1,250,855**	**1,311,668**	**1,323,840**	**1,332,878**	**1,332,905r**	**1,350,500r**	**1,337,426r**	**1,339,157r**	**1,340,732r**	**1,345,538r**	**1,346,714**
2 Mortgages	697,451	721,593	751,421	754,389	760,790r	763,001r	764,513r	767,197r	767,531r	769,328r	773,341r	774,328
3 Mortgage-backed securities	158,193	201,828	210,573	211,195	211,833r	212,512r	214,587r	211,337r	213,119r	215,170r	216,149r	216,282
4 Contra-assets to mortgage assets[1]	41,799	42,344	39,078	38,500	38,297r	37,739r	37,950r	37,188r	37,036r	37,747r	37,769r	37,489
5 Commercial loans	23,683	23,163	25,099	24,782	25,413	25,513	33,889r	33,191r	33,193r	33,067r	32,847r	33,050
6 Consumer loans	51,622	57,902	62,417	61,558	61,053	61,504	61,922r	62,111r	62,085r	61,468r	61,691r	61,866
7 Contra-assets to nonmortgage loans[2]	3,041	3,467	3,118	3,074	2,932	2,959	3,056r	2,938r	3,014r	3,135r	2,851r	2,923
8 Cash and investment securities	164,844	169,717	175,793	183,178	184,637r	179,830	186,986r	178,813r	177,154r	177,172r	175,990r	174,361
9 Other[3]	112,898	122,462	128,561	130,313	130,388	131,243r	129,610r	124,903r	126,125r	125,478r	126,140r	127,239
10 **Liabilities and net worth**	**1,163,851**	**1,250,855**	**1,311,668**	**1,323,840**	**1,332,878**	**1,332,905r**	**1,350,500r**	**1,337,426r**	**1,339,157r**	**1,340,732r**	**1,345,538r**	**1,346,714**
11 Savings capital	890,664	932,616	968,294	973,742	976,163	971,497r	971,700r	963,830r	957,361r	956,662r	954,496r	955,565
12 Borrowed money	196,929	249,917	266,787	273,665	278,301	281,088r	299,399r	299,408r	305,667r	312,972r	318,647r	318,367
13 FHLBB	100,025	116,363	120,677	123,436	124,368	127,548	134,168	135,712	140,089	146,007r	147,993r	146,513
14 Other	96,904	133,554	146,110	150,229	153,933	153,540r	165,231r	163,696r	165,578r	166,965r	170,654r	171,854
15 Other	23,975	21,941	28,903	26,021	27,558	29,178r	24,216r	29,743r	31,764r	29,592r	31,679r	33,628
16 Net worth	52,282	46,382	47,684	50,412	50,855r	51,143	55,185r	58,864r	58,916r	57,393r	56,208r	54,685
						FSLIC-insured federal savings banks						
17 **Assets**	**210,562**	**284,270**	**357,897**	**367,928**	**369,682**	**374,930**	**425,983**	**423,895**	**432,690**	**443,196**	**455,195**	**469,973**
18 Mortgages	113,638	161,926	204,351	207,952	207,207	210,732	227,869	231,664	235,391	241,313	246,716	253,842
19 Mortgage-backed securities	29,766	45,826	55,688	56,399	56,630	57,815	64,957	62,770	65,896	68,053	69,935	73,930
20 Contra-assets to mortgage assets[1]	n.a.	9,100	10,893	10,982	10,894	10,901	13,140	12,266	12,672	13,168	13,027	13,237
21 Commercial loans	n.a.	6,504	8,568	8,694	8,880	9,041	16,731	16,171	16,320	16,319	16,508	16,943
22 Consumer loans	13,180	17,696	22,526	22,420	22,421	22,679	24,222	25,050	25,991	26,148	26,725	27,995
23 Contra-assets to nonmortgage loans[2]	n.a.	678	734	785	789	803	889	812	856	935	828	901
24 Finance leases plus interest	n.a.	591	791	804	804	831	880	905	946	965	998	1,072
25 Cash and investment	n.a.	35,347	44,859	48,984	48,818	48,028	61,029	57,454	57,989	59,042	61,330	62,083
26 Other	19,034	24,069	32,740	34,442	29,178	29,942	35,428	33,974	34,646	36,313	37,367	38,052
27 **Liabilities and net worth**	**210,562**	**284,270**	**357,897**	**367,928**	**369,682**	**374,930**	**425,983**	**423,895**	**432,690**	**443,196**	**455,195**	**469,973**
28 Savings capital	157,872	203,196	256,223	261,862	262,922	263,984	298,197	298,530	301,778	307,588	315,725	324,372
29 Borrowed money	37,329	60,716	75,859	80,674	80,779	83,628	99,286	98,304	102,902	107,179	109,997	114,847
30 FHLBB	19,897	29,617	35,357	37,245	37,510	39,630	46,265	46,470	48,951	51,531	53,513	55,457
31 Other	17,432	31,099	40,502	43,429	43,269	43,998	53,021	51,834	53,951	55,648	56,484	59,390
32 Other	4,263	5,324	8,052	7,374	7,667	8,319	8,075	8,275	8,885	8,608	9,311	10,185
33 Net worth	11,098	15,034	17,661	17,886	18,194	18,882	20,235	21,633	22,142	23,218	23,340	23,896
						Savings banks						
34 **Assets**	**236,866**	**259,643**	**253,453**	**255,510**	**257,127**	**258,537**	**261,361**	**254,319**	**254,165**	**255,226**	**255,006**	**257,531**
Loans												
35 Mortgage	118,323	138,494	141,316	143,626	145,398	146,501	147,597	144,998	145,426	145,174	145,699	144,687
36 Other	35,167	33,871	32,799	32,879	33,234	33,791	31,269	32,450	32,369	33,194	32,329	34,464
Securities												
37 U.S. government	14,209	13,510	11,353	11,182	10,896	10,804	11,457	10,485	10,315	10,318	10,391	10,154
38 Mortgage-backed securities	25,836	32,772	30,006	29,190	29,893	29,372	29,751	29,258	29,085	29,373	29,572	30,275
39 State and local government	2,185	2,003	1,901	1,878	1,872	1,887	1,848	1,835	1,829	1,814	1,798	1,984
40 Corporate and other	20,459	18,772	17,301	17,234	16,886	16,773	17,822	15,964	15,812	15,984	15,588	15,763
41 Cash	6,894	5,864	4,950	5,463	4,825	5,093	7,050	5,532	5,465	5,972	6,068	5,591
42 Other assets	13,793	14,357	13,827	14,058	14,123	14,316	14,567	13,797	13,864	13,397	13,561	14,613
43 **Liabilities**	**236,866**	**259,643**	**253,453**	**255,510**	**257,127**	**258,537**	**261,361**	**254,319**	**254,165**	**255,226**	**255,006**	**257,531**
44 Deposits	192,194	201,497	195,907	197,665	197,925	199,092	202,058	195,452	195,308	199,399	199,538	199,790
45 Regular[4]	186,345	196,037	190,716	192,228	192,663	194,095	196,407	190,378	190,422	194,276	194,059	194,636
46 Ordinary savings	37,717	41,959	39,738	39,618	39,375	39,482	39,750	38,221	38,049	38,070	36,801	36,661
47 Time	100,809	112,429	114,255	116,387	117,712	119,026	121,148	118,612	119,109	123,162	125,378	126,185
48 Other	5,849	5,460	5,191	5,427	5,262	4,997	5,651	5,074	4,886	7,206	5,479	5,154
49 Other liabilities	25,274	35,720	34,776	35,001	35,997	36,012	36,169	33,782	33,642	30,500	30,020	33,084
50 General reserve accounts	18,105	20,633	20,018	20,151	20,324	20,462	20,337	20,138	20,336	20,338	20,254	19,874

1.37—Continued

Account	1986	1987	1988 Aug.	1988 Sept.	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May
	Credit unions[5]											
51 **Total assets/liabilities and capital**	**147,726**	n.a.	**173,044**	**174,649**	**174,722**	**174,406**	**174,593**	**175,027**	**176,270**	**178,175**	**177,417**	**178,812**
52 Federal	95,483	n.a.	112,686	113,383	113,474	113,717	114,566	114,909	115,543	117,555	115,416	116,705
53 State	52,243	n.a.	60,358	61,266	61,248	61,135	60,027	60,118	60,727	60,620	62,001	62,107
54 Loans outstanding	86,137	n.a.	108,974	110,939	111,624	112,452	113,191	114,012	113,880	114,572	115,249	116,947
55 Federal	55,304	n.a.	70,944	72,200	72,551	73,100	73,766	74,083	73,917	74,395	75,003	76,052
56 State	30,833	n.a.	38,030	38,739	39,073	39,352	39,425	39,927	39,963	40,177	40,246	40,895
57 Savings	134,327	n.a.	158,731	157,944	160,174	159,021	159,010	159,106	161,073	164,322	161,388	162,134
58 Federal	87,954	n.a.	103,657	103,698	104,184	103,223	104,431	104,629	105,262	107,368	105,208	105,787
59 State	46,373	55,074	54,246	55,990	55,798	54,579	54,477	55,811	56,954	56,180	56,347	
	Life insurance companies											
60 **Assets**	**937,551**	**1,044,459**	**1,121,337**	**1,131,179**	**1,139,490**	**1,144,854**	**1,157,140**	**1,167,184**	**1,173,325**	**1,184,963**	n.a.	n.a.
Securities												
61 Government	84,640	84,426	88,362	87,588	88,883	89,510	88,167	88,747	88,168	88,941	n.a.	n.a.
62 United States[6]	59,033	57,078	60,407	59,874	60,621	61,108	60,685	61,042	60,800	61,175	n.a.	n.a.
63 State and local	11,659	10,681	11,190	11,054	11,069	11,189	11,126	11,036	10,736	10,848	n.a.	n.a.
64 Foreign[7]	13,948	16,667	16,765	16,660	17,193	17,213	16,356	16,669	16,632	16,918	n.a.	n.a.
65 Business	492,807	569,199	624,917	630,086	633,390	638,350	644,894	655,149	659,826	665,843	n.a.	n.a.
66 Bonds	401,943	472,684	520,796	525,336	527,419	532,197	538,053	545,970	550,630	556,396	n.a.	n.a.
67 Stocks	90,864	96,515	104,121	104,750	105,971	106,153	106,841	109,179	109,196	109,447	n.a.	n.a.
68 Mortgages	193,842	203,545	233,438	225,627	227,342	229,234	232,639	233,334	233,827	234,910	n.a.	n.a.
69 Real estate	31,615	34,172	35,920	35,892	36,892	36,673	37,972	38,112	38,690	38,942	n.a.	n.a.
70 Policy loans	54,055	53,626	53,194	53,149	53,157	53,148	53,020	53,210	53,265	53,364	n.a.	n.a.
71 Other assets	80,592	89,586	95,505	98,837	99,826	94,116	95,518	98,632	99,550	102,963	n.a.	n.a.

1. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to mortgage loans, contracts, and pass-through securities include loans in process, unearned discounts and deferred loan fees, valuation allowances for mortgages "held for sale," and specific reserves and other valuation allowances.

2. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to nonmortgage loans include loans in process, unearned discounts and deferred loan fees, and specific reserves and valuation allowances.

3. Holding of stock in Federal Home Loan Bank and Finance leases plus interest are included in "Other" (line 9).

4. Excludes checking, club, and school accounts.

5. Data include all federally insured credit unions, both federal and state chartered, serving natural persons.

6. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.

7. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE. *FSLIC-insured institutions:* Estimates by the FHLBB for all institutions insured by the FSLIC and based on the FHLBB thrift Financial Report.

FSLIC-insured federal savings banks: Estimates by the FHLBB for federal savings banks insured by the FSLIC and based on the FHLBB thrift Financial Report.

Savings banks: Estimates by the National Council of Savings Institutions for all savings banks in the United States and for FDIC-insured savings banks that have converted to federal savings banks.

Credit unions: Estimates by the National Credit Union Administration for federally chartered and federally insured state-chartered credit unions serving natural persons.

Life insurance companies: Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1986	Fiscal year 1987	Fiscal year 1988	Calendar year 1989 Feb.	Mar.	Apr.	May	June	July
U.S. budget[1]									
1 Receipts, total	769,091	854,143	908,953	61,978	68,276	128,952	71,115	108,317	66,255
2 On-budget	568,862	640,741	667,462	38,473	44,677	99,679	49,493	84,110	45,737
3 Off-budget	200,228	213,402	241,491	23,505	23,598	29,273	21,622	24,206	20,518
4 Outlays, total	990,258	1,003,830	1,064,044	89,850	104,055	88,381	96,581	100,528	84,494
5 On-budget	806,760	809,998	861,352	71,324	85,191	71,798	77,851	83,994	66,688
6 Off-budget	183,498	193,832	202,691	18,526	18,864	16,582	18,730	16,534	17,806
7 Surplus, or deficit (−), total	−221,167	−149,687	−155,090	−27,871	−35,779	40,572	−25,466	7,789	−18,239
8 On-budget	−237,898	−169,257	−193,890	−32,851	−40,513	27,881	−28,358	116	−20,951
9 Off-budget	16,731	19,570	38,800	4,979	4,735	12,691	2,891	7,673	2,712
Source of financing (total)									
10 Borrowing from the public	236,187	150,070	162,062	17,190	13,405	−1,291	10,214	1,098	−3,962
11 Operating cash (decrease, or increase (−))	−14,324	−5,052	−7,963	17,009	10,154	−38,788	21,396	−11,649	21,564
12 Other[2]	−696	4,669	991	−6,328	12,221	−493	−6,144	2,762	636
MEMO									
13 Treasury operating balance (level, end of period)	31,384	36,436	44,398	24,826	14,672	53,461	32,065	43,713	22,149
14 Federal Reserve Banks	7,514	9,120	13,024	6,298	4,462	22,952	5,289	12,154	5,312
15 Tax and loan accounts	23,870	27,316	31,375	18,528	10,211	30,508	26,776	31,560	16,837

1. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. The Federal Financing Bank (FFB) activities are now shown as separate accounts under the agencies that use the FFB to finance their programs. The act has also moved two social security trust funds (Federal old-age survivors insurance and Federal disability insurance trust funds) off-budget.

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

SOURCE. *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government* and the *Budget of the U.S. Government*.

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

Millions of dollars

Source or type	Fiscal year 1987	Fiscal year 1988	Calendar year 1987 H2	Calendar year 1988 H1	Calendar year 1988 H2	Calendar year 1989 H1	Calendar year 1989 May	Calendar year 1989 June	Calendar year 1989 July
RECEIPTS									
1 **All sources**	**854,143**	**908,954**	**421,712**	**476,115**	**449,821**	**528,007**	**71,115**	**108,317**	**66,255**
2 Individual income taxes, net	392,557	401,181	192,575	207,659	200,299	233,568	25,336	49,876	29,377
3 Withheld	322,463	341,435	170,203	169,300	179,600	174,230	29,085	33,338	28,343
4 Presidential Election Campaign Fund	33	33	4	28	4	28	8	4	1
5 Nonwithheld	142,957	132,199	31,223	101,614	29,880	121,563	14,842	18,509	2,424
6 Refunds	72,896	72,487	8,853	63,283	9,187	62,255	18,599	1,975	1,392
Corporation income taxes									
7 Gross receipts	102,859	109,683	52,821	58,002	56,409	61,585	2,994	21,418	2,921
8 Refunds	18,933	15,487	7,119	8,706	7,384	7,812	1,068	849	880
9 Social insurance taxes and contributions, net	303,318	334,335	143,755	181,058	157,603	200,127	35,349	31,276	27,941
10 Employment taxes and contributions[2]	273,028	305,093	130,388	164,412	144,983	184,569	27,281	30,572	25,979
11 Self-employment taxes and contributions[3]	13,987	17,691	1,889	14,839	3,032	16,371	1,281	2,389	0
12 Unemployment insurance	25,575	24,584	10,977	14,363	10,359	13,279	7,661	294	1,614
13 Other net receipts[4]	4,715	4,659	2,390	2,284	2,262	2,277	407	410	348
14 Excise taxes	32,457	35,540	17,680	16,440	19,434	17,371	3,640	2,987	2,779
15 Customs deposits	15,085	16,198	7,993	7,913	8,535	8,350	1,466	1,482	1,495
16 Estate and gift taxes	7,493	7,594	3,610	3,863	4,054	4,583	793	736	689
17 Miscellaneous receipts[5]	19,307	19,909	10,399	9,950	10,873	10,235	2,605	1,389	1,933
OUTLAYS									
18 **All types**	**1,003,830**	**1,064,055**	**532,839**	**513,210**	**553,217**	**565,958**	**96,581**	**100,528**	**84,494**
19 National defense	281,999	290,361	146,995	143,080	150,496	148,098	25,012	29,037	21,220
20 International affairs	11,649	10,471	4,487	7,150	2,636	6,605	1,398	867	347
21 General science, space, and technology	9,216	10,841	5,469	5,361	5,852	6,238	1,128	1,171	1,000
22 Energy	4,115	2,297	1,468	555	1,966	2,221	267	509	106
23 Natural resources and environment	13,363	14,606	7,590	6,776	8,330	7,022	1,396	1,419	1,164
24 Agriculture	26,606	17,210	14,640	7,872	7,725	9,619	1,470	504	499
25 Commerce and housing credit	6,182	18,808	3,852	5,951	20,274	4,129	558	973	1,494
26 Transportation	26,222	27,272	14,096	12,700	14,922	13,023	2,668	2,397	2,294
27 Community and regional development	5,051	5,294	2,075	2,765	2,690	1,833	−25	563	535
28 Education, training, employment, and social services	29,724	31,938	15,592	15,451	16,152	18,096	3,039	2,654	2,637
29 Health	39,968	44,490	20,750	22,643	23,360	24,078	4,454	4,270	4,124
30 Social security and medicare	282,472	297,828	158,469	135,322	149,508	162,195	27,067	30,430	26,142
31 Income security	123,250	129,332	61,201	65,555	64,978	70,937	12,106	9,826	10,264
32 Veterans benefits and services	26,782	29,428	14,956	13,241	15,797	14,891	2,809	3,590	1,196
33 Administration of justice	7,548	9,223	4,291	4,761	4,778	5,233	1,066	851	847
34 General government	5,948	7,658	3,560	4,337	5,137	3,858	872	1,140	−53
35 General-purpose fiscal assistance	1,621	1,816	1,175	448	0	0	n.a.	n.a.	n.a.
36 Net interest[6]	138,570	151,748	71,933	76,098	78,317	86,009	14,605	13,376	14,003
37 Undistributed offsetting receipts[7]	−36,455	−36,967	−17,684	−17,766	−18,771	−18,131	−3,309	−3,050	−3,325

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

SOURCES. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government,* and the U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1990.*

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1987				1988				1989
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 **Federal debt outstanding**	**2,250.7**	**2,313.1**	**2,354.3**	**2,435.2**	**2,493.2**	**2,555.1**	**2,614.6**	**2,707.3**	**2,763.6**
2 Public debt securities	2,246.7	2,309.3	2,350.3	2,431.7	2,487.6	2,547.7	2,602.2	2,684.4	2,740.9
3 Held by public	1,839.3	1,871.1	1,893.1	1,954.1	1,996.7	2,013.4	2,051.7	2,095.2	2,133.4
4 Held by agencies	407.5	438.1	457.2	477.6	490.8	534.2	550.4	589.2	607.5
5 Agency securities	4.0	3.8	4.0	3.5	5.6	7.4	12.4	22.9	22.7
6 Held by public	2.9	2.8	3.0	2.7	5.1	7.0	12.2	22.6	22.3
7 Held by agencies	1.1	1.0	1.0	.8	.6	.5	.2	.3	.4
8 **Debt subject to statutory limit**	**2,232.4**	**2,295.0**	**2,336.0**	**2,417.4**	**2,472.6**	**2,532.2**	**2,586.9**	**2,669.1**	**2,725.6**
9 Public debt securities	2,231.1	2,293.7	2,334.7	2,416.3	2,472.1	2,532.1	2,586.7	2,668.9	2,725.5
10 Other debt[1]	1.3	1.3	1.3	1.1	.5	.1	.1	.2	.2
11 MEMO: Statutory debt limit	2,300.0	2,320.0	2,800.0	2,800.0	2,800.0	2,800.0	2,800.0	2,800.0	2,800.0

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

SOURCES. *Treasury Bulletin* and *Monthly Statement of the Public Debt of the United States.*

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

Billions of dollars, end of period

Type and holder	1985	1986	1987	1988	1988			1989
					Q2	Q3	Q4	Q1
1 **Total gross public debt**	**1,945.9**	**2,214.8**	**2,431.7**	**2,684.4**	**2,547.7**	**2,602.2**	**2,684.4**	**2,740.9**
By type								
2 Interest-bearing debt	1,943.4	2,212.0	2,428.9	2,663.1	2,545.0	2,599.9	2,663.1	2,738.3
3 Marketable	1,437.7	1,619.0	1,724.7	1,821.3	1,769.9	1,802.9	1,821.3	1,871.7
4 Bills	399.9	426.7	389.5	414.0	382.3	398.5	414.0	417.0
5 Notes	812.5	927.5	1,037.9	1,083.6	1,072.7	1,089.6	1,083.6	1,121.4
6 Bonds	211.1	249.8	282.5	308.9	299.9	299.9	308.9	318.4
7 Nonmarketable[1]	505.7	593.1	704.2	841.8	775.1	797.0	841.8	866.6
8 State and local government series	87.5	110.5	139.3	151.5	146.9	147.6	151.5	154.4
9 Foreign issues[2]	7.5	4.7	4.0	6.6	5.7	6.3	6.6	6.7
10 Government	7.5	4.7	4.0	6.6	5.7	6.3	6.6	6.7
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	78.1	90.6	99.2	107.6	104.5	106.2	107.6	110.4
13 Government account series[3]	332.2	386.9	461.3	575.6	517.5	536.5	575.6	594.7
14 Non-interest-bearing debt	2.5	2.8	2.8	21.3	2.7	2.3	21.3	2.6
By holder[4]								
15 U.S. government agencies and trust funds	348.9	403.1	477.6	589.2	534.2	550.4	589.2	607.5
16 Federal Reserve Banks	181.3	211.3	222.6	238.4	227.6	229.2	238.4	228.6
17 Private investors	1,417.2	1,602.0	1,745.2	1,852.8	1,784.9	1,819.0	1,852.8	1,900.2
18 Commercial banks	198.2	203.5	201.2	195.0	202.5	203.0	195.0	n.a.
19 Money market funds	25.1	28.0	14.3	18.8	13.1	10.8	18.8	n.a.
20 Insurance companies	78.5	105.6	120.6	n.a.	132.2	135.0	n.a.	n.a.
21 Other companies	59.0	68.8	84.6	86.1	86.5	86.0	86.1	n.a.
22 State and local Treasurys	226.7	262.8	282.6	n.a.	286.3	287.0	n.a.	n.a.
Individuals								
23 Savings bonds	79.8	92.3	101.1	109.6	106.2	107.8	109.6	112.2
24 Other securities	75.0	70.5	72.3	77.8	73.9	76.7	77.8	n.a.
25 Foreign and international[5]	212.5	251.6	287.3	349.5	332.8	333.3	349.5	363.1
26 Other miscellaneous investors[6]	462.4	518.9	581.2	n.a.	551.4	579.4	n.a.	n.a.

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration; depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.
3. Held almost entirely by U.S. Treasury agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. Treasury agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign and international accounts. Excludes non-interest-bearing notes issued to the International Monetary Fund.
6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally-sponsored agencies.

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

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

Par value; averages of daily figures, in millions of dollars

	Item	1986	1987	1988	1989			1989					
					May	June	July	June 21	June 28	July 5	July 12	July 19	July 26
	Immediate delivery[2]												
1	**U.S. Treasury securities**	**95,444**	**110,050**	**101,623**	**120,937**	**129,260**	**114,100**	**116,830**	**122,744**	**117,383**	**125,731**	**108,902**	**104,347**
	By maturity												
2	Bills	34,247	37,924	29,387	29,376	30,761	29,002	28,083	29,920	33,014	29,843	27,034	27,649
3	Other within 1 year	2,115	3,271	3,426	3,594	3,388	2,697	2,719	3,400	4,050	2,914	2,507	1,747
4	1–5 years	24,667	27,918	27,777	38,126	34,861	31,596	27,850	35,386	35,505	35,278	29,118	29,682
5	5–10 years	20,455	24,014	24,939	30,673	35,666	33,578	33,791	31,912	29,011	39,470	33,330	29,775
6	Over 10 years	13,961	16,923	16,093	19,167	24,585	17,227	24,388	22,125	15,802	18,226	16,914	15,494
	By type of customer												
7	U.S. government securities dealers	3,669	2,936	2,761	2,966	3,200	3,093	3,674	2,986	2,729	2,952	2,437	3,369
8	U.S. government securities brokers	49,558	61,539	59,844	72,410	78,131	66,757	72,166	73,008	67,472	73,876	65,234	61,919
9	All others[3]	42,217	45,575	39,019	45,560	47,929	44,249	40,990	46,750	47,181	48,902	41,231	39,058
10	Federal agency securities	16,747	18,084	15,903	16,303	19,904	20,857	19,594	17,908	16,474	23,668	24,917	17,906
11	Certificates of deposit	4,355	4,112	3,369	2,650	2,940	3,020	2,678	2,870	2,870	3,725	2,714	2,334
12	Bankers acceptances	3,272	2,965	2,316	2,113	2,508	2,592	2,306	2,377	2,824	3,055	2,268	2,280
13	Commercial paper	16,660	17,135	22,927	29,109	32,185	33,548	32,839	34,595	33,571	36,668	33,540	29,607
	Futures contracts[4]												
14	Treasury bills	3,311	3,233	2,627	2,501	1,845	1,600	1,695	1,794	2,000	1,165	1,663	2,299
15	Treasury coupons	7,175	8,963	9,695	10,280	12,844	9,020	12,824	11,578	9,250	9,213	10,082	7,377
16	Federal agency securities	16	5	1	0	3	21	6	6	4	4	29	28
	Forward transactions[5]												
17	U.S. Treasury securities	1,876	2,029	2,095	2,752	1,526	1,652	1,001	2,489	1,385	1,478	1,733	1,837
18	Federal agency securities	7,830	9,290	8,008	9,976	9,820	10,258	10,454	7,451	5,410	13,303	13,282	8,445

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers.

Averages for transactions are based on the number of trading days in the period. The figures exclude allotments of, and exchanges for, new U.S. Treasury securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

2. Data for immediate transactions do not include forward transactions.

3. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.

4. Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.

5. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for Treasury securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

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

Averages of daily figures, in millions of dollars

	Item	1986	1987	1988	1989 May	1989 June	1989 July	1989 June 28	1989 July 5	1989 July 12	1989 July 19	1989 July 26
						Positions						
	Net immediate[2]											
1	**U.S. Treasury securities**	**12,912**	**−6,216**	**−22,765**	**−14,757**	**−6,279**	**−44**	**−6,088**	**2,219**	**787**	**1,883**	**−4,092**
2	Bills	12,761	4,317	2,238	1,162	378	1,415	1,236	1,347	2,179	2,343	−56
3	Other within 1 year	3,705	1,557	−2,236	−1,727	−435	−852	−1,035	−2,042	−892	−120	−782
4	1–5 years	9,146	649	−3,020	−2,115	4,651	11,687	5,210	13,841	12,051	11,126	9,923
5	5–10 years	−9,505	−6,564	−9,663	−6,055	−5,050	−7,693	−6,187	−5,893	−6,796	−6,155	−9,313
6	Over 10 years	−3,197	−6,174	−10,084	−6,024	−5,822	−4,601	−5,313	−5,034	−5,754	−5,311	−3,864
7	Federal agency securities	32,984	31,911	28,230	27,121	29,491	31,278	29,217	26,862	28,709	33,130	32,001
8	Certificates of deposit	10,485	8,188	7,300	5,778	6,037	7,028	6,241	6,379	6,782	7,446	7,393
9	Bankers acceptances	5,526	3,660	2,486	1,948	2,357	2,122	2,462	1,989	1,990	2,031	2,397
10	Commercial paper	8,089	7,496	6,152	8,600	8,830	9,894	7,177	7,516	9,428	9,216	10,905
	Futures positions											
11	Treasury bills	−18,059	−3,373	−2,210	−5,729	−4,764r	−5,802	−4,413r	−4,896	−5,866	−6,667	−5,587
12	Treasury coupons	3,473	5,988	6,224	−290	−2,288r	−3,254	−3,096r	−4,725	−3,260	−2,298	−2,525
13	Federal agency securities	−153	−95	0	0	14	45	35	22	13	70	45
	Forward positions											
14	U.S. Treasury securities	−2,144	−1,211	346	−1,378	−1,885	−1,389	−2,164	−2,212	−1,759	−1,925	−568
15	Federal agency securities	−11,840	−18,817	−16,348	−16,748	−20,200	−19,523	−18,169	−16,565	−19,585	−21,807	−18,443
						Financing[3]						
	Reverse repurchase agreements[4]											
16	Overnight and continuing	98,913	126,709	136,327	155,365	166,152r	139,858	160,216	162,238	168,320	162,846	158,895
17	Term	108,607	148,288	177,477	229,265	243,026r	197,148	250,821	222,065	235,363	229,433	229,989
	Repurchase agreements[5]											
18	Overnight and continuing	141,823	170,763	172,695	202,739	229,554r	194,571	226,812	232,959	231,896	227,464	218,063
19	Term	102,397	121,270	137,056	185,554	189,841r	165,284	204,167	173,757	193,025	192,360	204,552

1. Data for dealer positions and sources of financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. Treasury securities dealers on its published list of primary dealers.

Data for positions are averages of daily figures, in terms of par value, based on the number of trading days in the period. Positions are net amounts and are shown on a commitment basis. Data for financing are in terms of actual amounts borrowed or lent and are based on Wednesday figures.

2. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs). The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Immediate positions include reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. Data for immediate positions do not include forward positions.

3. Figures cover financing involving U.S. Treasury and federal agency securities, negotiable CDs, bankers acceptances, and commercial paper.

4. Includes all reverse repurchase agreements, including those that have been arranged to make delivery on short sales and those for which the securities obtained have been used as collateral on borrowings, that is, matched agreements.

5. Includes both repurchase agreements undertaken to finance positions and "matched book" repurchase agreements.

NOTE. Data on positions for the period May 1 to Sept. 30, 1986, are partially estimated.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1985	1986	1987	1988	1989				
					Feb.	Mar.	Apr.	May	June
1 **Federal and federally sponsored agencies**	**293,905**	**307,361**	**341,386**	**381,498**	**390,803**	**397,318**	**402,764r**	**407,323**	**403,748**
2 Federal agencies	36,390	36,958	37,981	35,668	35,768	36,348	36,402	36,275	36,403
3 Defense Department[1]	71	33	13	8	8	8	7	7	7
4 Export-Import Bank[2,3]	15,678	14,211	11,978	11,033	11,033	11,007	11,007	11,007	11,013
5 Federal Housing Administration[4]	115	138	183	150	165	172	182	196	218
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	1,615	0	0	0	0	0	0
7 Postal Service[6]	1,940	3,104	6,103	6,142	6,142	6,742	6,742	6,445	6,445
8 Tennessee Valley Authority	16,347	17,222	18,089	18,335	18,420	18,419	18,464	18,620	18,720
9 *United States Railway Association*[6]	74	85	0	0	0	0	0	0	0
10 Federally sponsored agencies[7]	257,515	270,553	303,405	345,830	355,035	360,970	366,362r	371,048	367,345
11 Federal Home Loan Banks	74,447	88,752	115,725	135,834	144,343	149,950	154,146	156,354	153,892
12 Federal Home Loan Mortgage Corporation	11,926	13,589	17,645	22,797	21,320	23,392	22,676	21,620	22,156
13 Federal National Mortgage Association	93,896	93,563	97,057	105,459	105,201	104,666	104,675	105,404	106,308
14 Farm Credit Banks[8]	68,851	62,478	55,275	53,127	52,441	52,069	51,678	53,375	52,387
15 Student Loan Marketing Association[9]	8,395	12,171	16,503	22,073	25,190	23,753	25,361	26,469	24,256
16 Financing Corporation[10]	n.a.	n.a.	1,200	5,850	5,850	6,450	6,980r	6,980r	7,500
17 Farm Credit Financial Assistance Corporation[11]	n.a.	n.a.	n.a.	690	690	690	846	846	846
MEMO									
18 **Federal Financing Bank debt**[12]	**153,373**	**157,510**	**152,417**	**142,850**	**142,123**	**141,864**	**141,162r**	**140,220**	**139,568**
Lending to federal and federally sponsored agencies									
19 Export-Import Bank[3]	15,670	14,205	11,972	11,027	11,027	11,001	11,001	11,001	11,007
20 Postal Service[6]	1,690	2,854	5,853	5,892	5,892	6,492	6,492	6,195	6,195
21 Student Loan Marketing Association	5,000	4,970	4,940	4,910	4,910	4,910	4,910	4,910	4,910
22 Tennessee Valley Authority	14,622	15,797	16,709	16,955	17,040	17,039	17,084	17,240	17,340
23 United States Railway Association[6]	74	85	0	0	0	0	0	0	0
Other Lending[13]									
24 Farmers Home Administration	64,234	65,374	59,674	58,496	58,496	57,841	57,086	56,311	55,586
25 Rural Electrification Administration	20,654	21,680	21,191	19,246	19,245	19,195	19,230	19,236	19,236
26 Other	31,429	32,545	32,078	26,324	25,513	25,386	25,359	25,327	25,294

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. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.
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 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, shown in line 17.
9. Before late 1981, the Association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 21.
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 FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.
13. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains 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	1986	1987	1988[r]	1988	1989						
				Dec.[r]	Jan.	Feb.	Mar.	Apr.	May	June[r]	July
1 **All issues, new and refunding**[1]	**147,011**	**102,407**	**114,522**	**11,948**	**6,640**	**8,054**	**8,626**	**7,464**	**7,435**	**13,775**	**7,950**
Type of issue											
2 General obligation	46,346	30,589	30,312	2,617	1,784	3,955	2,185	2,301	2,342	4,960	3,703
3 Revenue	100,664	71,818	84,210	9,331	4,856	4,099	6,441	5,163	5,093	8,815	4,247
Type of issuer											
4 State	14,474	10,102	8,830	1,031	280	1,896	256	1,407	392	1,989	967
5 Special district and statutory authority[2]	89,997	65,460	74,409	7,930	4,882	3,832	5,962	4,238	4,979	8,033	4,323
6 Municipalities, counties, and townships	42,541	26,845	31,193	2,897	1,478	2,326	2,408	1,819	2,064	3,753	2,660
7 **Issues for new capital, total**	**83,492**	**56,789**	**79,665**	**9,188**	**4,141**	**5,222**	**6,486**	**6,061**	**5,938**	**10,078**	**6,418**
Use of proceeds											
8 Education	12,307	9,524	15,021	2,697	827	826	1,055	1,225	1,024	2,678	984
9 Transportation	7,246	3,677	6,825	574	344	382	445	743	748	576	268
10 Utilities and conservation	14,594	7,912	8,496	559	1,335	847	901	759	467	1,058	518
11 Social welfare	11,353	11,106	19,027	2,103	509	743	1,329	1,048	1,376	1,509	1,572
12 Industrial aid	6,190	7,474	5,624	1,064	293	250	253	374	361	329	312
13 Other purposes	31,802	18,020	24,672	2,191	834	2,174	2,503	1,912	1,962	3,928	2,764

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts beginning 1986.

SOURCES. Securities Data/Bond Buyer Municipal Data Base beginning 1986. Public Securities Association for earlier data.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue or issuer, or use	1986	1987	1988	1988		1989					
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June
1 **All issues**[1]	**423,726**	**392,156**	**408,903**[r]	**24,531**	**12,389**	**17,404**[r]	**14,693**[r]	**26,499**[r]	**14,384**	**20,004**	**23,841**
2 **Bonds**[2]	**355,293**	**325,648**	**351,102**[r]	**21,096**	**10,338**	**14,243**[r]	**12,158**[r]	**25,577**[r]	**13,396**	**19,403**	**21,036**
Type of offering											
3 Public, domestic	231,936	209,279	200,224[r]	16,798	10,203	11,383[r]	9,964[r]	22,995[r]	11,471	17,497	18,128
4 Private placement, domestic[3]	80,760	92,070	127,700	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5. Sold abroad	42,596	24,299	23,178	4,298	135	2,860	2,194	2,582	1,925	1,906	2,908
Industry group											
6 Manufacturing	91,548	61,666	69,708[r]	2,890	1,485	1,660	1,319	7,456	1,457	7,716	3,273
7 Commercial and miscellaneous	40,124	49,327	61,911[r]	3,260	748	2,047	1,118	882	843	2,162	1,628
8 Transportation	9,971	11,974	9,975	45	0	0	102	0	100	150	480
9 Public utility	31,426	23,004	19,318	672	264	665[r]	670[r]	153	1,695	385	2,936
10 Communication	16,659	7,340	5,901	289	158	0	230	63	453	122	4
11 Real estate and financial	165,564	172,343	184,286	13,940	7,683	9,871	8,718[r]	17,023[r]	8,848[r]	8,869	12,647
12 **Stocks**[3]	**68,433**	**66,508**	**57,802**	**3,435**	**2,051**	**1,251**[r]	**2,535**	**611**	**988**	**1,601**	**2,820**
Type											
13 Preferred	11,514	10,123	6,544	478	495	275	975	0	495	325	335
14 Common	50,316	43,225	35,911	2,957	1,556	976[r]	1,560	611	493	1,276	2,485
15 Private placement[3]	6,603	13,157	15,346	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
16 Manufacturing	15,027	13,880	7,608	430	425	33	832	127	135	330	626
17 Commercial and miscellaneous	10,617	12,888	8,449	52	89	32	270	26	280	115	508
18 Transportation	2,427	2,439	1,535	20	0	220	0	53	169	39	0
19 Public utility	4,020	4,322	1,898	70	20	50[r]	11	108	0	192	125
20 Communication	1,825	1,458	515	20	59	5	19	0	93	224	25
21 Real estate and financial	34,517	31,521	37,798	2,843	1,459	911	1,402	297	310	702	1,536

1. Figures which represent gross proceeds of issues maturing in more than one year, are principal amount or number of units multiplied by offering price. Excludes secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data include only public offerings.
3. Data are not available on a monthly basis. Before 1987, annual totals include underwritten issues only.

SOURCES. IDD Information Services, Inc., the Board of Governors of the Federal Reserve System, and before 1989, the U.S. Securities and Exchange Commission.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1987	1988	1988		1989					
			Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
INVESTMENT COMPANIES[1]										
1 **Sales of own shares[2]**	**381,260**	**271,237**	**20,327**	**25,780**	**29,014**	**22,741**	**23,149**	**25,496**	**24,661**	**25,817**
2 Redemptions of own shares[3]	314,252	267,451	20,599	25,976	24,494	22,252	24,135	26,183	22,483	22,563
3 Net sales	67,008	3,786	−272	−196	4,520	489	−986	−687	2,178	3,254
4 **Assets[4]**	**453,842**	**472,297**	**470,660**	**472,297**	**487,204**	**482,697**	**483,067**	**497,329**	**509,781**	**515,071**
5 Cash position[5]	38,006	45,090	43,488	45,090	49,661	47,908	46,262	48,788	49,177	48,428
6 Other	415,836	427,207	427,172	427,207	437,543	434,789	436,805	448,541	460,604	466,643

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

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

SOURCE. *Survey of Current Business* (Department of Commerce).

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1986	1987	1988	1987		1988				1989	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1 Corporate profits with inventory valuation and capital consumption adjustment	282.1	298.7	328.6	313.0	308.2	318.1	325.3	330.9	340.2	316.3	309.1
2 Profits before tax	221.6	266.7	306.8	281.0	276.2	288.8	305.3	314.4	318.8	318.0	297.6
3 Profits tax liability	106.3	124.7	137.9	132.7	127.3	129.0	138.4	141.2	143.2	144.4	133.3
4 Profits after tax	115.3	142.0	168.9	148.3	148.9	159.9	166.9	173.2	175.6	173.6	164.3
5 Dividends	91.3	98.7	110.4	100.0	102.8	105.7	108.6	112.2	115.2	118.5	120.9
6 Undistributed profits	24.0	43.3	58.5	48.3	46.1	54.2	58.3	61.1	60.4	55.1	43.4
7 Inventory valuation	6.7	−18.9	−25.0	−19.4	−20.4	−20.7	−28.8	−30.4	−20.1	−38.3	−20.7
8 Capital consumption adjustment	53.8	50.9	46.8	51.5	52.4	49.9	48.9	46.9	41.5	36.6	32.3

▲Trade and services are no longer being reported separately. They are included in Commercial and other, line 10.

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry	1987	1988	1989[1]	1987	1988				1989		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2[1]	Q3[1]
1 **Total nonfarm business**	**389.67**	**429.67**	**472.08**	**406.82**	**412.02**	**426.94**	**436.01**	**443.71**	**457.64**	**467.50**	**478.79**
Manufacturing											
2 Durable goods industries	71.01	78.12	82.13	72.28	75.70	76.87	79.48	80.42	81.71	80.21	84.08
3 Nondurable goods industries	74.88	87.58	97.22	79.92	82.90	84.82	89.43	93.18	94.12	96.89	98.61
Nonmanufacturing											
4 Mining	11.39	12.67	12.00	12.32	12.59	13.26	12.47	12.35	12.12	13.08	12.21
Transportation											
5 Railroad	5.92	7.06	7.61	6.12	6.92	7.01	6.84	7.48	7.97	7.10	7.13
6 Air	6.53	7.25	9.57	6.94	6.43	6.66	8.06	7.85	7.18	8.60	10.94
7 Other	6.40	7.04	7.68	6.28	7.08	7.05	7.26	6.77	8.09	7.42	7.78
Public utilities											
8 Electric	31.63	31.90	34.61	32.28	30.31	30.95	32.20	34.14	33.08	35.71	34.39
9 Gas and other	13.25	14.60	16.16	14.11	14.30	14.48	14.50	15.13	17.18	15.71	15.79
10 Commercial and other[2]	168.65	183.44	205.09	176.56	175.79	185.83	185.76	186.38	196.20	202.79	207.86

1. Anticipated by business.
2. "Other" consists of construction; wholesale and retail trade; finance and insurance; personal and business services; and communication.

SOURCE. *Survey of Current Business* (Department of Commerce).

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period

Account	1983	1984	1985	1986			1987			
				Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASSETS										
Accounts receivable, gross										
1 Consumer	83.3	89.9	111.9	123.4	135.3	134.7	131.1	134.7	141.6	141.1
2 Business	113.4	137.8	157.5	166.8	159.7	173.4	181.4	188.1	188.3	207.6
3 Real estate	20.5	23.8	28.0	29.8	31.0	32.6	34.7	36.5	38.0	39.5
4 Total	217.3	251.5	297.4	320.0	326.0	340.6	347.2	359.3	367.9	388.2
Less:										
5 Reserves for unearned income	30.3	33.8	39.2	40.7	42.4	41.5	40.4	41.2	42.5	45.3
6 Reserves for losses	3.7	4.2	4.9	5.1	5.4	5.8	5.9	6.2	6.5	6.8
7 Accounts receivable, net	183.2	213.5	253.3	274.2	278.2	293.3	300.9	311.9	318.9	336.1
8 All other	34.4	35.7	45.3	49.5	60.0	58.6	59.0	57.7	64.5	58.2
9 Total assets	**217.6**	**249.2**	**298.6**	**323.7**	**338.2**	**351.9**	**359.9**	**369.6**	**383.4**	**394.3**
LIABILITIES										
10 Bank loans	18.3	20.0	18.0	16.3	16.8	18.6	17.2	17.3	15.9	16.4
11 Commercial paper	60.5	73.1	99.2	108.4	112.8	117.8	119.1	120.4	124.2	128.4
Debt										
12 Other short-term	11.1	12.9	12.7	15.8	16.4	17.5	21.8	24.8	26.9	28.0
13 Long-term	67.7	77.2	94.4	106.9	111.7	117.5	118.7	121.8	128.2	137.1
14 All other liabilities	31.2	34.5	41.5	40.9	45.0	44.1	46.5	49.1	48.6	52.8
15 Capital, surplus, and undivided profits	28.9	31.5	32.8	35.4	35.6	36.4	36.6	36.3	39.5	31.5
16 Total liabilities and capital	**217.6**	**249.2**	**298.6**	**323.7**	**338.2**	**351.9**	**359.9**	**369.6**	**383.4**	**394.3**

1. NOTE. Components may not add to totals because of rounding.

Data after 1987:4 are currently unavailable. It is anticipated that these data will be available later this year.

1.52 DOMESTIC FINANCE COMPANIES Business Credit Outstanding and Net Change[1]

Millions of dollars, seasonally adjusted

Type	1986	1987	1988	1989				
				Feb.	Mar.	Apr.	May	June
1 Total	**172,060**	**205,810**	**234,529**	**237,378**	**240,186**	**244,882**	**245,861**	**249,322**
Retail financing of installment sales								
2 Automotive	26,015	35,782	36,548	37,301	37,696	38,415	38,816	39,042
3 Equipment	23,112	25,170	28,298	28,385	28,207	28,790	27,638	27,773
4 Pools of securitized assets[2]	n.a.	n.a.	n.a.	682	855	817	846	807
Wholesale								
5 Automotive	23,010	30,507	33,300	34,386	33,528	34,383	34,534	34,021
6 Equipment	5,348	5,600	5,983	6,193	6,088	6,153	6,096	6,165
7 All other	7,033	8,342	9,341	9,569	9,682	9,852	9,929	9,862
8 Pools of securitized assets[2]	n.a.	n.a.	n.a.	0	0	0	0	0
Leasing								
9 Automotive	19,827	21,952	24,673	24,847	25,584	25,544	26,011	26,515
10 Equipment	38,179	43,335	57,455	58,045	59,484	60,246	61,022	63,370
11 Pools of securitized assets[2]	n.a.	n.a.	n.a.	699	756	733	824	796
12 Loans on commercial accounts receivable and factored commercial accounts receivable	15,978	18,078	17,796	17,404	17,794	18,677	18,772	19,302
13 All other business credit	13,557	17,043	21,134	19,867	20,512	21,272	21,371	21,669
	Net change							
14 Total	**15,763**	**33,750**	**28,719**	**1,409**	**2,808**	**4,696**	**978**	**3,462**
Retail financing of installment sales								
15 Automotive	5,355	9,767	766	260	394	720	401	226
16 Equipment	629	2,058	3,128	−43	−178	583	−1,152	135
17 Pools of securitized assets[2]	n.a.	n.a.	n.a.	−42	173	−38	29	−39
Wholesale								
18 Automotive	−978	7,497	2,793	722	−858	856	151	−513
19 Equipment	780	252	383	10	−105	65	−56	69
20 All other	224	1,309	999	76	114	170	78	−68
21 Pools of securitized assets[2]	n.a.	n.a.	n.a.	0	0	0	0	0
Leasing								
22 Automotive	3,552	2,125	2,721	289	736	−40	467	504
23 Equipment	3,411	5,156	14,120	−310	1,439	762	776	2,348
24 Pools of securitized assets[2]	n.a.	n.a.	n.a.	−22	57	−23	91	−28
25 Loans on commercial accounts receivable and factored commercial accounts receivable	213	2,100	−282	716	390	883	95	530
26 All other business credit	2,576	3,486	4,091	−247	645	760	100	298

1. These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

2. Data on pools of securitized assets are not seasonally adjusted.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1986	1987	1988	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May	1989 June	1989 July
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	118.1	137.0	150.0	165.2	153.7	159.7	169.2	151.8	150.5	174.5
2 Amount of loan (thousands of dollars)	86.2	100.5	110.5	121.3	111.8	117.7	124.5	112.3	111.0	125.3
3 Loan/price ratio (percent)	75.2	75.2	75.5	75.2	73.5	74.4	75.0	75.3	75.2	73.8
4 Maturity (years)	26.6	27.8	28.0	28.8	28.3	27.7	28.4	28.3	27.8	28.6
5 Fees and charges (percent of loan amount)[2]	2.48	2.26	2.19	1.90	2.14	2.11	1.70	2.12	1.91	2.42
6 Contract rate (percent per year)	9.82	8.94	8.81	9.20	9.46	9.63	9.88	9.82	10.09	10.06
Yield (percent per year)										
7 FHLBB series[3]	10.26	9.31	9.18	9.52	9.82	9.99	10.17	10.18	10.42	10.48
8 HUD series[4]	10.07	10.17	10.30	10.55	10.75	10.93	10.84	10.43	10.04	9.70
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series)[5]	9.91	10.16	10.49	10.69	10.88	11.16	10.88	10.55	10.08	9.61
10 GNMA securities[6]	9.30	9.43	9.83	10.02	10.07	10.38	10.36	10.11	9.75	9.55
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	98,048	95,030	101,329	102,370	101,922	101,991	102,191	102,564	103,309	104,421
12 FHA/VA-insured	29,683	21,660	19,762	19,354	19,275	19,337	19,607	19,612	19,586	19,630
13 Conventional	68,365	73,370	81,567	83,016	82,647	82,654	82,584	82,952	83,723	84,791
Mortgage transactions (during period)										
14 Purchases	30,826	20,531	23,110	1,037	905	1,469	1,163	1,419	1,862	2,091
Mortgage commitments[7]										
15 Contracted (during period)	32,987	25,415	23,435	1,087	3,557	1,771	1,118	1,626	2,573	2,513
16 Outstanding (end of period)	3,386	4,886	2,148	2,081	4,520	4,807	4,661	4,673	5,236	5,648
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	13,517	12,802	15,105	18,378	18,473	18,714	18,918	19,443	n.a.	n.a.
18 FHA/VA	746	686	620	594	594	593	599	586	n.a.	n.a.
19 Conventional	12,771	12,116	14,485	17,785	17,880	16,135	18,320	18,857	n.a.	n.a.
Mortgage transactions (during period)										
20 Purchases	103,474	76,845	44,077	3,586	5,088	6,373	5,861	5,141	n.a.	n.a.
21 Sales	100,236	75,082	39,780	3,408	4,385	6,037	5,554	4,474	6,331	n.a.
Mortgage commitments[9]										
22 Contracted (during period)	110,855	71,467	66,026	5,206	8,411	11,227	4,196	5,186	n.a.	n.a.

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank 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 rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month. Large monthly movements in average yields may reflect market adjustments to changes in maximum permissable contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
8. Includes participation as well as whole loans.
9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder, and type of property	1986	1987	1988	1987	1988			
				Q4	Q1	Q2	Q3	Q4
1 **All holders**	**2,597,175**	**2,943,222**	**3,200,411**	**2,943,222**	**2,984,027**	**3,058,006**	**3,132,353**	**3,200,411**
2 1- to 4-family	1,698,524	1,925,189	2,115,184	1,925,189	1,951,400	2,012,270	2,067,929	2,115,184
3 Multifamily	247,831	273,899	287,611	273,899	278,144	278,919	281,468	287,611
4 Commercial	555,039	655,266	711,093	655,266	666,461	679,037	695,774	711,093
5 Farm	95,781	88,868	86,523	88,868	88,022	87,780	87,182	86,523
6 Selected financial institutions	1,507,289	1,700,820	1,852,593	1,700,820	1,723,937	1,764,221	1,813,470	1,852,593
7 Commercial banks[2]	502,534	591,151	665,458	591,151	604,468	628,383	649,135	665,458
8 1- to 4-family	235,814	275,761	313,897	275,761	280,757	295,425	306,118	313,897
9 Multifamily	31,173	33,296	34,715	33,296	33,728	34,184	33,855	34,715
10 Commercial	222,799	267,663	301,236	267,663	275,360	283,598	293,772	301,236
11 Farm	12,748	14,431	15,610	14,431	14,623	15,176	15,390	15,610
12 Savings institutions[3]	777,312	856,945	908,355	856,945	863,245	872,450	895,230	908,355
13 1- to 4-family	558,412	598,886	648,275	598,886	603,516	615,795	636,794	648,275
14 Multifamily	97,059	106,359	108,319	106,359	107,722	106,367	106,377	108,319
15 Commercial	121,236	150,943	151,016	150,943	151,251	149,536	151,307	151,016
16 Farm	605	....	....	....	....	....	....	....
17 Life insurance companies	193,842	212,375	233,814	212,375	214,815	220,870	225,627	233,814
18 1- to 4-family	12,827	13,226	15,361	13,226	13,653	14,172	14,917	15,361
19 Multifamily	20,952	22,524	23,681	22,524	22,723	23,021	23,139	23,681
20 Commercial	149,111	166,722	185,592	166,722	168,774	174,086	178,166	185,592
21 Farm	10,952	9,903	9,180	9,903	9,665	9,591	9,405	9,180
22 Finance companies[4]	33,601	40,349	44,966	40,349	41,409	42,518	43,478	44,966
23 Federal and related agencies	203,800	192,721	198,549	192,721	196,909	199,474	198,027	198,549
24 Government National Mortgage Association	889	444	67	444	434	42	64	67
25 1- to 4-family	47	25	53	25	25	24	51	53
26 Multifamily	842	419	14	419	409	18	13	14
27 Farmers Home Administration[5]	48,421	43,051	42,018	43,051	43,076	42,767	41,836	42,018
28 1- to 4-family	21,625	18,169	18,347	18,169	18,185	18,248	18,268	18,347
29 Multifamily	7,608	8,044	8,513	8,044	8,115	8,213	8,349	8,513
30 Commercial	8,446	6,603	5,343	6,603	6,640	6,288	5,300	5,343
31 Farm	10,742	10,235	9,815	10,235	10,136	10,018	9,919	9,815
32 Federal Housing and Veterans Administration	5,047	5,574	5,975	5,574	5,660	5,673	5,666	5,975
33 1- to 4-family	2,386	2,557	2,649	2,557	2,608	2,564	2,432	2,649
34 Multifamily	2,661	3,017	3,326	3,017	3,052	3,109	3,234	3,326
35 Federal National Mortgage Association	97,895	96,649	103,013	96,649	99,787	102,368	102,453	103,013
36 1- to 4-family	90,718	89,666	95,833	89,666	92,828	95,404	95,417	95,833
37 Multifamily	7,177	6,983	7,180	6,983	6,959	6,964	7,036	7,180
38 Federal Land Banks	39,984	34,131	32,115	34,131	33,566	33,048	32,566	32,115
39 1- to 4-family	2,353	2,008	1,890	2,008	1,975	1,945	1,917	1,890
40 Farm	37,631	32,123	30,225	32,123	31,591	31,103	30,649	30,225
41 Federal Home Loan Mortgage Corporation	11,564	12,872	15,361	12,872	14,386	15,576	15,442	15,361
42 1- to 4-family	10,010	11,430	13,058	11,430	12,749	13,631	13,322	13,058
43 Multifamily	1,554	1,442	2,303	1,442	1,637	1,945	2,120	2,303
44 Mortgage pools or trusts[6]	565,428	718,297	809,448	718,297	732,071	754,045	782,802	809,448
45 Government National Mortgage Association	262,697	317,555	340,527	317,555	318,703	322,616	333,177	340,527
46 1- to 4-family	256,920	309,806	331,257	309,806	310,473	314,728	324,573	331,257
47 Multifamily	5,777	7,749	9,270	7,749	8,230	7,888	8,604	9,270
48 Federal Home Loan Mortgage Corporation	171,372	212,634	224,967	212,634	214,724	216,155	220,684	224,967
49 1- to 4-family	166,667	205,977	218,513	205,977	208,138	209,702	214,195	218,513
50 Multifamily	4,705	6,657	6,454	6,657	6,586	6,453	6,489	6,454
51 Federal National Mortgage Association	97,174	139,960	178,250	139,960	145,242	157,438	167,170	178,250
52 1- to 4-family	95,791	137,988	172,331	137,988	142,330	153,253	162,228	172,331
53 Multifamily	1,383	1,972	5,919	1,972	2,912	4,185	4,942	5,919
54 Farmers Home Administration[5]	348	245	104	245	172	106	106	104
55 1- to 4-family	142	121	26	121	65	23	27	26
56 Multifamily	....	....	....	....	....	....	....	....
57 Commercial	132	63	38	63	58	41	38	38
58 Farm	74	61	40	61	49	42	41	40
59 Individuals and others[7]	320,658	331,384	339,821	331,384	331,110	340,266	338,054	339,821
60 1- to 4-family	177,374	171,317	173,128	171,317	169,459	177,108	172,527	173,128
61 Multifamily	66,940	75,437	77,917	75,437	76,071	76,572	77,310	77,917
62 Commercial	53,315	63,272	67,868	63,272	64,378	65,488	67,191	67,868
63 Farm	23,029	21,358	20,908	21,358	21,202	21,098	21,026	20,908

1. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not bank trust departments.
3. Includes savings banks and savings and loan associations. Beginning 1987:1, data reported by FSLIC-insured institutions include loans in process and other contra assets (credit balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels).
4. Assumed to be entirely 1- to 4-family loans.
5. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:4, because of accounting changes by the Farmers Home Administration.
6. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated. Includes private pools which are not shown as a separate line item.
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 other U.S. agencies.

1.55 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change, seasonally adjusted

Millions of dollars

Holder, and type of credit	1987	1988	1988			1989					
			Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June
	Amounts outstanding (end of period)										
1 **Total**	**607,721**	**659,507**	**649,132**	**654,413**	**659,507**	**682,020**	**687,397**	**691,162**	**693,911[r]**	**698,132**	**701,118**
By major holder											
2 Commercial banks	282,910	318,925	312,588	316,683	318,925	316,797	318,423	318,242	320,458	323,363	324,272
3 Finance companies[2]	140,281	145,180	143,012	143,488	145,180	141,795	143,419	143,070	144,378	145,523	146,055
4 Credit unions	80,087	86,118	85,338	85,740	86,118	87,093	87,813	88,514	89,330[r]	89,890	90,511
5 Retailers[3]	40,975	43,498	42,614	42,910	43,498	40,986	41,052	41,300	41,301	41,323	41,649
6 Savings institutions	59,851	62,099	61,926	61,922	62,099	62,867	63,109	62,735	61,919	61,311	59,937
7 Gasoline companies	3,618	3,687	3,654	3,671	3,687	3,655	3,677	3,682	3,787	3,897	4,017
8 Pools of securitized assets[4]	n.a.	n.a.	n.a.	n.a.	n.a.	28,827	29,903	33,487	32,737	32,826	34,677
By major type of credit											
9 Automobile	265,976	281,174	278,902	279,926	281,174	286,382	288,767	288,850	289,654[r]	290,741	290,474
10 Commercial banks	109,201	123,259	120,939	122,392	123,259	122,160	122,983	123,062	123,878	125,118	125,661
11 Credit unions	40,351	41,326	41,293	41,316	41,326	41,707	41,964	42,211	42,510[r]	42,687	42,892
12 Finance companies	98,195	97,204	96,877	96,657	97,204	87,968	88,789	89,567	90,268	90,976	91,184
13 Savings institutions	18,228	19,385	19,793	19,561	19,385	19,506	19,464	19,231	18,866	18,566	18,038
14 Pools of securitized assets[4]	n.a.	n.a.	n.a.	n.a.	n.a.	15,042	15,568	14,779	14,132	13,395	12,700
15 Revolving	153,884	174,792	170,131	173,030	174,792	176,716	178,570	182,831	184,500[r]	186,502	189,609
16 Commercial banks	99,119	117,572	114,180	116,593	117,572	111,133	111,706	112,553	114,130	115,407	115,539
17 Retailers	36,389	38,692	37,919	38,170	38,692	36,176	36,257	36,489	36,497	36,504	36,814
18 Gasoline companies	3,618	3,687	3,654	3,671	3,687	3,655	3,677	3,682	3,787	3,897	4,017
19 Savings institutions	10,367	10,151	9,724	9,923	10,151	10,479	10,722	10,860	10,918	11,008	10,954
20 Credit unions	4,391	4,691	4,653	4,673	4,691	4,785	4,866	4,947	5,035[r]	5,109	5,187
21 Pools of securitized assets[4]	n.a.	n.a.	n.a.	n.a.	n.a.	10,489	11,342	14,172	14,134	14,578	17,098
22 Mobile home	26,387	25,744	26,033	26,005	25,744	26,036	25,992	24,168	23,993	23,952	23,695
23 Commercial banks	9,220	8,974	9,225	9,224	8,974	8,974	8,974	8,844	8,836	8,878	8,854
24 Finance companies	7,762	7,186	7,194	7,197	7,186	7,376	7,308	5,687	5,659	5,684	5,674
25 Savings institutions	9,406	9,583	9,614	9,584	9,583	9,687	9,710	9,637	9,498	9,390	9,166
26 Other	161,475	177,798	174,066	175,452	177,798	192,886	194,068	195,314	195,763[r]	196,936	197,340
27 Commercial banks	65,370	69,120	68,244	68,474	69,120	74,532	74,760	73,783	73,614	73,960	74,217
28 Finance companies	34,324	40,790	38,941	39,633	40,790	46,451	47,322	47,816	48,451	48,863	49,197
29 Credit unions	35,344	40,102	39,392	39,752	40,102	40,601	40,983	41,357	41,785[r]	42,094	42,433
30 Retailers	4,586	4,807	4,694	4,739	4,807	4,809	4,795	4,811	4,804	4,819	4,834
31 Savings institutions	21,850	22,981	22,794	22,854	22,981	23,196	23,214	23,006	22,638	22,347	21,780
32 Pools of securitized assets[4]	n.a.	n.a.	n.a.	n.a.	n.a.	3,296	2,993	4,536	4,471	4,853	4,879
	Net change (during period)										
33 **Total**	**35,674**	**51,786**	**2,576**	**5,281**	**5,094**	**22,513**	**5,377**	**3,765**	**2,749[r]**	**4,221**	**2,986**
By major holder											
34 Commercial banks	19,884	36,015	2,456	4,095	2,242	−2,128	1,626	−181	2,216	2,905	909
35 Finance companies[2]	5,349	4,899	−7	476	1,692	−3,385	1,624	−349	1,308	1,145	532
36 Credit unions	3,853	6,031	438	402	378	975	720	701	816[r]	560	621
37 Retailers[3]	1,568	2,523	265	296	588	−2,512	66	248	1	22	326
38 Savings institutions	3,689	2,248	−576	−4	177	768	242	−374	−816	−608	−1,374
39 Gasoline companies	332	69	−1	17	16	−32	22	5	105	110	120
40 Pools of securitized assets[4]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,076	3,584	−750	89	1,851
By major type of credit											
41 Automobile	18,663	15,198	−341	1,024	1,248	5,208	2,385	83	804[r]	1,087	−267
42 Commercial banks	7,919	14,058	414	1,453	867	−1,099	823	79	816	1,240	543
43 Credit unions	1,916	975	43	23	10	381	257	247	299[r]	177	205
44 Finance companies	5,639	−991	−380	−220	547	−9,236	821	778	701	708	208
45 Savings institutions	3,188	1,157	−418	−232	−176	121	−42	−233	−365	−300	−528
46 Pools of securitized assets[4]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	526	−789	−647	−737	−695
47 Revolving	16,871	20,908	1,858	2,899	1,762	1,924	1,854	4,261	1,669[r]	2,002	3,107
48 Commercial banks	12,188	18,453	1,489	2,413	979	−6,439	573	847	1,577	1,277	132
49 Retailers	1,866	2,303	237	251	522	−2,516	81	232	8	7	310
50 Gasoline companies	332	69	−1	17	16	−32	22	5	105	110	120
51 Savings institutions	1,771	−216	110	199	228	328	243	138	58	90	−54
52 Credit unions	715	300	21	20	18	94	81	81	88[r]	74	78
53 Pools of securitized assets[4]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	853	2,830	−38	444	2,520
54 Mobile home	−968	−643	−152	−28	−261	292	−44	−1,824	−175	−41	−257
55 Commercial banks	192	−246	106	−1	−250	0	0	−130	−8	42	−24
56 Finance companies	−1,052	−576	−140	3	−11	190	−68	−1,621	−28	25	−10
57 Savings institutions	−107	177	−118	−30	−1	104	23	−73	−139	−108	−224
58 Other	1,108	16,323	1,211	1,386	2,346	15,088	1,182	1,246	449[r]	1,173	404
59 Commercial banks	−415	3,750	446	230	646	5,412	228	−977	−169	346	257
60 Finance companies	1,761	6,466	513	692	1,157	5,661	871	494	635	412	334
61 Credit unions	1,221	4,758	374	360	350	499	382	374	428[r]	309	339
62 Retailers	−297	221	27	45	68	2	−14	16	−7	15	15
63 Savings institutions	−1,162	1,131	−151	60	127	215	18	−208	−368	−291	−567
64 Pools of securitized assets[4]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	−303	1,543	−65	382	26

1. The Board's series cover most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.

These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

2. More detail for finance companies is available in the G. 20 statistical release.

3. Excludes 30-day charge credit held by travel and entertainment companies.

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

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent unless noted otherwise

Item	1986	1987	1988	1988	1989					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
INTEREST RATES										
Commercial banks[2]										
1 48-month new car[3]	11.33	10.45	10.85	n.a.	n.a.	11.76	n.a.	n.a.	12.44	n.a.
2 24-month personal	14.82	14.22	14.68	n.a.	n.a.	15.22	n.a.	n.a.	15.65	n.a.
3 120-month mobile home[3]	13.99	13.38	13.54	n.a.	n.a.	14.00	n.a.	n.a.	14.35	n.a.
4 Credit card	18.26	17.92	17.78	n.a.	n.a.	17.83	n.a.	n.a.	18.11	n.a.
Auto finance companies										
5 New car	9.44	10.73	12.60	13.25	13.27	13.07	13.07	12.10	11.80	11.96
6 Used car	15.95	14.60	15.11	15.80	15.57	15.90	16.12	16.39	16.45	16.45
OTHER TERMS[4]										
Maturity (months)										
7 New car	50.0	53.5	56.2	56.3	56.2	55.7	55.4	53.4	52.7	53.0
8 Used car	42.6	45.2	46.7	46.0	47.8	47.4	47.1	47.8	46.6	46.5
Loan-to-value ratio										
9 New car	91	93	94	94	94	92	92	91	91	91
10 Used car	97	98	98	98	97	98	97	97	97	97
Amount financed (dollars)										
11 New car	10,665	11,203	11,663	12,068	11,956	11,819	11,867	11,886	11,973	12,065
12 Used car	6,555	7,420	7,824	8,022	8,006	8,022	7,958	7,855	7,908	7,921

1. These data also appear in the Board's G.19 (421) release. For address, see inside front cover.
2. Data for midmonth of quarter only.
3. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
4. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Transaction category, sector	1984	1985	1986	1987	1988	1987		1988				1989
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**750.8**	**846.3**	**837.5**	**689.0**	**741.4**	**659.8**	**780.3**	**723.9**	**710.4**	**767.8**	**763.7**	**742.6**
By sector and instrument												
2 U.S. government	198.8	223.6	215.0	144.9	157.5	103.1	168.2	227.7	89.2	188.6	124.4	214.4
3 Treasury securities	199.0	223.7	214.7	143.4	140.0	104.0	163.2	228.2	81.5	167.7	82.8	215.6
4 Agency issues and mortgages	−.2	−.1	.4	1.5	17.4	−.9	5.0	−.5	7.7	20.9	41.6	−1.2
5 Private domestic nonfinancial sectors	552.0	622.7	622.5	544.0	584.0	556.6	612.2	496.2	621.2	579.3	639.3	528.2
6 Debt capital instruments	319.3	452.3	468.4	459.0	426.1	441.2	430.3	358.9	474.8	446.7	423.9	372.2
7 Tax-exempt obligations	50.4	136.4	30.8	34.5	33.1	32.7	33.5	22.8	30.6	41.4	37.5	19.7
8 Corporate bonds	46.1	73.8	121.3	99.9	97.2	100.7	81.6	101.4	117.9	90.3	79.1	82.1
9 Mortgages	222.8	242.2	316.3	324.5	295.8	307.8	315.3	234.6	326.3	315.0	307.3	270.3
10 Home mortgages	136.7	156.8	218.7	234.9	220.0	225.0	222.8	169.6	270.7	231.9	207.8	187.4
11 Multifamily residential	25.2	29.8	33.5	24.4	16.3	23.3	16.1	23.9	4.2	16.0	20.9	26.6
12 Commercial	62.2	62.2	73.6	71.6	61.6	64.3	78.3	47.3	52.7	69.4	77.1	61.5
13 Farm	−1.2	−6.6	−9.5	−6.4	−2.1	−4.7	−1.9	−6.1	−1.4	−2.4	1.5	−5.2
14 Other debt instruments	232.7	170.3	154.1	85.1	157.9	115.4	181.8	137.3	146.4	132.5	215.4	156.1
15 Consumer credit	81.6	82.5	58.0	32.9	51.1	54.0	56.5	38.6	57.5	31.8	76.3	34.9
16 Bank loans n.e.c.	67.1	38.6	65.0	10.8	47.5	21.7	75.2	34.7	72.4	10.7	72.1	38.3
17 Open market paper	21.7	14.6	−9.3	2.3	11.6	1.0	3.9	−3.8	4.0	11.1	35.1	34.4
18 Other	62.2	34.6	40.5	39.1	47.7	38.7	46.2	67.8	12.5	78.9	31.9	48.4
19 By borrowing sector	552.0	622.7	622.5	544.0	584.0	556.6	612.2	496.2	621.2	579.3	639.3	528.2
20 State and local governments	27.4	91.8	44.3	34.0	32.0	34.8	32.9	17.5	27.6	43.5	39.4	26.0
21 Households	231.5	283.6	289.2	267.8	276.5	287.3	277.8	212.6	330.6	282.9	279.8	251.7
22 Nonfinancial business	293.1	247.3	288.9	242.2	275.5	234.5	301.5	266.0	262.9	252.9	320.1	250.5
23 Farm	−.4	−14.5	−16.3	−10.6	−4.0	−9.4	3.3	−15.7	−3.4	−2.6	5.5	−2.7
24 Nonfarm noncorporate	123.2	129.3	103.2	107.9	85.3	97.4	116.0	86.3	72.3	96.0	86.7	78.5
25 Corporate	170.3	132.4	202.0	144.9	194.2	146.6	182.1	195.5	194.0	159.5	227.8	174.6
26 Foreign net borrowing in United States	8.4	1.2	9.6	4.3	5.9	12.3	13.9	−1.0	5.2	4.4	15.0	−7.9
27 Bonds	3.8	3.8	3.0	6.8	6.7	6.7	21.6	16.8	−2.7	6.5	6.3	9.5
28 Bank loans n.e.c.	−6.6	−2.8	−1.0	−3.6	−1.8	−3.7	−6.1	.7	−3.5	2.9	−7.4	1.5
29 Open market paper	6.2	6.2	11.5	2.1	9.6	21.6	−2.5	1.5	6.4	10.7	20.0	11.6
30 U.S. government loans	5.0	−5.9	−3.9	−1.0	−8.6	−12.3	.8	−19.9	5.1	−15.8	−3.9	−30.4
31 **Total domestic plus foreign**	**759.2**	**847.5**	**847.1**	**693.3**	**747.3**	**672.0**	**794.2**	**722.9**	**715.6**	**772.2**	**778.6**	**734.7**
	Financial sectors											
32 **Total net borrowing by financial sectors**	**148.7**	**198.3**	**307.0**	**303.3**	**254.9**	**306.4**	**250.2**	**193.3**	**263.3**	**227.2**	**335.7**	**358.1**
By instrument												
33 U.S. government related	74.9	101.5	187.9	185.8	137.5	185.5	167.5	120.3	101.8	150.6	177.2	205.7
34 Sponsored credit agency securities	30.4	20.6	15.2	30.2	44.9	32.0	71.6	56.8	9.4	42.8	70.5	81.7
35 Mortgage pool securities	44.4	79.9	173.1	156.4	92.6	153.5	95.9	63.4	92.4	107.8	106.7	124.0
36 Loans from U.S. government	....	1.1	−.4	−.7	....	....	....	....	....	....	....	....
37 Private financial sectors	73.8	96.7	119.1	117.5	117.4	120.8	82.7	73.1	161.5	76.6	158.5	152.4
38 Corporate bonds	33.0	47.9	70.9	67.2	50.7	77.7	42.4	70.1	60.5	32.5	39.7	31.0
39 Mortgages	.4	.1	.1	.4	−.1	.2	.8	−.1	*	*	−.2	.1
40 Bank loans n.e.c.	.7	2.6	4.0	−3.3	−6.6	6.3	−10.7	−26.8	8.7	−8.6	.6	−4.6
41 Open market paper	24.1	32.0	24.2	28.8	53.6	14.3	5.4	24.6	82.2	26.1	81.7	61.6
42 Loans from Federal Home Loan Banks	15.7	14.2	19.8	24.4	19.7	22.2	44.9	5.4	10.1	26.6	36.8	64.4
By sector												
43 **Total**	148.7	198.3	307.0	303.3	254.9	306.4	250.2	193.3	263.3	227.2	335.7	358.1
44 Sponsored credit agencies	30.4	21.7	14.9	29.5	44.9	32.0	71.6	56.8	9.4	42.8	70.5	81.7
45 Mortgage pools	44.4	79.9	173.1	156.4	92.6	153.5	95.9	63.4	92.4	107.8	106.7	124.0
46 Private financial sectors	73.8	96.7	119.1	117.5	117.4	120.8	82.7	73.1	161.5	76.6	158.5	152.4
47 Commercial banks	7.3	−4.9	−3.6	7.1	−3.9	−13.1	15.0	−22.4	6.2	−8.3	8.9	1.8
48 Bank affiliates	15.6	14.5	4.6	2.9	1.4	11.3	−22.6	−8.5	11.4	7.6	−4.9	8.8
49 Savings and loan associations	22.7	22.3	29.8	34.9	37.8	43.4	48.7	8.6	17.1	54.4	71.0	72.7
50 Finance companies	18.2	52.7	48.4	32.7	47.8	34.0	33.4	51.4	93.7	1.2	45.1	53.6
51 REITs	.8	.5	1.0	.8	1.7	2.5	2.2	1.0	1.7	−1.4	5.8	.8
52 CMO Issuers	9.3	11.5	39.0	39.1	32.5	42.7	6.0	43.0	31.5	23.1	32.5	14.7

1.57—Continued

Transaction category, sector	1984	1985	1986	1987	1988	1987		1988				1989
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
	All sectors											
53 **Total net borrowing**	**907.9**	**1,045.7**	**1,154.1**	**996.6**	**1,002.2**	**978.4**	**1,044.4**	**916.2**	**978.9**	**999.4**	**1,114.4**	**1,092.8**
54 U.S. government securities	273.8	324.2	403.4	331.5	294.9	288.6	335.7	347.9	191.0	339.2	301.6	420.1
55 State and local obligations	50.4	136.4	30.8	34.5	33.1	32.7	33.5	22.8	30.6	41.4	37.5	19.7
56 Corporate and foreign bonds	83.0	125.4	195.2	174.0	154.6	185.1	145.6	188.2	175.8	129.4	125.1	122.7
57 Mortgages	223.1	242.2	316.4	324.9	295.7	308.0	316.1	234.5	326.3	315.0	307.1	270.4
58 Consumer credit	81.6	82.5	58.0	32.9	51.1	54.0	56.5	38.6	57.5	31.8	76.3	34.9
59 Bank loans n.e.c.	61.1	38.3	67.9	3.8	39.1	24.3	58.4	8.6	77.6	5.0	65.3	35.1
60 Open market paper	52.0	52.8	26.4	33.2	74.9	36.9	6.7	22.3	92.5	48.0	136.8	107.6
61 Other loans	82.9	44.0	56.1	61.8	58.8	48.7	91.9	53.3	27.7	89.7	64.7	82.4
62 MEMO: U.S. government, cash balance	6.3	14.4	*	−7.9	10.4	−19.6	−54.7	60.9	3.3	16.2	−38.8	−4.3
Totals net of changes in U.S. government cash balances												
63 Net borrowing by domestic nonfinancial	744.5	831.9	837.5	696.9	731.1	679.4	835.0	663.0	707.1	751.7	802.5	747.0
64 Net borrowing by U.S. government	192.5	209.3	215.0	152.8	147.1	122.7	222.8	166.8	86.0	172.4	163.2	218.7
	External corporate equity funds raised in United States											
65 **Total net share issues**	**−36.0**	**20.1**	**93.9**	**13.5**	**−115.0**	**−47.1**	**−82.7**	**−75.6**	**−131.1**	**−84.1**	**−169.1**	**−143.1**
66 Mutual funds	29.3	84.4	161.8	72.3	−.4	13.8	−9.1	5.0	−8.0	0.3	1.1	19.1
67 All other	−65.3	−64.3	−68.0	−58.8	−114.5	−60.9	−73.6	−80.5	−123.1	−84.4	−170.2	−162.2
68 Nonfinancial corporations	−74.5	−81.5	−80.7	−76.5	−130.5	−78.0	−88.0	−95.0	−140.0	−92.0	−195.0	−180.0
69 Financial corporations	8.2	13.5	11.5	20.1	15.2	18.4	26.4	15.2	23.4	6.4	15.9	13.7
70 Foreign shares purchased in United States	.9	3.7	1.3	−2.4	.7	−1.3	−12.0	−.7	−6.5	1.2	9.0	4.1

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

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

Transaction category, or sector	1984	1985	1986	1987	1988	1987		1988				1989
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**750.8**	**846.3**	**837.5**	**689.0**	**741.4**	**659.8**	**780.3**	**723.9**	**710.4**	**767.8**	**763.7**	**742.6**
By public agencies and foreign												
2 Total net advances	157.6	193.1	314.0	256.7	239.1	211.1	265.4	262.5	166.1	222.5	305.1	336.2
3 U.S. government securities	38.9	37.9	69.4	68.2	84.8	35.1	123.3	148.6	42.4	25.8	122.3	87.6
4 Residential mortgages	56.5	94.6	170.1	153.2	104.0	146.0	102.7	83.6	106.7	108.3	117.5	126.2
5 FHLB advances to savings and loans	15.7	14.2	19.8	24.4	19.7	22.2	44.9	5.4	10.1	26.6	36.8	64.4
6 Other loans and securities	46.6	46.3	54.6	10.9	30.5	7.8	−5.5	24.9	6.8	61.9	28.4	58.1
Total advanced, by sector												
7 U.S. government	17.1	16.8	9.7	−11.9	−7.3	−24.1	−2.6	−8.8	−20.3	9.4	−9.5	7.3
8 Sponsored credit agencies	74.3	95.5	187.2	181.4	131.2	187.0	156.6	103.1	103.4	138.9	179.2	216.0
9 Monetary authorities	8.4	18.4	19.4	24.7	10.5	29.0	30.4	−5.5	4.1	17.1	26.5	−4.9
10 Foreign	57.9	62.3	97.8	62.5	104.7	19.1	81.0	173.7	78.9	57.2	108.9	117.8
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	74.9	101.5	187.9	185.8	137.5	185.5	167.5	120.3	101.8	150.6	177.2	205.7
12 Foreign	8.4	1.2	9.6	4.3	5.9	12.3	13.9	−1.0	5.2	4.4	15.0	−7.9
Private domestic funds advanced												
13 Total net advances	676.4	756.0	721.0	622.5	645.7	646.4	696.3	580.6	651.3	700.3	650.8	604.2
14 U.S. government securities	234.9	286.2	333.9	263.3	210.2	253.5	212.4	199.3	148.6	313.4	179.3	332.5
15 State and local obligations	50.4	136.4	30.8	34.5	33.1	32.7	33.5	22.8	30.6	41.4	37.5	19.7
16 Corporate and foreign bonds	35.1	40.8	84.1	86.5	81.0	83.7	102.9	115.7	90.2	65.1	53.0	54.6
17 Residential mortgages	105.3	91.8	82.0	106.1	132.2	102.3	136.2	109.9	168.2	139.7	111.1	87.9
18 Other mortgages and loans	266.3	214.9	210.0	156.5	209.0	196.4	256.3	138.3	223.8	167.3	306.6	173.8
19 Less: Federal Home Loan Bank advances	15.7	14.2	19.8	24.4	19.7	22.2	44.9	5.4	10.1	26.6	36.8	64.4
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	581.0	569.8	747.0	566.6	587.6	643.7	553.8	658.1	593.3	473.2	626.0	586.9
21 Commercial banking	168.9	186.3	194.8	136.7	156.0	151.4	253.1	56.8	213.8	141.3	212.2	96.8
22 Savings institutions	150.2	83.0	106.2	141.7	121.1	191.5	155.6	85.3	92.9	186.3	119.9	80.6
23 Insurance and pension funds	121.8	148.9	181.9	211.9	222.2	247.5	154.3	279.3	228.9	173.9	206.8	259.1
24 Other finance	140.1	151.6	264.2	76.3	88.3	53.3	−9.2	236.7	57.8	−28.4	87.2	150.3
25 Sources of funds	581.0	569.8	747.0	566.6	587.6	643.7	553.8	658.1	593.3	473.2	626.0	586.9
26 Private domestic deposits and RPs	321.9	210.6	264.7	145.6	198.4	193.9	265.6	283.6	135.1	167.3	207.5	127.3
27 Credit market borrowing	73.8	96.7	119.1	117.5	117.4	120.8	82.7	73.1	161.5	76.6	158.5	152.4
28 Other sources	185.3	262.5	363.2	303.5	271.8	329.0	205.5	301.3	296.7	229.2	260.0	307.2
29 Foreign funds	8.8	19.7	12.9	43.7	9.2	99.5	25.2	−80.1	106.6	−50.4	60.7	−36.3
30 Treasury balances	4.0	10.3	1.7	−5.8	7.3	6.1	−36.1	53.3	−17.5	8.7	−15.2	−8.4
31 Insurance and pension reserves	124.0	131.9	144.3	176.1	219.9	196.1	120.3	265.2	240.0	149.9	224.3	263.6
32 Other, net	48.5	100.7	204.4	89.6	35.4	27.2	96.0	62.9	−32.4	121.0	−9.9	88.3
Private domestic nonfinancial investors												
33 Direct lending in credit markets	169.2	282.9	93.1	173.3	175.5	123.6	225.1	−4.4	219.5	303.7	183.3	169.7
34 U.S. government securities	115.4	175.7	59.9	104.4	146.5	70.3	117.8	114.4	87.3	247.0	137.2	194.6
35 State and local obligations	26.5	39.6	−13.6	46.1	20.0	42.4	56.0	−.5	18.3	27.9	34.4	7.7
36 Corporate and foreign bonds	−.8	2.4	32.6	5.3	−12.7	28.3	42.1	−39.0	36.6	−29.2	−19.4	−.2
37 Open market paper	4.0	45.6	−3.6	4.3	14.9	−29.7	−9.5	−71.5	76.1	54.0	1.0	−2.0
38 Other	24.2	19.6	17.9	13.3	6.8	12.2	18.7	−7.8	1.2	3.9	30.1	−30.3
39 Deposits and currency	325.4	220.9	285.0	161.8	205.9	229.3	316.3	278.6	136.3	194.1	214.4	138.1
40 Currency	8.6	12.4	14.4	19.0	14.7	17.3	36.8	8.2	11.9	28.6	10.2	9.8
41 Checkable deposits	28.0	40.9	93.2	−2.1	12.2	35.4	14.3	4.5	18.5	−23.8	49.6	−59.6
42 Small time and savings accounts	150.7	138.5	120.6	76.0	120.6	80.2	124.1	189.1	152.4	70.5	70.4	50.7
43 Money market fund shares	49.0	8.9	41.5	28.2	23.8	32.7	63.3	59.1	−34.8	3.0	67.9	59.5
44 Large time deposits	84.3	7.7	−11.4	26.7	32.3	−1.0	89.4	11.7	−15.7	122.0	11.2	55.9
45 Security RPs	10.0	14.6	20.8	16.9	9.5	46.6	−25.6	19.3	14.7	−4.4	8.2	20.7
46 Deposits in foreign countries	−5.1	−2.1	5.9	−2.8	−7.3	18.1	13.9	−13.3	−10.7	−1.8	−3.3	1.0
47 **Total of credit market instruments, deposits, and currency**	**494.6**	**503.7**	**378.1**	**335.1**	**381.4**	**352.9**	**541.5**	**274.2**	**355.8**	**497.8**	**397.7**	**307.8**
48 Public holdings as percent of total	20.7	22.7	37.0	37.0	31.9	31.4	33.4	36.3	23.2	28.8	39.1	45.7
49 Private financial intermediation (in percent)	85.8	75.3	103.6	91.0	90.9	99.5	79.5	113.3	91.0	67.5	96.1	97.1
50 Total foreign funds	66.7	82.0	110.7	106.2	113.9	118.7	106.2	93.6	185.5	6.8	169.7	81.5
Memo: Corporate equities not included above												
51 **Total net issues**	**−36.0**	**20.1**	**93.9**	**13.5**	**−115.0**	**−47.1**	**−82.7**	**−75.6**	**−131.1**	**−84.1**	**−169.1**	**−143.1**
52 Mutual fund shares	29.3	84.4	161.8	72.3	−.4	13.8	−9.1	5.0	−8.0	.3	1.1	19.1
53 Other equities	−65.3	−64.3	−68.0	−58.8	−114.5	−60.9	−73.6	−80.5	−123.1	−84.4	−170.2	−162.2
54 Acquisitions by financial institutions	15.8	45.6	48.5	22.6	4.8	5.2	−16.5	−35.7	−6.8	22.4	39.1	4.1
55 Other net purchases	−51.8	−25.5	45.4	−9.1	−119.7	−52.4	−66.2	−39.9	−124.3	−106.5	−208.2	−147.2

Notes by line number.

1. Line 1 of table 1.57.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
30. Demand deposits and note balances at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 13 less line 20 plus line 27.

34–38. Lines 14–18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 38 includes mortgages.

40. Mainly an offset to line 9.
47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.

51, 53. Includes issues by financial institutions.

Note. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING

Billions of dollars; period-end levels.

Transaction category, sector	1983	1984	1985	1986	1987		1988				1989
					Q3	Q4	Q1	Q2	Q3	Q4	Q1
					Nonfinancial sectors						
1 **Total credit market debt owed by domestic nonfinancial sectors**	**5,204.3**	**5,953.7**	**6,797.0**	**7,638.4**	**8,099.4**	**8,330.0**	**8,471.0**	**8,658.1**	**8,828.8**	**9,049.7**	**9,209.4**
By sector and instrument											
2 U.S. government	1,177.9	1,376.8	1,600.4	1,815.4	1,897.8	1,960.3	2,003.2	2,022.3	2,063.9	2,117.8	2,155.7
3 Treasury securities	1,174.4	1,373.4	1,597.1	1,811.7	1,893.8	1,955.2	1,998.1	2,015.3	2,051.7	2,095.2	2,133.4
4 Agency issues and mortgages	3.6	3.4	3.3	3.6	3.9	5.2	5.0	7.0	12.2	22.6	22.3
5 Private domestic nonfinancial sectors	4,026.4	4,577.0	5,196.6	5,823.0	6,201.7	6,369.7	6,467.8	6,635.8	6,764.9	6,931.9	7,053.7
6 Debt capital instruments	2,717.8	3,040.0	3,488.4	3,967.6	4,327.4	4,438.5	4,512.2	4,635.3	4,737.8	4,848.3	4,933.0
7 Tax-exempt obligations	471.7	522.1	658.4	689.2	715.5	723.7	727.5	734.8	747.6	756.8	764.9
8 Corporate bonds	423.0	469.2	542.9	664.2	743.7	764.1	789.5	819.0	841.5	861.3	881.8
9 Mortgages	1,823.1	2,048.8	2,287.1	2,614.2	2,868.2	2,950.7	2,995.3	3,081.6	3,148.6	3,230.2	3,286.3
10 Home mortgages	1,200.2	1,336.2	1,490.2	1,720.8	1,884.2	1,943.1	1,972.0	2,043.3	2,105.0	2,160.9	2,195.6
11 Multifamily residential	158.8	183.6	213.0	246.2	265.0	270.0	274.5	276.3	279.5	285.9	291.4
12 Commercial	350.4	416.5	478.1	551.4	629.1	648.7	660.8	674.1	677.1	696.6	713.1
13 Farm	113.7	112.4	105.9	95.8	90.0	88.9	88.0	87.8	87.0	86.8	86.2
14 Other debt instruments	1,308.6	1,536.9	1,708.2	1,855.5	1,874.3	1,931.1	1,955.6	2,000.5	2,027.1	2,083.6	2,120.8
15 Consumer credit	437.7	519.3	601.8	659.8	674.8	692.7	688.9	705.8	721.2	743.7	746.6
16 Bank loans n.e.c.	490.2	552.9	592.6	654.2	637.6	654.4	665.6	685.7	686.5	701.9	713.5
17 Open market paper	36.8	58.5	72.2	62.9	68.1	73.8	73.5	77.8	80.3	85.4	95.5
18 Other	344.0	406.2	441.6	478.6	493.7	510.3	527.5	531.2	539.1	552.7	565.1
19 By borrowing sector	4,026.4	4,577.0	5,196.6	5,823.0	6,201.7	6,369.7	6,467.8	6,635.8	6,764.9	6,931.9	7,053.7
20 State and local governments	357.7	385.1	476.9	520.2	546.2	554.2	556.7	563.2	576.0	585.6	595.2
21 Households	1,811.6	2,038.2	2,314.5	2,614.6	2,787.3	2,864.3	2,892.1	2,982.3	3,058.2	3,137.4	3,183.8
22 Nonfinancial business	1,857.1	2,153.7	2,405.2	2,688.3	2,868.2	2,951.2	3,019.0	3,090.2	3,130.7	3,208.9	3,274.6
23 Farm	188.4	187.9	173.4	156.6	148.5	145.5	141.3	143.9	143.6	141.1	140.1
24 Nonfarm noncorporate	645.8	769.0	898.3	1,001.6	1,076.4	1,109.4	1,131.7	1,148.9	1,167.3	1,193.3	1,213.6
25 Corporate	1,022.9	1,196.8	1,333.5	1,530.1	1,643.3	1,696.3	1,746.0	1,797.4	1,819.9	1,874.5	1,920.9
26 Foreign credit market debt held in United States	227.3	235.1	234.7	236.2	237.0	242.3	243.2	244.4	244.6	248.2	248.4
27 Bonds	64.2	68.0	71.8	74.8	75.9	81.6	85.4	85.2	86.5	88.3	90.3
28 Bank loans n.e.c.	37.4	30.8	27.9	26.9	24.2	23.3	22.8	22.4	22.7	21.5	21.1
29 Open market paper	21.5	27.7	33.9	37.4	40.6	41.2	42.5	44.0	46.3	50.9	55.5
30 U.S. government loans	104.1	108.6	101.1	97.1	96.3	96.1	92.4	92.7	89.1	87.5	81.5
31 **Total domestic plus foreign**	**5,431.6**	**6,188.8**	**7,031.7**	**7,874.7**	**8,336.4**	**8,572.3**	**8,714.1**	**8,902.4**	**9,073.4**	**9,297.9**	**9,457.9**
					Financial sectors						
32 **Total credit market debt owed by financial sectors**	**857.9**	**1,006.2**	**1,206.2**	**1,544.7**	**1,783.8**	**1,862.8**	**1,897.7**	**1,969.7**	**2,027.3**	**2,117.7**	**2,196.8**
By instrument											
33 U.S. government related	456.7	531.2	632.7	844.2	981.6	1,026.5	1,050.6	1,076.9	1,116.3	1,164.0	1,209.0
34 Sponsored credit agency securities	206.8	237.2	257.8	273.0	283.7	303.2	313.5	317.9	328.5	348.1	364.3
35 Mortgage pool securities	244.9	289.0	368.9	565.4	692.9	718.3	732.1	754.0	782.8	810.9	839.7
36 Loans from U.S. government	5.0	5.0	6.1	5.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0
37 Private financial sectors	401.2	475.0	573.4	700.5	802.1	836.3	847.1	892.8	911.1	953.8	987.8
38 Corporate bonds	115.8	148.9	197.5	268.4	324.2	335.6	352.2	367.1	375.6	386.3	393.1
39 Mortgages	2.1	2.5	2.7	2.7	2.9	3.1	3.1	3.1	3.1	3.0	3.1
40 Bank loans n.e.c.	28.9	29.5	32.1	36.1	42.2	40.8	31.7	34.3	32.9	34.2	30.6
41 Open market paper	195.5	219.5	252.4	284.6	312.7	323.8	330.6	353.4	358.0	377.4	397.4
42 Loans from Federal Home Loan Banks	59.0	74.6	88.8	108.6	120.1	133.1	129.5	134.8	141.6	152.8	163.8
43 **Total, by sector**	**857.9**	**1,006.2**	**1,206.2**	**1,544.7**	**1,783.8**	**1,862.8**	**1,897.7**	**1,969.7**	**2,027.3**	**2,117.7**	**2,196.8**
44 Sponsored credit agencies	211.8	242.2	263.9	278.7	288.7	308.2	318.5	322.9	333.5	353.1	369.3
45 Mortgage pools	244.9	289.0	368.9	565.4	692.9	718.3	732.1	754.0	782.8	810.9	839.7
46 Private financial sectors	401.2	475.0	573.4	700.5	802.1	836.3	847.1	892.8	911.1	953.8	987.8
47 Commercial banks	76.8	84.1	79.2	75.6	78.6	82.7	76.4	77.2	76.6	78.8	78.9
48 Bank affiliates	71.0	86.6	101.2	101.3	109.5	104.2	103.5	106.6	106.4	105.6	109.3
49 Savings and loan associations	73.9	93.2	115.5	145.1	165.0	180.0	176.1	186.8	197.8	218.7	230.7
50 Finance companies	171.7	193.2	246.9	308.1	340.7	359.1	369.6	392.5	395.1	406.0	420.4
51 REITs	3.5	4.3	5.6	6.5	6.8	7.3	7.6	8.0	7.6	9.1	9.3
52 CMO issuers	4.2	13.5	25.0	64.0	101.6	103.1	113.9	121.8	127.5	135.7	139.3
					All sectors						
53 **Total credit market debt**	**6,289.5**	**7,195.0**	**8,237.9**	**9,419.4**	**10,120.2**	**10,435.1**	**10,611.8**	**10,872.1**	**11,100.8**	**11,415.6**	**11,654.7**
54 U.S. government securities	1,629.4	1,902.8	2,227.0	2,653.8	2,874.4	2,981.8	3,048.8	3,094.2	3,175.2	3,276.7	3,359.7
55 State and local obligations	471.7	522.1	658.4	689.2	715.5	723.7	727.5	734.8	747.6	756.8	764.9
56 Corporate and foreign bonds	603.0	686.0	812.1	1,007.4	1,143.9	1,181.4	1,227.1	1,271.3	1,303.6	1,336.0	1,365.2
57 Mortgages	1,825.4	2,051.4	2,289.8	2,617.0	2,871.1	2,953.8	2,998.4	3,084.7	3,151.7	3,233.3	3,289.3
58 Consumer credit	437.7	519.3	601.8	659.8	674.8	692.7	688.9	705.8	721.2	743.7	746.6
59 Bank loans n.e.c.	556.5	613.2	652.6	717.2	704.0	718.4	720.1	742.4	742.1	757.5	765.2
60 Open market paper	253.8	305.7	358.5	384.9	421.4	438.8	446.7	475.3	484.6	513.6	548.4
61 Other loans	512.1	594.4	637.6	690.1	715.1	744.5	754.4	763.7	774.7	797.9	815.4

1.60 SUMMARY OF CREDIT MARKET CLAIMS, BY HOLDER

Billions of dollars, except as noted; period-end levels.

Transaction category, or sector	1983	1984	1985	1986	1987 Q3	1987 Q4	1988 Q1	1988 Q2	1988 Q3	1988 Q4	1989 Q1
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**5,204.3**	**5,953.7**	**6,797.0**	**7,638.4**	**8,099.4**	**8,330.0**	**8,471.0**	**8,658.1**	**8,828.8**	**9,049.7**	**9,209.4**
By public agencies and foreign											
2 Total held	1,101.7	1,259.2	1,457.5	1,791.2	1,965.1	2,036.2	2,092.2	2,138.8	2,188.3	2,269.9	2,343.9
3 U.S. government securities	339.0	377.9	421.8	491.2	525.6	559.4	592.7	607.1	610.3	644.2	662.1
4 Residential mortgages	367.0	423.5	518.2	712.3	834.6	862.0	880.6	906.1	934.9	966.0	995.1
5 FHLB advances to savings and loans	59.0	74.6	88.8	108.6	120.1	133.1	129.5	134.8	141.6	152.8	163.8
6 Other loans and securities	336.8	383.1	428.7	479.0	484.8	481.8	489.4	490.8	501.6	506.9	522.9
7 Total held, by type of lender	1,101.7	1,259.2	1,457.5	1,791.2	1,965.1	2,036.2	2,092.2	2,138.8	2,188.3	2,269.9	2,343.9
8 U.S. government	212.8	229.7	245.7	252.3	235.2	233.0	231.4	227.0	224.3	220.3	222.8
9 Sponsored credit agencies and mortgage pools	482.0	556.3	657.8	867.8	1,003.7	1,044.9	1,064.0	1,091.6	1,128.9	1,176.1	1,223.0
10 Monetary authority	159.2	167.6	186.0	205.5	219.6	230.1	224.9	229.7	230.8	240.6	235.4
11 Foreign	247.7	305.6	367.9	465.7	506.7	528.2	572.0	590.5	604.4	632.9	662.7
Agency and foreign debt not in line 1											
12 Sponsored credit agencies and mortgage pools	456.7	531.2	632.7	844.2	981.6	1,026.5	1,050.6	1,076.9	1,116.3	1,164.0	1,209.0
13 Foreign	227.3	235.1	234.7	236.2	237.0	242.3	243.2	244.4	244.6	248.2	248.4
Private domestic holdings											
14 Total private holdings	4,786.6	5,460.8	6,207.0	6,927.6	7,353.0	7,562.5	7,672.5	7,840.5	8,001.3	8,192.0	8,323.0
15 U.S. government securities	1,290.4	1,524.9	1,805.2	2,162.6	2,348.8	2,422.4	2,456.0	2,487.0	2,564.9	2,632.6	2,697.6
16 State and local obligations	471.7	522.1	658.4	689.2	715.5	723.7	727.5	734.8	747.6	756.8	764.9
17 Corporate and foreign bonds	441.7	476.8	517.6	601.7	663.4	688.1	716.3	740.6	756.9	769.1	782.1
18 Residential mortgages	992.2	1,096.5	1,185.1	1,254.7	1,314.6	1,351.1	1,366.0	1,413.6	1,449.6	1,480.8	1,491.9
19 Other mortgages and loans	1,649.6	1,915.2	2,129.5	2,328.1	2,430.7	2,510.2	2,536.2	2,599.2	2,623.8	2,705.4	2,750.2
20 LESS: Federal Home Loan Bank advances	59.0	74.6	88.8	108.6	120.1	133.1	129.5	134.8	141.6	152.8	163.8
Private financial intermediation											
21 Credit market claims held by private financial institutions	4,111.2	4,691.0	5,264.4	6,010.1	6,434.5	6,594.8	6,728.4	6,895.8	6,999.4	7,169.6	7,294.3
22 Commercial banking	1,622.1	1,791.1	1,978.5	2,173.2	2,249.0	2,309.9	2,322.7	2,378.2	2,417.3	2,465.9	2,490.1
23 Savings institutions	944.0	1,092.8	1,178.4	1,283.6	1,397.3	1,436.2	1,441.7	1,484.6	1,513.0	1,544.4	1,551.9
24 Insurance and pension funds	1,093.5	1,215.3	1,364.2	1,546.0	1,716.0	1,758.0	1,823.3	1,879.5	1,925.0	1,980.5	2,040.1
25 Other finance	451.6	591.7	743.4	1,007.1	1,072.2	1,090.7	1,140.7	1,153.5	1,144.0	1,179.0	1,212.2
26 Sources of funds	4,111.2	4,691.0	5,264.4	6,010.1	6,434.5	6,594.8	6,728.4	6,895.8	6,999.4	7,169.6	7,294.3
27 Private domestic deposits and RPs	2,389.8	2,711.5	2,922.1	3,182.6	3,226.9	3,320.6	3,376.5	3,409.8	3,438.1	3,519.0	3,530.3
28 Credit market debt	401.2	475.0	573.4	700.5	802.1	836.3	847.1	892.8	911.1	953.8	987.8
29 Other sources	1,320.2	1,504.5	1,768.9	2,127.0	2,405.4	2,437.9	2,504.8	2,593.2	2,650.1	2,696.9	2,776.1
30 Foreign funds	−23.0	−14.1	5.6	18.6	52.7	62.2	45.9	62.3	51.9	71.5	69.3
31 Treasury balances	11.5	15.5	25.8	27.5	33.0	21.6	23.5	32.6	34.2	29.0	14.1
32 Insurance and pension reserves	1,036.1	1,160.8	1,289.5	1,427.9	1,556.7	1,597.2	1,662.4	1,718.6	1,758.0	1,804.6	1,862.0
33 Other, net	295.6	342.2	448.0	653.0	763.1	756.8	773.1	779.7	806.0	791.8	830.7
Private domestic nonfinancial investors											
34 Credit market claims	1,076.6	1,244.8	1,516.0	1,618.1	1,720.6	1,804.0	1,791.2	1,837.5	1,913.0	1,976.1	2,016.5
35 U.S. government securities	548.6	663.6	830.7	915.1	971.0	1,012.3	1,022.4	1,036.2	1,102.4	1,155.4	1,183.9
36 Tax-exempt obligations	170.0	196.3	235.9	222.3	255.9	268.3	265.1	271.9	281.2	288.4	292.1
37 Corporate and foreign bonds	45.4	44.5	47.6	80.1	80.6	84.8	82.7	88.9	83.5	72.1	80.5
38 Open market paper	68.4	72.4	118.0	114.3	114.9	136.3	119.1	139.4	143.9	151.2	156.8
39 Other	244.3	268.0	283.8	286.2	298.2	302.3	301.9	301.1	302.0	309.1	303.2
40 Deposits and currency	2,566.4	2,891.7	3,112.5	3,393.4	3,437.0	3,547.6	3,598.3	3,637.6	3,666.3	3,753.4	3,763.4
41 Currency	150.9	159.6	171.9	186.3	192.4	205.4	204.0	209.9	213.4	220.1	219.1
42 Checkable deposits	350.9	378.8	419.7	512.9	487.5	510.4	491.0	506.0	490.7	522.6	486.7
43 Small time and savings accounts	1,542.9	1,693.4	1,831.9	1,948.3	1,983.4	2,017.1	2,070.7	2,105.9	2,117.0	2,137.7	2,154.3
44 Money market fund shares	169.5	218.5	227.3	268.9	286.4	297.1	322.1	310.4	308.6	320.9	347.0
45 Large time deposits	247.7	332.1	339.8	328.4	326.0	355.1	350.0	343.1	376.9	387.4	390.0
46 Security RPs	78.8	88.7	103.3	124.1	143.6	141.0	142.6	144.4	144.9	150.5	152.3
47 Deposits in foreign countries	25.7	20.6	18.5	24.5	17.8	21.6	17.8	17.8	14.7	14.4	14.0
48 **Total of credit market instruments, deposits, and currency**	**3,643.0**	**4,136.5**	**4,628.5**	**5,011.4**	**5,157.6**	**5,351.6**	**5,389.5**	**5,475.0**	**5,579.3**	**5,729.6**	**5,780.0**
49 Public holdings as percent of total	20.2	20.3	20.7	22.7	23.5	23.7	24.0	24.0	24.1	24.4	24.7
50 Private financial intermediation (in percent)	85.8	85.9	84.8	86.7	87.5	87.2	87.6	87.9	87.4	87.5	87.6
51 Total foreign funds	224.7	291.5	373.5	484.2	559.4	590.5	617.8	652.8	656.3	704.3	731.9
MEMO: Corporate equities not included above											
52 **Total market value**	**2,134.0**	**2,158.2**	**2,824.5**	**3,362.0**	**4,316.0**	**3,318.5**	**3,500.2**	**3,619.7**	**3,572.5**	**3,600.9**	**3,732.4**
53 Mutual fund shares	112.1	136.7	240.2	413.5	525.1	460.1	479.2	486.8	478.1	478.3	486.3
54 Other equities	2,021.9	2,021.5	2,584.3	2,948.5	3,790.9	2,858.3	3,021.0	3,133.0	3,094.4	3,122.6	3,246.0
55 Holdings by financial institutions	612.0	615.6	800.0	972.2	1,306.7	1,011.1	1,079.4	1,131.1	1,126.9	1,156.3	1,226.2
56 Other holdings	1,522.0	1,542.6	2,024.5	2,389.8	3,009.3	2,307.4	2,420.8	2,488.7	2,445.6	2,444.6	2,506.2

NOTES BY LINE NUMBER.
1. Line 1 of table 1.59.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
12. Credit market debt of federally sponsored agencies, and net issues of federally related mortgage pool securities.
14. Line 1 less line 2 plus line 12 and 13. Also line 21 less line 28 plus line 34. Also sum of lines 29 and 48 less lines 41 and 47.
19. Includes farm and commercial mortgages.
27. Line 40 less lines 41 and 47.
28. Excludes equity issues and investment company shares. Includes line 20.
30. Foreign deposits at commercial banks plus bank borrowings from foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
31. Demand deposits and note balances at commercial banks.
32. Excludes net investment of these reserves in corporate equities.
33. Mainly retained earnings and net miscellaneous liabilities.
34. Line 14 less line 21 plus line 28.
35–39. Lines 15–19 less amounts acquired by private finance plus amounts borrowed by private finance. Line 39 includes mortgages.
41. Mainly an offset to line 10.
48. Lines 34 plus 40, or line 14 less line 29 plus 41 and 47.
49. Line 2/line 1 and 13.
50. Line 21/line 14.
51. Sum of lines 11 and 30.
52–54. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Stop 95, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures[1]

1977 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1986	1987	1988	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.[r]	1989 May[r]	1989 June[r]	1989 July
1 **Industrial production**	**125.1**	**129.8**	**137.2**	**139.9**	**140.4**	**140.8**	**140.5**	**140.7**	**140.9[r]**	**140.1**	**144.3**	**139.9**
Market groupings												
2 Products, total	133.3	81.1	145.9	148.4	149.4	150.1	150.0	150.5	149.6[r]	149.6	155.6	151.6
3 Final, total	132.5	136.8	144.3	146.8	147.7	148.2	148.6	148.9	148.2[r]	148.4	154.1	149.5
4 Consumer goods	124.0	127.7	133.9	136.8	138.2	138.5	138.7	138.4	137.5[r]	137.0	143.6	137.9
5 Equipment	143.6	148.8	158.2	159.9	160.4	161.1	161.6	162.8	162.2[r]	163.4	168.1	164.9
6 Intermediate	136.2	143.5	151.5	154.2	155.0	156.6	155.1	156.1	154.7[r]	153.7	160.7	158.7
7 Materials	113.8	118.2	125.3	128.3	128.3	128.1	127.4	127.3	128.9[r]	127.1	128.9	124.0
Industry groupings												
8 Manufacturing	129.1	134.6	142.8	145.8	146.3	147.2	146.8	147.0	148.0[r]	148.0	148.1	148.3
Capacity utilization (percent)[2]												
9 Manufacturing	79.7	81.1	83.5	84.4	84.4	84.7	84.3	84.1	84.5[r]	84.2	84.0	83.9
10 Industrial materials industries	78.6	80.5	83.7	85.1	84.9	84.6	84.0	83.7	84.2[r]	83.9	83.2	83.4
11 Construction contracts (1982 = 100)[3]	158.0	164.0	161.0	158.0	163.0	155.0	148.0	150.0	163.0	159.0	157.0	163.0
12 Nonagricultural employment, total[4]	120.7	124.1	128.6	129.5	129.9	130.3	130.6	130.8	131.1	131.3	131.7	131.9
13 Goods-producing, total	100.9	101.8	105.0	104.6	104.8	105.3	105.3	105.4	105.5	105.5	105.4	105.5
14 Manufacturing, total	96.3	96.8	99.2	99.3	99.5	99.8	99.8	100.0	99.9	99.9	99.8	99.9
15 Manufacturing, production-worker	91.1	91.9	94.3	94.5	94.7	94.9	95.0	95.1	95.0	95.0	94.8	94.9
16 Service-producing	129.0	133.4	138.5	140.0	140.4	140.8	141.2	141.5	141.8	142.2	142.7	143.0
17 Personal income, total	219.4	235.0	252.8	259.3	261.7	265.8	268.7	271.3	272.9	273.4	274.7	276.8
18 Wages and salary disbursements	210.8	226.3	244.4	251.7	253.2	256.1	257.3	259.5	261.7	261.9	263.7	266.3
19 Manufacturing	177.4	183.8	196.5	201.4	201.1	203.0	204.0	207.5	205.7	205.8	206.9	207.5
20 Disposable personal income[5]	218.5	232.4	252.1	259.0	261.4	264.0	268.1	270.3	269.6	271.6	273.8	275.8
21 Retail sales[6]	199.3	210.8	225.1	232.4	231.8	233.2	232.2	232.4	235.5	237.4	237.2	239.4
Prices[7]												
22 Consumer (1982–84 = 100)	109.6	113.6	118.3	120.3	120.5	121.1	121.6	122.3	123.1	123.8	124.1	124.4
23 Producer finished goods (1982 = 100)	103.2	105.4	108.0	109.8	110.0	111.1	111.7	112.1	113.0	114.2	114.1	114.0

1. A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.

4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.

5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).

6. Based on Bureau of Census data published in *Survey of Current Business*.

7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5,and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1986	1987	1988	1988	1989						
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**182,822**	**185,010**	**186,837**	**187,618**	**187,859**	**187,979**	**188,102**	**188,228**	**188,377**	**188,518**	**188,672**
2 Labor force (including Armed Forces)[1]	120,078	122,122	123,893	124,779	125,643	125,383	125,469	125,863	125,806	126,291	126,145
3 Civilian labor force	117,834	119,865	121,669	122,563	123,428	123,181	123,264	123,659	123,610	124,102	123,956
Employment											
4 Nonagricultural industries[2]	106,434	109,232	111,800	112,816	113,411	113,630	113,930	114,009	114,102	114,445	114,240
5 Agriculture	3,163	3,208	3,169	3,193	3,300	3,223	3,206	3,104	3,112	3,096	3,219
Unemployment											
6 Number	8,237	7,425	6,701	6,554	6,716	6,328	6,128	6,546	6,395	6,561	6,497
7 Rate (percent of civilian labor force)	7.0	6.2	5.5	5.3	5.4	5.1	5.0	5.3	5.2	5.3	5.2
8 Not in labor force	62,744	62,888	62,944	62,839	62,216	62,596	62,633	62,365	62,571	62,227	62,527
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**99,525**	**102,310**	**106,039**	**107,097**	**107,442**	**107,711**	**107,888**	**108,101**	**108,310^r**	**108,560^r**	**108,729**
10 Manufacturing	18,965	19,065	19,536	19,589	19,648	19,648	19,680	19,672	19,667^r	19,655^r	19,658
11 Mining	777	721	733	711	711	711	714	720	722	715^r	704
12 Contract construction	4,816	4,998	5,294	5,213	5,267	5,270	5,252	5,279	5,283^r	5,281^r	5,318
13 Transportation and public utilities	5,255	5,385	5,584	5,634	5,654	5,667	5,666	5,682	5,700	5,716^r	5,739
14 Trade	23,683	24,381	25,362	25,453	25,553	25,631	25,685	25,695	25,750^r	25,777^r	25,834
15 Finance	6,283	6,549	6,679	6,744	6,746	6,763	6,774	6,776	6,790	6,801	6,812
16 Service	23,053	24,196	25,464	26,230	26,318	26,434	26,520	26,651	26,711^r	26,923^r	26,997
17 Government	16,693	17,015	17,387	17,523	17,545	17,587	17,597	17,626	17,687^r	17,692^r	17,667

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2. Includes self-employed, unpaid family, and domestic service workers.

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1984 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1988		1989		1988		1989		1988		1989	
	Q3	Q4	Q1	Q2[r]	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2[r]
	Output (1977 = 100)				Capacity (percent of 1977 output)				Utilization rate (percent)			
1 **Total industry**	**138.4**	**139.9**	**140.7**	**141.4**	**165.2**	**166.3**	**167.5**	**168.7**	**83.8**	**84.1**	**84.0**	**83.9**
2 Mining	103.9	104.2	101.8	102.2	126.3	125.7	125.1	124.7	82.3	82.9	81.3	81.3
3 Utilities	115.1	114.3	116.0	116.7	140.4	140.7	141.0	141.4	81.9	81.3	82.3	82.1
4 **Manufacturing**	**144.0**	**145.8**	**147.0**	**147.7**	**171.5**	**172.8**	**174.3**	**175.7**	**84.0**	**84.4**	**84.4**	**84.2**
5 Primary processing	125.9	127.7	127.8	127.3	143.9	145.2	146.5	147.8	87.5	87.9	87.3	86.2
6 Advanced processing	154.9	156.7	158.6	160.1	188.1	189.5	191.0	192.6	82.4	82.7	83.0	83.3
7 **Materials**	**126.5**	**128.0**	**127.6**	**127.7**	**150.1**	**150.8**	**151.7**	**152.6**	**84.3**	**84.9**	**84.1**	**83.7**
8 Durable goods	137.1	139.2	138.6	138.5	167.9[r]	169.0	170.1	171.3	81.6	82.4	81.5	80.8
9 Metal materials	92.7	94.8	92.3	89.9	109.5	109.8	110.2	110.6	84.8	86.3	83.8	81.3
10 Nondurable goods	132.8	135.4	136.3	137.2	149.8	151.2	152.7	154.2	88.6	89.5	89.3	89.0
11 Textile, paper, and chemical	135.3	138.1	139.2	140.2	150.2	151.8	153.5	155.3	90.0	91.0	90.7	90.3
12 Paper	148.9	148.6	148.4	145.4	150.7	152.3	154.0	155.8[r]	98.8	97.6	96.4	93.3
13 Chemical	139.4	144.1	145.4	146.3	157.4	159.3	161.4	163.7[r]	88.6	90.5	90.1	89.4
14 Energy materials	102.5	102.0	100.7	100.5	119.0	118.7	118.4	118.3	86.0	86.0	85.0	84.9

Series	Previous cycle[2]		Latest cycle[3]		1988	1988		1989						
	High	Low	High	Low	July	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May[r]	June[r]	July
	Capacity utilization rate (percent)													
15 **Total industry**	**88.6**	**72.1**	**86.9**	**69.5**	**83.7**	**84.1**	**84.3**	**84.3**	**83.9**	**83.8**	**84.2**	**83.9**	**83.6**	**83.6**
16 Mining	92.8	87.8	95.2	76.9	82.5	83.3	83.6	82.2	80.6	81.2	82.0	81.4	80.6	80.9
17 Utilities	95.6	82.9	88.5	78.0	81.5	80.8	82.0	80.9	82.6	83.3	82.9	82.3	81.2	81.8
18 **Manufacturing**	**87.7**	**69.9**	**86.5**	**68.0**	**84.0**	**84.4**	**84.4**	**84.7**	**84.3**	**84.1**	**84.5**	**84.2**	**84.0**	**83.9**
19 Primary processing	91.9	68.3	89.1	65.0	87.8	88.1	87.9	88.4	87.0	86.4	86.8	86.1	85.9	86.3
20 Advanced processing	86.0	71.1	85.1	69.5	82.2	82.6	82.8	83.1	83.0	83.0	83.5	83.4	83.1	82.8
21 **Materials**	**92.0**	**70.5**	**89.1**	**68.5**	**84.4**	**85.1**	**84.9**	**84.6**	**84.0**	**83.7[r]**	**84.2**	**83.7**	**83.2**	**83.4**
22 Durable goods	91.8	64.4	89.8	60.9	81.7	82.7	82.1	82.1	81.5	80.9	81.3	80.8	80.5	80.7
23 Metal materials	99.2	67.1	93.6	45.7	84.9	86.9	84.6	86.1	83.8	81.5	83.6	79.5	80.7	82.2
24 Nondurable goods	91.1	66.7	88.1	70.7	88.9	89.4	89.8	90.1	89.0	88.8	89.2	88.9	88.8	89.1
25 Textile, paper, and chemical	92.8	64.8	89.4	68.8	90.4	90.9	91.3[r]	91.5	90.3	90.2	90.7	89.9	90.2	90.5
26 Paper	98.4	70.6	97.3	79.9	100.0	96.7	98.4	98.1	95.8	95.3	94.5	93.2	92.3	......
27 Chemical	92.5	64.4	87.9	63.5	88.8	90.5	90.7	90.7	89.8	89.7	90.1	88.9	89.1	......
28 Energy materials	94.6	86.9	94.0	82.3	86.2	86.2	86.5	84.9	84.9	85.4	86.0	85.2	83.7	83.9

1. These data also appear in the Board's G.3 (402) release. For address, see inside front cover.

2. Monthly high 1973; monthly low 1975.

3. Monthly highs 1978 through 1980; monthly lows 1982.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data are seasonally adjusted

Groups	1977 proportion	1988 avg.	1988 July	Aug.	Sept.	Oct.	Nov.	Dec.	1989 Jan.	Feb.	Mar.	Apr.[r]	May	June[p]	July[e]
			Index (1977 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**137.2**	**138.0**	**138.5**	**138.6**	**139.4**	**139.9**	**140.4**	**140.8**	**140.5**	**140.7**	**141.7**	**141.6**	**141.4**	**141.7**
2 Products	57.72	145.9	146.5	147.3	147.4	148.1	148.4	149.4	150.1	150.0	150.5	151.6	151.7	151.9	151.9
3 Final products	44.77	144.3	145.0	145.8	145.8	146.4	146.8	147.7	148.2	148.6	148.9	150.2	150.5	150.7	150.6
4 Consumer goods	25.52	133.9	134.2	135.0	134.8	136.4	136.8	138.2	138.5	138.7	138.4	139.5	139.3	139.4	138.9
5 Equipment	19.25	158.2	159.4	160.1	160.4	159.7	159.9	160.4	161.1	161.6	162.8	164.3	165.3	165.5	166.0
6 Intermediate products	12.94	151.5	151.6	152.3	152.9	154.0	154.2	155.0	156.6	155.1	156.1	156.5	156.2	156.1	156.4
7 Materials	42.28	125.2	126.4	126.5	126.5	127.5	128.3	128.3	128.1	127.4	127.3	128.2	127.7	127.2	127.8
Consumer goods															
8 Durable consumer goods	6.89	125.3	125.3	125.7	126.3	129.3	129.2	131.9	131.5	131.6	130.1	132.2	131.2	130.5	127.2
9 Automotive products	2.98	124.9	124.4	124.2	126.4	128.9	129.5	134.5	132.5	131.6	128.9	131.7	128.8	126.3	120.7
10 Autos and trucks	1.79	122.7	120.8	123.1	124.8	128.3	129.5	138.0	135.6	133.1	128.3	131.7	127.4	123.6	114.5
11 Autos, consumer	*1.16*	*93.4*	*93.8*	*93.0*	*97.7*	*101.3*	*101.0*	*105.1*	*99.6*	*96.0*	*95.0*	*98.8*	*96.0*	*91.4*	*81.2*
12 Trucks, consumer	.63	177.0	170.8	179.0	175.3	178.4	182.4	199.1	202.3	201.9	190.0	192.8	185.5	183.3	176.3
13 Auto parts and allied goods	1.19	128.1	129.9	125.9	128.8	129.8	129.5	129.3	127.9	129.4	129.8	131.7	131.0	130.5	130.0
14 Home goods	3.91	125.6	125.9	126.8	126.2	129.7	128.9	130.0	130.7	131.6	131.1	132.6	133.0	133.7	132.2
15 Appliances, A/C and TV	1.24	144.1	143.3	146.5	144.9	154.4	150.4	151.0	151.0	153.9	151.6	151.7	151.3	155.1	151.0
16 Appliances and TV	1.19	143.6	143.8	146.1	143.7	151.9	148.9	150.0	149.5	153.0	152.3	152.5	151.4	154.5	....
17 Carpeting and furniture	.96	136.2	136.6	137.2	137.1	138.8	139.8	140.5	141.1	141.3	140.7	142.8	143.6	141.5	....
18 Miscellaneous home goods	1.71	106.3	107.4	106.8	106.6	106.7	107.3	108.9	110.1	110.1	110.9	113.0	113.9	113.8	....
19 Nondurable consumer goods	18.63	137.1	137.5	138.5	138.0	139.0	139.7	140.5	141.1	141.4	141.4	142.2	142.2	142.7	143.3
20 Consumer staples	15.29	144.9	145.3	146.6	145.8	147.0	147.9	148.9	149.4	149.7	149.9	150.7	150.7	151.2	151.7
21 Consumer foods and tobacco	7.80	140.9	141.1	141.3	141.1	142.4	143.7	144.5	144.8	144.3	143.3	144.7	145.2	145.5	....
22 Nonfood staples	7.49	149.1	149.6	152.1	150.7	151.8	152.2	153.6	154.2	155.4	156.9	156.9	156.4	157.1	157.9
23 Consumer chemical products	2.75	180.0	181.8	183.8	185.0	186.1	185.7	186.8	187.6	187.8	188.9	187.3	188.1	188.9	....
24 Consumer paper products	1.88	163.4	164.0	165.3	166.3	167.1	167.8	169.0	174.2	177.0	180.4	180.9	180.6	181.4	....
25 Consumer energy	2.86	110.0	109.3	113.0	107.6	108.9	109.8	111.6	109.1	110.1	110.7	112.0	110.1	110.7	111.9
26 Consumer fuel	1.44	95.4	94.6	95.5	92.7	95.3	94.1	96.3	96.7	95.0	95.6	97.3	93.6	96.2	....
27 Residential utilities	1.42	124.8	124.4	130.9	122.8	122.7	125.8	127.1	121.7	125.4	126.1	127.0	127.0	....	....
Equipment															
28 Business and defense equipment	18.01	163.3	164.6	165.2	165.6	165.1	165.5	166.2	167.1	167.9	168.9	170.3	171.3	171.4	171.8
29 Business equipment	14.34	157.6	159.3	160.2	160.8	160.2	161.2	162.6	163.8	165.0	166.3	167.8	168.9	168.9	169.3
30 Construction, mining, and farm	2.08	71.9	73.6	73.1	74.3	74.2	74.5	74.6	74.3	75.6	76.9	77.6	76.4	76.2	76.1
31 Manufacturing	3.27	131.3	132.4	134.0	135.8	136.2	136.2	137.0	136.3	137.8	138.6	139.7	140.2	141.5	142.4
32 Power	1.27	89.4	89.8	90.9	92.2	91.5	92.1	91.8	92.8	92.7	93.0	93.6	93.1	92.6	92.9
33 Commercial	5.22	245.2	248.2	249.8	248.7	245.4	247.0	248.9	252.4	254.3	257.6	260.1	263.2	262.8	264.3
34 Transit	2.49	114.9	115.9	115.2	116.8	120.3	122.3	124.9	125.7	125.2	123.9	124.8	125.3	124.8	122.6
35 Defense and space equipment	3.67	185.9	184.9	184.9	184.5	184.0	182.2	180.5	180.0	179.3	178.7	179.9	180.7	181.1	181.7
Intermediate products															
36 Construction supplies	5.95	138.6	138.4	138.1	138.4	140.0	140.7	141.4	142.3	139.5	139.3	140.2	139.3	139.8	139.3
37 Business supplies	6.99	162.5	162.8	164.4	165.2	165.9	165.7	166.7	168.8	168.4	170.4	170.4	170.6	170.0	....
38 General business supplies	5.67	168.5	168.6	170.6	171.8	172.3	172.9	173.8	175.9	175.4	177.4	177.9	178.1	177.2	....
39 Commercial energy products	1.31	136.3	137.6	137.7	136.7	138.2	134.3	135.8	138.2	138.3	140.3	138.0	138.2	138.8	....
Materials															
40 Durable goods materials	20.50	135.4	136.8	136.6	137.8	138.9	139.8	139.0	139.4	138.6	137.9	139.0	138.4	138.2	138.9
41 Durable consumer parts	4.92	108.9	110.1	109.8	111.0	111.4	113.9	112.5	111.7	112.1	110.7	110.8	111.9	110.1	109.2
42 Equipment parts	5.94	171.7	174.1	173.5	174.0	174.9	175.0	174.1	175.2	175.2	175.3	176.9	177.2	177.2	178.8
43 Durable materials n.e.c.	9.64	126.7	127.5	127.6	129.2	130.8	131.3	130.9	131.5	129.7	128.8	130.0	128.0	128.6	129.5
44 Basic metal materials	4.64	95.9	98.4	97.3	100.3	101.1	101.4	99.8	100.8	98.4	95.9	98.0	94.0	95.5	97.3
45 Nondurable goods materials	10.09	132.0	132.8	133.1	132.6	134.7	135.1	136.3	137.1	135.9	136.0	137.1	137.1	137.5	138.3
46 Textile, paper, and chemical materials	7.53	134.4	135.3	135.7	134.9	137.4	137.9	139.1	139.9	138.6	139.0	140.3	139.6	140.6	141.6
47 Textile materials	1.52	109.9	108.5	110.1	109.2	109.5	110.1	110.0	112.1	110.7	111.8	114.6	116.8	119.4	....
48 Pulp and paper materials	1.55	147.3	150.3	148.3	148.1	148.4	147.2	150.3	150.4	147.5	147.3	146.7	145.2	144.3	....
49 Chemical materials	4.46	138.3	139.2	140.0	139.0	143.1	144.2	145.1	145.7	145.0	145.4	146.8	145.5	146.5	....
50 Miscellaneous nondurable materials	2.57	124.9	125.6	125.6	125.9	126.6	127.0	128.0	129.1	128.0	127.2	127.8	129.6	....	....
51 Energy materials	11.69	101.5	102.7	103.2	101.5	101.3	102.3	102.6	100.5	100.5	101.0	101.7	100.8	98.9	99.1
52 Primary energy	7.57	106.3	106.8	106.2	106.8	106.0	108.6	107.6	105.2	104.4	103.7	104.1	103.5	101.6	....
53 Converted fuel materials	4.12	92.8	95.3	97.7	91.8	92.6	90.7	93.3	92.0	93.3	96.1	97.4	95.7	94.0	....

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

Groups	SIC code	1977 proportion	1988 avg.	1988						1989						
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May	June[p]	July[e]
				Index (1977 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	.....	15.79	107.5	108.1	109.0	107.2	107.2	108.1	108.9	107.2	106.8	107.5	107.9	107.1	105.9	106.4
2 Mining	.....	9.83	103.4	104.3	103.8	103.7	103.1	104.7	104.9	103.0	100.9	101.5	102.4	101.6	100.4	100.7
3 Utilities	.....	5.96	114.3	114.4	117.8	113.0	113.9	113.7	115.4	114.0	116.5	117.5	117.1	116.3	114.9	115.8
4 Manufacturing	.....	84.21	142.7	143.6	144.0	144.4	145.3	145.8	146.3	147.2	146.8	147.0	148.0	148.0	148.1	148.3
5 Nondurable	.....	35.11	143.9	144.6	145.1	145.3	146.3	146.7	147.1	148.5	148.1	148.6	149.6	149.6	149.9	150.6
6 Durable	.....	49.10	141.9	142.9	143.2	143.8	144.6	145.2	145.7	146.2	145.9	145.8	146.9	146.9	146.8	146.7
Mining																
7 Metal	10	.50	93.2	94.0	96.6	99.1	101.6	104.6	111.9	106.9	98.6	98.1	96.8	94.0	......	......
8 Coal	11.12	1.60	137.9	141.5	137.2	142.2	138.5	149.7	155.1	144.7	134.7	137.7	145.5	137.1	129.2	128.5
9 Oil and gas extraction	13	7.07	92.9	93.3	93.2	92.0	91.5	90.8	88.9	88.9	89.5	89.6	89.1	90.0	98.7	......
10 Stone and earth minerals	14	.66	139.9	140.2	141.3	139.7	142.8	144.0	149.4	150.8	142.5	143.5	144.5	145.0	148.1	......
Nondurable manufactures																
11 Foods	20	7.96	142.7	143.3	143.3	143.2	144.0	145.7	145.8	146.6	146.3	145.4	146.6	147.4	147.6	......
12 Tobacco products	21	.62	105.2	100.6	105.1	105.0	105.4	102.4	107.0	105.0	104.7	101.5	109.2	......	......	......
13 Textile mill products	22	2.29	116.2	117.1	116.4	116.2	117.0	117.2	117.9	120.2	119.4	119.7	122.5	123.6	124.6	......
14 Apparel products	23	2.79	109.1	109.4	108.9	109.9	109.5	110.1	108.8	110.2	110.2	109.9	111.3	111.6	......	......
15 Paper and products	26	3.15	150.3	152.3	151.0	150.9	151.8	150.7	151.7	153.8	151.7	151.7	150.7	150.1	148.4	......
16 Printing and publishing	27	4.54	184.2	184.9	186.7	188.0	188.1	188.5	188.0	193.0	194.6	198.5	200.1	199.4	199.5	200.2
17 Chemicals and products	28	8.05	151.9	153.4	154.8	155.3	156.7	157.5	158.1	159.0	158.5	159.2	159.3	158.4	159.1	......
18 Petroleum products	29	2.40	96.0	95.0	96.0	93.7	96.3	95.0	98.0	98.0	96.3	97.0	97.3	96.7	98.4	99.9
19 Rubber and plastic products	30	2.80	174.4	175.4	175.3	175.3	176.9	177.5	177.5	175.9	175.0	176.4	178.0	180.1	180.5	......
20 Leather and products	31	.53	59.5	59.1	59.4	59.9	61.0	61.5	60.2	62.9	62.9	61.2	61.4	60.3	60.3	......
Durable manufactures																
21 Lumber and products	24	2.30	137.3	136.6	133.8	133.5	137.5	139.4	143.0	139.9	132.8	133.4	135.1	134.7	135.6	......
22 Furniture and fixtures	25	1.27	162.1	162.9	164.9	164.9	164.5	165.4	165.4	166.3	164.8	165.8	168.0	169.5	169.5	......
23 Clay, glass, and stone products	32	2.72	122.6	122.2	122.6	122.6	123.3	124.7	125.1	126.6	125.4	125.5	124.7	122.7	123.4	......
24 Primary metals	33	5.33	89.2	91.5	90.8	93.1	94.2	92.7	90.0	93.2	91.1	88.4	90.1	86.9	87.3	88.8
25 Iron and steel	331.2	3.49	78.1	80.2	78.9	81.4	83.1	80.8	77.6	82.2	79.1	75.9	77.0	73.2	73.4	......
26 Fabricated metal products	34	6.46	120.9	121.7	122.1	122.5	122.6	124.6	125.1	124.5	124.5	123.8	123.1	124.7	124.6	124.9
27 Nonelectrical machinery	35	9.54	170.8	173.1	174.1	174.8	173.8	175.4	177.8	178.7	180.8	183.0	184.7	186.5	186.6	187.6
28 Electrical machinery	36	7.15	180.1	181.5	182.2	181.8	183.0	182.2	180.9	180.9	181.7	181.6	182.2	181.1	181.1	180.9
29 Transportation equipment	37	9.13	132.1	131.9	131.8	132.7	134.8	135.2	136.8	136.7	136.4	134.8	136.4	135.5	134.3	132.0
30 Motor vehicles and parts	371	5.25	117.2	116.6	117.5	118.5	121.7	122.9	125.5	124.9	123.4	120.4	122.0	119.7	116.5	110.8
31 Aerospace and miscellaneous transportation equipment	372–6.9	3.87	152.4	152.7	151.3	151.9	152.7	151.9	152.2	152.7	154.0	154.4	155.9	157.1	158.5	160.8
32 Instruments	38	2.66	154.3	156.4	156.8	157.8	159.9	160.4	159.1	161.0	161.3	161.8	163.0	164.6	164.4	166.1
33 Miscellaneous manufactures	39	1.46	107.1	107.8	108.3	108.5	107.7	109.0	110.9	112.2	110.0	112.5	115.3	116.8	116.4	......
Utilities																
34 Electric	.....	4.17	132.0	134.6	138.8	132.2	132.8	131.6	132.9	131.0	135.3	137.0	137.1	135.8	133.7	135.5
		Gross value (billions of 1982 dollars, annual rates)														
MAJOR MARKET																
35 Products, total	.....	**517.5**	**1,824.5**	**1,822.3**	**1,828.6**	**1,828.9**	**1,853.4**	**1,855.5**	**1,875.3**	**1,885.1**	**1,879.2**	**1,878.0**	**1,893.9**	**1,885.9**	**1,883.6**	**1,864.9**
36 Final	.....	405.7	1,401.2	1,398.9	1,404.2	1,404.3	1,423.5	1,426.3	1,442.1	1,447.5	1,449.6	1,442.8	1,460.4	1,450.4	1,449.8	1,429.9
37 Consumer goods	.....	272.7	902.4	895.6	900.4	897.2	915.0	918.4	934.4	935.6	934.3	928.0	939.4	929.5	929.3	919.9
38 *Equipment*	.....	133.0	498.8	503.2	503.8	507.1	508.4	507.9	507.7	511.9	515.2	514.8	521.1	520.9	520.5	510.0
39 Intermediate	.....	111.9	423.3	423.4	424.3	424.5	430.0	429.3	433.2	437.7	429.6	435.3	433.5	435.5	433.8	435.0

1. These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.

A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1986	1987	1988	1988 Sept.	1988 Oct.	1988 Nov.	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.r	1989 May r	1989 June
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,750	1,535	1,456	1,432	1,526	1,508	1,518	1,486	1,403	1,230	1,334	1,347	1,308
2 1-family	1,071	1,024	994	980	1,029	1,027	1,058	1,052	989	870	954	905	874
3 2-or-more-family	679	511	462	452	497	481	460	434	414	360	380	442	434
4 Started	1,805	1,621	1,488	1,463	1,532	1,567	1,577	1,678	1,465	1,409	1,343	1,308	1,419
5 1-family	1,180	1,146	1,081	1,039	1,136	1,138	1,141	1,199	1,029	981	1,029	977	979
6 2-or-more-family	626	474	407	424	396	429	436	479	436	428	314	331	440
7 Under construction, end of period[1]	1,074	987	919	955	951	959	956	957	951	942	924	910	915
8 1-family	583	591	570	596	597	603	603	602	594	586	579	572	573
9 2-or-more-family	490	397	350	359	354	356	353	355	357	356	345	338	342
10 Completed	1,756	1,669	1,530	1,536	1,516	1,429	1,539	1,537	1,610	1,459	1,552	1,441	1,332
11 1-family	1,120	1,123	1,085	1,092	1,088	1,037	1,108	1,141	1,189	1,050	1,115	1,045	946
12 2-or-more-family	636	546	445	444	428	392	431	396	421	409	437	396	386
13 Mobile homes shipped	244	233	218	224	216	227	225	232	212	207	198	205	202
Merchant builder activity in 1-family units													
14 Number sold	748	672	675	691	718	650	669	700	621	555	607	646	646
15 Number for sale, end of period[1]	357	365	366	361	353	364	366	369	375	377	377	381	379
Price (thousands of dollars)[2]													
Median													
16 Units sold	92.2	104.7	113.3	116.6	112.9	110.4	121.0	113.0	118.0	123.0	116.7	118.9	123.4
Average													
17 Units sold	112.2	127.9	139.0	142.7	137.3	137.3	147.7	138.6	145.3	149.0	144.7	144.0	155.5
EXISTING UNITS (1-family)													
18 Number sold	3,566	3,530	3,594	3,650	3,680	3,710	3,920	3,550	3,480	3,400	3,400	3,210	3,400
Price of units sold (thousands of dollars)[2]													
19 Median	80.3	85.6	89.2	88.5	88.9	88.5	88.7	89.7	91.9	92.0	92.9	92.6	93.2
20 Average	98.3	106.2	112.5	112.6	112.3	112.4	112.0	113.0	117.8	116.1	118.0	118.0	118.7
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 **Total put in place**	**387,043**	**397,721**	**409,663**	**411,525**	**411,074**	**415,442**	**425,035**	**424,791**	**418,465**	**419,152**	**415,783**	**418,184**	**414,691**
22 Private	315,313	320,108	328,738	329,848	331,374	332,798	336,254	339,481	335,037	340,438	335,363	333,492	334,043
23 Residential	187,147	194,656	198,101	198,322	200,780	202,048	202,480	204,707	202,322	204,456	203,952	200,179	197,939
24 Nonresidential, total	128,166	125,452	130,637	131,526	130,594	130,750	133,774	134,774	132,715	135,982	131,411	133,313	136,104
Buildings													
25 Industrial	13,747	13,707	14,931	14,872	15,515	15,413	15,045	15,890	15,098	15,698	16,263	16,089	16,818
26 Commercial	56,762	55,448	58,104	58,805	57,284	56,676	58,659	59,350	58,749	60,653	55,611	56,852	57,994
27 Other	13,216	15,464	17,278	17,700	17,340	17,328	17,744	17,976	17,484	17,634	16,944	17,324	17,555
28 Public utilities and other	44,441	40,833	40,324	40,149	40,455	41,333	42,326	41,558	41,384	41,997	42,593	43,048	43,737
29 Public	71,727	77,612	80,922	81,677	79,700	82,644	88,781	85,310	83,428	78,714	80,420	84,692	80,648
30 Military	3,868	4,327	3,579	4,373	2,617	3,420	3,905	3,440	3,433	3,740	3,133	3,386	3,378
31 Highway	22,971	25,343	28,524	26,274	28,707	28,992	33,674	30,792	27,936	26,091	27,772	27,382	26,405
32 Conservation and development	4,646	5,162	4,474	4,995	4,343	4,134	4,412	4,121	4,742	4,210	3,077	6,071	4,729
33 Other	40,242	42,780	44,345	46,035	44,033	46,098	46,790	46,957	47,317	44,673	46,438	47,853	46,136

1. Not at annual rates.
2. Not seasonally adjusted.
3. Value of new construction data in recent periods may not be strictly comparable with data in previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.

NOTE. Census Bureau estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 16,000 jurisdictions beginning with 1978.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (at annual rate)				Change from 1 month earlier					Index level July 1989[1]
	1988 July	1989 July	1988 Sept.	1988 Dec.	1989 Mar.[r]	1989 June[r]	1989 Mar.[r]	1989 Apr.[r]	1989 May	1989 June	1989 July	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**4.1**	**5.0**	**4.8**	**4.1**	**6.1**	**5.7**	**.5**	**.7**	**.6**	**.2**	**.2**	**124.4**
2 Food	4.5	5.6	8.8	3.0	8.2	5.6	.8	.5	.6	.2	.3	125.5
3 Energy items	.3	7.8	2.7	−.4	10.2	24.8	1.1	5.1	1.6	−1.0	−.7	98.5
4 All items less food and energy	4.5	4.6	4.3	4.9	5.2	3.8	.4	.2	.5	.2	.4	129.0
5 Commodities	3.6	3.1	3.1	4.2	4.1	2.0	.3	.2	.4	−.1	.1	118.8
6 Services	4.9	5.3	4.8	5.4	5.9	4.3	.5	.2	.5	.4	.6	134.8
PRODUCER PRICES (1982=100)												
7 Finished goods	2.5	5.0	5.7	3.0	10.2	5.1	.4	.4	.9	−.1	−.4	114.0
8 Consumer foods	2.4	4.8	9.2	2.1	13.1	−2.0	.8	−.5	.8	−.8	.1	119.0
9 Consumer energy	−3.3	11.6	−2.7	1.4	41.0	31.0	1.4	6.8	3.3	−3.1	−3.0	68.4
10 Other consumer goods	4.0	4.3	5.9	4.4	5.4	5.3	.2	.1	.5	.7	−.3	123.9
11 Capital equipment	2.3	3.9	6.1	1.7	4.6	4.1	.1	−.1	.4	.7	.0	118.6
12 Intermediate materials[3]	5.5	4.4	4.6	4.5	8.7	2.5	.5	.5	.3	−.2	−.3	112.5
13 Excluding energy	7.2	4.0	7.2	6.7	5.5	.3	.3	.2	.2	−.2	−.2	120.3
Crude materials												
14 Foods	11.9	−.4	29.1	−7.9	16.9	−18.7	3.1	−2.9	.4	−2.6	−1.1	109.7
15 Energy	−13.5	17.2	−27.0	12.3	48.3	22.3	2.1	4.8	2.2	−1.8	2.1	78.9
16 Other	14.9	1.5	8.5	12.5	10.3	−9.8	.4	−.9	−.4	−1.3	−1.5	134.9

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers and reflect a rental equivalence measure of homeownership after 1982.
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

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

Account	1986	1987	1988	1988 Q2	1988 Q3	1988 Q4	1989 Q1	1989 Q2[r]
GROSS NATIONAL PRODUCT								
1 **Total**	**4,231.6**	**4,524.3**	**4,880.6**	**4,838.5**	**4,926.9**	**5,017.3**	**5,113.1**	**5,203.8**
By source								
2 Personal consumption expenditures	2,797.4	3,010.8	3,235.1	3,204.9	3,263.4	3,324.0	3,381.4	3,446.8
3 Durable goods	406.0	421.0	455.2	454.6	452.5	467.4	466.4	471.0
4 Nondurable goods	942.0	998.1	1,052.3	1,042.4	1,066.2	1,078.4	1,098.3	1,122.0
5 Services	1,449.5	1,591.7	1,727.6	1,707.9	1,744.7	1,778.2	1,816.7	1,853.8
6 Gross private domestic investment	659.4	699.9	750.3	748.4	771.1	752.8	769.6	774.7
7 Fixed investment	652.5	670.6	719.6	719.1	726.5	734.1	742.0	747.4
8 Nonresidential	435.2	444.3	487.2	487.1	493.2	495.8	503.1	512.6
9 Structures	139.0	133.8	140.3	139.9	142.0	142.5	144.7	142.8
10 Producers' durable equipment	296.2	310.5	346.8	347.2	351.3	353.3	358.5	369.8
11 Residential structures	217.3	226.4	232.4	232.1	233.2	238.4	238.8	234.8
12 Change in business inventories	6.9	29.3	30.6	29.3	44.6	18.7	27.7	27.3
13 Nonfarm	8.6	30.5	34.2	30.4	41.5	40.8	19.1	23.8
14 Net exports of goods and services	−97.4	−112.6	−73.7	−74.9	−66.2	−70.8	−54.0	−52.7
15 Exports	396.5	448.6	547.7	532.5	556.8	579.7	605.6	623.2
16 Imports	493.8	561.2	621.3	607.5	623.0	650.5	659.6	675.9
17 Government purchases of goods and services	872.2	926.1	968.9	960.1	958.6	1,011.4	1,016.0	1,034.9
18 Federal	366.5	381.6	381.3	377.1	367.5	406.4	399.0	407.8
19 State and local	505.7	544.5	587.6	583.0	591.0	604.9	617.0	627.1
By major type of product								
20 Final sales, total	4,224.8	4,495.0	4,850.0	4,809.2	4,882.3	4,998.7	5,085.4	5,176.5
21 Goods	1,686.7	1,785.2	1,931.9	1,917.4	1,955.8	1,987.4	2,030.9	2,079.8
22 Durable	724.2	777.6	863.6	857.2	884.0	888.5	894.7	904.5
23 Nondurable	962.5	1,007.6	1,068.3	1,060.2	1,071.8	1,098.9	1,136.2	1,175.3
24 Services	2,119.3	2,304.5	2,499.2	2,472.3	2,520.3	2,570.0	2,620.8	2,668.9
25 Structures	425.6	434.6	449.5	448.8	450.8	459.9	461.3	455.0
26 Change in business inventories	6.9	29.3	30.6	29.3	44.6	18.7	27.7	27.3
27 Durable goods	1.2	22.0	25.0	17.0	41.4	32.0	22.0	5.7
28 Nondurable goods	5.6	7.2	5.6	12.3	3.2	−13.3	5.7	21.7
MEMO								
29 **Total GNP in 1982 dollars**	**3,717.9**	**3,853.7**	**4,024.4**	**4,010.7**	**4,042.7**	**4,069.4**	**4,106.8**	**4,134.0**
NATIONAL INCOME								
30 **Total**	**3,412.6**	**3,665.4**	**3,972.6**	**3,933.6**	**4,005.7**	**4,097.4**	**4,185.2**	**4,249.9**
31 Compensation of employees	2,511.4	2,690.0	2,907.6	2,878.9	2,935.1	2,997.2	3,061.7	3,118.0
32 Wages and salaries	2,094.8	2,249.4	2,429.0	2,405.4	2,452.2	2,505.1	2,560.7	2,608.6
33 Government and government enterprises	393.7	419.2	446.5	443.1	449.6	456.3	466.9	473.5
34 Other	1,701.1	1,830.1	1,982.5	1,962.3	2,002.6	2,048.9	2,093.8	2,135.1
35 Supplement to wages and salaries	416.6	440.7	478.6	473.5	482.9	492.0	501.0	509.4
36 Employer contributions for social insurance	217.3	227.8	249.7	247.7	251.8	255.6	259.7	263.4
37 Other labor income	199.3	212.8	228.9	225.9	231.1	236.5	241.3	246.0
38 Proprietors' income[1]	282.0	311.6	327.8	331.8	327.0	328.3	359.3	355.0
39 Business and professional[1]	247.2	270.0	288.0	286.5	289.3	296.3	300.3	304.2
40 Farm[1]	34.7	41.6	39.8	45.4	37.7	32.0	59.0	50.7
41 Rental income of persons[2]	11.6	13.4	15.7	14.6	16.3	16.1	11.8	9.7
42 Corporate profits[1]	282.1	298.7	328.6	325.3	330.9	340.2	316.3	309.1
43 Profits before tax[3]	221.6	266.7	306.8	305.3	314.4	318.8	318.0	297.6
44 Inventory valuation adjustment	6.7	−18.9	−25.0	−28.8	−30.4	−20.1	−38.3	−20.7
45 Capital consumption adjustment	53.8	50.9	46.8	48.9	46.9	41.5	36.6	32.3
46 Net interest	325.5[r]	351.7[r]	392.9[r]	383.0	396.4	415.7	436.1	458.1

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. *Survey of Current Business* (Department of Commerce).

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1986	1987	1988	1988			1989	
				Q2	Q3	Q4	Q1	Q2[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**3,526.2**	**3,777.6**	**4,064.5**	**4,026.6**	**4,097.6**	**4,185.2**	**4,317.8**	**4,399.6**
2 Wage and salary disbursements	2,094.8	2,249.4	2,429.0	2,405.4	2,452.2	2,505.1	2,560.7	2,608.6
3 Commodity-producing industries	625.6	649.9	696.3	690.8	701.6	714.7	726.6	733.7
4 Manufacturing	473.2	490.3	524.0	519.2	527.2	538.1	546.3	549.9
5 Distributive industries	498.8	531.9	571.9	568.0	578.0	587.5	598.8	610.6
6 Service industries	576.7	648.3	714.4	703.5	723.0	746.7	768.4	790.8
7 Government and government enterprises	393.7	419.2	446.5	443.1	449.6	456.3	466.9	473.5
8 Other labor income	199.3	212.8	228.9	225.9	231.1	236.5	241.3	246.0
9 Proprietors' income[1]	282.0	311.6	327.8	331.8	327.0	328.3	359.3	355.0
10 Business and professional[1]	247.2	270.0	288.0	286.5	289.3	296.3	300.3	304.2
11 Farm[1]	34.7	41.6	39.8	45.4	37.7	32.0	59.0	50.7
12 Rental income of persons[2]	11.6	13.4	15.7	14.6	16.3	16.1	11.8	9.7
13 Dividends	85.8	92.0	102.2	100.4	103.6	106.4	109.4	111.4
14 Personal interest income	493.2	523.2	571.1	560.0	576.3	598.6	629.0	655.1
15 Transfer payments	521.5	548.2	584.7	581.8	587.4	593.8	616.4	626.8
16 Old-age survivors, disability, and health insurance benefits	269.2	282.9	300.5	299.2	301.4	304.0	316.9	322.9
17 LESS: Personal contributions for social insurance	161.9	172.9	194.9	193.4	196.4	199.6	210.0	213.0
18 EQUALS: Personal income	3,526.2	3,777.6	4,064.5	4,026.6	4,097.6	4,185.2	4,317.8	4,399.6
19 LESS: Personal tax and nontax payments	512.9	571.7	586.6	590.7	585.9	597.8	628.3	652.6
20 EQUALS: Disposable personal income	3,013.3	3,205.9	3,477.8	3,435.9	3,511.7	3,587.4	3,689.5	3,747.0
21 LESS: Personal outlays	2,888.5	3,104.1	3,333.1	3,301.9	3,362.1	3,424.0	3,483.8	3,549.9
22 EQUALS: Personal saving	124.9	101.8	144.7	134.0	149.6	163.4	205.7	197.2
MEMO								
Per capita (1982 dollars)								
23 Gross national product	15,385.5	15,793.9[r]	16,332.8[r]	16,303.7[r]	16,387.1[r]	16,455.3[r]	16,566.4[r]	16,635.8
24 Personal consumption expenditures	10,123.7	10,302.0[r]	10,545.5[r]	10,515.4[r]	10,572.0[r]	10,625.6[r]	10,653.5[r]	10,685.3
25 Disposable personal income	10,905.0	10,970.0	11,337.0	11,273.0	11,377.0	11,466.0	11,625.0	11,618.0
26 Saving rate (percent)	4.1	3.2	4.2	3.9	4.3	4.6	5.6	5.3
GROSS SAVING								
27 **Gross saving**	**525.3**	**553.8**	**642.4**	**633.4**	**669.8**	**647.4**	**693.5**	**691.7**
28 Gross private saving	669.5	663.8	738.6	722.5	742.4	769.3	792.1	793.2
29 Personal saving	124.9	101.8	144.7	134.0	149.6	163.4	205.7	197.2
30 Undistributed corporate profits[1]	84.5	75.3	80.3	78.3	77.6	81.7	53.4	55.0
31 Corporate inventory valuation adjustment	6.7	−18.9	−25.0	−28.8	−30.4	−20.1	−38.3	−20.7
Capital consumption allowances								
32 Corporate	285.9	303.1	321.7	319.0	323.1	329.7	335.2	339.7
33 Noncorporate	174.2	183.6	191.9	191.2	192.1	194.4	197.8	201.3
34 Government surplus, or deficit (−), national income and product accounts	−144.1	−110.1	−96.1	−89.1	−72.7	−121.9	−98.7	−101.6
35 Federal	−206.9	−161.4	−145.8	−141.5	−122.5	−167.6	−147.5	−148.4
36 State and local	62.8	51.3	49.7	52.4	49.8	45.7	48.8	46.8
37 **Gross investment**	**523.6**	**549.0**	**632.8**	**633.4**	**661.2**	**630.8**	**669.3**	**675.5**
38 Gross private domestic	659.4	699.9	750.3	748.4	771.1	752.8	769.6	774.7
39 Net foreign	−135.8	−150.9	−117.5	−115.0	−109.9	−122.0	−100.3	−99.2
40 **Statistical discrepancy**	**−1.8**	**−4.7**	**−9.6**	**−0.1**	**−8.6**	**−16.6**	**−24.1**	**−16.1**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. *Survey of Current Business* (Department of Commerce).

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

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

Item credits or debits	1986	1987	1988	1988				1989
				Q1	Q2	Q3	Q4	Q1[p]
1 Balance on current account	−133,249	−143,700	−126,548	−32,046	−33,485	−32,340	−28,677	−30,685
2 Not seasonally adjusted	....	....	....	−27,556	−33,875	−36,926	−28,191	−26,131
3 Merchandise trade balance[2]	−145,058	−159,500	−127,215	−33,446	−31,411	−30,339	−32,019	−27,634
4 Merchandise exports	223,367	250,266	319,251	76,447	78,471	80,604	83,729	88,496
5 Merchandise imports	−368,425	−409,766	−446,466	−109,893	−109,882	−110,943	−115,748	−116,130
6 Military transactions, net	−4,576	−2,857	−4,606	−964	−1,033	−1,006	−1,604	−1,482
7 Investment income, net	21,647	22,283	2,227	2,795	−2,465	−2,590	4,489	−3,508
8 Other service transactions, net	10,517	10,586	17,702	2,933	4,323	4,971	5,475	5,359
9 Remittances, pensions, and other transfers	−4,049	−4,063	−4,279	−1,131	−971	−1,088	−1,090	−1,192
10 U.S. government grants (excluding military)	−11,730	−10,149	−10,377	−2,233	−1,928	−2,288	−3,928	−2,228
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−2,024	997	2,999	−1,490	−885	1,961	3,413	1,012
12 Change in U.S. official reserve assets (increase, −)	312	9,149	−3,566	1,503	39	−7,380	2,272	−4,000
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−246	−509	474	155	180	−35	173	−188
15 Reserve position in International Monetary Fund	1,501	2,070	1,025	446	69	202	307	316
16 Foreign currencies	−942	7,588	−5,064	901	−210	−7,547	1,791	−4,128
17 Change in U.S. private assets abroad (increase, −)	−97,954	−86,363	−81,543	4,528	−15,273	−32,467	−38,332	−28,828
18 Bank-reported claims[3]	−59,975	−42,119	−54,481	15,266	−12,602	−26,229	−30,916	−22,601
19 Nonbank-reported claims	−7,396	5,201	−1,684	−65	−6,443	255	4,569	....
20 U.S. purchase of foreign securities, net	−4,271	−5,251	−7,846	−4,539	1,333	−1,592	−3,047	−2,554
21 U.S. direct investments abroad, net	−26,312	−44,194	−17,533	−6,134	2,439	−4,901	−8,938	−3,673
22 Change in foreign official assets in United States (increase, +)	35,594	45,193	38,882	24,631	5,895	−2,234	10,589	6,914
23 U.S. Treasury securities	34,364	43,238	41,683	27,702	5,853	−3,769	11,897	4,585
24 Other U.S. government obligations	−1,214	1,564	1,309	−162	202	572	697	716
25 Other U.S. government liabilities[4]	2,141	−2,520	−1,284	−304	−517	−232	−232	−377
26 Other U.S. liabilities reported by U.S. banks[3]	1,187	3,918	−331	−1,772	774	1,703	−1,036	1,538
27 Other foreign official assets[5]	−884	−1,007	−2,495	−833	−417	−508	−737	452
28 Change in foreign private assets in United States (increase, +)	186,011	172,847	180,418	2,396	59,438	48,413	70,170	42,163
29 U.S. bank-reported liabilities[3]	79,783	89,026	68,832	−17,137	30,455	23,291	32,223	10,398
30 U.S. nonbank-reported liabilities	−2,641	2,450	6,558	1,565	−59	2,350	2,702	....
31 Foreign private purchases of U.S. Treasury securities, net	3,809	−7,643	20,144	5,928	5,458	3,422	5,336	8,745
32 Foreign purchases of other U.S. securities, net	70,969	42,120	26,448	2,424	9,699	7,454	6,871	8,591
33 Foreign direct investments in United States, net	34,091	46,894	58,436	9,616	13,885	11,896	23,038	14,429
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	11,308	1,878	−10,641	479	−15,729	24,047	−19,434	13,424
36 Owing to seasonal adjustments	....	....	....	3,843	−3,714	−4,556	4,431	4,264
37 Statistical discrepancy in recorded data before seasonal adjustment	11,308	1,878	−10,641	−3,364	−12,015	28,603	−23,865	9,160
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	312	9,149	−3,566	1,503	39	−7,380	2,272	−4,000
39 Foreign official assets in United States (increase, +) excluding line 25	33,453	47,713	40,166	24,935	6,412	−2,002	10,821	7,291
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22 above)	−9,327	−9,955	−3,109	−1,547	−1,776	−459	672	7,059
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	96	53	92	41	4	7	40	13

1. Seasonal factors are not calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise data and are included in line 6.
3. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data are seasonally adjusted.

Item	1986	1987	1988	1988 Dec.	1989 Jan.	Feb.	Mar.	Apr.	May	June[p]
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments, f.a.s. value	227,159	254,122	322,426	28,864	28,980	28,839	30,065	30,759	30,455	30,914
GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses										
2 Customs value	365,438	406,241	440,952	39,668	37,877	38,220	39,549	39,045	40,534	39,085
Trade balance										
3 **Customs value**	**−138,279**	**−152,119**	**−118,526**	**−10,805**	**−8,897**	**−9,381**	**−9,484**	**−8,286**	**−10,079**	**−8,170**

1. The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustment is the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately as indicated above. As of Jan. 1, 1987 census data are released 45 days after the end of the month; the previous month is revised to reflect late documents. Total exports and the trade balance reflect adjustments for undocumented exports to Canada.

SOURCE. FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1986	1987	1988	1989 Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 **Total**	**48,511**	**45,798**	**47,802**	**48,190**	**49,373**	**49,854**	**50,303**	**54,941**	**60,502**	**63,462**
2 Gold stock, including Exchange Stabilization Fund[1]	11,064	11,078	11,057	11,056	11,061	11,061	11,061	11,060	11,063	11,066
3 Special drawing rights[2,3]	8,395	10,283	9,637	9,388	9,653	9,443	9,379	9,134	9,034	9,340
4 Reserve position in International Monetary Fund[2]	11,730	11,349	9,745	9,422	9,353	9,052	9,132	8,513	8,888	9,055
5 Foreign currencies[4]	17,322	13,088	17,363	18,324	19,306	20,298	20,731	26,234	31,517	34,001

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. Gold stock is valued at $42.22 per fine troy ounce.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus 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

Assets	1986	1987	1988	1989 Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 Deposits	287	244	347	279	325	351	352	428	275	371
Assets held in custody										
2 U.S. Treasury securities[2]	155,835	195,126	232,547	228,399	230,860	234,075	235,145	232,004	229,914	233,170
3 Earmarked gold[3]	14,048	13,919	13,636	13,635	13,609	13,602	13,576	13,612	13,545	13,530

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 payable in dollars and in foreign currencies.
3. Earmarked gold and the gold stock are valued at $42.22 per fine troy ounce. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

Asset account	1985	1986	1987	1988	1989					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	All foreign countries									
1 **Total, all currencies**	**458,012**	**456,628**	**518,618**	**506,062**	**496,755**	**501,682**	**519,740**	**517,276**	**521,436**	**523,665**
2 Claims on United States	119,706	114,563	138,034	169,111	167,143	168,558	177,902	170,126[r]	177,987	177,445
3 Parent bank	87,201	83,492	105,845	129,856	127,403	128,115	134,002	127,557[r]	134,026	132,380
4 Other banks in United States	13,057	13,685	16,416	14,918	14,559	13,506	14,697	13,459	13,040	14,218
5 Nonbanks	19,448	17,386	15,773	24,337	25,181	26,937	29,203	29,110	30,921	30,847
6 Claims on foreigners	315,676	312,955	342,520	299,728	291,892	296,240	303,906	306,493	302,808	303,713
7 Other branches of parent bank	91,399	96,281	122,155	107,179	102,482	103,962	110,434	114,834	116,506	115,911
8 Banks	102,960	105,237	108,859	96,932	93,663	95,696	97,723	96,830	94,042	94,898
9 Public borrowers	23,478	23,706	21,832	17,163	16,931	16,682	17,020	16,101	16,095	16,709
10 Nonbank foreigners	97,839	87,731	89,674	78,454	78,816	79,900	78,729	78,728	76,165	76,195
11 Other assets	22,630	29,110	38,064	37,223	37,720	36,884	37,932	40,657[r]	40,641	42,507
12 **Total payable in U.S. dollars**	**336,520**	**317,487**	**350,107**	**358,040**	**345,523**	**346,990**	**366,403**	**359,841**	**366,315**	**367,562**
13 Claims on United States	116,638	110,620	132,023	163,456	160,520	161,336	170,091	162,954	169,796	169,520
14 Parent bank	85,971	82,082	103,251	126,929	124,496	124,288	129,431	123,258	128,771	127,352
15 Other banks in United States	12,454	12,830	14,657	14,167	12,908	12,025	13,259	12,539	11,909	13,207
16 Nonbanks	18,213	15,708	14,115	22,360	23,116	25,023	27,401	27,157	29,116	28,961
17 Claims on foreigners	210,129	195,063	202,428	177,685	167,288	168,293	178,134	179,308	177,308	180,013
18 Other branches of parent bank	72,727	72,197	88,284	80,736	76,221	76,565	82,797	87,777	86,625	88,874
19 Banks	71,868	66,421	63,707	54,884	49,391	50,013	53,893	50,815	49,793	50,627
20 Public borrowers	17,260	16,708	14,730	12,131	11,749	11,781	11,831	11,467	11,282	11,815
21 Nonbank foreigners	48,274	39,737	35,707	29,934	29,927	29,934	29,613	29,249	29,608	28,697
22 Other assets	9,753	11,804	15,656	16,899	17,715	17,361	18,178	17,579	19,211	18,029
	United Kingdom									
23 **Total, all currencies**	**148,599**	**140,917**	**158,695**	**156,835**	**156,529**	**154,879**	**154,856**	**153,146**	**155,532**	**153,968**
24 Claims on United States	33,157	24,599	32,518	40,089	40,954	40,547	40,715	39,475[r]	39,599	38,014
25 Parent bank	26,970	19,085	27,350	34,243	34,928	34,449	35,315	34,741[r]	35,642	33,763
26 Other banks in United States	1,106	1,612	1,259	1,123	1,128	1,268	1,380	1,227	1,243	1,125
27 Nonbanks	5,081	3,902	3,909	4,723	4,898	4,830	4,020	3,507	2,714	3,126
28 Claims on foreigners	110,217	109,508	115,700	106,388	104,668	103,806	103,443	102,438	104,504	103,773
29 Other branches of parent bank	31,576	33,422	39,903	35,625	35,322	33,650	35,305	32,954	35,537	34,948
30 Banks	39,250	39,468	36,735	36,765	34,907	36,159	35,382	37,079	37,412	37,357
31 Public borrowers	5,644	4,990	4,752	4,019	4,090	3,808	3,757	3,471	3,627	3,599
32 Nonbank foreigners	33,747	31,628	34,310	29,979	30,349	30,189	28,999	28,934	27,928	27,869
33 Other assets	5,225	6,810	10,477	10,358	10,907	10,526	10,698	11,233[r]	11,429	12,181
34 **Total payable in U.S. dollars**	**108,626**	**95,028**	**100,574**	**103,503**	**102,873**	**100,863**	**103,211**	**98,463**	**101,612**	**99,028**
35 Claims on United States	32,092	23,193	30,439	38,012	38,591	37,707	38,265	36,772	36,675	34,990
36 Parent bank	26,568	18,526	26,304	33,252	33,925	33,106	34,320	33,499	34,119	32,059
37 Other banks in United States	1,005	1,475	1,044	964	678	816	937	872	862	844
38 Nonbanks	4,519	3,192	3,091	3,796	3,988	3,785	3,008	2,401	1,694	2,087
39 Claims on foreigners	73,475	68,138	64,560	60,472	58,798	57,567	59,201	56,227	58,395	58,746
40 Other branches of parent bank	26,011	26,361	28,635	28,474	27,939	26,475	28,145	25,389	26,036	26,541
41 Banks	26,139	23,251	19,188	18,494	16,778	17,246	17,715	17,680	18,458	18,745
42 Public borrowers	3,999	3,677	3,313	2,840	2,869	2,774	2,786	2,696	2,737	2,606
43 Nonbank foreigners	17,326	14,849	13,424	10,664	11,212	11,072	10,555	10,462	11,164	10,854
44 Other assets	3,059	3,697	5,575	5,019	5,484	5,589	5,745	5,464	6,542	5,292
	Bahamas and Caymans									
45 **Total, all currencies**	**142,055**	**142,592**	**160,321**	**170,639**	**162,352**	**165,862**	**179,185**	**172,324**	**173,137**	**171,780**
46 Claims on United States	74,864	78,048	85,318	105,320	103,016	103,989	111,951	105,273	111,823	109,800
47 Parent bank	50,553	54,575	60,048	73,409	71,065	71,100	75,234	68,969	73,627	70,735
48 Other banks in United States	11,204	11,156	14,277	13,145	12,742	11,563	12,275	11,563	10,807	12,116
49 Nonbanks	13,107	12,317	10,993	18,766	19,209	21,326	24,442	24,741	27,389	26,949
50 Claims on foreigners	63,882	60,005	70,162	58,393	52,503	54,732	59,615	60,103	53,984	54,537
51 Other branches of parent bank	19,042	17,296	21,277	17,954	15,982	18,454	20,048	26,261	21,962	22,324
52 Banks	28,192	27,476	33,751	28,268	24,755	24,514	27,727	22,641	21,184	21,202
53 Public borrowers	6,458	7,051	7,428	5,830	5,422	5,513	5,480	5,374	5,280	5,540
54 Nonbank foreigners	10,190	8,182	7,706	6,341	6,344	6,251	6,360	5,827	5,558	5,471
55 Other assets	3,309	4,539	4,841	6,926	6,833	7,141	7,619	6,948	7,330	7,443
56 **Total payable in U.S. dollars**	**136,794**	**136,813**	**151,434**	**163,518**	**154,981**	**158,011**	**172,148**	**166,389**	**166,869**	**165,676**

1. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.14—Continued

Liability account	1985	1986	1987	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May	1989 June
	All foreign countries									
57 **Total, all currencies**	**458,012**	**456,628**	**518,618**	**506,062**	**496,755**	**501,682**	**519,740**	**517,276**	**521,436**	**523,665**
58 Negotiable CDs	34,607	31,629	30,929	28,511	28,538	30,013	30,768	30,278	29,425	28,116
59 To United States	156,281	152,465	161,390	185,577	172,055	174,956	185,831	177,583	178,796[r]	179,858
60 Parent bank	84,657	83,394	87,606	114,720	102,521	105,687	113,779	107,455	110,579[r]	113,027
61 Other banks in United States	16,894	15,646	20,559	14,897	13,539	12,989	14,659	14,307	13,389[r]	12,951
62 Nonbanks	54,730	53,425	53,225	55,960	55,995	56,280	57,393	55,821	54,828[r]	53,880
63 To foreigners	245,939	253,775	304,803	270,923	274,015	274,898	280,859	284,629	288,316[r]	289,594
64 Other branches of parent bank	89,529	95,146	124,601	111,267	109,125	111,582	116,148	117,089	121,135[r]	118,950
65 Banks	76,814	77,809	87,274	72,842	72,185	70,484	71,447	72,155	72,903[r]	74,213
66 Official institutions	19,520	17,835	19,564	15,183	18,867	17,323	17,911	17,933	17,795	17,559
67 Nonbank foreigners	60,076	62,985	73,364	71,631	73,838	75,509	75,353	77,452	76,483	78,872
68 Other liabilities	21,185	18,759	21,496	21,051	22,147	21,815	22,282	24,786	24,899	26,097
69 **Total payable in U.S. dollars**	**353,712**	**336,406**	**361,438**	**367,090**	**353,678**	**356,597**	**378,460**	**371,237**	**374,839[r]**	**378,331**
70 Negotiable CDs	31,063	28,466	26,768	24,045	23,696	25,452	26,287	25,970	25,411	24,129
71 To United States	150,905	144,483	148,442	173,190	159,650	161,449	173,471	164,957	166,109[r]	167,217
72 Parent bank	81,631	79,305	81,783	107,150	94,531	96,714	105,534	99,188	102,643[r]	104,706
73 Other banks in United States	16,264	14,609	19,155	13,628	12,413	11,535	13,355	12,781	11,769[r]	11,537
74 Nonbanks	53,010	50,569	47,504	52,412	52,706	53,200	54,582	52,988	51,697[r]	50,974
75 To foreigners	163,583	156,806	177,711	160,373	160,632	159,542	168,257	169,916	171,618[r]	175,393
76 Other branches of parent bank	71,078	71,181	90,469	84,021	82,149	83,253	88,298	89,425	90,123[r]	90,850
77 Banks	37,365	33,850	35,065	28,493	27,231	27,060	28,949	28,445	29,567[r]	29,686
78 Official institutions	14,359	12,371	12,409	8,224	10,880	8,740	9,953	9,591	9,255	9,852
79 Nonbank foreigners	40,781	39,404	39,768	39,635	40,372	40,489	41,057	42,455	42,673	45,005
80 Other liabilities	8,161	6,651	8,517	9,482	9,700	10,154	10,445	10,394	11,701	11,592
	United Kingdom									
81 **Total, all currencies**	**148,599**	**140,917**	**158,695**	**156,835**	**156,529**	**154,879**	**154,856**	**153,146**	**155,532**	**153,968**
82 Negotiable CDs	31,260	27,781	26,988	24,528	24,253	25,942	26,625	26,157	25,539	24,396
83 To United States	29,422	24,657	23,470	36,784	34,535	35,393	32,757	29,715	30,867[r]	30,013
84 Parent bank	19,330	14,469	13,223	27,849	24,130	25,562	25,098	20,455	20,329	21,669
85 Other banks in United States	2,974	2,649	1,740	2,197	2,568	1,915	1,984	1,551	1,720	1,648
86 Nonbanks	7,118	7,539	8,507	6,738	7,837	7,916	5,675	7,709	8,818[r]	6,696
87 To foreigners	78,525	79,498	98,689	86,026	87,519	83,774	85,863	87,478	88,985[r]	88,381
88 Other branches of parent bank	23,389	25,036	33,078	26,812	26,815	24,553	25,781	25,800	26,867	24,974
89 Banks	28,581	30,877	34,290	30,609	29,329	28,508	29,094	30,714	30,925[r]	31,066
90 Official institutions	9,676	6,836	11,015	7,873	10,010	8,627	9,429	8,637	8,946	8,650
91 Nonbank foreigners	16,879	16,749	20,306	20,732	21,365	22,086	21,559	22,327	22,247	23,691
92 Other liabilities	9,392	8,981	9,548	9,497	10,222	9,770	9,611	9,796	10,141	11,178
93 **Total payable in U.S. dollars**	**112,697**	**99,707**	**102,550**	**105,514**	**104,462**	**103,302**	**105,942**	**100,514**	**102,721[r]**	**101,742**
94 Negotiable CDs	29,337	26,169	24,926	22,063	21,500	23,419	24,302	24,073	23,568	22,324
95 To United States	27,756	22,075	17,752	32,588	30,032	30,442	29,578	25,493	26,554[r]	25,401
96 Parent bank	18,956	14,021	12,026	26,404	22,069	22,998	24,013	18,524	18,545	19,188
97 Other banks in United States	2,826	2,325	1,512	1,912	2,362	1,600	1,719	1,227	1,368	1,393
98 Nonbanks	5,974	5,729	4,214	4,272	5,601	5,844	3,846	5,742	6,641[r]	4,820
99 To foreigners	51,980	48,138	55,919	46,690	48,421	44,934	47,071	46,230	47,371	48,491
100 Other branches of parent bank	18,493	17,951	22,334	18,561	18,936	17,139	18,335	17,755	18,030	16,467
101 Banks	14,344	15,203	15,580	13,407	13,090	13,106	12,907	13,439	13,930	13,545
102 Official institutions	7,661	4,934	7,530	4,348	5,897	4,116	5,467	4,365	4,796	5,579
103 Nonbank foreigners	11,482	10,050	10,475	10,374	10,498	10,573	10,362	10,671	10,615	12,900
104 Other liabilities	3,624	3,325	3,953	4,173	4,509	4,507	4,991	4,718	5,228	5,526
	Bahamas and Caymans									
105 **Total, all currencies**	**142,055**	**142,592**	**160,321**	**170,639**	**162,352**	**165,862**	**179,185**	**172,324**	**173,137**	**171,780**
106 Negotiable CDs	610	847	885	953	1,118	1,138	1,073	1,025	872	696
107 To United States	104,556	106,081	113,950	122,332	113,562	114,729	124,736	118,164	120,175[r]	117,737
108 Parent bank	45,554	49,481	53,239	62,894	56,643	57,684	62,689	59,762	64,908	61,642
109 Other banks in United States	12,778	11,715	17,224	11,494	9,890	9,743	11,464	11,346	10,223[r]	10,034
110 Nonbanks	46,224	44,885	43,487	47,944	47,029	47,302	50,583	47,056	45,044	46,061
111 To foreigners	35,053	34,400	43,815	45,161	45,602	47,534	50,855	50,606	48,989[r]	50,477
112 Other branches of parent bank	14,075	12,631	19,185	23,686	24,973	25,988	28,010	27,655	26,478	27,763
113 Banks	10,669	8,617	10,769	8,336	7,179	7,795	8,495	8,203	8,233[r]	8,322
114 Official institutions	1,776	2,719	1,504	1,074	1,337	1,379	1,234	1,722	1,164	1,102
115 Nonbank foreigners	8,533	10,433	12,357	12,065	12,113	12,372	13,116	13,026	13,114	13,290
116 Other liabilities	1,836	1,264	1,671	2,193	2,070	2,461	2,521	2,529	3,101	2,870
117 **Total payable in U.S. dollars**	**138,322**	**138,774**	**152,927**	**162,950**	**154,663**	**157,890**	**172,213**	**166,489**	**166,954**	**165,593**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1986	1987	1988	1989					
			Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **Total**[1]	**211,834**	**259,556**	**299,716**	**301,756**	**304,185**	**307,497**	**313,680**[r]	**306,304**	**302,149**
By type									
2 Liabilities reported by banks in the United States[2]	27,920	31,838	31,443	36,735	34,641	33,417	39,147[r]	37,914	37,341
3 U.S. Treasury bills and certificates[3]	75,650	88,829	103,722	98,457	98,192	95,478	96,109	91,798	87,170
U.S. Treasury bonds and notes									
4 Marketable	91,368	122,432	149,056	151,075	155,374	161,923	161,081	160,013	160,457
5 Nonmarketable[4]	1,300	300	523	527	531	534	538	542	545
6 U.S. securities other than U.S. Treasury securities[5]	15,596	16,157	14,972	14,962	15,447	16,145	16,805	16,037	16,636
By area									
7 Western Europe[1]	88,629	124,620	125,097	126,040	124,806	125,352	129,254[r]	126,164	122,799
8 Canada	2,004	4,961	9,584	9,668	9,856	10,156	9,994	9,938	9,604
9 Latin America and Caribbean	8,417	8,328	10,094	9,943	8,875	7,533	7,198[r]	6,091	5,947
10 Asia	105,868	116,098	145,548	147,316	152,236	156,317	158,577[r]	156,016	155,317
11 Africa	1,503	1,402	1,369	1,093	1,143	1,119	1,065	1,182	1,271
12 Other countries[6]	5,412	4,147	7,501	7,169	6,738	6,485	7,053	6,372	6,665

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 (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies[1]

Millions of dollars, end of period

Item	1985	1986	1987	1988			1989
				June	Sept.	Dec.	Mar.[r]
1 Banks' own liabilities	15,368	29,702	55,438	56,570	65,148	74,776	76,164
2 Banks' own claims	16,294	26,180	51,271	52,914	63,465	68,988	72,659
3 Deposits	8,437	14,129	18,861	18,790	22,594	25,115	25,645
4 Other claims	7,857	12,052	32,410	34,124	40,871	43,874	47,014
5 Claims of banks' domestic customers[2]	580	2,507	551	1,004	335	364	376

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

Holder and type of liability	1985	1986	1987	1988	1989					
				Dec.	Jan.	Feb.	Mar.	Apr.[r]	May	June[p]
1 **All foreigners**	**435,726**	**540,996**	**618,874**	**683,950**	**660,256**	**677,624**	**690,900**	**683,055**	**677,983**	**670,760**
2 Banks' own liabilities	341,070	406,485	470,070	513,573	493,030	507,557	523,606	516,319	512,614	509,611
3 Demand deposits	21,107	23,789	22,383	21,894	20,602	21,733	22,483	22,333	21,928	21,313
4 Time deposits[2]	117,278	130,891	148,374	152,194	145,481	151,137	157,978	157,137	154,693	152,884
5 Other[3]	29,305	42,705	51,677	51,506	52,322	51,005	54,177	56,549	58,950	60,821
6 Own foreign offices[4]	173,381	209,100	247,635	287,979	274,625	283,682	288,968	280,299	277,042	274,592
7 Banks' custody liabilities[5]	94,656	134,511	148,804	170,377	167,226	170,067	167,295	166,736	165,370	161,149
8 U.S. Treasury bills and certificates[6]	69,133	90,398	101,743	114,976	111,141	110,992	108,048	106,827	102,661	98,743
9 Other negotiable and readily transferable instruments[7]	17,964	15,417	16,776	16,367	16,763	17,071	16,957	17,278	18,541	17,078
10 Other	7,558	28,696	30,285	39,033	39,321	42,004	42,289	42,631	44,168	45,329
11 **Nonmonetary international and regional organizations[8]**	**5,821**	**5,807**	**4,464**	**3,224**	**2,704**	**3,252**	**3,764**	**4,141**	**3,423**	**3,390**
12 Banks' own liabilities	2,621	3,958	2,702	2,527	1,910	2,679	2,956	3,354	2,988	2,472
13 Demand deposits	85	199	124	71	67	74	88	163	76	32
14 Time deposits[2]	2,067	2,065	1,538	1,183	565	1,126	1,385	1,502	1,210	1,084
15 Other[3]	469	1,693	1,040	1,272	1,278	1,479	1,482	1,689	1,702	1,356
16 Banks' custody liabilities[5]	3,200	1,849	1,761	698	795	574	808	786	435	918
17 U.S. Treasury bills and certificates[6]	1,736	259	265	57	69	59	74	77	95	177
18 Other negotiable and readily transferable instruments[7]	1,464	1,590	1,497	641	711	463	734	693	305	731
19 Other	0	0	0	0	15	52	0	16	35	10
20 **Official institutions[9]**	**79,985**	**103,569**	**120,667**	**135,165**	**135,191**	**132,833**	**128,895**	**135,256**	**129,712**	**124,511**
21 Banks' own liabilities	20,835	25,427	28,703	27,033	32,013	29,321	27,800	33,067	31,680	31,998
22 Demand deposits	2,077	2,267	1,757	1,915	1,627	1,792	1,605	1,783	1,762	1,820
23 Time deposits[2]	10,949	10,497	12,843	9,686	13,428	12,661	11,006	12,559	11,086	10,136
24 Other[3]	7,809	12,663	14,103	15,432	16,959	14,867	15,189	18,725	18,833	20,042
25 Banks' custody liabilities[5]	59,150	78,142	91,965	108,132	103,178	103,512	101,095	102,189	98,032	92,513
26 U.S. Treasury bills and certificates[6]	53,252	75,650	88,829	103,722	98,457	98,192	95,478	96,109	91,798	87,170
27 Other negotiable and readily transferable instruments[7]	5,824	2,347	2,990	4,130	4,598	5,076	5,466	5,875	6,049	5,080
28 Other	75	145	146	280	124	244	152	205	185	264
29 **Banks[10]**	**275,589**	**351,745**	**414,280**	**458,248**	**435,464**	**452,338**	**469,562**	**453,662**	**454,476**	**450,467**
30 Banks' own liabilities	252,723	310,166	371,665	408,576	384,974	399,833	417,332	401,754	400,140	395,013
31 Unaffiliated foreign banks	79,341	101,066	124,030	120,597	110,350	116,152	128,364	121,455	123,097	120,421
32 Demand deposits	10,271	10,303	10,898	9,980	9,459	9,584	11,012	10,559	11,161	9,696
33 Time deposits[2]	49,510	64,232	79,717	80,303	71,838	76,679	84,112	80,826	78,872	77,537
34 Other[3]	19,561	26,531	33,415	30,314	29,053	29,889	33,240	30,070	33,064	33,188
35 Own foreign offices[4]	173,381	209,100	247,635	287,979	274,625	283,682	288,968	280,299	277,042	274,592
36 Banks' custody liabilities[5]	22,866	41,579	42,615	49,671	50,489	52,505	52,231	51,908	54,337	55,454
37 U.S. Treasury bills and certificates[6]	9,832	9,984	9,134	7,602	7,819	7,491	7,310	6,921	7,114	7,767
38 Other negotiable and readily transferable instruments[7]	6,040	5,165	5,392	5,666	5,870	5,894	5,254	5,051	5,686	5,314
39 Other	6,994	26,431	28,089	36,403	36,800	39,120	39,667	39,936	41,536	42,374
40 **Other foreigners**	**74,331**	**79,875**	**79,463**	**87,313**	**86,896**	**89,200**	**88,679**	**89,997**	**90,371**	**92,393**
41 Banks' own liabilities	64,892	66,934	67,000	75,438	74,132	75,724	75,518	78,144	77,805	80,129
42 Demand deposits	8,673	11,019	9,604	9,928	9,450	10,282	9,777	9,828	8,929	9,766
43 Time deposits[2]	54,752	54,097	54,277	61,022	59,651	60,671	61,475	62,250	63,525	64,127
44 Other[3]	1,467	1,818	3,119	4,487	5,032	4,771	4,265	6,066	5,351	6,236
45 Banks' custody liabilities[5]	9,439	12,941	12,463	11,876	12,764	13,476	13,161	11,853	12,566	12,264
46 U.S. Treasury bills and certificates[6]	4,314	4,506	3,515	3,595	4,797	5,250	5,188	3,720	3,653	3,629
47 Other negotiable and readily transferable instruments[7]	4,636	6,315	6,898	5,929	5,584	5,638	5,503	5,658	6,501	5,954
48 Other	489	2,120	2,050	2,351	2,382	2,589	2,471	2,474	2,412	2,681
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	9,845	7,496	7,314	6,366	6,286	6,064	5,809	5,554	5,625	5,339

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of 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.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks. Data exclude "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17—Continued

Area and country	1985	1986	1987	1988	1989					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1 Total	**435,726**	**540,996**	**618,874**	**683,950**	**660,256**	**677,624**	**690,900**	**683,055[r]**	**677,983**	**670,760**
2 Foreign countries	**429,905**	**535,189**	**614,411**	**680,726**	**657,551**	**674,371**	**687,136**	**678,914[r]**	**674,560**	**667,370**
3 Europe	164,114	180,556	234,641	235,979	223,869	228,393	231,905	230,794[r]	227,937	225,322
4 Austria	693	1,181	920	1,155	1,129	1,777	1,436	1,608	1,387	1,531
5 Belgium–Luxembourg	5,243	6,729	9,347	10,028	8,991	10,508	9,316	10,115[r]	8,819	8,584
6 Denmark	513	482	760	2,180	1,833	2,082	1,639	1,615	1,642	1,177
7 Finland	496	580	377	284	375	560	527	397	432	450
8 France	15,541	22,862	29,835	24,762	22,264	24,260	26,824	25,634[r]	24,199	23,799
9 Germany	4,835	5,762	7,022	6,777	5,794	5,263	5,514	6,968	7,791	9,183
10 Greece	666	700	689	672	919	933	760	927	1,172	889
11 Italy	9,667	10,875	12,073	14,602	11,312	11,073	13,480	12,964	12,532	13,951
12 Netherlands	4,212	5,600	5,014	5,316	5,248	6,011	5,600	5,611[r]	5,872	4,877
13 Norway	948	735	1,362	1,559	1,502	1,367	1,547	1,783	1,479	1,485
14 Portugal	652	699	801	903	870	813	831	824	985	1,089
15 Spain	2,114	2,407	2,621	5,494	5,750	5,174	4,902	5,795[r]	5,415	5,077
16 Sweden	1,422	884	1,379	1,274	1,299	1,319	1,416	1,730	1,556	1,483
17 Switzerland	29,020	30,534	33,766	34,183	32,519	31,659	29,815	29,249[r]	28,653	29,264
18 Turkey	429	454	703	1,012	939	1,246	1,023	1,051[r]	785	926
19 United Kingdom	76,728	85,334	116,852	115,926	110,878	113,419	115,325	111,492[r]	112,456	106,755
20 Yugoslavia	673	630	710	529	489	434	440	465	478	558
21 Other Western Europe[1]	9,635	3,326	9,798	8,598	10,906	9,929	10,730	11,519[r]	11,650	13,477
22 U.S.S.R	105	80	32	138	155	108	102	91[r]	193	164
23 Other Eastern Europe[2]	523	702	582	589	697	458	677	958	440	602
24 Canada	17,427	26,345	30,095	21,040	19,277	20,732	25,694	23,024[r]	18,332	17,492
25 Latin America and Caribbean	167,856	210,318	220,372	266,295	257,809	263,344	264,598	266,440[r]	270,562	265,940
26 Argentina	6,032	4,757	5,006	7,804	7,629	6,836	6,415	6,280	6,487	6,316
27 Bahamas	57,657	73,619	74,767	86,606	82,009	83,455	85,586	86,053	90,951	82,054
28 Bermuda	2,765	2,922	2,344	2,621	2,381	2,545	2,513	2,377[r]	2,451	2,397
29 Brazil	5,373	4,325	4,005	5,304	4,675	4,829	4,925	5,554	5,302	5,025
30 British West Indies	42,674	72,263	81,494	109,335	107,026	110,989	110,809	111,968[r]	111,451	116,365
31 Chile	2,049	2,054	2,210	2,936	2,969	2,975	3,063	2,933	2,988	2,705
32 Colombia	3,104	4,285	4,204	4,374	4,317	4,470	4,166	4,173[r]	4,033	4,091
33 Cuba	11	7	12	10	10	10	10	10	15	10
34 Ecuador	1,239	1,236	1,082	1,379	1,365	1,403	1,422	1,376	1,285	1,307
35 Guatemala	1,071	1,123	1,082	1,195	1,236	1,259	1,271	1,272	1,232	1,219
36 Jamaica	122	136	160	269	180	170	223	222	188	400
37 Mexico	14,060	13,745	14,480	15,106	15,273	14,867	14,625	14,278[r]	13,988	13,963
38 Netherlands Antilles	4,875	4,970	4,975	6,420	5,763	5,641	5,666	5,768[r]	6,071	6,311
39 Panama	7,514	6,886	7,414	4,353	4,284	4,497	4,388	4,355[r]	4,454	4,255
40 Peru	1,167	1,163	1,275	1,671	1,716	1,728	1,707	1,763	1,724	1,750
41 Uruguay	1,552	1,537	1,582	1,898	2,011	2,142	2,243	2,263[r]	2,344	2,429
42 Venezuela	11,922	10,171	9,048	9,146	9,159	9,532	9,489	9,565[r]	9,433	9,421
43 Other	4,668	5,119	5,234	5,868	5,806	5,997	6,076	6,228[r]	6,164	5,921
44 Asia	72,280	108,831	121,288	147,246	146,594	151,237	154,900	148,724[r]	147,357	148,320
China										
45 Mainland	1,607	1,476	1,162	1,892	1,566	1,602	1,588	1,809	1,652	1,421
46 Taiwan	7,786	18,902	21,503	26,058	26,178	26,001	26,143	28,265	26,923	27,045
47 Hong Kong	8,067	9,393	10,180	11,727	10,891	11,387	10,761	11,422	12,207	12,150
48 India	712	674	582	696	689	838	900	1,787	1,009	811
49 Indonesia	1,466	1,547	1,404	1,189	1,189	1,198	1,611	1,168	1,319	1,248
50 Israel	1,601	1,892	1,292	1,471	1,217	1,366	1,156	973	1,103	1,087
51 Japan	23,077	47,410	54,322	73,989	75,337	77,407	83,020	72,715	70,451	70,833
52 Korea	1,665	1,141	1,637	2,541	2,454	2,502	2,827	3,023	3,194	3,142
53 Philippines	1,140	1,866	1,085	1,163	976	1,014	977	973[r]	991	984
54 Thailand	1,358	1,119	1,345	1,236	1,373	1,615	1,151	1,165	1,162	1,274
55 Middle-East oil-exporting countries[3]	14,523	12,352	13,988	12,060	12,426	12,372	12,029	12,098	13,476	13,797
56 Other	9,276	11,058	12,788	13,225	12,298	13,935	12,737	13,326[r]	13,872	14,528
57 Africa	4,883	4,021	3,945	3,991	3,690	3,793	3,717	3,665	3,807	3,929
58 Egypt	1,363	706	1,151	913	771	819	756	721	702	748
59 Morocco	163	92	194	68	90	69	60	82	68	67
60 South Africa	388	270	202	437	250	212	226	256	324	188
61 Zaire	163	74	67	85	74	75	77	73	92	98
62 Oil-exporting countries[4]	1,494	1,519	1,014	1,017	1,024	1,121	1,062	1,017	879	1,084
63 Other	1,312	1,360	1,316	1,472	1,480	1,496	1,536	1,516	1,742	1,744
64 Other countries	3,347	5,118	4,070	6,175	6,312	6,872	6,322	6,267	6,565	6,366
65 Australia	2,779	4,196	3,327	5,303	5,485	6,037	5,490	5,471	5,702	5,279
66 All other	568	922	744	872	827	836	832	796	863	1,086
67 Nonmonetary international and regional organizations	5,821	5,807	4,464	3,224	2,704	3,252	3,764	4,141[r]	3,423	3,390
68 International[5]	4,806	4,620	2,830	2,503	1,725	2,106	2,546	2,682	2,456	2,628
69 Latin American regional	894	1,033	1,272	589	747	732	995	981[r]	564	613
70 Other regional[6]	121	154	362	133	232	414	223	477[r]	403	148

1. Includes the Bank for International Settlements and Eastern European countries that are not listed in line 23.
2. Comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Excludes "holdings of dollars" of the International Monetary Fund.
6. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western 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 and country	1985	1986	1987	1988	1989					
					Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1	**Total**	**401,608**	**444,745**	**459,877**	**491,083**	**481,711**	**493,175**	**503,875**	**494,869[r]**	**490,976**	**488,541**
2	**Foreign countries**	**400,577**	**441,724**	**456,472**	**489,012**	**479,132**	**491,270**	**501,836**	**493,173[r]**	**487,280**	**485,527**
3	Europe	106,413	107,823	102,348	117,053	107,477	113,814	116,279	111,156[r]	112,990	112,162
4	Austria	598	728	793	485	544	646	809	805	764	785
5	Belgium-Luxembourg	5,772	7,498	9,397	8,517	8,301	7,871	7,834	8,102	8,435	7,754
6	Denmark	706	688	717	480	410	790	548	770	470	774
7	Finland	823	987	1,010	1,065	911	1,114	909	1,214	1,280	1,199
8	France	9,124	11,356	13,548	13,243	13,315	14,920	15,729	16,510[r]	16,078	15,561
9	Germany	1,267	1,816	2,039	2,327	2,398	1,695	3,110	3,529[r]	3,959	3,689
10	Greece	991	648	462	433	448	517	586	561	595	574
11	Italy	8,848	9,043	7,460	7,946	5,526	5,581	5,866	4,803[r]	5,627	6,763
12	Netherlands	1,258	3,296	2,619	2,547	2,514	2,475	2,808	2,735[r]	3,183	1,988
13	Norway	706	672	934	455	472	601	432	551	567	667
14	Portugal	1,058	739	477	374	339	331	367	281	371	328
15	Spain	1,908	1,492	1,853	1,823	2,182	2,153	2,133	2,624[r]	2,209	2,190
16	Sweden	2,219	1,964	2,254	1,977	2,619	2,622	2,613	2,164	2,158	1,945
17	Switzerland	3,171	3,352	2,718	3,895	3,510	3,780	3,822	4,540[r]	3,975	5,482
18	Turkey	1,200	1,543	1,680	1,233	1,152	1,108	1,039	1,005	910	886
19	United Kingdom	62,566	58,335	50,823	65,702	58,065	62,469	62,877	56,057[r]	58,105	56,931
20	Yugoslavia	1,964	1,835	1,700	1,390	1,371	1,348	1,455	1,369	1,366	1,359
21	Other Western Europe[2]	998	539	619	1,152	1,275	1,560	1,262	1,415[r]	966	1,231
22	U.S.S.R.	130	345	389	1,255	1,286	1,389	1,298	1,346	1,155	1,212
23	Other Eastern Europe[3]	1,107	948	852	754	838	845	780	775	820	844
24	Canada	16,482	21,006	25,368	18,889	16,733	18,079	19,042	19,150[r]	16,072	16,076
25	Latin America and Caribbean	202,674	208,825	214,789	214,074	210,439	210,538	220,767	219,894[r]	218,143	218,259
26	Argentina	11,462	12,091	11,996	11,826	11,880	11,802	11,616	11,516	11,381	10,840
27	Bahamas	58,258	59,342	64,587	67,006	68,836	69,607	72,804	75,665[r]	70,552	66,453
28	Bermuda	499	418	471	483	475	535	707	361	449	473
29	Brazil	25,283	25,716	25,897	25,735	25,835	25,369	25,615	25,944[r]	25,785	25,672
30	British West Indies	38,881	46,284	50,042	55,640	50,542	50,542	57,570	54,382[r]	58,142	63,858
31	Chile	6,603	6,558	6,308	5,217	5,156	5,141	5,335	5,224	5,266	4,893
32	Colombia	3,249	2,821	2,740	2,944	2,867	2,813	2,746	2,661	2,600	2,581
33	Cuba	0	0	1	1	1	1	1	2	1	1
34	Ecuador	2,390	2,439	2,286	2,075	2,048	2,026	2,032	2,025[r]	1,944	1,894
35	Guatemala[4]	194	140	144	198	185	188	199	210	207	200
36	Jamaica[4]	224	198	188	212	214	202	251	266	265	286
37	Mexico	31,799	30,698	29,532	24,636	24,445	24,387	24,187	24,077[r]	24,036	23,645
38	Netherlands Antilles	1,340	1,041	980	1,312	1,222	1,150	1,005	1,009[r]	1,000	1,220
39	Panama	6,645	5,436	4,744	2,535	2,535	2,535	2,460	2,425[r]	2,475	2,449
40	Peru	1,947	1,661	1,329	1,013	1,011	952	947	947	938	862
41	Uruguay	960	940	963	910	880	856	875	876	832	896
42	Venezuela	10,871	11,108	10,843	10,733	10,748	10,957	10,761	10,635	10,600	10,398
43	Other Latin America and Caribbean	2,067	1,936	1,738	1,596	1,560	1,475	1,658	1,668	1,670	1,637
44	Asia	66,212	96,126	106,096	130,867	135,839	140,041	137,055	134,477[r]	131,633	130,279
	China										
	Mainland	639	787	968	762	830	881	993	816	952	890
46	Taiwan	1,535	2,681	4,592	4,184	3,902	3,960	4,179	3,952	3,715	4,033
47	Hong Kong	6,797	8,307	8,218	10,136	8,727	8,004	7,884	8,293[r]	8,855	8,527
48	India	450	321	510	560	645	628	563	425	411	532
49	Indonesia	698	723	580	674	669	735	649	726	682	677
50	Israel	1,991	1,634	1,363	1,137	1,096	1,043	1,050	1,052[r]	1,045	1,020
51	Japan	31,249	59,674	68,658	90,161	99,056	104,831	101,471	97,703[r]	93,447	91,032
52	Korea	9,226	7,182	5,148	5,219	4,961	4,891	5,183	5,198	5,338	5,386
53	Philippines	2,224	2,217	2,071	1,876	1,847	1,900	1,913	1,839	1,810	1,763
54	Thailand	845	578	496	850	887	931	986	1,018[r]	975	1,058
55	Middle East oil-exporting countries[5]	4,298	4,122	4,858	6,182	5,371	4,681	5,409	5,237[r]	5,522	6,602
56	Other Asia	6,260	7,901	8,635	9,126	7,847	7,556	6,776	8,217[r]	8,881	8,759
57	Africa	5,407	4,650	4,742	5,718	5,924	6,072	5,973	6,087[r]	6,084	6,074
58	Egypt	721	567	521	507	495	567	543	541	541	534
59	Morocco	575	598	542	511	524	532	541	532	538	531
60	South Africa	1,942	1,550	1,507	1,681	1,688	1,718	1,702	1,742	1,753	1,746
61	Zaire	20	28	15	17	16	16	17	19	19	17
62	Oil-exporting countries[6]	630	694	1,003	1,523	1,534	1,522	1,481	1,474	1,504	1,503
63	Other	1,520	1,213	1,153	1,479	1,666	1,717	1,690	1,778	1,729	1,743
64	Other countries	3,390	3,294	3,129	2,410	2,720	2,726	2,720	2,409[r]	2,359	2,677
65	Australia	2,413	1,949	2,100	1,517	1,711	1,686	1,685	1,505	1,167	1,307
66	All other	978	1,345	1,029	894	1,009	1,040	1,034	905[r]	1,192	1,371
67	Nonmonetary international and regional organizations[7]	1,030	3,021	3,404	2,071	2,579	1,905	2,039	1,696[r]	3,695	3,014

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
3. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
4. Included in "Other Latin America and Caribbean" through March 1978.
5. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
6. Comprises Algeria, Gabon, Libya, and Nigeria.
7. Excludes the Bank for International Settlements, which is included in "Other Western 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	1985	1986	1987	1988	1989					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **Total**	**430,489**	**478,650**	**497,635**	**538,607**	....	....	**557,054**	....	....	**488,541**
2 Banks' own claims on foreigners	401,608	444,745	459,877	491,083	481,711	493,175	503,875	494,869	490,976	488,541
3 Foreign public borrowers	60,507	64,095	64,605	62,438	63,974	63,245	62,696	62,768	63,701	62,041
4 Own foreign offices[2]	174,261	211,533	224,727	257,345	256,848	262,810	271,915	259,664	257,470	258,600
5 Unaffiliated foreign banks	116,654	122,946	127,609	129,413	119,040	124,495	130,075	131,228	130,536	126,510
6 Deposits	48,372	57,484	60,687	65,819	58,389	62,616	66,553	69,445	67,569	66,769
7 Other	68,282	65,462	66,922	63,594	60,650	61,879	63,522	61,783	62,967	59,741
8 All other foreigners	50,185	46,171	42,936	41,886	41,850	42,626	39,189	41,209	39,269	41,390
9 Claims of banks' domestic customers[3]	28,881	33,905	37,758	47,524	....	....	53,178	....	....	....
10 Deposits	3,335	4,413	3,692	8,289	....	....	12,084	....	....	....
11 Negotiable and readily transferable instruments[4]	19,332	24,044	26,696	25,700	....	....	24,960	....	....	....
12 Outstanding collections and other claims	6,214	5,448	7,370	13,535	....	....	16,134	....	....	....
13 MEMO: Customer liability on acceptances	28,487	25,706	23,107	19,556	....	....	17,161	....	....	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	38,102	43,984	40,587	43,360	46,294	47,775	47,237[r]	47,918	49,587	n.a.

1. Data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
3. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
4. Principally negotiable time certificates of deposit and bankers acceptances.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

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	1985	1986	1987	1988			1989
				June	Sept.	Dec.	Mar.[r]
1 **Total**	**227,903**	**232,295**	**235,130**	**228,219**	**230,401**	**233,152**	**231,325**
By borrower							
2 Maturity of 1 year or less[2]	160,824	160,555	163,997	163,762	167,956	172,571	168,312
3 Foreign public borrowers	26,302	24,842	25,889	27,551	29,389	26,581	24,134
4 All other foreigners	134,522	135,714	138,108	136,211	138,567	145,990	144,178
5 Maturity over 1 year[2]	67,078	71,740	71,133	64,456	62,444	60,581	63,013
6 Foreign public borrowers	34,512	39,103	38,625	35,792	35,156	35,067	37,958
7 All other foreigners	32,567	32,637	32,507	28,664	27,288	25,514	25,056
By area							
Maturity of 1 year or less[2]							
8 Europe	56,585	61,784	59,027	55,971	54,283	56,037	57,940
9 Canada	6,401	5,895	5,680	6,664	6,410	6,283	5,115
10 Latin America and Caribbean	63,328	56,271	56,535	56,219	55,552	57,867	53,184
11 Asia	27,966	29,457	35,919	38,902	42,375	46,160	45,632
12 Africa	3,753	2,882	2,833	2,914	3,120	3,336	3,610
13 All other[3]	2,791	4,267	4,003	3,092	6,216	2,888	2,831
Maturity of over 1 year[2]							
14 Europe	7,634	6,737	6,696	5,315	5,306	4,682	4,471
15 Canada	1,805	1,925	2,661	2,333	2,051	1,922	2,303
16 Latin America and Caribbean	50,674	56,719	53,817	49,755	48,274	47,572	49,778
17 Asia	4,502	4,043	3,830	3,622	3,933	3,603	3,689
18 Africa	1,538	1,539	1,747	2,433	2,257	2,301	2,293
19 All other[3]	926	777	2,381	998	625	501	480

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Remaining time to maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1,2]

Billions of dollars, end of period

Area or country	1985	1986	1987				1988				1989
			Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**385.4**	**385.1**	**395.4**	**384.6**	**387.7**	**381.4**	**371.9[r]**	**351.9[r]**	**355.1[r]**	**350.0[r]**	**352.1[r]**
2 G-10 countries and Switzerland	146.0	156.6	162.7	158.1	155.2	160.0	157.7[r]	151.7[r]	149.9[r]	154.7[r]	150.1[r]
3 Belgium-Luxembourg	9.2	8.3	9.1	8.3	8.2	10.1	9.4[r]	9.2[r]	9.6[r]	9.0	8.6
4 France	12.1	13.7	13.3	12.5	13.7	13.8	11.8[r]	11.0[r]	10.4[r]	10.7	11.2
5 Germany	10.5	11.6	12.7	11.2	10.5	12.6	11.8	10.6	8.8[r]	9.9	10.1[r]
6 Italy	9.6	9.0	8.7	7.5	6.6	7.3	7.4	6.2[r]	5.4[r]	6.6[r]	5.1[r]
7 Netherlands	3.7	4.6	4.4	7.3	4.8	4.1	3.3	3.3	3.0	2.8	2.9
8 Sweden	2.7	2.4	3.0	2.4	2.6	2.1	2.2[r]	1.9	2.0	2.0	2.4
9 Switzerland	4.4	5.8	5.8	5.7	5.4	5.6	5.1	5.6	5.2	5.7	5.2
10 United Kingdom	63.0	71.0	73.7	72.0	72.1	69.1	72.1[r]	70.6[r]	68.0[r]	66.7	66.4[r]
11 Canada	6.8	5.3	5.3	4.7	4.7	5.5	4.9	5.4	5.2	5.5	4.6
12 Japan	23.9	24.9	26.9	26.3	26.5	29.8	29.9	27.9[r]	32.4[r]	35.9	33.6
13 Other developed countries	29.9	25.7	25.7	25.2	25.9	26.2	26.3[r]	23.8[r]	22.8[r]	20.9	20.8
14 Austria	1.5	1.7	1.9	1.8	1.9	1.9	1.6	1.6	1.6	1.6	1.4
15 Denmark	2.3	1.7	1.7	1.5	1.6	1.7	1.4	1.0	1.1	1.0[r]	1.0
16 Finland	1.6	1.4	1.4	1.4	1.4	1.3	1.1[r]	1.2	1.3	1.2	1.0
17 Greece	2.6	2.3	2.1	2.0	1.9	2.0	2.3	2.2	2.1	1.9	2.2
18 Norway	2.9	2.4	2.2	2.1	2.0	2.3	2.0	2.0	2.0	1.8	1.5
19 Portugal	1.2	.8	.9	.8	.8	.5	.4	.4	.4	.5	.5
20 Spain	5.8	5.8	6.3	6.1	7.4	8.0	9.0	7.2	6.3	6.2	6.3
21 Turkey	1.8	1.8	1.7	1.7	1.5	1.6	1.6	1.5	1.3	1.3	1.0
22 Other Western Europe	2.0	1.4	1.4	1.5	1.6	1.6	2.0[r]	1.7[r]	1.9	1.3	1.4
23 South Africa	3.2	3.0	3.0	3.0	2.9	2.9	2.8	2.8	2.7	2.4	2.2
24 Australia	5.0	3.5	3.2	3.1	2.9	2.4	2.1	2.2	1.8	1.8	2.4
25 OPEC countries[3]	21.3	19.3	20.0	18.8	19.0	17.1	17.4[r]	16.7[r]	17.8[r]	16.5	16.3
26 Ecuador	2.1	2.2	2.1	2.1	2.1	1.9	1.9	1.8	1.8	1.7	1.7
27 Venezuela	8.9	8.6	8.5	8.4	8.3	8.1	8.0	8.0	7.9	7.9	8.0
28 Indonesia	3.0	2.5	2.4	2.2	2.0	1.9	1.9	1.9	1.9	1.8	1.8
29 Middle East countries	5.3	4.3	5.4	4.4	5.0	3.6	3.8[r]	3.4[r]	4.5[r]	3.3	3.2
30 African countries	2.0	1.7	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.6
31 Non-OPEC developing countries	104.2	99.1	100.7	100.4	97.7	97.6	94.4	91.4[r]	87.1[r]	85.3	85.6
Latin America											
32 Argentina	8.8	9.5	9.5	9.5	9.3	9.4	9.5	9.4	9.2	8.9	8.4
33 Brazil	25.4	25.2	26.2	25.1	25.1	24.7	23.9	23.7	22.4	22.5	22.7
34 Chile	6.9	7.1	7.3	7.2	7.0	6.9	6.6	6.4	6.2	5.5	5.6
35 Colombia	2.6	2.1	2.0	1.9	1.9	2.0	1.9	2.1	2.1	2.0	1.9
36 Mexico	23.9	23.8	24.1	25.3	24.8	23.7	22.5	21.1	20.6	19.0	18.2
37 Peru	1.8	1.4	1.4	1.3	1.2	1.1	1.1	.9	.8	.8	.7
38 Other Latin America	3.4	3.1	3.0	2.9	2.8	2.7	2.8	2.6	2.5	2.6	2.8
Asia											
China											
39 Mainland	.5	.4	.9	.6	.3	.3	.4	.3	.2	.3	.5
40 Taiwan	4.5	4.9	5.5	6.6	6.0	8.2	6.1	4.9	3.2	3.7[r]	4.9
41 India	1.2	1.2	1.8	1.7	1.9	1.9	2.1	2.3	2.0	2.1	2.6
42 Israel	1.6	1.5	1.4	1.3	1.3	1.0	1.0	1.0	1.0	1.2	.9
43 Korea (South)	9.2	6.6	6.2	5.6	4.9	4.9	5.6	5.9	6.0	6.1	6.2
44 Malaysia	2.4	2.1	1.9	1.7	1.6	1.5	1.5	1.5	1.6	1.6	1.7
45 Philippines	5.7	5.4	5.4	5.4	5.4	5.1	5.1	4.9	4.7[r]	4.5	4.3
46 Thailand	1.4	.9	.9	.8	.7	.7	1.0	1.1	1.2	1.1	1.0
47 Other Asia	1.0	.7	.6	.7	.7	.7	.7	.8	.8	.9	.8
Africa											
48 Egypt	1.0	.7	.6	.6	.6	.5	.5	.6	.5	.4	.5
49 Morocco	.9	.9	.9	.9	.8	.9	.9	.9	.8	.9	.9
50 Zaire	.1	.1	.1	.1	.1	.0	.1	.1	.0	.0	.0
51 Other Africa[4]	1.9	1.6	1.4	1.3	1.3	1.3	1.2	1.2	1.2	1.1	1.1
52 Eastern Europe	4.1	3.2	3.0	3.3	3.3	3.0	2.9	3.1	3.0	3.6[r]	3.4[r]
53 U.S.S.R.	.1	.1	.1	.3	.5	.4	.3	.4	.4	.7	.7
54 Yugoslavia	2.2	1.7	1.6	1.7	1.7	1.6	1.7	1.7	1.7	1.7[r]	1.7
55 Other	1.8	1.4	1.3	1.3	1.2	1.0	.9	1.0	1.0	1.1[r]	1.1[r]
56 Offshore banking centers	62.9	61.3	63.1	60.7	64.3	54.3	51.7[r]	43.0	47.4[r]	45.8[r]	50.9
57 Bahamas	21.2	22.0	23.9	19.9	25.5	17.1	15.7[r]	8.6	12.6[r]	10.8[r]	15.6
58 Bermuda	.7	.7	.8	.6	.6	.6	.8	1.0	.9	.8	1.0
59 Cayman Islands and other British West Indies	11.6	12.4	12.2	14.0	12.8	13.3	11.8	10.5	12.3	14.0	14.4
60 Netherlands Antilles	2.2	1.8	1.7	1.3	1.2	1.2	1.3	1.2	1.2	1.0	.9
61 Panama[5]	6.0	4.0	4.3	3.9	3.7	3.7	3.3	3.0	2.7	2.6	2.3
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	11.4	11.1	11.4	12.5	12.3	11.2	11.3	11.7	10.6	10.2	9.9
64 Singapore	9.8	9.2	8.6	8.3	8.1	7.0	7.4	6.8	7.0	6.2	6.7
65 Others[6]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[7]	16.9	19.8	20.1	18.1	22.3	23.2	21.5	22.3	26.7[r]	22.6[r]	24.5[r]

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize 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. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).
2. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.
3. This group comprises the 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).
4. Excludes Liberia.
5. Includes Canal Zone beginning December 1979.
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[1]

Millions of dollars, end of period

	Type, and area or country	1984	1985	1986	1987	1988				1989
					Dec.	Mar.	June	Sept.	Dec.	Mar.
1	**Total**	**29,357**	**27,825**	**25,587**	**28,303**	**29,792**	**30,283**	**32,244**	**33,013**	**36,492**
2	Payable in dollars	26,389	24,296	21,749	22,785	24,339	25,131	27,215	27,817	31,052
3	Payable in foreign currencies	2,968	3,529	3,838	5,518	5,453	5,152	5,029	5,196	5,441
	By type									
4	Financial liabilities	14,509	13,600	12,133	12,424	14,139	14,070	14,953	14,753	16,862
5	Payable in dollars	12,553	11,257	9,609	8,643	10,472	10,560	11,558	11,266	13,124
6	Payable in foreign currencies	1,955	2,343	2,524	3,781	3,667	3,510	3,395	3,487	3,739
7	Commercial liabilities	14,849	14,225	13,454	15,878	15,653	16,213	17,291	18,260	19,630
8	Trade payables	7,005	6,685	6,450	7,305	6,454	6,768	6,479	6,247	6,760
9	Advance receipts and other liabilities	7,843	7,540	7,004	8,573	9,200	9,446	10,812	12,014	12,870
10	Payable in dollars	13,836	13,039	12,140	14,142	13,867	14,571	15,657	16,551	17,928
11	Payable in foreign currencies	1,013	1,186	1,314	1,737	1,786	1,642	1,635	1,709	1,702
	By area or country									
	Financial liabilities									
12	Europe	6,728	7,700	7,917	8,320	9,377	9,215	10,353	9,559	11,855
13	Belgium-Luxembourg	471	349	270	213	251	279	336	287	317
14	France	995	857	661	364	390	353	354	249	231
15	Germany	489	376	368	551	553	503	488	548	372
16	Netherlands	590	861	542	884	1,008	880	1,014	897	951
17	Switzerland	569	610	646	558	691	638	734	1,163	889
18	United Kingdom	3,297	4,305	5,140	5,557	6,301	6,390	7,257	6,268	8,901
19	Canada	863	839	399	360	394	403	421	638	603
20	Latin America and Caribbean	5,086	3,184	1,944	1,189	1,452	1,448	1,057	1,239	677
21	Bahamas	1,926	1,123	614	318	289	250	238	184	189
22	Bermuda	13	4	4	0	0	0	0	0	0
23	Brazil	35	29	32	25	0	0	0	0	0
24	British West Indies	2,103	1,843	1,146	778	1,099	1,154	812	645	471
25	Mexico	367	15	22	13	15	26	2	1	15
26	Venezuela	137	3	0	0	2	0	0	0	0
27	Asia	1,777	1,815	1,805	2,452	2,836	2,928	3,116	3,313	3,722
28	Japan	1,209	1,198	1,398	2,042	2,375	2,331	2,462	2,563	2,950
29	Middle East oil-exporting countries[2]	155	82	8	8	11	11	4	3	1
30	Africa	14	12	1	4	5	2	3	1	5
31	Oil-exporting countries[3]	0	0	1	1	3	1	1	0	3
32	All other[4]	41	50	67	100	75	74	3	2	2
	Commercial liabilities									
33	Europe	4,001	4,074	4,446	5,505	5,619	5,722	6,687	7,274	7,692
34	Belgium-Luxembourg	48	62	101	132	154	147	205	169	133
35	France	438	453	352	426	414	408	438	455	569
36	Germany	622	607	715	908	810	791	1,185	1,684	1,344
37	Netherlands	245	364	424	423	457	508	647	590	667
38	Switzerland	257	379	385	559	527	482	486	410	451
39	United Kingdom	1,095	976	1,341	1,588	1,722	1,771	2,105	2,032	2,409
40	Canada	1,975	1,449	1,405	1,301	1,392	1,167	1,109	1,207	1,147
41	Latin America and Caribbean	1,871	1,088	924	864	980	1,035	997	999	1,186
42	Bahamas	7	12	32	18	19	61	19	45	35
43	Bermuda	114	77	156	168	325	272	222	184	376
44	Brazil	124	58	61	46	59	54	58	91	100
45	British West Indies	32	44	49	19	14	28	30	31	29
46	Mexico	586	430	217	189	164	233	177	179	197
47	Venezuela	636	212	216	162	122	140	204	176	179
48	Asia	5,285	6,046	5,080	6,565	5,883	6,279	6,627	6,899	7,430
49	Japan	1,256	1,799	2,042	2,578	2,508	2,659	2,763	3,087	3,046
50	Middle East oil-exporting countries[2,5]	2,372	2,829	1,679	1,964	1,062	1,320	1,298	1,386	1,526
51	Africa	588	587	619	574	575	626	465	564	692
52	Oil-exporting countries[3]	233	238	197	135	139	115	1065	201	271
53	All other[4]	1,128	982	980	1,068	1,204	1,383	1,407	1,317	1,482

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1984	1985	1986	1987	1988				1989
					Dec.	Mar.	June	Sept.	Dec.	Mar.
1	**Total**	**29,901**	**28,876**	**36,265**	**30,942**	**31,067**	**37,633**	**37,415**	**31,882**	**31,175**
2	Payable in dollars	27,304	26,574	33,867	28,469	28,993	35,593	34,984	29,622	28,978
3	Payable in foreign currencies	2,597	2,302	2,399	2,473	2,074	2,040	2,431	2,260	2,198
	By type									
4	Financial claims	19,254	18,891	26,273	20,341	20,304	26,265	26,327	20,233	19,472
5	Deposits	14,621	15,526	19,916	14,953	12,693	19,551	19,127	14,556	14,736
6	Payable in dollars	14,202	14,911	19,331	13,813	12,105	18,822	18,180	13,525	13,886
7	Payable in foreign currencies	420	615	585	1,140	588	730	947	1,031	850
8	Other financial claims	4,633	3,364	6,357	5,388	7,612	6,714	7,200	5,677	4,737
9	Payable in dollars	3,190	2,330	5,005	4,574	6,491	5,819	6,257	4,953	3,896
10	Payable in foreign currencies	1,442	1,035	1,352	814	1,120	895	942	724	841
11	Commercial claims	10,646	9,986	9,992	10,600	10,763	11,367	11,088	11,649	11,703
12	Trade receivables	9,177	8,696	8,783	9,535	9,650	10,332	10,103	10,574	10,447
13	Advance payments and other claims	1,470	1,290	1,209	1,065	1,113	1,036	985	1,075	1,256
14	Payable in dollars	9,912	9,333	9,530	10,081	10,397	10,952	10,546	11,144	11,196
15	Payable in foreign currencies	735	652	462	519	366	415	542	505	507
	By area or country									
	Financial claims									
16	Europe	5,762	6,929	10,744	9,523	9,812	11,514	10,534	9,867	9,037
17	Belgium-Luxembourg	15	10	41	7	15	16	49	10	7
18	France	126	184	138	332	308	181	278	224	230
19	Germany	224	223	116	103	95	169	123	138	173
20	Netherlands	66	161	151	351	335	336	359	345	384
21	Switzerland	66	74	185	65	54	105	84	215	173
22	United Kingdom	4,864	6,007	9,855	8,455	8,790	10,428	9,311	8,578	7,758
23	Canada	3,988	3,260	4,808	2,844	2,669	2,913	3,612	2,338	2,176
24	Latin America and Caribbean	8,216	7,846	9,291	6,994	6,451	10,842	11,130	6,951	7,188
25	Bahamas	3,306	2,698	2,628	1,994	2,329	4,176	4,074	1,781	2,168
26	Bermuda	6	6	6	7	43	87	188	19	25
27	Brazil	100	78	86	63	86	46	44	47	49
28	British West Indies	4,043	4,571	6,078	4,414	3,461	6,030	6,358	4,617	4,524
29	Mexico	215	180	174	172	154	147	133	151	117
30	Venezuela	125	48	21	19	35	28	27	22	26
31	Asia	961	731	1,317	883	1,296	878	930	801	929
32	Japan	353	475	999	605	1,133	646	737	603	685
33	Middle East oil-exporting countries[2]	13	4	7	10	7	6	6	6	8
34	Africa	210	103	85	65	53	60	96	107	91
35	Oil-exporting countries[3]	85	29	28	7	7	10	9	10	9
36	All other[4]	117	21	28	33	24	58	26	169	51
	Commercial claims									
37	Europe	3,801	3,533	3,725	4,180	4,170	4,694	4,286	4,835	4,793
38	Belgium-Luxembourg	165	175	133	178	193	158	171	174	198
39	France	440	426	431	650	552	684	542	665	750
40	Germany	374	346	444	562	637	773	613	590	626
41	Netherlands	335	284	164	133	150	172	145	207	156
42	Switzerland	271	284	217	185	173	262	183	317	242
43	United Kingdom	1,063	898	999	1,073	1,059	1,095	1,172	1,181	1,208
44	Canada	1,021	1,023	934	936	1,166	937	977	970	1,096
45	Latin America and Caribbean	2,052	1,753	1,857	1,930	1,930	2,067	2,104	2,143	2,031
46	Bahamas	8	13	28	19	14	13	12	31	32
47	Bermuda	115	93	193	170	171	174	161	156	175
48	Brazil	214	206	234	226	209	232	234	296	275
49	British West Indies	7	6	39	26	24	25	22	20	21
50	Mexico	583	510	412	368	374	411	463	457	476
51	Venezuela	206	157	237	283	274	304	266	226	210
52	Asia	3,073	2,982	2,755	2,915	2,853	2,994	3,026	2,944	3,110
53	Japan	1,191	1,016	881	1,158	1,107	1,168	962	928	1,054
54	Middle East oil-exporting countries[2]	668	638	563	450	408	446	437	441	421
55	Africa	470	437	500	401	419	425	425	434	386
56	Oil-exporting countries[3]	134	130	139	144	126	136	137	122	94
57	All other[4]	229	257	222	238	225	250	270	324	286

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1987	1988	1989 Jan.–June	1988 Dec.	1989 Jan.	Feb.	Mar.	Apr.	May	June[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	249,122	181,048	102,318	11,224	11,923	18,384	15,811	14,079	17,902	24,220
2 Foreign sales	232,849	183,039	97,426	12,467	11,789	18,495	15,442	14,235	16,838	20,627
3 **Net purchases, or sales (−)**	**16,272**	**−1,991**	**4,892**	**−1,243**	**134**	**−111**	**370**	**−157**	**1,063**	**3,593**
4 **Foreign countries**	**16,321**	**−1,816**	**5,118**	**−1,198**	**167**	**−81**	**507**	**−150**	**1,065**	**3,611**
5 Europe	1,932	−3,353	176	−771	−99	−126	71	182	−286	434
6 France	905	−281	297	−64	38	159	70	168	−123	−15
7 Germany	−70	218	−206	−53	30	59	59	16[r]	−215	−155
8 Netherlands	892	−535	21	−1	128	−64	4	−125	−69	147
9 Switzerland	−1,123	−2,242	−1,982	−273	−345	−1,181	91	−141	−292	−114
10 United Kingdom	631	−954	1,879	−424	74	800	−107	288	495	329
11 Canada	1,048	1,087	116	274	320	−361	130	−66	−75	168
12 Latin America and Caribbean	1,318	1,249	2,470	−21	599	575	636	104	389	167
13 Middle East[1]	−1,360	−2,473	1,924	−132	−100	265	220	−345	206	1,679
14 Other Asia	12,896	1,365	180	−567	−603	−544	−536	−28	784	1,108
15 Japan	11,365	1,922	361	−407	−563	−487	−458	−16	763	1,122
16 Africa	123	188	63	−1	29	4	5	10	−1	16
17 Other countries	365	121	190	19	21	106	−19	−7	50	40
18 **Nonmonetary international and regional organizations**	**−48**	**−176**	**−227**	**−45**	**−33**	**−30**	**−137**	**−6**	**−2**	**−18**
BONDS[2]										
19 Foreign purchases	105,856	86,362	55,083	8,423	6,137	9,610	10,423	9,736	8,329	10,848
20 Foreign sales	78,312	58,301	39,580	4,441	4,757	4,736	7,025	5,270[r]	8,776	9,016
21 **Net purchases, or sales (−)**	**27,544**	**28,062**	**15,503**	**3,982**	**1,380**	**4,874**	**3,398**	**4,466[r]**	**−447**	**1,832**
22 **Foreign countries**	**26,804**	**28,604**	**15,230**	**3,978**	**1,360**	**4,908**	**3,358**	**4,465[r]**	**−570**	**1,709**
23 Europe	21,989	17,338	10,527	2,560	499	2,055	2,794	3,102[r]	−55	2,133
24 France	194	143	257	−130	107	41	−16	27	93	6
25 Germany	33	1,344	5	75	15	38	148	135	−170	−162
26 Netherlands	269	1,514	525	17	30	−21	69	51	9	386
27 Switzerland	1,587	513	131	273	130	131	4	90	−114	−110
28 United Kingdom	19,770	13,088	9,258	2,468	149	1,751	2,578	2,252[r]	665	1,862
29 Canada	1,296	711	509	178	180	129	213	115	59	−188
30 Latin America and Caribbean	2,857	1,930	1,813	240	229	651	301	219	136	277
31 Middle East[1]	−1,314	−178	−589	159	−128	160	87	3	−100	−611
32 Other Asia	2,021	8,900	2,862	840	552	1,893	−50	990	−615	93
33 Japan	1,622	7,686	1,504	746	392	1,567	−285	608	−722	−57
34 Africa	16	−8	15	0	3	2	5	4	0	1
35 Other countries	−61	−89	93	2	24	18	8	33	5	4
36 **Nonmonetary international and regional organizations**	**740**	**−542**	**273**	**3**	**20**	**−34**	**41**	**1**	**122**	**123**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	1,081	−1,901	−6,091	−1,102	−891	−629	−147	−962[r]	−1,332	−2,130
38 Foreign purchases	95,458	75,203	47,980	7,472	6,856	8,070	9,477	6,724[r]	7,795	9,058
39 Foreign sales	94,377	77,104	54,072	8,573	7,748	8,698	9,624	7,687[r]	9,127	11,188
40 Bonds, net purchases, or sales (−)	−7,946	−9,869	−3,201	−1,720	−247	−484	−653	−176[r]	−111	1,530
41 Foreign purchases	199,089	217,648	111,325	20,510	14,835	18,711	23,395	15,951[r]	17,519	20,914
42 Foreign sales	207,035	227,517	114,526	22,230	15,083	19,195	24,047	16,127	17,630	22,444
43 **Net purchases, or sales (−), of stocks and bonds**	**−6,865**	**−11,770**	**−9,292**	**−2,822**	**−1,139**	**−1,112**	**−800**	**−1,138[r]**	**−1,443**	**−3,660**
44 **Foreign countries**	**−6,757**	**−12,251**	**−9,748**	**−2,916**	**−1,115**	**−1,190**	**−992**	**−1,331[r]**	**−1,660**	**−3,460**
45 Europe	−12,101	−10,205	−9,449	−1,543	−80	−797	−1,399	−1,734	−1,542	−3,897
46 Canada	−4,072	−3,799	−2,542	−658	−378	−530	−584	191	−558	−683
47 Latin America and Caribbean	828	1,386	436	−32	68	79	161	195	−94	27
48 Asia	9,299	987	1,889	−189	−872	−34	885	70[r]	701	1,138
49 Africa	89	−54	10	−33	6	−9	−16	11	14	3
50 Other countries	−800	−567	−93	−461	139	100	−40	−65	−181	−47
51 **Nonmonetary international and regional organizations**	**−108**	**481**	**456**	**94**	**−23**	**78**	**192**	**193**	**216**	**−200**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1987	1988	1989 Jan.–June	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.	1989 Apr.	1989 May	1989 June[p]
	Transactions, net purchases or sales (−) during period[1]									
1 **Estimated total[2]**	**25,587**	**48,884**	**21,619**	**384**	**2,828**	**8,783**	**8,640**	**29**	**7,012**	**−5,672**
2 Foreign countries[2]	30,889	48,187	20,266	2,384	2,040	9,907	8,297	291	5,494	−5,762
3 Europe[2]	23,716	14,343	9,384	330	2,141	3,775	2,143	−1,814	4,472	−1,333
4 Belgium-Luxembourg	653	923	126	−90	9	127	−23	−87	88	13
5 Germany[2]	13,330	−5,268	−1,252	−374	938	−31	−181	−693	−179	−1,106
6 Netherlands	−913	−356	−1,328	−114	268	135	242	−643	−638	−692
7 Sweden	210	−323	650	118	−115	297	−508	398	−69	647
8 Switzerland[2]	1,917	−1,074	3,155	−18	214	438	1,768	440	−83	378
9 United Kingdom	3,975	9,674	4,803	−232	−348	1,533	1,207	−1,298	3,847	−137
10 Other Western Europe	4,563	10,776	3,246	1,054	1,175	1,277	−363	74	1,511	−428
11 Eastern Europe	−19	−10	−16	−15	0	0	0	−5	−5	−6
12 Canada	4,526	3,761	−236	788	54	17	−55	114	157	−523
13 Latin America and Caribbean	−2,192	703	863	−104	−104	525	113	−132	−179	641
14 Venezuela	150	−109	−107	0	−37	1	−53	−18	0	1
15 Other Latin America and Caribbean	−1,142	1,120	−108	140	−163	247	132	−231	−78	−16
16 Netherlands Antilles	−1,200	−308	1,078	−244	96	276	34	117	−101	656
17 Asia	4,488	27,606	10,120	1,021	626	5,955	5,659	1,743	1,734	−5,595
18 Japan	868	21,752	943	−157	116	2,503	1,855	2,624	1,646	−7,800
19 Africa	−56	−13	107	−7	−1	15	−2	32	−3	66
20 All other	407	1,786	28	358	−676	−379	439	350	−687	982
21 Nonmonetary international and regional organizations	−5,300	700	1,355	−2,000	788	−1,124	344	−262	1,519	90
22 International	−4,387	1,142	959	−2,019	777	−1,072	424	−252	1,335	−253
23 Latin America regional	3	−31	222	10	0	−10	−8	−21	70	191
Memo										
24 Foreign countries[2]	30,889	48,187	20,266	2,384	2,040	9,907	8,297	291	5,494	−5,762
25 Official institutions	31,064	26,624	11,401	2,243	2,019	4,299	6,549	−842	−1,068	444
26 Other foreign[2]	−181	21,560	8,865	141	21	5,609	1,747	1,133	6,561	−6,206
Oil-exporting countries										
27 Middle East[3]	−3,142	1,963	6,199	1,090	129	3,560	2,607	−471	−299	672
28 Africa[4]	16	1	0	0	0	0	0	0	0	0

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. Includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per year

Country	Rate on Aug. 31, 1989		Country	Rate on Aug. 31, 1989		Country	Rate on Aug. 31, 1989	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	6.0	June 1989	France[1]	8.75	June 1989	Norway	8.0	June 1983
Belgium	9.25	June 1989	Germany, Fed. Rep. of	5.0	June 1989	Switzerland	5.5	July 1989
Brazil	49.0	Mar. 1981	Italy	13.5	Mar. 1989	United Kingdom[2]	....	....
Canada	12.40	Aug. 1989	Japan	3.25	May 1989	Venezuela	8.0	Oct. 1985
Denmark	8.0	June 1989	Netherlands	6.0	June 1989			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. Minimum lending rate suspended as of Aug. 20, 1981.

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per year, averages of daily figures

Country, or type	1986	1987	1988	1989						
				Feb.	Mar.	Apr.	May	June	July	Aug.
1 Eurodollars	6.70	7.07	7.86	9.61	10.18	10.01	9.66	9.28	8.86	8.71
2 United Kingdom	10.87	9.65	10.28	12.97	13.00	13.09	13.08	14.17	13.91	13.86
3 Canada	9.18	8.38	9.63	11.69	12.22	12.58	12.44	12.35	12.24	12.30
4 Germany	4.58	3.97	4.28	6.36	6.57	6.42	6.96	6.93	7.00	6.99
5 Switzerland	4.19	3.67	2.94	5.69	5.75	6.05	7.26	7.09	6.92	7.01
6 Netherlands	5.56	5.24	4.72	6.75	6.88	6.70	7.30	7.11	7.07	7.15
7 France	7.68	8.14	7.80	9.11	9.07	8.61	8.81	8.89	9.05	8.95
8 Italy	12.60	11.15	11.04	12.26	12.88	12.21	12.27	12.35	12.46	12.48
9 Belgium	8.04	7.01	6.69	8.04	8.28	8.17	8.45	8.51	8.46	8.44
10 Japan	4.96	3.87	3.96	4.21	4.21	4.20	4.25	4.46	4.71	4.80

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar

Country/currency	1986	1987	1988	1989					
				Mar.	Apr.	May	June	July	Aug.
1 Australia/dollar[2]	67.093	70.136	78.408	81.69	80.35	77.36	75.61	75.66	76.26
2 Austria/schilling	15.260	12.649	12.357	13.148	13.161	13.691	13.912	13.308	13.571
3 Belgium/franc	44.662	37.357	36.783	39.136	39.148	40.723	41.414	39.559	40.313
4 Canada/dollar	1.3896	1.3259	1.2306	1.1954	1.1888	1.1925	1.1986	1.1891	1.1756
5 China, P.R./yuan	3.4615	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314
6 Denmark/krone	8.0954	6.8477	6.7411	7.2912	7.2803	7.5820	7.7087	7.3527	7.4942
7 Finland/markka	5.0721	4.4036	4.1933	4.2994	4.1961	4.3409	4.4302	4.2699	4.3508
8 France/franc	6.9256	6.0121	5.9594	6.3321	6.3223	6.5815	6.7135	6.4105	6.5089
9 Germany/deutsche mark	2.1704	1.7981	1.7569	1.8686	1.8697	1.9461	1.9789	1.8901	1.9271
10 Greece/drachma	139.93	135.47	142.00	157.34	159.23	165.41	170.42	163.84	166.18
11 Hong Kong/dollar	7.8037	7.7985	7.8071	7.7969	7.7828	7.7799	7.7934	7.8040	7.8077
12 India/rupee	12.597	12.943	13.899	15.467	15.718	16.102	16.420	16.416	16.603
13 Ireland/punt[2]	134.14	148.79	152.49	142.84	142.67	137.39	134.92	141.26	138.43
14 Italy/lira	1491.16	1297.03	1302.39	1372.50	1371.80	1415.83	1434.40	1367.39	1384.22
15 Japan/yen	168.35	144.60	128.17	130.55	132.04	137.86	143.98	140.42	141.35
16 Malaysia/ringgit	2.5830	2.5185	2.6189	2.7535	2.7211	2.6967	2.7086	2.6809	2.6820
17 Netherlands/guilder	2.4484	2.0263	1.9778	2.1085	2.1098	2.1938	2.2292	2.1318	2.1728
18 New Zealand/dollar[2]	52.456	59.327	65.558	61.547	61.167	60.718	57.376	57.537	59.201
19 Norway/krone	7.3984	6.7408	6.5242	6.8059	6.7964	7.0337	7.1852	6.9480	7.0485
20 Portugal/escudo	149.80	141.20	144.26	154.05	154.54	160.71	164.92	158.31	161.15
21 Singapore/dollar	2.1782	2.1059	2.0132	1.9407	1.9497	1.9575	1.9572	1.9589	1.9595
22 South Africa/rand	2.2918	2.0385	2.1900	2.5393	2.5480	2.6710	2.7828	2.6909	2.7220
23 South Korea/won	884.61	825.93	734.51	675.68	672.10	669.25	669.43	669.83	671.06
24 Spain/peseta	140.04	123.54	116.52	116.40	116.146	121.39	126.55	118.73	120.64
25 Sri Lanka/rupee	27.933	29.471	31.847	33.416	34.021	34.145	33.475	34.764	34.256
26 Sweden/krona	7.1272	6.3468	6.1369	6.3933	6.3689	6.5756	6.6872	6.4653	6.5490
27 Switzerland/franc	1.7979	1.4918	1.4642	1.6110	1.6469	1.7290	1.7089	1.6281	1.6606
28 Taiwan/dollar	37.837	31.756	28.636	27.591	26.998	25.788	26.023	25.816	25.679
29 Thailand/baht	26.314	25.774	25.312	25.542	25.524	25.757	25.909	25.771	25.910
30 United Kingdom/pound[2]	146.77	163.98	178.13	171.34	170.08	163.07	155.30	162.68	159.46
MEMO									
31 United States/dollar[3]	112.22	96.94	92.72	96.99	97.24	100.81	103.09	99.12	100.44

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) release. For address, see inside front cover.
2. Value in U.S. cents.
3. Index of weighted-average exchange value of U.S. dollar against the currencies of 10 industrial countries. The weight for each of the 10 countries is the 1972–76 average world trade of that country divided by the average world trade of all 10 countries combined. Series revised as of August 1978 (see FEDERAL RESERVE BULLETIN, vol. 64, August 1978, p. 700).

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected
e	Estimated
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
n.a.	Not available
n.e.c.	Not elsewhere classified
IPCs	Individuals, partnerships, and corporations
REITs	Real estate investment trusts
RPs	Repurchase agreements
SMSAs	Standard metropolitan statistical areas
. . .	Cell not applicable

General Information

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

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables, details do not add to totals because of rounding.

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Index to Statistical Tables

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2. Executive Vice President.

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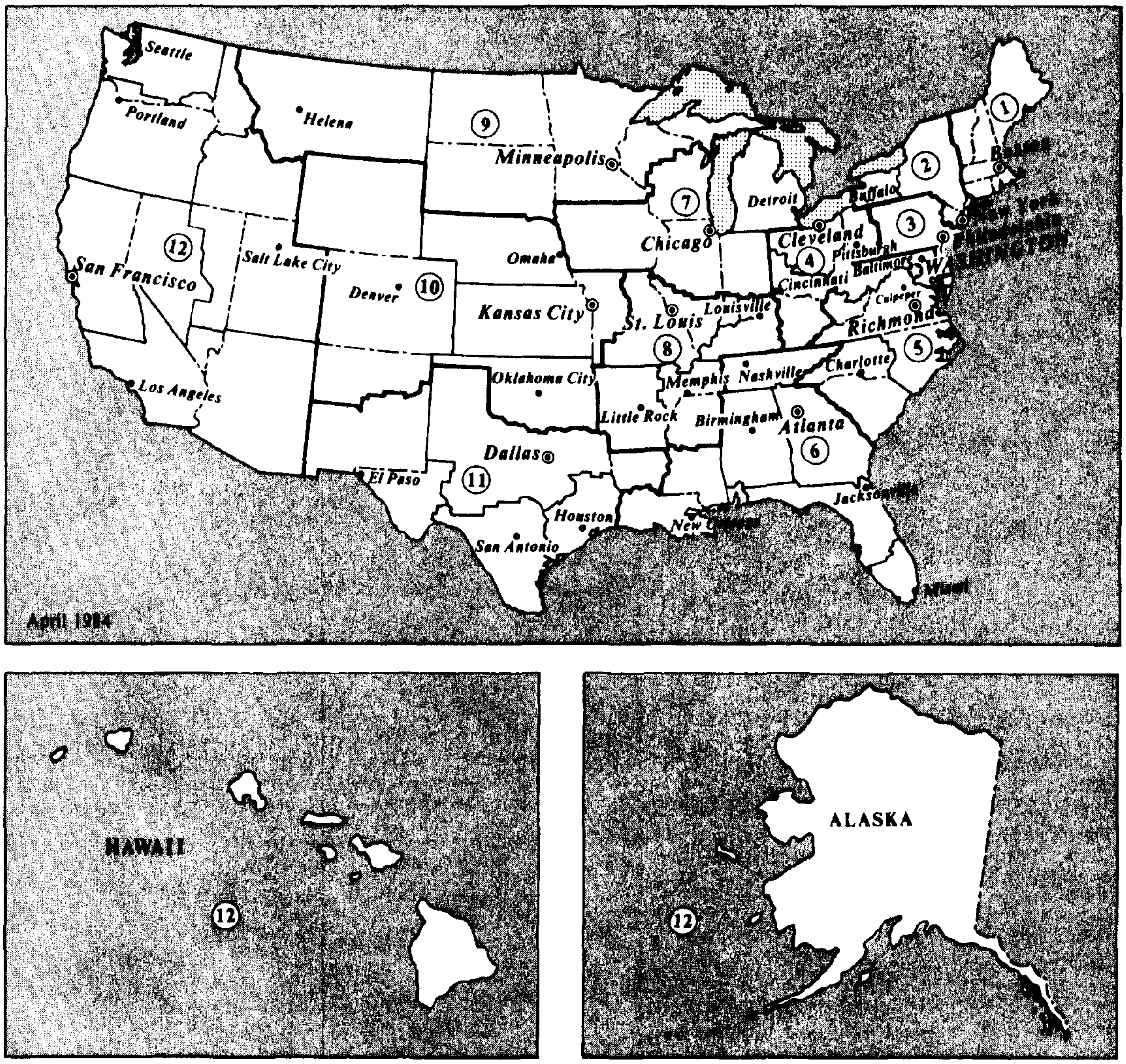
Boundaries of Federal Reserve Districts and Their Branch Territories



LEGEND

— Boundaries of Federal Reserve Districts

— Boundaries of Federal Reserve Branch Territories

✪ Board of Governors of the Federal Reserve System

◉ Federal Reserve Bank Cities

• Federal Reserve Branch Cities

· Federal Reserve Bank Facility